

**Public reporting** burden for this collection of information is estimated to average 22 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which 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.

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**INSTRUCTIONS:**

The narrative is a document critical to the Lean Underwriting process. Each section of the narrative and all questions need to be completed and answered. If the lender’s underwriter disagrees and modifies any third-party report conclusions, provide sufficient detail to justify. The narrative should identify the strengths and weaknesses of the transactions and demonstrate how the weaknesses are mitigated by the underwriting.

- **Charts:** The charts contained in this document have been created with versatility in mind; however, they will not be able to accommodate all situations. For this reason, you are allowed to alter the charts as the situation demands. Be sure to state how you have altered the charts along with your justification. Include all the information the form calls for. Charts that include blue text indicate names that should be modified by the lender as the situation dictates.
- **Applicability:** If a section is not applicable, state so in that section and provide a reason. Do not delete a section heading that is not applicable. The narrative will be checked to make certain all sections are provided. If a major section is not applicable, add “ – Not Applicable” to the heading and provide the reason. For instance:

**Parent of the Operator – Not Applicable**

This section is not applicable because there is no operator.

The rest of the subsections under the inapplicable section can then be deleted. This instruction page may also be deleted.

- **Format:** In addition to submitting the PDF version of the Lender Narrative to HUD, please also submit an electronic Word version.

Instead of pasting large portions of text from third-party reports into the narrative, it is preferred that the lender simply reference the page number and the report. The focus of this document is for lender conclusions, analyses, and summaries.

Italicized text found between these characters <<EXAMPLE>> is instructional in nature, and may be deleted from the lender’s final version. Please use the gray shaded areas (e.g., ) for your responses. Double click on a check box and then change the default value to mark selection (e.g., )

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# Executive Summary

Project Name:  
 Project Address:  
 City / State / Zip:

Purpose of Loan: <<description of purpose of loan (e.g., lower interest rate, fund repairs, correct default, etc.)>>

Type of Facility:	<input type="checkbox"/>	Skilled Nursing:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Assisted Living:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Board & Care:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Dementia Care:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Independent:	<input type="text"/>	beds	<input type="text"/>	units
<b>Totals:</b>			<b>0</b>	<b>beds</b>	<b>0</b>	<b>units</b>

<b>Resident Type:</b>	<input type="checkbox"/>	<b>Elderly</b>	<b>Comments:</b>
	<input type="checkbox"/>	<b>Developmentally Disabled</b>	
	<input type="checkbox"/>	<b>Other (describe)</b>	

**Current insured loan(s):**

Original Section of the Act: \_\_\_\_\_  
 FHA number: \_\_\_\_\_  
 Original loan amount: \_\_\_\_\_  
 Current interest rate: \_\_\_\_\_  
 Maturity date: \_\_\_\_\_  
 Original terms (in months): \_\_\_\_\_  
 Principal & interest (monthly): \_\_\_\_\_  
 MIP (monthly): \_\_\_\_\_  
**Total P+I+MIP (monthly):** \_\_\_\_\_  
 Debt service coverage: \_\_\_\_\_  
 Principal balance: \_\_\_\_\_  
 As of: \_\_\_\_\_  
 Prepayment penalty: \_\_\_\_\_  
 Replacement reserve balance: \_\_\_\_\_  
 As of: \_\_\_\_\_

**Proposed 223(a)(7) loan terms**

Date facility built: \_\_\_\_\_  
 FHA number: \_\_\_\_\_  
 Proposed loan amount: \_\_\_\_\_  
 Proposed interest rate: \_\_\_\_\_  
 Proposed maturity date: \_\_\_\_\_  
 Proposed term (in months): \_\_\_\_\_  
 Principal & interest (monthly): \_\_\_\_\_  
 MIP (monthly): \_\_\_\_\_  
**Total P+I+MIP (monthly):** \_\_\_\_\_  
 Debt service coverage: \_\_\_\_\_  
 Projected annual savings: \_\_\_\_\_  
 Occupancy rate: \_\_\_\_\_  
 Add'l. deposit to repl.reserve at closing (if any): \_\_\_\_\_  
 Total repl. reserve deposit: \_\_\_\_\_  
 Proposed total repairs: \_\_\_\_\_  
 Last REAC score: \_\_\_\_\_  
 Cos recapture (in months): \_\_\_\_\_

