

**Addendum to Underwriting
Narrative – Management
Agent**

Section 232/(223(a)7, 223(d),
241(a)

**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), Section 223(d), or Section 241(a) loans when a change in Management Agent or the Management Agreement has occurred or is proposed. The addendum must be provided if the Management Agent or the change in Management Agreement has not been previously approved by HUD for the subject property. If the only change that has occurred or is proposed relates to the Management Agreement, skip to the **Management Agreement** section and complete the rest of this addendum.

Name: _____

Relation to Mortgagor: <<Owner Managed/IOI Entity/Independent/Other>> _____

Principals/Officers: _____

Key Questions

	Yes	No
1. Does the management agent have experience managing other HUD-insured properties?	<input type="checkbox"/>	<input type="checkbox"/>
a. Has the agent received any "unsatisfactory" management reviews from HUD?	<input type="checkbox"/>	<input type="checkbox"/>
b. Have any managed, owned, or operated properties received REAC scores lower than 80?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the management agent have less than 3 years of experience managing similar properties?	<input type="checkbox"/>	<input type="checkbox"/>

- | | | |
|--|--------------------------|--------------------------|
| | Yes | No |
| 3. If the management agent is named on the license for the facility, does the management agent contract out nursing services other than temporary staffing through an agency and/or contracting for ancillary services (e.g., therapies, pharmaceuticals)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is the HUD-9839-ORCF consistent with the Management Agreement? | <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:

Previous HUD Experience

Project Name	Project City	Project State	Type of Facility

>>

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 manage the facility and meet the obligations of the management agreement.>>

Credit History

Report Date: _____
 Firm: _____
 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 Facilities Owned, Operated or Managed

Key Questions

	Yes	No
1. Does the management agent own, operate, or manage any other facilities? ..	<input type="checkbox"/>	<input type="checkbox"/>
a. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims?	<input type="checkbox"/>	<input type="checkbox"/>
b. Do any of the other facilities have any open professional liability insurance claims?	<input type="checkbox"/>	<input type="checkbox"/>
c. 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"/>

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....>>

Past and Current Performance

<u>Indicator</u>	<u>Findings</u>
Billing	<<acceptable>>
Controlling Operating Expenses	
Vacancy Rates	
Resident Turnover	
Rent Collection and Accounts Receivable	
Physical Security	
Physical Condition and Maintenance	
Resident Relations	

<<Provide narrative support for review and finding. For example, “Based on interviews with the principals of the borrower and management agent, as well as a review of the management policies and procedures, the underwriter has concluded that the management agent has demonstrated acceptable past and current performance with regard to all of the above indicators.”>>

Management Agreement

Date of Agreement: _____

Agreement Expires: _____

Management Fee: _____

Key Questions

	Yes	No
1. Does the agreement sufficiently describe the services the agent is responsible for performing and for which the agent will be paid management fees?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the agreement provide that the management fees will be computed and paid according to HUD requirements?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the 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"/>
4. Does the agreement provide that HUD’s rights and requirements will prevail in the event the management agreement conflicts with them?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the 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"/>
6. The agreement does NOT exempt the agent from gross negligence and/or willful misconduct?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “no” to any of the above questions, please briefly address below.

<<For each “no” answer above, provide a narrative discussion regarding the topic.>>

Management Agreement Change Summary

<<Complete the **Change Summary** section if the only change that has occurred or is proposed relates to the Management Agreement. Discuss the changes to the Management Agreement since it was last approved by HUD.>>

HUD Documents

Form HUD-9839-ORCF

<<Provide narrative review. For example, “The form HUD-9839-ORCF, provided in the application package indicates a management fee of XX percent of the residential, commercial and miscellaneous income collected, which is in line with industry standards for projects of this size. The term of the agreement is for XX-years. The stated fee and term match those stated in the management agreement. The fee calculations on page 2 are coordinated with the underwriting conclusions.”>>

Healthcare Regulatory Agreement – Operator

Key Questions

	Yes	No
1. Does the management agent hold the Certificate of Need (CoN) or the license?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the management agent enter into provider agreement(s) with third-party payor(s) such as Medicare, Medicaid, or private payors?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the management agent enter into contracts for patient services?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, the management agent must sign HUD-92466A-ORCF, Healthcare Regulatory Agreement – Operator. Please explain below and include a special condition to the firm commitment in this regard.

<<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 management agent has demonstrated an acceptable credit history and has the experience to continue to successfully manage this facility. The underwriter recommends this management agent for approval as an acceptable participant in this transaction.”>>