

The mortgaged property must include all of the hospital's integral operating components, and cover all of the property used in the operation of the entire hospital. This includes the assets and revenue-generating business lines, services, or subsidiaries necessary to operate the hospital, including off-site properties (such as clinics, MOB's, and physician practices). It also includes other major assets, such as equipment and accounts receivable.

HUD generally does not encourage asset exclusions from proposed mortgages. However, in the event that you propose an exclusion, HUD will evaluate the hospital's business case and rationale for that proposal. If the hospital plans on selling real estate in the near future, disposing of property as part of the normal course of business, or other acceptable rationale for an exclusion, HUD encourages you to discuss these plans up front so that accommodations acceptable to HUD can be built into your proposal.

Typically, HUD will exclude foundations, housing, or properties with environmental challenges from the mortgaged property. HUD will also consider excluding off-site properties, if the operations are not critical to the financial well-being of the hospital or if the book value of the property is low.

All property included in the collateral for the mortgage loan must be free and clear of liens, unless liens are approved by HUD. Therefore, all mortgages on real estate must be released using either cash or mortgage proceeds. If debt cannot be extinguished for whatever reason, it may not be eligible to be included in the mortgage.

Some government entities may not have the power to mortgage or lease their property outright. If that power cannot be granted, then the property cannot be included in the mortgage.

Finally, integral operating components may be within other entities within a system. Related entities may need to co-sign the mortgage or security agreement to pledge their assets in addition to the borrower's assets.

If there is nothing preventing the hospital from pledging integral operating components to the lender, such as legal inability to mortgage or an inability to refinance an existing mortgage, please click on "Yes" when answering this question.