Effective Gross

Income: \_\_\_\_\_  
 Expenses & Repl. Res.: \_\_\_\_\_ Expense Ratio: \_\_\_\_\_  
 Net Operating Income: \_\_\_\_\_



Borrower: <<Legal Name>>

Operator: <<Legal Name>>

Operating Lease

Management Agent: <<Legal Name>>

## **Risk Factors**

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Is the lender requesting an increase in the loan term? If yes, a PCNA is required; include HUD-9001a-ORCF. ....	<input type="checkbox"/>	<input type="checkbox"/>
2. Have 10 or more years passed since a PCNA was provided to HUD? If yes, a PCNA is required; include HUD-9001a-ORCF. ....	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the subject a skilled nursing facility that <u>does not</u> comply with the CMS requirement for all nursing facilities to be fully sprinklered by August 2013? If yes, a PCNA is required; include HUD-9001a-ORCF and explain how the facility will meet the CMS deadline of August 2013. ....	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any exceptions reflected on the pro forma title policy that materially affect HUD's risk? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Will there be an interest rate premium? (Note: The interest rate premium may only benefit the borrower by covering a prepayment penalty on the current mortgage note or increasing the reserves for replacement. Any other distribution to the borrower's benefit is not allowed.) .....	<input type="checkbox"/>	<input type="checkbox"/>
6. Is the borrower currently delinquent or has the borrower previously been delinquent on its mortgage loan payments? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the borrower or the operator (or any of their affiliates, renamed, or reformulated companies) currently in, filed for, or emerged from, bankruptcy within the last five years? .....	<input type="checkbox"/>	<input type="checkbox"/>

If you answer "yes" to any of the above questions, please address below. If not applicable, indicate "NA" in the No column.

<<Identify the risk factors. Analyze and clarify how they are mitigated.>>

### **Other Risk Factors Identified by Underwriter**

Additionally, the underwriter has identified the following risk factors:

<<Provide discussion on other risk factors identified by the underwriter and how they are mitigated.>>

## **Program Eligibility**

### **Project is Currently HUD- Insured**

<<Affirmative statement confirming the existing loan is currently HUD-insured and not HUD-Held.>>

### **Prepayment Approval**

<<Make an affirmative statement confirming that HUD has approved prepayment of the existing loan. Provide the date of HUD's prepayment approval. Evidence of HUD's approval should be included in the application.>>

## **Waivers**

<<Identify any waivers required for proposed financing. Identify specific provisions to be waived and justification for the waiver.>>

## **Underwriting Team**

### **Lender**

Name: \_\_\_\_\_  
Underwriter: \_\_\_\_\_  
Underwriter Trainee: \_\_\_\_\_  
Lender #: \_\_\_\_\_

<<UNDERWRITER>>  
<<Brief description of qualifications>>

<<UNDERWRITER TRAINEE, if Applicable>>  
<<Brief description of qualifications>>

### **Identities of Interest**

#### **Key Questions**

- |  | <b>Yes</b>               | <b>No</b>                |
|--|--------------------------|--------------------------|
| 1. Have you, as the lender, identified any identities of interest on your certification? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the borrower's certification indicate any identities of interest? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there any identities of interest involving the underwriting lender, the existing lender or note holders, or the mortgage broker? .....    | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the lender know or have any reason to believe that any of the assertions in the other Consolidated Certifications submitted herewith are | <input type="checkbox"/> | <input type="checkbox"/> |

inaccurate or incomplete? .....

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

Example: **Borrower and Operator**: The borrower and operator are related parties – John Doe has ownership in both entities. No other identities of interest are disclosed.>>

