

Chandler & Co



A Guide to Care Home Refinancing



With past Budget increases in Employers' National Insurance contributions and National Minimum Wage costs, many care providers are reviewing their financial structures as part of broader efforts to manage costs, maintain operational resilience and support future business objectives.

At the same time, operators are continuing to invest in occupancy growth, service innovation, operational efficiencies, refurbishment projects, and sustainability improvements to meet the evolving expectations of residents, staff, and regulators.

Refinancing may be a useful strategic option for some care providers, depending on their financial circumstances, operational objectives, and lending eligibility.

This guide explains the care home refinancing process and highlights key considerations to help care providers make informed financial decisions.



What is Care Home Refinancing?

Refinancing involves replacing an existing loan or finance facility with a new lending arrangement under revised terms.

This may include:

- Replacing an existing commercial mortgage
- Refinancing a bridging loan onto a longer-term facility
- Consolidating multiple loans into one facility
- Raising additional funds for investment or expansion
- Restructuring repayments to support cash flow

The suitability of refinancing will depend on the individual circumstances of the care business, lender criteria, affordability assessments, and long-term operational goals.

Why Care Providers Consider Refinancing

Care providers may explore refinancing for a number of strategic and operational reasons.

- **Reducing Borrowing Costs** Depending on market conditions and the financial profile of the business, refinancing may provide access to more competitive interest rates or revised repayment structures. Depending on the borrowing structure selected, this may alter monthly repayment commitments and could affect short-term cash flow management. Lower monthly repayments do not necessarily reduce the overall cost of borrowing.
- **Accessing Equity for Investment** Accessing Equity for Investment Subject to lender approval and property valuation, refinancing may allow a care provider to release equity built up within the business or property portfolio. The suitability of releasing equity will depend on affordability, business requirements and long-term financial objectives. This capital may then be used for:
 - Refurbishments and modernisation
 - Sustainability and ESG initiatives
 - Service expansion
 - Acquisition opportunities
 - Working capital requirements

- **Extending Loan Terms** Extending the repayment period may reduce monthly repayment obligations, which can assist with short-term cash flow management. However, extending borrowing terms could increase the total cost of borrowing over the life of the loan.
- **Consolidating Existing Debt** As care groups grow, multiple facilities or loans may become administratively complex. Refinancing may provide an opportunity to consolidate borrowing into a single lending facility with simplified repayment arrangements.
- **Supporting Operational Improvements** Some lenders may support funding for:
 - Energy efficiency improvements
 - Sustainable development initiatives
 - Modernisation projects
 - Resident wellbeing enhancements
 - Staff facilities and operational efficiencies

Availability of funding for these purposes will vary between lenders and should not be assumed. Funding availability will depend on lender criteria, business performance, and valuation outcomes.

Important Considerations Before Refinancing

Refinancing may not be suitable for every care provider and should be carefully evaluated.

Potential considerations include:

- Higher total borrowing costs over the life of the loan
- Arrangement, legal, and valuation fees
- Early repayment charges on existing facilities
- Additional borrowing secured against property assets
- Variable interest rate exposure
- Changes in market conditions or occupancy levels

Care providers should carefully assess affordability, operational resilience, and long-term business sustainability before proceeding.

Independent legal, tax, and financial advice should be sought where appropriate.



When Should You Review Your Current Lending Terms?

Regularly reviewing lending arrangements can help ensure that finance structures continue to support the operational and strategic needs of the business.

Care providers may wish to review their facilities when:

- Existing fixed-rate periods are approaching expiry
- Interest rates have materially changed
- Occupancy levels have improved
- The business has increased profitability
- Expansion or acquisition opportunities arise
- Significant refurbishment projects are planned
- Existing bridging finance requires longer-term refinancing
- Multiple loans could potentially be consolidated
- Cash flow pressures are increasing

A periodic review of lending structures may help identify opportunities to improve financial efficiency or support future growth plans.



Assessing Whether Refinancing is Right for Your Care Home

Before considering refinancing, providers should review several key areas.

- **Current Interest Rates** Compare current market lending conditions against your existing borrowing arrangements. Potential savings should be balanced against associated fees, repayment charges and long-term borrowing costs.
- **Loan Structure & Terms Review:**
 - Remaining loan duration
 - Repayment profile
 - Fixed versus variable interest rates
 - Covenants and lending conditions

Understanding these factors can help determine whether alternative structures may better align with your business objectives.

