Addendum to Underwriting Narrative – Accounts Receivable (AR) Financing
Section 232/223(a)(7), 223(d), 241(a)

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

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AR Lender: ______________________________

AR Borrower: ______________________________

Maximum Loan Amount: ______________________________

Current Balance: ______________________________

Current Maturity Date: ______________________________

Key Questions

	Yes	No
1. Does the AR loan require any guarantees from the borrower, operator, or parent of the operator, or any of those entities' principals?	☐	☐
2. Are the guarantors guaranteeing performance on any other AR loans?	☐	☐
3. Does the AR loan involve multiple facilities or borrowers?	☐	☐
a. Does the AR loan involve any non-HUD-insured properties?	☐	☐
b. Does the AR loan involve facilities located in multiple states or HUD field office jurisdictions?	☐	☐
4. Is there an identity of interest between the AR lender and the AR borrower?	☐	☐
5. Is there any conflict of interest between the AR lender and the borrower or its principals as defined in Notice H 08-09 or successor AR guidance?	☐	☐
6. Does the maximum AR loan amount exceed 85% of the Medicaid, Medicare, and other governmental accounts receivable less than 121 days old?	☐	☐
7. Of the total Medicaid, Medicare and other governmental accounts receivable less than 121 days old, are more than 30% over 90 days old?	☐	☐
8. Does the AR lender have less than 3 years of experience providing AR financing?	☐	☐
9. Does the AR lender lack the financial controls and capability to monitor the operator's performance?	☐	☐
10. Is the borrower or operator out of compliance with any business agreements with HUD (i.e., in default on those agreements, not current on financial	☐	☐

	Yes	No
submissions, etc.)?		
11. Is the AR loan being syndicated or participated?	☐	☐
12. Is the lockbox associated with the DAISA Government Receivables account a “springing lockbox?”	☐	☐

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.>>

Terms and Conditions

1. Describe the borrowing base formula (e.g., XX% of AR borrower’s accounts receivable up to 120 days):

2. Describe term and renewal options:

3. Describe the rate applied to the used and unused portions of the AR loan:

4. Describe other fees (i.e., financing fees, late payment fees, etc):

<u>Mechanisms for operator receipts, disbursements, and control of operator funds</u>:
<<Describe the flow of all funds, into and out of accounts – point of origination to final destination. Describe how deposit accounts are controlled (e.g., number of controlled accounts, hard or springing lockbox, daily sweeps, etc.). Attach cash flow chart.>>

Collateral Security

<<Provide narrative description of the AR lender’s collateral/security. Explain any unsecured AR financing.>>

Permitted Uses and Payment Priorities

<<Provide descriptions of the permitted uses of the AR loan funds in order of priority. For example: (1) debt service incurred in connection with the AR loan; (2) operating costs; and (3) distributions to the operator’s shareholders. See Attachment C of Notice H 08-09, Rider to Intercreditor, Paragraph 3 or any other successor guidance.>>

Financial Analysis

Maximum AR Loan Calculation

(Double click inside the Excel Table to add information)

	0-90 days	91-120 days	121-150 days	151+ days
Medicare				
Medicaid				
Other Govt				
Subtotal	$ -	$ -	$ -	$ -
Commercial				
Private*				
Total	$ -	$ -	$ -	$ -

*Private is not considered when determining HUD's maximum AR loan amount.

#DIV/0!	of Medicare, Medicaid, Commercial AR less than 121 days old is over 90 days old.
$ -	HUD Maximum AR Loan Amt = 85% of Medicare, Medicaid, and Commercial AR 120 or less days old.
	AR Lender Maximum Loan Amount

Historical AR Loan Costs

<<If there is an existing AR loan that is not yet approved by HUD, provide a financial analysis that explains how the cost of the AR loan has been factored into the NOI calculation. Complete the Historical AR Loan Costs table.>>

Historical AR Loan Costs

(Double click inside the Excel Table to add information)

20XX	20XX	20XX	YTD specify months	20XX-20XX Average	UW

Proposed AR Loan Costs

<<If the AR borrower is obtaining AR financing for the first time, provide a financial analysis that demonstrates that the AR borrower has sufficient financial capacity to pay all projected operating expenses, AR financing costs and loan payments, and all rent or debt service payments. The analysis must assume the maximum AR loan amount to stress test the AR financing based on the lesser of the operator's 12-month trailing operating statements or the underwritten NOI. Calculate the impact on the borrower's debt coverage after payment of the AR loan expenses and payments.>>

Assuming the $ maximum AR loan limit, an annual interest rate of %, and that the entire amount is outstanding for the year, the maximum annual interest expense would be $. In addition to the interest, the other associated fees are the fees <<*list types of fees*>>, which total $ per year for the same assumed balance. An analysis of the operator's 12 month trailing financial statement through <<*list month and year*>> is shown below:

Trailing 12-Month Operating History (TTM thru Month/Year)	
Operating revenue	$
Operating expenses	
Net Operating Income (NOI)	$
Annual P&I + MIP	$
AR fee: Interest	
AR fee: Other <<*describe*>>	
Total annual mortgage and AR debt service	$
DSCR including AR	

The underwriting assumed an NOI of $. The 12-month trailing NOI is $. The annual debt service including the MIP amount is $ per year. Adding the AR fees equates to a total mortgage and AR debt service expense of $ per year. This equates to prospective debt service coverage.

<<If multiple HUD-insured facilities have access to the AR loan, repeat the analysis above with the consolidated revenues and expenses for all those facilities.>>

Recommendation

<<The lender recommends approval of the AR loan.>>