## **Special Underwriting Considerations**

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Is there any FHA-insured debt that is not being refinanced? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Is there any non-FHA-insured debt associated with this project? If yes, and the borrower intends to include it as Other Eligible Existing Indebtedness, include HUD-9001d-ORCF. ....	<input type="checkbox"/>	<input type="checkbox"/>
3. Is a mortgage broker involved in this transaction? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the underwriting include income from adult day care? (Note: Non-resident adult day care space <u>may not</u> be located on a separate site. The adult day care space will not be considered commercial space; however, the space may not exceed 20% of the gross floor area of the facility and the income may not exceed 20% of gross income. Provide a Certificate of Need or operating license, if applicable.) .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Is there income from other commercial leases? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. Is there a ground lease? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Is there accounts receivable financing involved in this transaction? If yes, include HUD-9001i-ORCF. ....	<input type="checkbox"/>	<input type="checkbox"/>
8. Are there any professional liability insurance issues that require special consideration? .....	<input type="checkbox"/>	<input type="checkbox"/>
9. Are any tax credits involved in this transaction? .....	<input type="checkbox"/>	<input type="checkbox"/>
10. Are any secondary funding sources involved in this transaction? .....	<input type="checkbox"/>	<input type="checkbox"/>
11. Is any real estate tax abatement or exemption included in the underwriting assumptions? .....	<input type="checkbox"/>	<input type="checkbox"/>
12. Are there any special escrows or reserves proposed for this transaction? .....	<input type="checkbox"/>	<input type="checkbox"/>
13. Are there any other issues that require special or atypical underwriting consideration? .....	<input type="checkbox"/>	<input type="checkbox"/>
14. Do you, as the underwriter, recommend or request any HUD technical reviews of issues, exhibits, or third-party reports related to this transaction? .....	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, discuss the topic. If there are any associated risks, describe how they will be mitigated.

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



## Occupancy

### Key Questions

- |   | <b>Beds</b>              | <b>Units</b>             |
|---|--------------------------|--------------------------|
| 1. How many beds/units is the facility licensed for? .....  |                          |                          |
| 2. How many beds/units does the facility currently offer/operate? (Please explain any deviations from the license below.) ..... |                          |                          |
| 3. How many beds/units are currently occupied?<br>As of what date? .....  |                          |                          |
|   | <b>Yes</b>               | <b>No</b>                |
| 4. Are there any other issues that require special or atypical underwriting consideration? .....                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Has there been any change in resident type since the facility originally came into the FHA portfolio? .....                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is this a Certificate of Need (CON) state? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Please provide the average occupancy rate for the past 3 years:  |                          |                          |

	Month/Year	Occupancy
Year-to-date		
1 year ago		
2 years ago		
3 years ago		

<<Please address any item(s) listed above that need explanation.>>

## Term Extensions

### Key Questions

- |   | <b>Responses</b>   |
|---|--|
| 1. What is the length of the requested term extension? .....  |  |
| 2. Has the facility completed any substantial rehabilitation? (List dates and add explanation below.) ..... | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 3. Was HUD approval obtained for substantial rehabilitation? (If not, please address below.) .....          | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 4. Year facility built: .....   |  |
| 5. What amount, if any, is the borrower depositing to the replacement reserves at closing? .....            |  |
| 6. By what amount, if any, is the borrower increasing its annual deposits to the replacement reserves?      |  |
| 7. Current DSCR: .....  |  |
| 8. Prospective DSCR <u>without</u> the term extension: .....  |  |
| 9. Prospective DSCR <u>with</u> the term extension: .....   |  |
| 10. Annual savings to borrower <u>without</u> a term extension: .....                                       |  |

11. Annual savings to borrower with the term extension: .....
12. Difference in annual savings? .....
13. Why is the borrower asking for the extension? (Use the space below to explain the benefit to HUD of the extension.)

<<Please address any item(s) listed above that needs explanation.>>

## **Lender Site Visit**

### **Key Questions**

1. Date of visit:
2. Name and title of individual(s) with whom lender representative met while on site:
3. Name and qualifications of lender representative who visited the site (should be an underwriter, appraiser or construction specialist):
4. Has the facility completed any substantial rehabilitation since it originally came into the FHA portfolio? List dates and explain. Also, provide explanation if HUD approval was not obtained.
5. Please provide an overall assessment of the facility. Photographs are optional.

<<Please address any item(s) listed above that needs explanation.>>

## **Net Operating Income Analysis**

### **Key Questions**

- |   | <b>Yes</b>               | <b>No</b>                |
|---|--------------------------|--------------------------|
| 1. Will a decrease in debt service negatively impact the facility's income? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the proposed loan increase the debt service payment? .....                | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer "yes" to the above questions, please identify the specifics of the circumstance and describe how the underwriter justified or mitigated this risk. Note that a more detailed analysis of operating income may be required. If the debt service payments increase, a full three-year and year-to-date historical analysis must be provided (use Section 223f model).

