



Fifth Third Bank



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

H.E.L.P. Loan Program

Andrew E. Schmidt

Vice President
Healthcare Financial Services
Fifth Third Bank

What is H.E.L.P.?

Healthcare Equipment Loan Program

- ▶ Developed in 1980 by MHA and MSHFA to provide tax-exempt financing to smaller healthcare facilities.
- ▶ Reduces borrowing costs for individual facilities by “pooling” borrowing needs with other facilities.
- ▶ Over \$900 million in financing provided by H.E.L.P. over the past 25 years. Over 50 facilities currently use the program.

Who is Eligible?

Michigan Non-profit Healthcare Providers

- ▶ Community Hospitals*
- ▶ Hospice Facilities
- ▶ Joint Ventures
- ▶ Imaging Facilities
- ▶ Ambulance Services
- ▶ Specialty Hospitals
- ▶ Nursing Homes & CCRCs

* Publicly owned facilities are not currently eligible.

3

H.E.L.P. Loan Uses

Equipment

- ▶ Medical Equipment
- ▶ Computer Equipment / IT
- ▶ EMR
- ▶ PACS
- ▶ HVAC

4

H.E.L.P. Loan Uses

Real Estate

- ▶ New Facilities
- ▶ Conference Centers
- ▶ Office Buildings
- ▶ Department Renovations
- ▶ New Entries / Foyers
- ▶ Additions

5

H.E.L.P. Loan Uses

Refinancing

- ▶ Term Loans
- ▶ Leases
- ▶ Mortgage Loans
- ▶ H.E.L.P. Loans
- ▶ Govt. Program Loans

6

H.E.L.P. Loan Features

- ▶ Reduced Work for Borrower / Keeping it Simple
 - ▶ MSHFA handles the bond issuance process and pays all of the bond issuance and ongoing bond administration costs.
- ▶ Interest Rate
 - ▶ Variable
 - ▶ Low rate based on tax-exempt bond rate
 - ▶ Fixed for extended periods of time

7

H.E.L.P. Loan Features

- ▶ Line of Credit / Interest-Only Draw Period
 - ▶ Ideally suited for construction projects
 - ▶ No penalty for cancellation or modification
 - ▶ Up to 3 years to use full amount of request
- ▶ Individually Customized Structure
 - ▶ Loan pricing, terms and fees based on individual needs, financial condition, and project.

8

H.E.L.P. Loan Features

- ▶ No Group Liability
 - ▶ A default by one H.E.L.P. borrower has no impact on other borrowers.

- ▶ No Prepayment Penalty
 - ▶ Can be repaid at any time in full or in part.

9

H.E.L.P. Loan Structure

- ▶ Flexibility in Changing the Amount Borrowed
- ▶ 100% Financing Available
- ▶ \$500,000 to \$25,000,000 (Average Loan \$3.5 million)

10

H.E.L.P. Loan Structure

- ▶ Quarterly Loan Fee
 - ▶ Average Q'ly Fee of 0.25% (1% Annually)
 - ▶ Annual Range from 0.5% to 1.50%
 - ▶ Loan Fees rising due to “credit crunch”.
- ▶ 3 Year Term
- ▶ Amortization
 - ▶ Eqpmt – Up to 7 Years; R/E – Up to 25 Years
- ▶ Monthly Payments to MSHFA
 - ▶ Interest Only, P+I (Level) or P&I (Mortgage)

11

Benefits of H.E.L.P. Loans

Cost of Issuance Comparison

\$3,000,000 Project

<u>Tax-Exempt Bond</u>		<u>HELP Loan</u>	
Underwriter	\$ 30,000	Underwriter	\$ 0
Trustee	3,000	Trustee	0
Legal Counsel	30,000	Legal Counsel	0
Conduit Issuer Fee	15,000	Conduit Issuer Fee	0
MHA Fee	0	MHA Fee	12,000
MSHFA Fee	0	MSHFA Fee	<u>24,000</u>
TOTAL	\$ 78,000	TOTAL	\$ 36,000
	2.6%		1.2%

