Nursing Home Program (Section 232)

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the Federal Housing Administration's program of mortgage insurance for nursing homes is set forth in the enabling legislation, section 232 of the National Housing Act. It is, "to assist the provision of urgently needed nursing homes for the care and treatment of convalescents and other persons who are not acutely ill and do not need hospital care but who require skilled nursing care and related medical services." In general, the program is designed to help reduce the national shortage of nursing homes by providing facilities that are economically sound and structurally adequate for the safety and proper care of occupants.

2. Operation

The FHA helps sponsors of nursing homes to get mortgage loans on favorable terms through established lending institutions by insuring the lenders against possible loss. All nursing homes developed under the section 232 program are constructed or rehabilitated by private builders, and are owned and managed by private concerns or individuals.

The nursing home program is administered directly by local FHA insuring offices. Except for modifications necessitated by the nature of nursing home mortgage insurance transactions, FHA regulations and operating procedures for section 232 are similar to those for multifamily rental-housing projects insured at market interest rates.

Before insuring any mortgage under section 232, FHA must have certification from the appropriate State agency of the State in which the nursing home is to be located that there is a need for the home; that there are in force in the State (or its political subdivision) reasonable minimum standards for licensing and operating nursing homes; and that these standards will be applied and enforced with respect to any FHA-insured nursing home in the State.

3. History

Section 232, authorizing FHA insurance of mortgages to finance construction or rehabilitation of nursing home facilities providing accommodations for 20 or more persons, was added to the National Housing Act in 1959. Up to that time there had been a dearth of available funds to finance proprietary (organized for profit) nursing homes and limited familiarity of lending institutions with the problems and opportunities in this field.

Congressional action in 1961 increased the permissible ratio of loan-to-value for section 232 projects from 75 to 90 percent, thus reducing the required equity from 25 to 10 percent. This amendment, according to the legislative history, was designed primarily to encourage the smaller nursing homeowner to provide better physical facilities for the care of those who must be confined to nursing homes.

In 1964, section 232 was amended to make private nonprofit nursing home sponsors eligible for FHA mortgage insurance for nursing home construction on the same terms as proprietary sponsors. Since passage of the 1964 act, it has been possible for the sponsor of a nonprofit nursing home to qualify for a combination FHA-insured mort-