<< A detailed analysis of the income and expenses may not be required. The debt service mortgage criterion can be based on a trailing 12-month operating statement. If the borrower is unable to supply historical income and expenses in the form of trailing 12-months, the most recent full year data is acceptable. Net operating income equals earnings before interest, taxes, depreciation, amortization and rent (EBITDAR). If either a decrease in reimbursement rate or an increase in net operating income is projected, a more detailed analysis of the net operating income must be provided.>>

<b>Income Analysis</b>	
	Trailing 12-months
Effective Gross Income:	
Expenses:	
Repl. Reserves:	
Net Operating Income:	

## **Title**

### ***Title Search***

Date of Search: \_\_\_\_\_

Firm: \_\_\_\_\_

File Number: \_\_\_\_\_

### **Key Questions**

- |  | <b>Yes</b>               | <b>No</b>                |
|--|--------------------------|--------------------------|
| 1. Is title currently vested in an entity or individual other than the proposed borrower? .....                                    | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the report indicate that delinquent real estate taxes are owed? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the report indicate any outstanding special assessments? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the report identify any outstanding debt that is not disclosed on the borrower's listing of outstanding obligations? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there or will there be any Use and Maintenance Agreements associated with this facility? .....                              | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer "yes" to any of the above questions, please identify each risk factor and how it is mitigated below.

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

### ***Pro forma Policy***

Date/Time: \_\_\_\_\_

Firm: \_\_\_\_\_

Policy Number: \_\_\_\_\_

### **Key Questions**

- |  | <b>Yes</b>               | <b>No</b>                |
|--|--------------------------|--------------------------|
| 1. Are there any covenants, encumbrances, liens, restrictions or other exceptions indicated on Schedule B-1? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there any use or affordability restrictions remaining in effect on the property? .....                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there any easements or rights-of-way listed that are not indicated on the survey? .....                     | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there other endorsements in addition to the standard HUD-required endorsements? .....                       | <input type="checkbox"/> | <input type="checkbox"/> |

- |   | Yes                      | No                       |
|---|--------------------------|--------------------------|
| 5. Are there any subordination agreements, encroachments or similar issues that require HUD's approval? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any other issues that require HUD's attention? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the legal description on the pro forma policy differ from the legal description on the survey or Commitment to Insure Upon Completion, Exhibit A? ..... | <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: **Additional Endorsements**: As described in the Risk Factors section of the narrative, the XXXX does not conform to the past or current zoning requirements. The Lender recommends....>>

## **ALTA/ACSM Land Title Survey**

### **Key Questions**

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. Does the pro forma title policy include a survey exception? .....   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have there been any material changes in the legal description of the property since the date of the last survey accepted by HUD (e.g., due to a partial release, the addition of property or both)? .....     | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have any new easements affecting the property been granted or accepted since the date of the last survey accepted by HUD (other than blanket easements)? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Have any additional improvements (including driveways and parking areas) been constructed on the property since the date of the existing survey? If HUD approval was not obtained, please address below. .... | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer "yes" to any of the above questions, a current "as built" survey conforming to the HUD-91111-ORCF, Survey Instructions and Owner's Certification is required. Attach HUD-9001b-ORCF, Addendum to Underwriting Narrative –ALTA/ASCM Land Title Survey.

If you answer "no" to all of the above questions, copies of the most recent signed and certified "as built" survey accepted by HUD needs to be provided (need not be an original). No further review is needed. If copies are not available, a current "as built" survey conforming to the HUD-91111-ORCF, Survey Instructions and Owner's Certification is required. Attach HUD-9001b-ORCF, Addendum to Underwriting Narrative –ALTA/ASCM Land Title Survey.

## **Program Eligibility**

### ***Borrower***

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

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

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Does the borrower currently own any assets other than the subject property or participate in any other businesses? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. According to the application exhibits, is or has the borrower been delinquent on any federal debt? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Have any principals of the borrower changed or are any such changes proposed that have not been approved by HUD? If yes, attach HUD-9001e-ORCF, Addendum to Underwriting Narrative – Principal of the Borrower. ..	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please identify each risk factor and how it is mitigated below.

