

**Addendum to Underwriting  
Narrative – Transfer of  
Physical Assets**  
Section 232/223(a)(7)

**U.S. Department of Housing  
and Urban Development**  
Office of Residential Care  
Facilities

OMB Approval No. 9999-9999  
(exp. mm/dd/yyyy)

**Public reporting** burden for this collection of information is estimated to average 0.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation that must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number.

**Warning:** Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.

*This addendum is applicable to Section 223(a)(7) loans when a Transfer of Physical Assets (TPA) is proposed in connection with the 223(a)(7) refinance.*

Purchaser Name: \_\_\_\_\_  
 State of Organization: \_\_\_\_\_  
 Date Formed: \_\_\_\_\_  
 Termination Date: \_\_\_\_\_

**Key Questions**

- |  | <b>Yes</b>               | <b>No</b>                |
|--|--------------------------|--------------------------|
| 1. Does the purchaser currently own, operate, or manage any other facilities? ..   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. According to the application exhibits, is or has the purchaser been delinquent on any Federal debt? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. According to the application exhibits, is or has the purchaser been a defendant in any suit or legal action? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. According to the application exhibits, has the purchaser ever filed bankruptcy or made compromised settlements with creditors? .....                                    | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. According to the application exhibits, are there judgments recorded against the purchaser? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. According to the application exhibits, are there any unsatisfied tax liens? ....  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Do any of the other facilities have any open State findings related to instances of actual harm and/or immediate jeopardy (G tags or higher for skilled nursing)? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do any of the other facilities have any open professional liability insurance claims? .....   | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer “yes” to any of the above questions, please address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic. Example:

**Other Facilities:**

XXXXX identified XX other facilities it owns, operates, or manages in addition to the subject facility.>>

**Experience / Qualifications**

<<Narrative description of purchaser’s experience and qualifications: Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate that the purchaser has the expertise to successfully own the facility.>>

**Credit History**

Report Date: <<within 60 days of submission>>  
Firm: <<Dunn & Bradstreet required for business entities>>  
Score: \_\_\_\_\_

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Does the credit report identify any material derogatory information not previously discussed? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the underwriter have any concerns related to the credit report? .....	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please briefly address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic.>>

**Conclusion**

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The purchaser entity has demonstrated an acceptable credit history. The purchaser has the experience to continue to successfully own and operate this facility. The underwriter recommends this purchaser for approval as an acceptable participant in this transaction.”>>

**Parent of the Purchaser (if applicable)**

<<Provide this section for each parent organization of the purchaser. This section is not applicable to individuals who are principals unless you are depending on the person or persons for approval of the purchaser (e.g., newly formed entity). In that instance (individuals), follow the Principal of the Mortgagor template and modify it appropriately for a purchaser.>>

Name: \_\_\_\_\_

State of Organization: \_\_\_\_\_

Date Formed: \_\_\_\_\_

Termination Date: \_\_\_\_\_

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Does the parent of the purchaser currently own, operate, or manage any other facilities? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. According to the application exhibits, is or has the parent of the purchaser been delinquent on any Federal debt? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. According to the application exhibits, is or has the parent of the purchaser been a defendant in any suit or legal action? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. According to the application exhibits, has the parent of the purchaser ever filed bankruptcy or made compromised settlements with creditors? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. According to the application exhibits, are there judgments recorded against the parent of the purchaser? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. According to the application exhibits, are there any unsatisfied tax liens? ....	<input type="checkbox"/>	<input type="checkbox"/>
7. Do any of the other facilities have any open State findings related to instances of actual harm and/or immediate jeopardy (G tags or higher for skilled nursing)? .....	<input type="checkbox"/>	<input type="checkbox"/>
8. Do any of the other facilities have any open professional liability insurance claims? .....	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please briefly address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic. Example:

**Other Facilities:**

XXXXX identified XX other facilities it owns, operates, or manages in addition to the subject facility.>>

**Organization**

<<Provide Organizational chart and narrative, as applicable.>>

**Experience / Qualifications**

<<Narrative description of experience and qualifications: Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate the expertise to successfully own the facility.>>

## Credit History

Report Date: <<within 60 days of submission>>  
Firm: <<Dunn & Bradstreet required for business entities>>  
Score: \_\_\_\_\_

### Key Questions

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. Does the credit report identify any material derogatory information not previously discussed? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the underwriter have any concerns related to the credit report? .....                          | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer “yes” to any of the above questions, please briefly address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic.>>

## Other Business Concerns/232 Applications

### Key Questions

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. Does the parent of the purchaser identify any other business concerns? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Do any of the other business concerns have pending judgments; legal actions or suits; or, bankruptcy claims? .....                                    | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? .....                          | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the parent of the purchaser identify any other Section 232 or Section 232/223(f) loans on Part VI and Attachment 2 of their certification? ..... | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer “yes” to any of the above questions, please briefly address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic. Example:

### **Other Business Concerns:**

*XXXXX identified XX other business concerns in addition to the purchaser discussed in this narrative. The underwriter reviewed Dunn and Bradstreet credit reports for XX other business concerns identified by XXXX. {discuss each report}. No reports indicated derogatory information that would prohibit XXXXX participation in this loan transaction.*

**Other Section 232 Applications:**

XXXXX identified XX other Section 232 loan application – {projects}. The applications were submitted XXX and closed in XXX. As this is only XXXXX’s Xth HUD-insured healthcare loan, no additional reviews required by HUD Notice H 01-03 are required.>>

**Financial Statements**

The application includes the following parent of the purchaser financial statements:

Year to date:	<u>                    &lt;&lt;dates for start and end of period&gt;&gt;                    </u>
Fiscal Year Ending:	<u>                    &lt;&lt;date – end of period&gt;&gt;                    </u>
Fiscal Year Ending:	<u>                    &lt;&lt;date – end of period&gt;&gt;                    </u>
Fiscal Year Ending:	<u>                    &lt;&lt;date – end of period&gt;&gt;                    </u>

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Are less than 3 years of historical financial data available for the parent of the purchaser? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the financial statements missing any required information or schedules? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Do any of the financial statements indicate a loss prior to depreciation? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Do the Aging of Accounts Payable schedules show any payables in excess of 60 days in amounts over \$2,500? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Do the Aging of Accounts Receivable schedules show any receivables in excess of 60 days in amounts over \$2,500? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. If applicable, are there any issues or discrepancies related to tenant deposit accounts (e.g., not fully funded)? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed? .....	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please briefly address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic.>>

**General Review**

<<Provide narrative and analysis of financial statements as appropriate. In addition to the Key Questions above, working capital should be discussed along with the general financial stability and strength of the entity.>>

**Conclusion**

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The parent entity has demonstrated an acceptable financial and credit history. The parent of the purchaser has the experience to continue to successfully own this facility. The underwriter recommends this parent of the purchaser for approval as an acceptable participant in this transaction.”>>

