



**HEALTH CARE FACILITIES**

**2006 Lender Training:  
Financing America's Hospitals Today**

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**Financing America's Hospitals Today**

**Section 242 Mortgage Insurance for Hospitals  
Overview**

**Roger Miller, Director**  
**Office of Insured Health Care Facilities**



# Mission

- To support affordable financing of needed hospital projects by reducing the cost of capital through credit enhancement
  - ❖ Supports HUD's community development mission
  - ❖ Improves access to quality and cost-effective healthcare
  - ❖ Fills unique role not served by private market

# Organization Chart

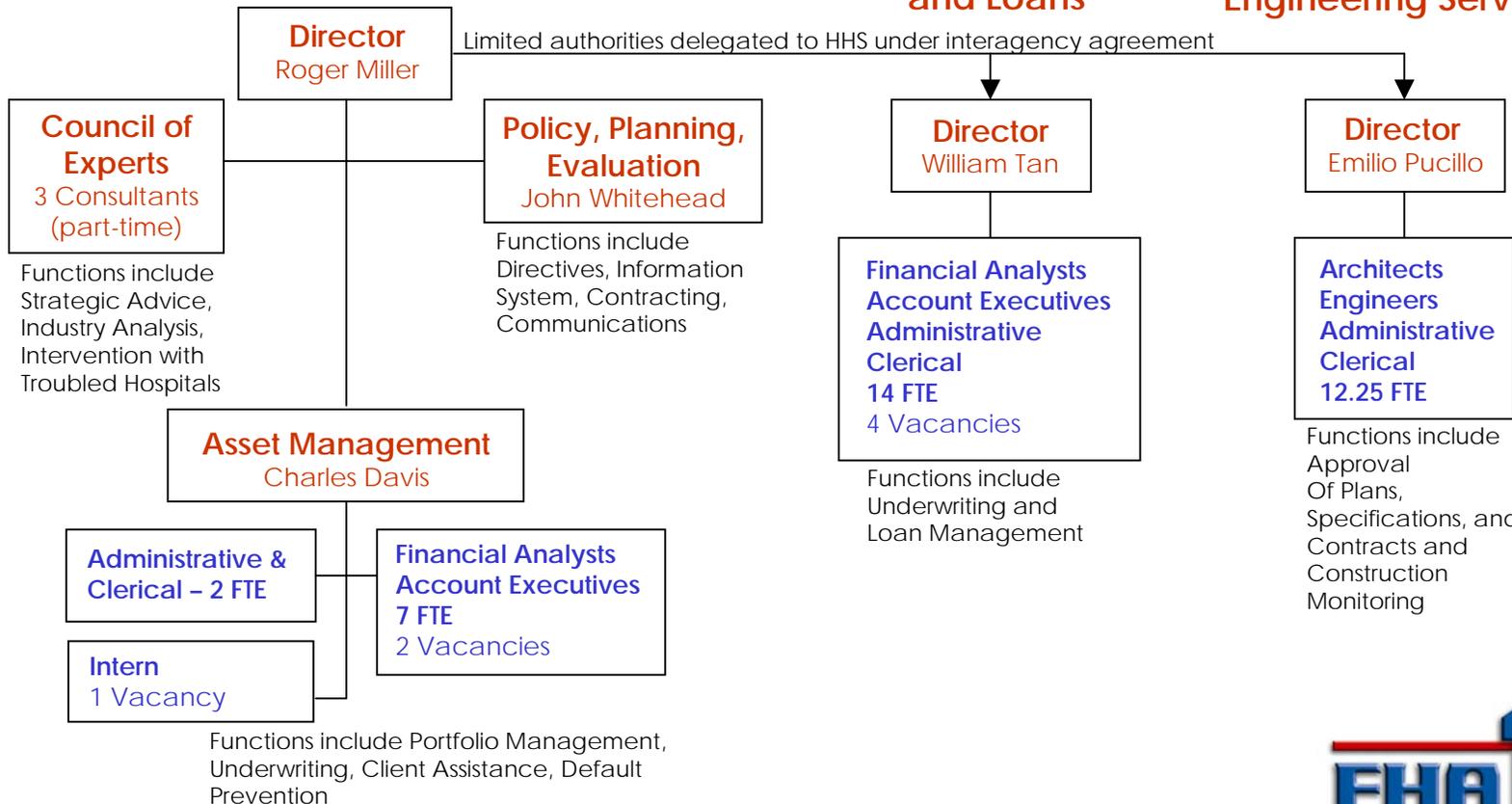
HHS

Health Resources and Services Administration  
Healthcare Systems Bureau

**HUD Headquarters**  
Housing  
**Office of Insured Health Care Facilities**

**Division of Facilities and Loans**

**Division of Engineering Services**



12-07-06



# Limited Field Office Role

- Receives all fees and assigns FHA project number
- Provides prior participation and environmental clearances
- Performs initial and final closings
- Reviews legal documents

