
**NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION
HUD SECTION 242**

SOURCE OF FUNDS

- ✘ Centennial Mortgage, Inc.

ELIGIBILITY

- ✘ Mortgagor entity may be either for-profit or not-for-profit.
- ✘ Certificate of Need for the facility must be issued by the State, per that State's requirements.
- ✘ For acute care hospitals, no more than 50% of total inpatient days during any 1 year may be assignable to chronic convalescence and rest, drug and alcohol, epileptic, nervous and mental, mentally deficient and tuberculosis care.

REQUIREMENTS

- ✘ Subject to Davis-Bacon requirements.
- ✘ Audited project financial statements must be filed annually with CMI

ESCROWS

- ✘ Full escrows for property taxes and mortgage and property insurance are funded at closing and must be maintained throughout the life of the loan.
- ✘ A Replacement Reserve account must be established at closing and is made immediately available for replacement of short-lived depreciable items. The account must be maintained with monthly contributions

throughout the life of the loan. Interest earned on the account inures to the benefit of the property.

- ✘ An Operating Deficit escrow may be required by HUD to cover operating losses until sustaining occupancy is reached and, when required, must be funded by mortgagor with cash or a letter of credit.

FEATURES

- ✘ This is a non-recourse loan. Mortgagor assumes no personal liability.
- ✘ Long-term—up to 25 years, fully-amortizing.
- ✘ Low, fixed interest rates.
- ✘ Loan-to-cost ratio up to 90% (includes major movable equipment).
- ✘ Loan-to-value ratio for rehabilitation and refinance up to 90%, with a minimum of 20% (10% equipment) of the mortgage amount attributable to rehabilitation.
- ✘ Most affirmative and negative loan covenants typically found in conventional loan agreements are eliminated.
- ✘ Converts to permanent financing upon completion at no extra cost.
- ✘ Fully assumable.
- ✘ Can be used as a credit enhancement for tax exempt bonds

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