

**Lender Narrative –
Existing Buildings with New
Construction**
Section 232 – Blended Rate
2 Stage, Initial Firm Submission

**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 70 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.

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Privacy Act Notice: The Department of Housing and Urban Development, Federal Housing Administration, is authorized to collect the information requested in this form by virtue of: The National Housing Act, 12 USC 1701 et seq. and the regulations at 24 CFR 5.212 and 24 CFR 200.6; and the Housing and Community Development Act of 1987, 42 USC 3543(a). The information requested is mandatory to receive the mortgage insurance benefits to be derived from the National Housing Act Section 232 Healthcare Facility Insurance Program. No confidentiality is assured.

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 response. Double click on a check box and then change the default value to mark selection (e.g.,)

<<Insert Project Photo>>

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Executive Summary

FHA number:			
Project name:			
Project location:	<<street address, city, county, and state>>		
Lender's name:			
Lenders UW:		UW trainee:	
Borrower:			
Operator:			
Parent of operator:			
Management agent:			
General contractor:			
License holder:	<input type="checkbox"/> Borrower	<input type="checkbox"/> Operator	<input type="checkbox"/> Management agent

Type of facility:	<input type="checkbox"/>	Skilled Nursing (SNF):		beds		units
	<input type="checkbox"/>	Assisted Living (AL):		beds		units
	<input type="checkbox"/>	Board & Care (B&C):		beds		units
	<input type="checkbox"/>	Dementia Care:		beds		units
	<input type="checkbox"/>	Independent Living (IL):		beds		units
		Total:		beds		units

Mortgage Amount:	\$	Loan-to-value:	_____ %	Loan to transaction cost:	_____ %
		Term:	_____ years	Interest rate:	_____ %
Principal & interest: (without MIP)	\$ _____	DSCR (with MIP):	_____ %	Market value per bed/unit*:	\$ _____
Underwritten market value:	\$ _____	Cap rate:	_____ %	Mortgage amount per bed/unit*:	\$ _____

*Use per bed for SNF, or facilities with multiple care types (e.g., SNF/ALF). Use per unit for ALF only.

Mortgage Criteria:

Criterion A: Requested loan amount:	\$ _____
Criterion C: Amount based on replacement cost:	\$ _____
Criterion D: Amount based on loan-to-value:	\$ _____
Criterion E: Amount based on debt service coverage:	\$ _____
Criterion F: Amount based on estimated cost of rehabilitation plus:	\$ _____
Criterion L: Amount based on deduction	\$ _____

Sensitivity Analysis:

A 1.0 debt service coverage is still realized if:

- (a) Average rental drops \$ _____ per month.
- (b) Occupancy rate decreases _____ %.
- (c) Operating expenses increase _____ % per year.
- (d) Annual net operating income (NOI) decreases \$ _____ or _____ %.

of grant(s), loan(s), LIHTCs, and gift(s)
for mortgageable items:

As rehabilitated:

Gross income: \$	<input type="text"/>	UW occupancy rate: %	<input type="text"/>
Effective gross income: \$	<input type="text"/>	Expense ratio: %	<input type="text"/>
Expenses & repl. res.: \$	<input type="text"/>	Expense per bed/unit*: \$	<input type="text"/>
Net operating income: \$	<input type="text"/>		

Total project cost: \$ **Total project cost per bed/unit*: \$**

**Use per bed for SNF, or facilities with multiple care types (e.g., SNF/ALF). Use per unit for ALF only.*

Operating deficit: \$	<input type="text"/>	Absorption rate (# beds per month):	<input type="text"/>
Number of months to cover shortfall:	<input type="text"/>	Break-even occupancy:	<input type="text"/> %
Borrower's working capital: \$	<input type="text"/>	Minor movables:	<input type="text"/> \$
Special escrows (describe below):	<input type="text"/>		

<<describe special escrows here>>

Major movable equipment budget:	<input type="text"/> \$	Major movable amount per bed:	<input type="text"/> \$
--	-------------------------	--------------------------------------	-------------------------

Construction contract:	\$	Offsites	\$	Demolition	\$
Total construction costs: <i>As reported on HUD-2328, Line 53 plus Offsites and Demolition Costs</i>	\$				
Construction contingency:	\$				
Relocation escrow:	\$	Construction period:	# of months:		
Architectural contract:	\$	<input type="checkbox"/>	Multiple AIA Agreements		

	Year	FTE's	Operating Revenues	SWB
Operations – Base year			\$	\$
Operations – Post construction			\$	\$

<<**Definitions:**>>

Base year: Year before construction.

Year: First year of stabilized occupancy after completion of construction. Example: Add the number of months to reach stabilized occupancy (as reported on the IOD spreadsheet "Output-Summary Exhibit" tab) to the completion date. For a completion date of June 1, 2013 and 12 months to reach stabilized occupancy, enter 2014.

FTE's: As reported on the “Staffing Schedule”- Exhibit in the Operations Section of the application checklist.

SWB (Salaries, Wages, Benefits): As reported on the “Staffing Schedule”- Exhibit in the Operations Section of the application checklist.>>

	Yes	No	Comments:
Secondary Financing:	<input type="checkbox"/>	<input type="checkbox"/>	(If yes, provide details.)
A/R Financing:	<input type="checkbox"/>	<input type="checkbox"/>	
Master Lease:	<input type="checkbox"/>	<input type="checkbox"/>	
Waivers: (list, as applicable)	<input type="checkbox"/>	<input type="checkbox"/>	

Portfolios

Program Guidance – Portfolio Definitions:

Portfolio: Two or more borrower entities that are under common control.