- **Financial Performance** Lenders will typically review:
 - Historic and current trading performance
 - Occupancy levels and trends
 - Local Authority versus privately funded residents
 - EBITDAR and operational profitability
 - Cash flow forecasts
 - Debt serviceability

Ensuring that financial reporting is accurate and up to date is important during any refinancing process.

- **Regulatory & Compliance Standards** Lenders may also assess operational quality indicators, including:
 - Regulatory ratings and inspection outcomes (including CQC, Care Inspectorate, CIW or RQIA assessments where applicable)
 - Internal audit outcomes
 - Governance structures
 - Compliance procedures
 - Evidence of continuous improvement

Strong compliance and operational standards can support lender confidence.





- **ESG & Sustainability Considerations** Environmental, Social & Governance (ESG) considerations are becoming increasingly relevant within commercial lending decisions. Care providers may wish to assess future investment requirements relating to:
 - Energy efficiency
 - Carbon reduction initiatives
 - Sustainable refurbishment projects
 - Resident wellbeing environments
- **Market Conditions & Demand** Understanding local market dynamics remains important. Consider:
 - Demographic demand trends
 - Occupancy versus void levels
 - Enquiry volumes and conversion rates
 - Local competition
 - Availability of modern care facilities

Steps to Refinancing Your Care Home

Step 1: Review Your Financial Position

The first step is to conduct a comprehensive review of the business.

This may include assessing:

- Revenue performance
- Occupancy trends
- Funding mix
- Profitability
- Cash flow
- Existing debt obligations

Lenders will assess whether the business can comfortably service revised borrowing commitments.

Step 2: Explore Lending Options

Identifying lenders experienced in healthcare and social care finance can be beneficial due to the specialist nature of the sector.

Working with a specialist commercial finance broker may help care providers explore suitable funding options and navigate the lending process.

Step 3: Prepare Supporting Information

As part of the refinancing process, lenders may request:

- Latest filed financial statements including Profit & Loss and Balance Sheets
- Current management accounts
- Business and personal tax returns
- Occupancy and fee information
- Cash flow forecasts
- Business plans and projections

Having accurate and up-to-date information available can help support a smoother application process.

Step 4: Review Indicative Lending Terms

Potential lenders may provide indicative terms outlining:

- Interest rates (fixed or variable)
- Repayment structures
- Amortisation periods
- Monthly repayment profiles
- Arrangement fees
- Security requirements

Indicative terms do not constitute a formal lending offer and remain subject to underwriting, valuation and lender approval.

Step 5: Valuation, Due Diligence and Underwriting

Once a preferred lender has been identified:

1. A formal valuation may be undertaken
2. Due diligence and underwriting will be completed
3. Legal processes will be progressed

The scope of lender reviews will vary depending on the nature of the transaction and individual lender requirements.

Step 6: Completion and Release of Funds

Subject to lender approval and completion of legal requirements, refinancing funds may be released. Timescales will vary depending on lender requirements, transaction complexity, valuation processes and legal workstreams.

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Working with Specialist Care Home Finance Brokers

Chandler & Co is a specialist commercial finance broker supporting healthcare and social care operators with funding and refinancing requirements. The Chandler & Co team supports care providers throughout the lending journey by assisting with:

- Preparing lending applications
- Reviewing business information
- Engaging with a broad panel of specialist healthcare lenders
- Exploring indicative lending options
- Supporting valuation and completion processes

Finance is subject to status, affordability, valuation and lender criteria.

About Chandler & Co

Chandler & Co acts as a specialist commercial finance broker and introducer for healthcare and social care funding solutions. The team works with a broad panel of lenders experienced in supporting the care sector and understands the operational and financial challenges faced by care providers. To find out more about how Chandler & Co can support your care home refinancing or growth plans, download the ["How We Help"](#) flyer or contact the team directly.

Disclaimer

This guide is provided for general information purposes only and does not constitute financial, legal, tax or investment advice. No representation or warranty is made as to the completeness, accuracy or suitability of the information contained within this guide. Refinancing suitability will depend on individual business circumstances, affordability assessments, valuation outcomes and lender criteria. Past business performance does not guarantee future outcomes and borrowing decisions should be made only after careful consideration of the risks involved.

Commercial mortgages and loans secured against property may be repossessed if repayments are not maintained. Funding is subject to status, valuation, affordability and lender approval.

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