# Program Performance

- 350 Loan Commitments since 1968 totalling \$12.8 billion in 42 states and Puerto Rico
- Most hospitals gained financial strength to refinance out of the portfolio
- Low claims rate -- program is self-sustaining
  - ❖ One claim in the last 12 years
- 80 loans insured today for \$5.7 billion principal balance outstanding

## FHA-Insured Hospitals Are Among America's Best According to U.S. News and World Report

- **The New York Presbyterian Hospital**
  - ❖ Ranked #6 overall, received top ratings in 11 out of 16 specialties
- **The Hospital for Special Surgery**
  - ❖ Ranked #2 and #3 in the nation for orthopedics and rheumatology, respectively.
- **Montefiore Medical Center**
  - ❖ Received high marks in rehabilitation services
- **Medical University of South Carolina**
  - ❖ Recognized for its treatment of patients with digestive disorders

# Government Accountability Office Reports

- 1996 Report
  - ❖ “The large loan amounts in New York pose risks to future stability of the program...”
  - ❖ “Congress may wish to explore options for reducing the program’s risk by limiting exposure in a particular state and capping mortgage insurance amounts...”
- 2006 Report
  - ❖ “FHA has goals to diversify the hospital insurance portfolio and has made efforts to do so...”

## New York State Vs. Other States FHA Section 242 Portfolio (November 2006)

- In 2000, New York State Hospital mortgage balances represented 89 percent of total FHA Portfolio

	<b>UPB</b>	<b>Percent</b>
<b>New York State</b>	\$3,143,243,968	54.84%
<b>Other States</b>	\$2,588,787,582	45.16%
<b>Total</b>	\$5,732,031,550	100.00%
	<b>Number of Loans</b>	<b>Percent</b>
<b>New York State</b>	44	55.00%
<b>Other States</b>	36	45.00%
<b>Total</b>	80	100.00%

December 2006

# Hospital Business

FY05 to date



# Objectives

- Quality Underwriting
- Claim Prevention
- Continual Improvement

# Continual Improvement

- Geographic Diversification
- Marketing
- Website
- Adding Talented Staff
- Council of Experts
- Applicant's Guide
- Design/Build Construction
- Streamlining Application Process

# Streamlining Application Process

- Reducing requested information
- Improving communication with application checklist
- Condensed and more focused credit committee report
- Fast track review for financially strong hospitals

# FY 2006 Results

- Nine deals totaling \$943 million
- Five of nine done in less than 120 days
  - ❖ Previous record 122 days
- One processed in 51 days
- Seven commitments in seven days in seven states



## Planning a hospital construction project? Shopping for **AFFORDABLE** financing?

A lender insured by the Federal Housing Administration can make it happen!

U.S. government backing of your hospital's debt enhances your creditworthiness:

- Your resulting AA to AAA credit rating = lower interest rates
- Lower interest rates = more spending power to build, modernize, expand, refinance and buy equipment



(Above) University of New Mexico Children's Hospital, Albuquerque, NM  
Mortgage amount: \$183.4 million

(Top) Sinai Health System, Chicago, IL  
Mortgage amount: \$98 million



Rio Grande Hospital (Critical Access), Del Norte, CO  
Mortgage amount: \$10 million

Other FHA advantages:

- New processing policies enabling faster turnarounds
- Can be used in conjunction with tax-exempt bond issues and Ginnie Mae securities
- A record of success insuring more than 320 hospital mortgages in 42 states and Puerto Rico

"We are deeply grateful to FHA for supporting our goal to build this world-class hospital facility."

—Stuart Smith, Executive Director  
Medical University Hospital Authority,  
Charleston, SC

"FHA has financed our growth, and our growth has created our success. It has been a wonderful partnership through the years, and I am in your debt."

—Spencer Foreman, M.D., CEO  
Montefiore Medical Center, Bronx, NY

"Please thank your staff for processing our loan application in 79 days and for their professionalism.... I recommend rural hospitals seriously consider FHA mortgage insurance."

—Arlene Harris, CEO  
Melissa Memorial Hospital, Holyoke, CO



For more information call (202) 708-0614 x2003  
or visit us online at [www.fha.gov/hospitals](http://www.fha.gov/hospitals)

# Modern Healthcare Ad, December 2006



# Topics to be Covered

- Policy Overview
- Preliminary Review Process
- Application Process
- Study of Market Need and Financial Feasibility
- Legal Issues
- Construction Guidelines
- Asset Management
- Prior Participation Clearances

**Thank You For Coming!**