Small portfolio: Up to 49 facilities and aggregate mortgage loan amount less than or equal to \$90,000,000.

Midsize portfolio: Up to 49 facilities and a total mortgage loan amount greater than \$90,000,000 and less than or equal to \$250,000,000.

Large portfolio: 50 or more facilities and/or aggregate mortgage loan amount greater than \$250,000,000.

Common control: Business entities that are ultimately controlled by the same party or parties. Examples of common control may include, but are not limited to:

- Each entity has the same managing member, general partner, or other person or entity in a controlling role
{OR}
- 50% or more of each entity is owned by the same persons or entities.

Same ownership: 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. This term applies to master lease requirements.

Key Questions

	Yes	No
1. Do any of the principals of the borrower own any other projects insured or held by HUD?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do any of the principals of the borrower plan to submit an application for mortgage insurance to HUD in the next 18 months?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have any of the principals of the borrower submitted an application for mortgage insurance to HUD in the past 18 months?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion regarding the topic. Identify the size of the portfolio and complete the “Other Section 232 Applications” chart in the “Consolidated Certification – Parent of the Operator.”>>

Special or Atypical Underwriting Considerations

- There are NO special or atypical underwriting considerations.
- The following are unique characteristics, key deal points, special, or atypical underwriting considerations:
 - << Examples:
 - Facility will be master leased
 - Identity-of-interest issues
 - Timing issues for closing or permits, land, licensing, etc.

This section should not be a lengthy restatement of the rest of the narrative. It is merely to highlight key points.>>

Third-party reports provided:

<input type="checkbox"/> Market Study <i>(if required)</i>	Conclusion is:	<input type="checkbox"/> Accepted as is.	<input type="checkbox"/> Modified by underwriter.
<input type="checkbox"/> Appraisal	Conclusion is:	<input type="checkbox"/> Accepted as is.	<input type="checkbox"/> Modified by underwriter.
<input type="checkbox"/> PCNA	Conclusion is:	<input type="checkbox"/> Accepted as is.	<input type="checkbox"/> Modified by underwriter.
<input type="checkbox"/> Phase I Environmental	Conclusion is:	<input type="checkbox"/> Accepted as is.	<input type="checkbox"/> Modified by underwriter.
<input type="checkbox"/> Other: <<identify here>>	Conclusion is:	<input type="checkbox"/> Accepted as is.	<input type="checkbox"/> Modified by underwriter.

Program Eligibility

Blended Rate

This project qualifies as a blended rate application because:

- The existing facility is adding new beds/units outside of the existing building footprint.

Key Questions

	Yes	No
1. Will the facility charge “founder’s fees,” “life care fees,” or or other similar charges associated with “buy-in” facilities?	<input type="checkbox"/>	<input type="checkbox"/>
2. Will the facility require more than four residents share a full bathroom (see 24 CFR 232.3)? <i>(Not applicable for SNFs.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
3. Are any residents required to access a qualifying bathroom by moving through a public corridor or area (see 24 CFR 232.3)? <i>(Not applicable for SNFs.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the borrower, operator, or any of their affiliate’s renamed or reformulated companies, filed for or emerged from bankruptcy within the last five (5) years?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is the borrower, operator, or any of their affiliate’s renamed or reformulated companies, currently in bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there floodways or coastal high hazard areas, other than incidental portions, located onsite?	<input type="checkbox"/>	<input type="checkbox"/>

<<If you answered “yes” to any of the questions above, this facility is not eligible under this program. >>

Commercial Space/Income

Select one of the following:

- There will be no commercial space at the subject.
- There will be commercial space at the subject; however, it will not exceed the program limitations of 20% of the total net rentable area of the project and 20% of the effective gross income.

a. Total net rentable area :	_____	d. EGI:	_____
b. Net rentable commercial area:	_____	e. Eff. commercial income:	_____
c. % of commercial area:	<u><<b / a>></u>	f. % of commercial income:	<u><<e / d>></u>

<<Provide further explanation, if necessary. If the facility does not meet either of the criteria above, the loan is not eligible under this program.>>

Program Guidance:

The commercial limits are a maximum of 20% of the gross floor area of the project and 20% of the gross project income. Commercial space that is intended to exclusively serve the residents of the facility is not counted toward the 20% space and income limitations. Non-resident adult day care space will not be considered commercial space. However, the adult day care space may not be located on a separate site, 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.)

Facility Type

Select **ALL** that apply:

- Nursing Home**
 - Consists of at least 20 beds.
 - Considered a “Skilled Nursing Facility” by Department of Health & Human Services.

- Intermediate Care Facility**
 - Consists of at least 20 beds.
 - Considered an “Intermediate Care Facility” by Department of Health & Human Services.

- Board and Care**
 - Consists of at least 5 beds.
 - Provides “Continuous Protective Oversight.”
 - Provides areas for central dining.
 - Offers three meals per day to each resident.
 - Resident must take at least one meal a day.
 - Regulated by the state in accordance with Section 1616(e) of the Social Security Act (Keys Amendment)

- Assisted Living**
 - Consists of at least 5 units.
 - Provides “Continuous Protective Oversight.”
 - Provides areas for central dining.
 - Offers three meals per day to each resident.
 - Resident must take at least one meal a day.
 - Caters to frail elderly persons (62 years and older) who need assistance with 3 or more activities of daily living (ADLs).

