

Term Sheet

Healthcare New Construction or Substantial Rehabilitation Loan

This program provides non-recourse, assumable construction and permanent financing to build new or substantially rehabilitate assisted living, memory care, and intermediate or skilled nursing facilities.

Eligible Properties

Nursing homes, intermediate care, board and care, and assisted-living facilities.

Eligible Borrowers

Single-asset entity; for-profit or non-profit owners.

Maximum Loan Amount

For new construction, the lesser of:

- a) 90% of the HUD-eligible replacement cost of the facility (hard costs, soft costs and land value);
- b) 80% of the market value for skilled nursing facilities (up to 85% of market value for qualified non-profit borrowers) and 75% of market value for assisted living and memory care facilities (up to 80% of market value for qualified non-profit borrowers); or
- c) minimum debt service coverage of 1.45x.

For substantial rehabilitation, loan amount is determined in the same fashion unless the mortgagor already owns the property. If the mortgagor owns the property, the cost criterion equals the redevelopment cost plus the lesser of the existing indebtedness before rehabilitation or 90% of the estimated value of the project before rehabilitation. For a property to qualify for substantial rehabilitation, the cost of repairs, replacements and/or improvements to the existing property must exceed 15% of the project's value after completion (not including costs of an addition). Additionally, a property can qualify if two or more major building components are being substantially replaced (at least 50%), regardless of cost.

Loan Term

40-year (fully amortizing) plus construction period, or 75% of remaining economic life.

Recourse Requirements

Non-recourse, except industry-standard carve-outs.

Third-Party Reports

Working capital deposit equal to 2% of the mortgage is escrowed at closing, subject to release one year after substantial completion.

Initial Operating Deficit Escrow will be required and can be posted in cash or letter of credit. This is typically equal to 12-18 months of debt service and released upon property maintaining 1.45x debt service coverage for 3 consecutive months. Debt service reserve is required and ranges from 6-12 months of principal, interest and MIP payments; will be held until an average debt service coverage of 1.45x is met for 12 consecutive months (no month can be below 1.25x).

Escrows for property taxes, insurance, MIP and replacement reserves required.

Escrows

The client must pay for all third-party reports, which include a market study, a Phase I Environmental Assessment, a full appraisal, an architectural/engineering review and a cost analysis.

Interest Rates

Based on market and are set upon acceptance of Firm Commitment and fixed for the entire term of the loan. Early rate locks are available.

Fees and Expenses

0.30% application fee due at submission of application. Financing and permanent placement fees are negotiable and based on final loan amount. HUD inspection fee for new construction is 0.5% of mortgage amount. SunTrust will charge a nominal processing fee.

Term Sheet *(continued)*

Mortgage Insurance Premium

0.77% of loan amount due at initial loan closing for each 12 months of construction term, or part thereof; 0.77% of outstanding principal balance thereafter.

Other FHA Requirements

Any “off-site” construction costs or demolition costs require separate funding by the mortgagor.

The general contractor must pay Davis-Bacon prevailing wage rates as required by the Department of Labor.

The mortgagor must retain a qualified arm’s-length supervisory architect during construction.

A cost certification by the general contractor and owner will be required after construction completion.

The general contractor must execute a guaranteed maximum price contract, provide a 100% performance and payment bond (or cash or letter of credit acceptable to FHA), and have liquid net worth equal to at least 5% of the project construction contract plus all other uncompleted construction work.

To learn more about SunTrust Commercial Real Estate, visit suntrustcre.com.

This term sheet is only for the purpose of setting forth standard required terms of a HUD-insured loan for informational purposes and a basis upon which the parties may be agreeable to proceed toward a potential transaction and is not intended to be a legally binding contract or to impose any liabilities or obligations on any party. The terms reflected in this term sheet are subject to change or withdrawal at any time in SunTrust Bank’s sole discretion (due to market conditions or otherwise) and do not constitute a binding offer to enter into a transaction. Finalized terms and conditions are subject to further discussion and negotiation and would be evidenced by execution of definitive documentation acceptable to the parties, and it is understood that this term sheet does not set forth all of the terms of such definitive documentation. Standard credit criteria apply.