

The Section 223(f) program was created to enable eligible non-portfolio hospitals to refinance existing capital debt without conditioning such refinancing on new construction or renovation. In order to meet eligibility requirements for Section 223(f) mortgage insurance, the hospital must demonstrate that its financial performance would be materially improved by the Section 223(f) refinancing, or it has a "need" to refinance its capital debt.

To measure the hospital's need to refinance, HUD developed 7 benchmarks or factors (criteria). Each of these factors, if met by the Hospital, indicates some need to refinance. Hospitals must meet at least 3 of these 7 criteria in order to demonstrate that its financial performance would be materially improved by the refinancing, and meet this requirement.

The criteria are as follows:

1. **THE PROPOSED REFINANCING WOULD REDUCE THE HOSPITAL'S TOTAL OPERATING EXPENSES BY AT LEAST 0.25 PERCENT**
2. **THE INTEREST RATE OF THE PROPOSED REFINANCING WOULD BE AT LEAST 0.5 PERCENTAGE POINTS LESS THAN THE INTEREST RATE ON THE DEBT TO BE REFINANCED**
3. **THE INTEREST RATE ON THE DEBT THAT THE HOSPITAL PROPOSES TO REFINANCE HAS INCREASED BY AT LEAST ONE PERCENTAGE POINT AT ANY TIME SINCE JANUARY 1, 2008, OR IS VERY LIKELY TO INCREASE BY AT LEAST ONE PERCENTAGE POINT WITHIN ONE YEAR OF THE DATE OF APPLICATION**
4. **THE HOSPITAL'S ANNUAL TOTAL DEBT SERVICE IS IN EXCESS OF 3.4 PERCENT OF TOTAL OPERATING REVENUES, BASED ON ITS MOST RECENT AUDITED FINANCIAL STATEMENT**
5. **THE HOSPITAL HAS EXPERIENCED A WITHDRAWAL OR EXPIRATION OF ITS CREDIT ENHANCEMENT FACILITY, OR THE LENDER PROVIDING ITS CREDIT ENHANCEMENT FACILITY HAS BEEN DOWNGRADED, OR THE HOSPITAL CAN DEMONSTRATE THAT ONE OF THESE EVENTS IS IMMINENT**
6. **THE HOSPITAL IS PARTY TO COVENANTS ON ITS EXISTING FINANCING THAT ARE SUBSTANTIALLY MORE RESTRICTIVE THAN THE SECTION 242 MORTGAGE COVENANTS**
7. **THERE ARE OTHER CIRCUMSTANCES THAT DEMONSTRATE THAT THE HOSPITAL'S FINANCIAL PERFORMANCE WOULD BE MATERIALLY IMPROVED BY REFINANCING ITS EXISTING CAPITAL DEBT**

Because some of these criteria are qualitative or require an analysis of the debt to be refinanced, HUD acknowledges that the Hospital and its financing team are in the best position to gauge whether the criteria are met. Therefore, HUD relies on the Hospital and its financing team to make this determination.

However, if you are not sure whether the Hospital meets one or more of these criteria, or need help interpreting the criteria, please contact HUD for guidance (paul.a.giaudrone@hud.gov).

If, in your professional opinion, the Hospital meets three of the seven criteria outlined, please click on "Yes" when answering this question.