- Other - Requires explanation.** <<describe here>>

<<NOTE: The above reflect HUD’s definitions of facility or care types. Those definitions may not align with state licensing definitions.>>

Independent Units

Select all applicable statements:

- There will be NO unlicensed/independent units at the subject.
- There will be unlicensed/independent units at the subject; however, the total does not exceed 25% of the total beds at the facility.

a. Total beds: _____

b. Unlicensed independent beds: _____

c. Independent beds as % of total: _____

<<b / a>>

- A waiver is requested to exceed 25% of the total beds at the facility.

Program Guidance:

It has been longstanding policy that HUD will allow up to 25% of the units in a Section 232 facility to be Independent Living (IL) units. This policy remains unchanged under Lean. However, please note the following:

- The facility must offer services to all residents in the project comparable to those found in a skilled nursing facility, assisted living facility, board and care, or intermediate care facility.
- A license is not required for the IL units; however, all of the other units in the facility must be licensed.
- Waivers to exceed the 25% limit will be considered on a case-by-case basis for good cause. Please note that waivers have not been provided when the number of IL units exceeds 30% of the total project units.

Three-Year Rule

Year project was constructed:

Select one of the following:

- The entire facility was constructed over three years ago and has not undergone any substantial rehabilitation in the last three years.
- An addition to the facility was constructed less than three years ago; however, the addition was not larger than the project size (gross floor area) and number of beds.

a. Gross floor area (GFA): _____

b. Sq. ft. added last 3 yrs.: _____

d. Total beds: _____

e. Beds added last 3 yrs.: _____

c. % of GFA added:

<<b / a>>

f. % of beds added:

<<e / d>>

<<Provide further explanation, if necessary. If the facility does not meet either of the criteria above, the loan is not eligible under this program.>>

Licensing/Certificate of Need/Keys Amendment

<<Provide affirmative statement along the lines of: “The facility is to be licensed by the State of {State}’s Department of Health and Welfare as a {Type of Facility} for {X} beds. The license is to be issued to {Name of Entity on License}.” Describe the licensing process.It is effective {date}, through {date}. The license covers {number of beds}.”>>

<<Provide affirmative statement along the lines of: “There is no Certificate of Need (CON) requirement in {State} for {Type of Facility}.” – OR – “A Certificate of Need (CON), dated {XXX} was issued by the State of {State} authorizing XX beds...”>> For skilled nursing, where the state does not require a CON, discuss the required independent study conducted by the state or commissioned by the state of market need and feasibility. Include in the discussion the number of beds and the date through which it is current.

<<(Applicable to B&C’s.) Provide affirmative statement along the lines of: “The State of {State} has certified its compliance with Section 1616(e) of the Social Security Act (Keys Amendment).”>>

Identities-of-Interest

Key Questions

	Yes	No
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. Do any of the certifications provided by principals of the borrower identify any identities of interest?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the operator’s certification (if applicable) indicate any identities of interest? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the Management Agent’s Certification (if applicable) indicate any identities of interest? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the General Contractor’s certification indicate any identities of interest?	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| 7. Does the HUD Addendum to the AIA Agreement of the Design Architect identify any identities of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Does the lender know, or have any reason to believe, that any of the assertions in the other Consolidated Certifications submitted herewith, are inaccurate or incomplete? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion regarding the topic. As applicable, describe the risk and how it will be mitigated. For example: The borrower and operator are related parties – John Doe has ownership in both entities. No other identities of interest are disclosed.>>

Risk Factors

Key Questions

- | | Yes | No |
|--|------------------------------|--------------------------|
| 1. If the project is proposing new construction of assisted living units, is the proposed mortgage higher than the maximum loan-to-value (LTV) identified in the guidance below? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the debt service coverage of the loan less than 1.45? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is this a “special use facility”—one that serves a “niche” type of market (e.g., psychiatric facilities; drug, alcohol, or eating disorder recovery facilities; hospice facilities; or short-term rehabilitation facilities)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Will the combined underwritten occupancy percentage of Medicare and private pay beds (of the total SNF beds in the project) exceed 30%?* | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 5. Will the percentage of private pay beds used in the underwriting exceed the average percentage demonstrated in the market, defined as the average of no less than 5 competing facilities in the primary and secondary market?* | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 6. Will the underwritten occupancy percentage of Medicare beds (of the total SNF beds in the project) exceed 10% or the average percentage demonstrated in the market, defined as the average of no less than 5 competing facilities in the primary and secondary market?* | <input type="checkbox"/> N/A | <input type="checkbox"/> |

*If the answer to question 4, 5, or 6 is “yes,” a waiver must be requested.

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.

*Example: **Debt Service Coverage Lower than 1.45:** {If the debt service coverage of the loan is less than 1.45, the lender must provide sufficient justification/mitigation to support the additional risk associated with the loan. The HUD underwriter will be required to specifically approve this item and may ask for additional input and request a discussion with the lender and/or HUD*

headquarters.}>>

<<Below is a summary of the Lean underwriting benchmarks for loan-to-value (LTV) and debt service coverage ratio (DSCR).

Type of Unit	New/Existing Units	Borrower Type	Max. LTV*	Min. DSCR*
SNF/ILU	Both	For Profit	80%	1.45
SNF/ILU	Both	Non-Profit **	85%	1.45
ALF	New	For Profit	75%	1.45
ALF	New	Non-Profit **	80%	1.45
ALF	Existing	For Profit	80%	1.45
ALF	Existing	Non-Profit **	85%	1.45

*Maximum loan-to-values and minimum debt service coverage ratios are set by the Section 232 Statute and Regulations. Any submittal above the LTV's listed or below the DSCR's listed will require justification/mitigation.