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

**Organization**

<<Provide an organization chart and narrative. At a minimum, all borrower principals must be identified.>>

**Operator**

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

**Key Question**

	<b>Yes</b>	<b>No</b>
1. Does the operator currently own/operate any assets other than the subject property or participate in any other businesses? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Has there been a change in the operator that has not been approved by HUD, or is such a change proposed? If yes, attach HUD-9001f-ORCF, Addendum to Underwriting Narrative – Operator. ....	<input type="checkbox"/>	<input type="checkbox"/>

**Organization**

<<Provide an organization chart and narrative, if applicable. At a minimum, all operator principals must be identified.>>

**Operating Lease**

Date of Agreement: \_\_\_\_\_  
Current Lease Term Expires: \_\_\_\_\_  
Description of Renewals: \_\_\_\_\_  
Major Movable Equipment:  
    Current Ownership: \_\_\_\_\_ <<Borrower/Operator>>  
    Post-closing Ownership: \_\_\_\_\_ <<Borrower/Operator>>

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Has a change in the Operating Lease occurred that has not been approved by HUD, or is such a change proposed? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the lease contain any non-disturbance provisions? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the lease require the borrower to escrow any funds other than those associated with this loan? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Is state approval of the lease payment required? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the lease expire in less than five years with no renewal option? .....	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please identify specifics of the circumstance.

<<Describe how the underwriter justified or identified mitigation of all associated risks.>>

**Lease Payment Analysis**

The lease payments must be sufficient to (1) enable the borrower to meet debt service and impound requirements; and (2) enable the operator to properly maintain the project and cover operating expenses. The minimum annual lease payment must be at least 1.05 times the sum of the annual principal, interest, mortgage insurance premium, reserve for replacement deposit, property insurance, and property taxes. The underwriter has prepared an analysis demonstrating the minimum annual lease payment.

a. Annual Principal and Interest	\$
b. Annual Mortgage Insurance Premium	
c. Annual Replacement Reserves	
d. Annual Property Insurance	
e. Annual Real Estate Taxes	
f. Total Debt Service and Impounds	\$
<b>i. Minimum Annual Lease Payment</b>	<b>\$</b>

<<Compare the minimum annual lease payment to the current lease payment. If the lease payment needs to increase, add the following language: “The lease payment must be increased to \$XX per year (\$XX per month). The underwriter has included a special condition to the firm commitment requiring the lease payment be revised to meet or exceed this minimum.” If the lease payment does not need to increase, add the following language: “The current lease payment is sufficient.”>> The recommended annual lease payment also provides the operator with an acceptable profit margin.

**Responsibilities**

<<Provide a description of the responsibilities of the borrower and operator under the terms of the lease with regard to the following: payment of real estate taxes; maintenance of building; capital improvements; replacement of equipment; property insurance; etc.>>

## HUD Lease Provisions

<<Confirm that the Operating Lease will include the HUD-91116-ORCF, Addendum to Operating Lease. >>

### Program Guidance:

Prior to closing, the lease needs to be modified by attachment of the HUD Addendum to Operating Lease, HUD-91116-ORCF, to include the appropriate HUD requirements, including:

1. Contain a restriction against assignment or subletting without HUD prior approval;
2. Requires prior written approval by HUD for any modification in bed authority;
3. Requires the operator to submit financial statements to HUD within 90 days of the close of the facility's fiscal year;
4. Designates the operator as having the responsibility to seek and maintain all necessary licenses and provider agreements including Medicaid and Medicare.
5. Requires the operator to submit a copy of the licenses and provider agreements to HUD.
6. Requires the operator to ensure that the facility meets State licensure requirements and standards

## **Master Lease**

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Is the subject currently operated under a Master Lease Agreement? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the borrower applied for mortgage insurance for projects with the "same ownership" as the subject within the last 18 months? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the borrower intend to or anticipate applying for mortgage insurance on projects with the "same ownership" as the subject project within the next 18 months? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Including the subject project, are there three or more projects, or are there two projects with an aggregate total mortgage loan amount greater than \$15 million? .....	<input type="checkbox"/>	<input type="checkbox"/>

"Same ownership" is defined as different properties or business entities that are wholly owned by the same natural person, entity, or group—generally 100% common ownership among the properties. In the case of not-for-profit entities, "ownership" will be evaluated based on the principals identified through the HUD Previous Participation (2530/APPS) process. The ownership structure may be a corporation, limited liability company, partnership or limited partnership, or other legal structure.

If you answer "yes" to Key Questions 2 or 3 and 4, a master lease is required. This is true regardless of whether a mortgagor chooses to use different lenders for the loans in its portfolio.