12

Benefits of H.E.L.P. Loans

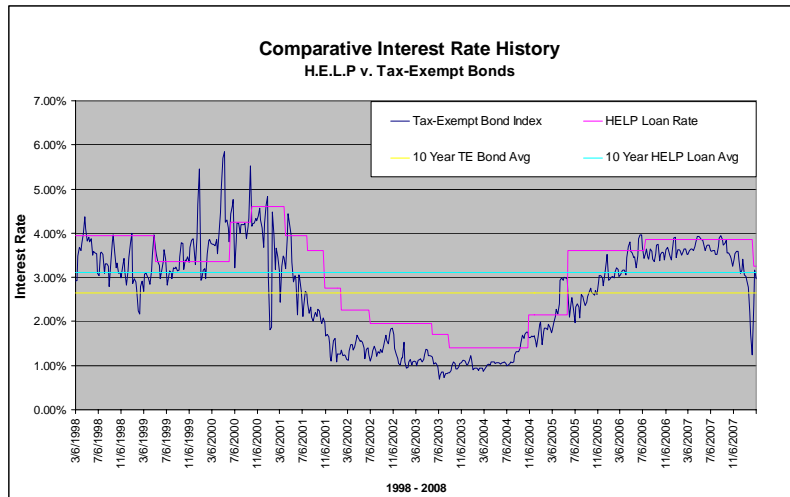
Administrative Cost Comparison

\$3,000,000 Project

<u>Tax-Exempt Bond</u>		<u>HELP Loan</u>	
Remarketing Fee (.125%)	\$ 3,750	Remarketing Fee	\$ 0
Trustee Fee (.10%)	3,000	Trustee Fee	0
L/C Draws (.06%)	<u>1,800</u>	L/C Draws	<u>0</u>
TOTAL	\$ 8,550	TOTAL	\$ 0
	0.29%		0%

13

Interest Rates



10 Yr. HELP Avg – 3.12%

10 Yr. TE Bond Avg – 2.65%

14

Total Cost Comparison

All-In Cost Comparison

\$3,000,000 Project

<u>Tax-Exempt Bond</u>		<u>HELP Loan</u>	
10 Yr Avg. Int. Rate (2.65%)	\$ 79,500	10 Yr Avg. Int. Rate (3.12%)	\$ 93,600
Letter of Credit Fee (1.50%)	45,000	Loan Fee (1.50%)	45,000
Administrative Costs (0.29%)	8,550	Administrative Costs	0
Amortization of Issuance Cost*	<u>15,600</u>	Amortization of Issuance Cost*	<u>7,200</u>
TOTAL	\$ 148,650	TOTAL	\$ 145,800
	4.96%		4.86%

* Assumes 5 Year Amortization

15

Other Benefits of H.E.L.P.

► Pay as You Go v. Pay at Closing

The H.E.L.P. Loan functions like a Line of Credit so you only pay interest and fees on what you have used. There is no penalty or cost for unused proceeds.

Tax-Exempt Bonds are issued in full on Day 1, so the full cost is incurred from the beginning (less interest earned on bond proceeds).

16

Application Process

- ▶ Fill out an application with the MHA. Available online at www.mha.org. Or contact, Gary Henriksen with the MHA Service Corporation.
- ▶ Pass Board Resolution to use H.E.L.P. Program.
- ▶ Agree to terms with Fifth Third Bank via a Commitment Letter.
- ▶ Loan closes via mail:
 - ▶ Loan Agreement with MSHFA.
 - ▶ Reimbursement Agreement with Fifth Third.

17

Program Contacts

MHA

Mr. Gary Henriksen
Group Vice President – Financial Services
Michigan Health & Hospital Association
6215 West. St. Joseph Highway
Lansing, MI 48917
Phone: (517) 886-8377
ghenriks@lans.mha.org

MSHFA

Mr. John Barton
Michigan State Hospital Finance Authority
P.O. Box 15218
430 W. Allegan
Lansing, MI 48901
Phone: (517) 241-9515
bartonj@mi.gov

Fifth Third Bank

Mr. Andrew E. Schmidt
Vice President – Healthcare Financial Services
Fifth Third Bank
RMNR1B
111 Lyon, NW
Grand Rapids, MI 49503
Phone: (616) 653-5073
andrew.schmidt@53.com

18