**To qualify for the higher non-profit benchmarks, the owner/operator must demonstrate a successful operating track record, significant project operating and management experience, and a solid financial track record.>>

Loan-to-Value for Blended Rate Projects:

Blended rate projects may use a blended loan-to-value that takes into account the number of beds of each type (refinance and new construction). The refinance loan-to-value requirement is to be used for those beds that are existing and the new construction loan-to-value requirement is to be used for those beds that are new.

For example, assuming a project has 77 existing beds and 39 new construction beds, the blended loan-to-value should be calculated as follows:

77 beds multiplied by 0.8 (80% applicable to existing) = 61.6
39 beds multiplied by 0.75 (75% applicable to new construction) = 29.25

Total = 90.85

90.85 divided by 116 (total # of beds) = blended LTV of 78.3%

Other Risk Factors Identified by Lender

Additionally, the lender has identified the following risk factors:

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

Strengths

<<Provide discussion of the strengths of the transaction.>>

Underwriting Team

Lender

Name: _____

Underwriter: _____

Underwriter trainee: _____

Lender number: _____

Site inspection date: _____

Inspecting underwriter: _____

Broker: _____

Lender's Underwriter

<<Brief description of qualifications. The inspecting underwriter must be underwriter of record that is assigned to the project. >>

Underwriter Trainee (if applicable)

<<Brief description of qualifications.>>

Inspecting Underwriter (if applicable)

<<Brief description of qualifications. A MAP-approved 232 Underwriter or Lean-approved 232 Underwriter employed by the lender must visit the site AND sign this narrative.>>

Program Guidance:

On projects involving the addition of beds/units, the Lender's Approved Underwriter of record on the project must inspect not only the subject site, but also the market competitors and/or comparables from the appraisal/market study. HUD is not requiring inspection of all comparables listed in the appraisal/market study; it is up to the Underwriter to determine which comparables will give them enough information to become familiar with the market.

Lender's Loan Committee Process

Date of loan committee: _____

Loan committee process: _____

Loan committee conditions: _____

<<Provide brief narrative summary of loan committee, including: information provided; any pertinent requirements/conditions of the loan committee to gain the committee's recommendation.>>

Recommendation to HUD

<<Based on analysis and underwriting, XXXXX recommends that HUD issue a firm commitment to insure the proposed mortgage for the subject transaction, subject to the terms and conditions identified in this narrative and the accompanying application exhibits.>>

Third Party Reviewers

Role	Name	Firm	Phone	E-mail
PCNA analyst				
Environmental consultant				
Market analyst				
Appraiser				

Key Questions – PCNA Analyst

- | | | |
|--|--------------------------|--------------------------|
| | Yes | No |
| 1. Does the PCNA analyst have the knowledge and experience to complete the assignment competently? | <input type="checkbox"/> | <input type="checkbox"/> |

Key Questions – Environmental Consultant(s)

- | | | |
|---|--------------------------|--------------------------|
| | Yes | No |
| 1. Does the environmental consultant(s) meet all the qualification requirements of Appendix X2 of ASTM E 1527-05? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the environmental consultant(s) meet the license/certification, educational, and experiential requirements of Section X.2.1.1(2)(i), (ii), or (iii) of Appendix X2 of ASTM E 1527-05? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Were any Phase II investigations performed by environmental investigator(s) specifically qualified to meet the responsibilities for the issue(s) of concern? | <input type="checkbox"/> | <input type="checkbox"/> |

Key Questions – Market Analyst

	Yes	No
1. Does the market analyst have the knowledge and experience to complete the assignment competently?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the market analyst currently active in the market analysis of other healthcare properties?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the market analyst experienced in the market area that the subject property is located in or established expertise by a thorough investigation of the market?	<input type="checkbox"/>	<input type="checkbox"/>
4. Did the market analyst personally inspect the property, perform the market analysis, and prepare and sign the market study?	<input type="checkbox"/>	<input type="checkbox"/>

Key Questions - Appraiser

	Yes	No
1. Is the appraiser is a Certified General Appraiser under the appraiser certification requirements of the state where the subject property is located as of the effective date of the appraisal? (See note below this section.)	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the appraiser meet the requirements of the Competency Rule described in USPAP?	<input type="checkbox"/>	<input type="checkbox"/>
3. Did the appraiser sign the appraisal and the required certifications?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the appraiser have experience appraising a minimum of five similarly licensed healthcare facilities?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is the appraiser currently active in the appraisal of other healthcare properties?	<input type="checkbox"/>	<input type="checkbox"/>
6. Is the appraiser experienced in the market area in which the subject property is located, or establish competency as per USPAP?	<input type="checkbox"/>	<input type="checkbox"/>
7. Did the appraiser meeting the above qualifications, personally inspect the property being appraised?	<input type="checkbox"/>	<input type="checkbox"/>
8. If more than one appraiser worked on the appraisal, did they all sign the report and certifications?	<input type="checkbox"/>	<input type="checkbox"/>

NOTE: If you answer “no” to any of the questions above, the appraiser does not meet HUD requirements. The appraiser must be a Certified General Appraiser under the appraiser certification requirements of the state that the subject property is located, as of the effective date of the appraisal (temporary certifications are permissible) and must meet all requirements of the Competency Rule of the USPAP. Lender verification of an appraiser’s current standing can be done at <http://www.asc.gov>.