<< Provide a narrative describing the terms of the master lease, lease payments, all parties involved, renewal provisions, etc. The HUD Lease Addendum must be attached to the Subleases. The projects with same ownership must be identified on the HUD-90013-ORCF, Consolidated Certifications - Borrower.>>

**Management Agent**

Name:

Relation to Borrower:

\_\_\_\_\_  
 <<Owner Managed/IOI Entity/Independent/Other>>

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Has there been a change in the management agent or management agreement that has not been approved by HUD, or is such a change proposed? If yes, attach HUD-9001g-ORCF, Addendum to Underwriting Narrative – Management Agent. ....	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the management agreement provide that HUD may require the owner to terminate the agreement without penalty and without cause upon written request by HUD and contain a provision that gives no more than a 30-day notice of termination? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the management agreement provide that the management agent will turn over to the owner all of the project’s cash trust accounts, investments, and records immediately, but in no event more than 30 days after the date the management agreement is terminated? .....	<input type="checkbox"/>	<input type="checkbox"/>

<<If you answer “no” to question 2 or 3, the management agreement must be amended to provide all HUD termination provisions. Confirm that a special condition has been recommended to include them in the management agreement.>>

**Compliance**

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. <u>State Inspection</u> : Are there currently any open findings of “G” or higher resulting from State survey inspections? If yes, include the State survey inspection in the firm application and explain below. ....	<input type="checkbox"/>	<input type="checkbox"/>
2. <u>Medicare Star Rating</u> : Is the project currently rated 1 or 2 stars? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. <u>REAC Inspection</u> : Are there currently outstanding deficiencies resulting from the last REAC inspection? In the space below, summarize the most recent REAC Inspection Summary Report, HUD-93332-ORCF, Certification of Exigent Health & Safety (EH&S) Issues, and HUD-93333-ORCF, Project Owner’s Certification of Physical Condition Compliance. ....	<input type="checkbox"/>	<input type="checkbox"/>
4. <u>Active Partners Performance Systems (APPS)</u> : Are there currently any open flags in APPS pertaining to the owners or the facility? Please explain below. (Note: The borrower may need to authorize ORCF to release this information to the proposed 223(a)(7) lender.) .....	<input type="checkbox"/>	<input type="checkbox"/>



**Key Questions**

**Yes**      **No**

- 5. Discrepancies on the Facility License: Does the operator entity name match the entity name listed on the license? If no, please explain below. ....

If you answered “yes” to any of the above questions, please discuss any open findings or issues, and their resolutions.

**Insurance**

***Professional Liability Coverage***

Name of Insured: \_\_\_\_\_

Insurance Company: \_\_\_\_\_

Statute of Limitations: \_\_\_\_\_

Current Expiration: \_\_\_\_\_

Retroactive Date: \_\_\_\_\_

Current Coverage      Per Occurrence: \_\_\_\_\_

   Aggregate: \_\_\_\_\_

   Deductible: \_\_\_\_\_

**Key Questions**

**Yes**      **No**

- 1. Does the insurance policy cover multiple properties? .....
- 2. Does the loss history or potential claims certification indicate any uncovered claims? .....
- 3. Does the loss history or potential claims certification indicate any claims that would exceed the per occurrence or aggregate coverage limits at the facility? .....

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

**Recommendation**

<<Narrative recommendation regarding acceptability of professional liability insurance. For example, “The borrower’s professional liability insurance was analyzed in accordance with HUD requirements. The property has XX current potential (threatened) insurance claims at this time as reflected on the certification provided by the borrower. It is the lender’s opinion that the information provided above and in the application sufficiently demonstrates that the existing professional liability coverage meets HUD’s requirements and that the risk from professional liability issues is sufficiently addressed. No modifications to the current coverage are recommended.”>>

**Property Insurance**

<<Narrative discussion of review. For example, “Hazard and Liability insurance will be provided by XX. The insurance coverage will continue to comply with HUD requirements.”>>

**Fidelity Bond/Employee Dishonesty Coverage**

<<Narrative discussion of review. For example, “The subject has inadequate fidelity (crime/dishonesty) insurance. HUD requires coverage equal to at least two (2) months gross income or \$\_\_\_\_\_ for 223(a)(7)s. Coverage that meets or exceeds the HUD minimum requirements must be in place prior to closing. The Lender and HUD (451 7th St S.W. Washington D.C. 20410) must be named as additional loss payees.” If not sufficient, recommend special condition.>>