Housing Consultant (if applicable)

Name of consultant: _____
 Relation to borrower, if any: _____

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Will the project have a housing consultant? <i>(If so, please provide a copy of the consultant's agreement with the firm commitment application and provide a narrative discussion that addresses the following: (a) terms of the agreement (i.e., fees charged, start and end date, etc.); and (b) consultant's responsibilities.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Will the housing consultant's responsibilities overlap with those responsibilities provided by other development team members (i.e., the lender, architect, contractor, attorney, etc.)? If yes, please explain..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Has the lender determined that the fees charged are competitive in the market and considered necessary and reasonable? If no, please explain. | <input type="checkbox"/> | <input type="checkbox"/> |

<<Please provide a brief narrative discussion, as applicable, in response to the questions above.>>

Project Description

Site

<<Brief narrative description about site to include location, topography, size, frontage, access, etc. >>

Neighborhood

<<Brief narrative description about neighborhood area to include major cross streets and access routes; distance to services, hospitals, etc.; adjacent property uses; predominant character or neighborhood; etc.>>

Zoning

- Legal Conforming Legal Non-Conforming Other

<<Provide narrative description: identify local jurisdiction; zoning designation; results of Zoning Letter provided in application submission; and discuss any variances, conditional uses, non-conformance or other pertinent issues affecting zoning.>>

Utilities

<<Provide narrative description: identify utilities proposed for use at site. Discuss any limitations in service and any other issues that would affect the operation of the facility. Also, clearly identify the utilities to be paid by the residents.>>

Improvement Description

Building Description

<<Provide narrative description to include “as-is” and “as-rehabilitated” number of buildings; construction types; floor area; describe common areas; etc. >>

Landscaping

<<Provide narrative description about the “as-is” and “as-rehabilitated” landscaping>>

Parking

<<Provide narrative description about the “as-is” and “as-rehabilitated” parking including the number of spaces, compliance with accessibility, adequacy of the parking, and any parking easements. Also, discuss any zoning or marketability issues.>>

Unit Mix & Features

<<Complete “as-is” and “as-rehabilitated” tables or provide equivalent detail.>>

As-is Unit Mix

(Double click inside the Excel Table to add information)

Line	Unit Qty	Bed Qty	Bdrms	Baths	Unit Sqft	Care Type
A						
B						
C						
D						
E						
F						
G						
H						
I						
J						
Totals	-	-				

As-rehabilitated Unit Mix

(Double click inside the Excel Table to add information)

Line	Unit Qty	Bed Qty	Bdrms	Baths	Unit Sqft	Care Type
A						
B						
C						
D						
E						
F						
G						
H						
I						
J						
Totals	-	-				

Living Unit Description

<<Provide brief narrative description of the “as-is” and “as-rehabilitated” units including: bathrooms, appliances, flooring, included furnishings, hook-ups, patios, etc. >>

Services

<<Provide narrative description of “as-is” and “as-rehabilitated” services to be provided. Identify which services will be included in rent and which services will be available for extra charges, as applicable.>>

Scope of Rehabilitation

<<Provide narrative description of the planned rehabilitation. The description should be sufficiently detailed to provide the HUD underwriter and review appraiser a reasonable understanding of the work involved to assess the impact on underwriting and value concerns.>>

Project Capital Needs Assessment (PCNA)

Date of inspection: _____
 Firm: _____
 Needs assessor: _____
 Units inspected: _____ units (_____ % of units)

The scope of the inspection consisted of a visual evaluation of the project site, building exteriors, roof, interior common areas, all mechanical rooms, and a sampling of resident units (as indicated

above). The report was prepared in accordance with the Project Capital Needs Assessment Statement of Work.

Following is a summary of the PCNA and underwriting conclusions.

PCNA Repair Summary		
	PCNA	Lender
Critical Repairs		
Non-Critical Repairs		
Borrower Proposed Repairs:		
Total Repairs:		

Key Questions

		Yes	No
1. Will the non-critical and/or borrower proposed repairs be escrowed at closing?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
a. Will the escrowed repairs take more than 12 months to complete?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
b. Is the repair escrow to be less than 120% of the repair estimate ..	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
2. Will replacement reserve funds be used to fund any of the required or proposed repairs?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
3. Do any of the repairs require drawings and/or specifications?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
4. Do any of the repairs require relocation of the tenants?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
5. Will any of the repairs create vacancy issues requiring an operating deficit escrow?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
6. Will any of the repairs require permits or locality approvals?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
7. Will any of the repairs require a review by the state licensing authority?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
8. Were any specialty reports (e.g., seismic, wood destroying organisms, etc.) required?		<input type="checkbox"/>	<input type="checkbox"/>
9. Has the lender suggested a lower dollar amount or fewer repairs than the Needs Assessor’s repair conclusions and are they justified?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
10. Is further description and detail of the repairs needed in terms of inspectability (location and what the need is)?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
11. Are there any non-compliance issues with regard to the Fair Housing Accessibility Guidelines (FHAG) and Part 504 of the Rehabilitation Act of 1973?		<input type="checkbox"/>	<input type="checkbox"/>
12. Does the proposed underwriting require any increases to the annual replacement reserve deposit over the next 15 years?		<input type="checkbox"/>	<input type="checkbox"/>
13. Will the facility require repairs to be in compliance with the Department of Health & Human Services, Centers for Medicare & Medicaid Services final rule, entitled “Medicare and Medicaid Programs; Fire Safety Requirements		<input type="checkbox"/>	<input type="checkbox"/>

for Long Term Care Facilities, Automatic Sprinkler Systems?"