**Mortgage Loan Determinants**

**Overview**

The mortgage loan criteria shown on form HUD-92264a-ORCF are summarized as follows:

Requested Loan Amount	\$
Original Principal Balance:	\$
Amount Based on the Cost to Refinance:	\$

The proposed mortgage loan is \$ \_\_\_\_\_ and is constrained by \_\_\_\_\_ . The underwritten debt service coverage, including debt service and MIP payment, is \_\_\_\_\_ , which is \_\_\_\_\_ % of the estimated net operating income

**Original Principal Balance**

The original principal balance is \$ \_\_\_\_\_. <<Multiple FHA-insured mortgage loans on the same facility can be refinanced under one 223(a)(7) loan. For each insured loan provide the current loan information identified in the Executive Summary.>>

**Amount Based on the Cost to Refinance**

The costs to refinance associated with the project total \$ \_\_\_\_\_ on form HUD-92264a-ORCF, which is used to calculate the mortgage loan amount for this criterion. This total includes the following:

Unpaid Principal Balance	\$
Payoff Processing Fee	
Final Month’s Interest	
Prepayment Penalty	
Other Eligible Existing Indebtedness	
Additional Replacement Reserve Deposit	
Critical Repairs	
Non-Critical Repairs	
Owner-Elected Repairs	
Borrower Legal & Organizational	
Title & Recording	
HUD Exam Fee	

HUD MIP	
Lender Financing Fee	
Lender Legal Fee	
GNMA Fee	
Permanent Placement Fee	
Lender Closing Fee	
PCNA, if required	
Survey, if required	
Other <<identify>>	
<b>Total:</b>	<b>\$</b>

## Existing HUD-Insured Indebtedness

### Schedule of HUD-Insured Loans to Refinance

Lender	Pay-off Amount
	\$
	\$
	\$
Total:	\$

### General Review

<<Narrative review of debt and payoff information. The discussion should explain each item that is included in the existing indebtedness, including the unpaid principal balance, payoff processing fees, final month's interest, and anything else included in the payoff. For example, "Per the statement from XXX dated XXXX, the current existing indebtedness is \$XXXX. The payoff balance will be reconfirmed prior to closing and only eligible payoff charges will be included in the cost certification.">>

### Cost Recapture

<<Divide the costs of the transaction by the debt service savings per month. Do not include replacement reserve deposits, required repairs, taxes, insurance, interest or MIP. If any portion of the prepayment penalty will be paid for by an interest rate premium, do not include that portion of the prepayment penalty in the Cost Recapture. The Cost Recapture must be less than 120 months.>>

### Other Eligible Existing Indebtedness

<<Describe whether there is any existing indebtedness. If any is being refinanced under the proposed 223(a)(7) loan, attach HUD-9001d-ORCF, Addendum to Underwriting Narrative – Other Eligible Existing Indebtedness.>>

### Prepayment Penalties

<<Describe any prepayment penalties associated with refinancing the existing obligations. Include the amount and explain how it is calculated. State when and by how much the prepayment penalty will decrease in the next 12 months. If none, state "None.">>

### Additional Replacement Reserve Deposit

<<If the proposal includes increasing the replacement reserve balance with loan proceeds, indicate the amount and provide justification for the increased balance. If none, state "None.">>

### Repairs

<<If the proposal includes funding critical, non-critical or owner-elected repairs, list the repairs, the estimated cost and provide justification. If none, state "None">>

Critical:	\$ _____
Non-Critical:	\$ _____
Owner-Elected:	\$ _____

### Legal and Organizational Costs

The borrower's legal and organization costs are estimated to total \$ \_\_\_\_\_ (\$ \_\_\_\_\_ for legal / \$ \_\_\_\_\_ for organizational expenses). The underwriter concluded that the budgeted amounts are reasonable.

### Title and Recording Fees

Title and recording fees are estimated to cost \$ \_\_\_\_\_. The underwriter concluded that the budgeted amount is reasonable.

### HUD Fees

<<This section pertains to the Amount Based on the Cost to Refinance on the HUD-92264a-ORCF, and the fees calculated for that criterion may not match the actual fees in the sources and uses. If they do not match, provide both.>> The HUD fees total \$ \_\_\_\_\_ and are comprised of MIP totaling \_\_\_\_\_ % of the mortgage loan amount (\$ \_\_\_\_\_) and the HUD application fee totaling **0.15%** of the mortgage loan amount (\$ \_\_\_\_\_).