<<For each "yes" answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Examples:

- **Repair Escrow:** The non-critical and borrower proposed repairs will be escrowed at closing, for further detail see the Repair section below.
- **Example: FHAG Compliance:** The PCNA recommends repairs to address non-compliance issues. For further detail see the Handicapped Accessibility section below.
- **Example: Escalation of Annual Replacement Reserve Deposit:** The annual deposit to the replacement reserve is increased by \$XXX per unit per year in Year 6 on the underwriter's analysis of the replacement reserves. This increase can be met by...
- **Example: Automatic Fire Sprinkler Systems Compliance:** This nursing home is not currently in compliance with the 1999 edition of the National Fire Protection Association's (NFPA) "Standard for the Installation of Sprinkler Systems" (NFPA 13). Non-Critical Repairs are proposed to bring the facility into compliance prior to the August 13, 2013, deadline. >>

Lender Modifications

<<Provide a brief summary of modifications made by underwriter. If none, state none. Example: "The PCNA's analysis of reserve requirements for major movable equipment included replacement of the facility's bus/van. The underwriter has deleted this item as it is not eligible for reimbursement from the replacement reserve account.">>

Fire/Building Codes and HUD Standards

<<Provide narrative description regarding needs assessor's finding, application exhibits (8-5 and 8-6.)>>

Handicapped Accessibility

<<Provide a brief summary of modifications made by underwriter. If none, state none. Example: "Per the needs assessor, the facility is in substantial compliance with the Fair Housing Accessibility Guidelines. The needs assessor calls for installation of enunciator/strobe light smoke detectors in one unit in each building under Section 504... >>

Program Guidance:

The following is an excerpt from the Project Capital Needs Assessment (PCNA) Statement of Work Lean Section 232/223(f) and 232/223(a)(7); IV. Specific Requirements, B. Inspections, 3.

Compliance with other HUD requirements.

Handicapped Accessibility Requirements: The Fair Housing Accessibility Guidelines are applicable for projects with first occupancy after March 13, 1991, and for which building permits were issued or reissued after June 15, 1990, on a building by building basis. Section 504 / Uniform Federal Accessibility Standards (UFAS) is applicable for all housing receiving Federal financial assistance (note: Medicaid and Medicare are not considered Federal financial assistance when determining accessibility compliance), plus all existing HUD Section 232 New Construction, and existing HUD Section 232 Substantial Rehabilitation (but only those elements that underwent alteration), built after 1973. Project marketability and functional obsolescence must always be a consideration, no matter if compliance with the above accessibility standards is required or not.

Seismic Evaluation

<<Provide narrative discussion. Example: “The facility is located within seismic zone 2B, an area of limited potential for earthquake ground shaking. No additional evaluation is required regarding seismic activity.”>>

Repairs

Critical Repairs

<<Provide a brief summary of the required critical repairs. If none, state none. See example for Non-Critical Repairs below. >>

Non-Critical Repairs

<<Provide a brief summary of the required critical repairs. If none, state none.
Example: The needs assessor identified the following non-critical repair items totaling \$X:

1. Remove and replace XX. Estimated cost: \$X.
2. Provide a fire alarm annunciator, including strobe lighting, for XX. Estimated cost: \$X.>>

Borrower Proposed Repairs

<<Provide a brief summary of the borrower proposed repairs. If none, state none. See example for Non-Critical Repairs above. >>

Completion and Inspection

The repair list attached to Exhibit C of the Draft Firm Commitment clearly describes the location of the repairs and what is required. The description is sufficiently detailed so that an experienced

person can perform the work and an experienced inspector can inspect with minimal additional direction or consultation.

Replacement Reserves

Replacement Reserve Summary		
	Amount	Per Unit
Initial Deposit	\$	\$
Annual Deposit Years: 1-15	\$	\$

<<*The above table should identify all changes in the annual deposit from year to year.*>>

General Overview

The replacement reserve analysis includes a combined analysis of both capital items and major movable equipment. The underwriter has reviewed the replacement reserve schedule and provided a summary analysis below. The full 15-year replacement reserve schedule, including the major movable analysis, is provided as Exhibit B to the Draft Firm Commitment submitted with this narrative.

In the analysis below, the underwriter spreads the anticipated replacements by year based on the needs assessor's replacement reserve analysis and assumes an interest of X% and an inflation rate of X%.

Reserve for Replacement Fund Schedule
(Double click inside the Excel Table to add information)

Year	0	1	2	3	4	5
Interest Earned	2.0%	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Initial Deposit	\$ -					
Total Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year	6	7	8	9	10	
Interest Earned	\$ -	\$ -	\$ -	\$ -	\$ -	
Annual Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	
Initial Deposit						
Total Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	
Claims	\$ -	\$ -	\$ -	\$ -	\$ -	
Cumulative Claims	\$ -	\$ -	\$ -	\$ -	\$ -	
Balance	\$ -	\$ -	\$ -	\$ -	\$ -	
Year	11	12	13	14	15	
Interest Earned	\$ -	\$ -	\$ -	\$ -	\$ -	
Annual Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	
Initial Deposit						
Total Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	
Claims	\$ -	\$ -	\$ -	\$ -	\$ -	
Cumulative Claims	\$ -	\$ -	\$ -	\$ -	\$ -	
Balance	\$ -	\$ -	\$ -	\$ -	\$ -	

As you can see, the year-end balance for each year through year 15 is positive, indicating that the initial and annual deposit are sufficient based on these assumptions. The HUD program requires the lender to re-analyze the capital needs in year 10.

Underwritten Reserve for Replacement

Reserve for Replacement	Annually	Per Unit
Realty	\$	\$
Major movable equipment	\$	\$
Total	\$	\$
	Total Amount	Per unit
Initial deposit	\$	\$

<<Provide narrative discussion as necessary.>>

Development Budget

Construction Costs

<<Discuss the estimated construction budget assumed by the developer for the initial submission.>>

Description	Cost	% of contract	Per sq ft of GBA	Per bed
Structures				
Accessory structures				
Land improvements				
General requirements				
Builder's overhead				
Builder's profit				
Other fees				
Bond premium				
Total construction contract				

Architect's Fees

<<Provide narrative describing budgeted architect fees (design/supervision). For example: "The total architectural fees of \$XXX are estimated. The fee represents XX% of the total cost of structures, land improvements, and general requirements." Indicate whether or not an identity of interest between the borrower and the architect is planned or if there will be multiple AIA B108 contracts.>>

Other Fees-Borrower

<<Provide narrative discussion as necessary.>>

Schedule of Other Fees to be paid by Borrower
(Double click inside the Excel Table to add information)

Line	Description	Amount
A	Survey - Land and Final "As Built"	
B	Building Permits	
C	Soils Report	
D	Traffic Study	
E	Impact Fees	
F	Hook-up Fees	
G		
H		
I		
J		
TOTAL		\$ -

Offsite and Demolition

<<Describe any offsite work to be accomplished and who will be performing the work. If the general contractor is responsible, describe the cost attributed to it and the cost reviewer's conclusions about the work and the cost. If the city will be performing the work, describe any related costs or hookup fees. Describe any demolition that may apply; discuss costs and any other requirements or issues.>>

Appraisal

Date of valuation: _____

Appraisal firm: _____

Appraiser: _____

License no./State: _____

The report was prepared to comply with the reporting requirement outlined under the USPAP as a self-contained report. The report also complies with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations

The report was prepared in accordance with the ORCF Appraisal Guidelines.

Key Questions

	Yes	No
1. Will there be a ground lease?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are any tax credits involved in this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are any real estate tax abatement or exemptions included in the underwriting assumptions?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any special escrows or reserves proposed for this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the underwriting include income from adult day care? <i>(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.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any other issues that require special or atypical underwriting considerations?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the submission date of the application (date the application enters the queue) exceed the 120-day timeframe from the effective date of the appraisal?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion regarding the topic. For example, Item 3, Real Estate Tax Abatement – The borrower will be receiving an abatement of real estate taxes for at least two years after opening the facility. The abatement is to be 70% of the taxes due. We have not assumed the abatement for valuation purposes. The underwriter has, however, excluded 70% of the underwritten taxes from the debt service calculation and from the initial operating deficit calculation.>>

Hypothetical Conditions and Extraordinary Assumptions

Hypothetical Conditions

<<Identify any conditions that are contrary to what exists but are supposed for the purpose of analysis. For example, “The appraisal assumes that the proposed construction is complete and the property has attained the operating levels concluded by the appraiser. There are no other hypothetical conditions.”>>

Extraordinary Assumptions

<<Identify any assumptions specific to this assignment that if found to be false, could alter the appraiser’s opinions or conclusions. For example, “The appraisal assumes the subject project meets the state licensing requirements and that the facility is constructed as planned. There are no other extraordinary assumptions.>>

Jurisdictional Exceptions

<<These are rare and should be discussed with HUD before invoking. >>

Obsolescence/Depreciation and Remaining Economic Life

<<There are three categories that need to be addressed. Each should be discussed before and after the rehabilitation..>>

Functional Obsolescence

<<How the physical plant compares to an optimally configured project and how does that impact income potential? (Discuss for example, 3 and/or 4 bed wards, unusual design issues, etc.)>>

External Obsolescence

<<How do the market, economic environment, and location impact the income potential of the project? >>

Remaining Economic Life

<<The appraiser has estimated the economic life of the property at XX years. The appraiser has estimated the effective age of the property at XX years. Therefore, the remaining economic life is XX years. Explain the basis for this estimate. Discuss any physical depreciation associated with any improvements that are not new construction. >>

Market Analysis

<<The Market Study may be an integral part of the appraisal and need not appear under separate cover. If under separate cover, the Market Study should have the same author as the appraisal, so the valuation is consistent with the market conclusions.>>

Date of analysis: _____

Market analysis firm: _____

Market analyst: _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the subject located in a declining market in terms of population, target population, real estate values, or employment? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there any negative market influences that require special consideration? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is there a projected or current oversupply that could affect the subject? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion regarding the topic, describing the risk and how it is mitigated. For example, “Oversupply: The projected oversupply is specifically addressed in the Risk Factors section of this narrative.”>>

Market Overview

<<Provide an overview of the market analysis, including general growth and population information, barriers to entry, unique market influences, etc. Please be brief in this section and refrain from pasting large sections from the market study here.>>

Primary Market Area

<<Describe primary market area and method of selection (e.g., distance, zip codes, etc.). When making your conclusions about the size of the PMA, pay close attention to where the existing competitors are drawing their tenants from.>>

Target Population

<<Describe age, income, and type of resident (i.e., assisted living, independent, dementia, etc.) and acuity of care.>>