#### Program Guidance:

There is no inspection fee required on Section 223(a)(7) transactions.

### Lender Fees

<<This section pertains to the Amount Based on the Cost to Refinance on the HUD-92264a-ORCF, and the fees calculated for that criterion may not match the actual fees in the sources and uses. If they do not match, provide both. All fees paid to the lender are to be discussed. Maximum lender fees can not exceed 2% of the mortgage loan.>> The financing fees payable to the lender total \$ \_\_\_\_\_. These fees are further broken down as follows:

<b>Lender</b>	<b>Pay-off Amount</b>
Lender Financial Fee	\$
Lender Legal Fee	\$
GNMA Fee	\$
Permanent Placement Fee	\$
Lender Closing Fee	\$
Other <<Identify.>	\$
<b>Total:</b>	\$

### **Other Fees**

<<If other fees are included, provide a descriptive listing with the estimated cost. Provide justification for eligibility. If none, state "None.">>

### **Sources & Uses**

<<Provide a statement of Sources and Uses of actual estimated cost at closing. Include all eligible and ineligible transaction costs.>>

### **Secondary Sources**

<<List and discuss all secondary sources, including terms and conditions of each. Secondary sources include interest rate premiums, surplus cash notes, grants, loans, tax credits, lines of credit, and the like.>>

### **Surviving Debt**

<<List and discuss all existing long-term debt that will survive closing. HUD must agree to the surviving debt and may require a surplus cash note. If none, state "None.">>

### **Type of Financing**

The type of financing available to the borrower upon issuance of the commitment will likely be in the form of .

### **Circumstances that May Require Additional Information**

In addition to the information required in this narrative, depending upon the facility for which mortgage insurance is to be provided, the mortgagor, operator, management agent and such other parties involved in the operation of the facility, current economic conditions, or other factors or conditions as identified by HUD, HUD may require additional information from the lender to accurately determine the strengths and weaknesses of the transaction. If additional information is required, the questions will be included in an appendix that accompanies the narrative.

### **Special Commitment Conditions**

<<List any recommended special conditions. If none, state "None.">>

- 1.
- 2.

## **Conclusion**

<<*Narrative conclusion and recommendation*>>

## **Addenda**

Check all those that apply and include as addenda to this report.

- |                          |  |   |
|--------------------------|--|---|
| <input type="checkbox"/> | PCNA, HUD-9001a-ORCF                                 | <i>PCNA is required submission.</i>   |
| <input type="checkbox"/> | Survey, HUD-9001b-ORCF                               | <i>Refer to ALTA/ACSM Land Title Survey section.</i>                                |
| <input type="checkbox"/> | Environmental, HUD-9001c-ORCF                        | <i>Building footprint, impervious surfaces, or project land is to be increased.</i> |
| <input type="checkbox"/> | Other Eligible Existing Indebtedness, HUD-9001d-ORCF | <i>Refer to Other Eligible Existing Indebtedness section.</i>                       |
| <input type="checkbox"/> | Principal of the Borrower, HUD-9001e-ORCF            | <i>Ownership change; principal not previously approved by HUD.</i>                  |
| <input type="checkbox"/> | Operator, HUD-9001f-ORCF                             | <i>Operator change; not previously approved by HUD.</i>                             |
| <input type="checkbox"/> | Management Agent, HUD-9001g-ORCF                     | <i>Management Agent change; not previously approved by HUD.</i>                     |
| <input type="checkbox"/> | Transfer of Physical Assets HUD-9001h-ORCF           | <i>Transfer of Physical Assets, not previously approved by HUD.</i>                 |
| <input type="checkbox"/> | Accounts Receivable Financing, HUD-9001i-ORCF        | <i>Project's Accounts Receivables are financed.</i>                                 |

## **Signatures**

Lender hereby certifies that the statements and representations of fact contained in this instrument and all documents submitted and executed by lender in connection with this transaction are, to the best of lender's knowledge, true, accurate, and complete. This instrument has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the loan and may be relied upon by HUD as a true statement of the facts contained therein.

Lender: \_\_\_\_\_  
HUD Mortgagee/Lender No.: \_\_\_\_\_

This report was prepared by: \_\_\_\_\_ Date \_\_\_\_\_ This report was reviewed by: \_\_\_\_\_ Date \_\_\_\_\_

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