Demand

<<Describe age, income, and type of resident (i.e., assisted living, independent, dementia, etc.) and acuity of care of the target population. Describe target population demographics and demand factors.>>

Competitive Environment (Supply)

<<Describe and identify competing facilities, planned facilities, facilities under construction, and other supply factors that compete with the subject facility. Description of supply should include types of facilities, acuity, and occupancy. Discuss recent and/or historic absorption of competitive units. Discuss any perceived changes to competitive environment.>>

Conclusion

<<Provide conclusion of market analysis: summarize demand, market saturation, continued health of market, negative and positive factors impacting the continued demand for the subject's units/beds.>>

Income Capitalization Approach – As-Is

Financial Statements

The appraiser and underwriter have analyzed the following historical financial statements pertaining to the operation of this facility:

<<If less than three years financial information is available for the project's operations, provide a narrative justifying why the data is not available. Even in the cases where there was an acquisition within the past 3 years, the owners will usually have been supplied with the income

and expense information from the previous owner.>>

Occupancy

A summary of the subject's occupancy is provided below.

(Double click inside the Excel Table to add information)

Historical Occupancy	Year ending xx/xx/xx	Year ending xx/xx/xx	Year ending xx/xx/xx	YTD annlzd. or T 12 (specify dates)
Potential Resident Days OR units (specify)	0	0	0	0
Actual Resident Days OR Occ. Units (specify)	0	0	0	0
Occupancy	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

A summary of the market occupancy is provided below.

(Double click inside the Excel Table to add information)

Market Occupancy	# of Units	Occupancy
Competitor 1 - (Name)	0	0%
Competitor 2 - (Name)	0	0%
Competitor 3 - (Name)	0	0%
Competitor 4 - (Name)	0	0%
Competitor 5 - (Name) - <i>add rows as needed</i>	0	0%
Subject	0	0%
Market Total/Average	0	0%
Appraiser's Conclusion for Subject		0%
Underwriter's Conclusion for Subject		0%

<<Indicate if the market percentages quoted represent a single day survey, or are a year over average. The number of competitors will depend on the size of the market. Please expand or reduce the chart above as needed. Provide brief narrative discussion of conclusion. The narrative should address any decline in or below average occupancy. For skilled nursing and other facilities, resident days may be more appropriate than units or beds. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.>>

Census Mix – As Is

An analysis of the subject and market comparable census mix is provided below.

Census Mix – Subject History

(% of beds)

(Double click inside the Excel Table to add information)

Source	Year ending xx/xx/xx	Year ending xx/xx/xx	Year ending xx/xx/xx	YTD or T-12 (specify dates)	Appraisal	UW
Private-pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Welfare (Medicaid) e.g. V.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. HMO (Insurance)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Census Mix – Market Comparables

(% of beds not revenue)

(Double click inside the Excel Table to add information)

Local Market Census Mix - As Is	Private-pay	Medicare	Medicaid	e.g. V.A.	e.g. HMO (Insurance)	e.g. Other	Total
Comp 1 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 2 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 3 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 4 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 5 - (Name) <i>add rows as needed</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subject - Actual	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Market Average	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

<<Provide narrative discussion of conclusion. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide the above analysis for each care type. An equivalent analysis of the information provided above is required. Additional analysis can be provided at the lender's option to support its conclusion, as appropriate.>>

Rents - As Is

The rent schedule is currently as follows:

<<Insert a summary chart of the rent schedule here that shows rents, number of units, and room/service types.>>

<<Discuss the subject Rent Schedule. For skilled nursing and other facilities, a daily rate may be more appropriate than a monthly conclusion. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.>>

Historical Revenue Summary

<<Please adapt the chart to show the income sources specific to your facility. Bad debt can either included in the table below or dealt with as an expense. >>

History by Revenue Source
(Double click inside the Excel Table to add information)

Period	Actual				Actual				Actual			
	Year Ending XX/XX/XX				Year Ending XX/XX/XX				Year Ending XX/XX/XX			
Income Source	Source Total	% of EGI	# Days OR Units	Per Day OR Unit	Source Total	% of EGI	# Days OR Units	Per Day OR Unit	Source Total	% of EGI	# Days OR Units	Per Day OR Unit
e.g. Independent Living		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Assisted Living		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Private Pay		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Ins./Mngd Care Nursing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Medicaid Nursing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Medicare Nursing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. VA		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Therapy		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
Residential Revenue Achieved	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!
Other Income		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
Effective Gross Income	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!

Period	Actual				Forecast							
	YTD Annlzd or T-12 (specify dates)				Appraisal As-Is				Appraisal - As Proposed			
Income Source	Source Total	% of EGI	# Days OR Units	Per Day OR Unit	Source Total	% of EGI	# Days OR Units	Per Day OR Unit	Source Total	% of EGI	# Days OR Units	Per Day OR Unit
e.g. Independent Living		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Assisted Living		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Private Pay		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Ins./Mngd Care Nursing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Medicaid Nursing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Medicare Nursing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. VA		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Therapy		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
Actual Residential Revenue	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!
Other Income		#DIV/0!	0	#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!
Effective Gross Income	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!	\$0	#DIV/0!	0	#DIV/0!

<<In the chart above, the most recent reporting period may be presented as the annualization of the first months of the year (Annualized YTD), or presented as the 12 trailing months (T-12) of income that overlaps into the prior reporting period. Please indicate which you are showing and

the months covered by the T-12 or YTD.

Above you are asked to report the number of resident days or occupied units. Nursing homes should be reported by resident day, the total of which should be equal to the **number of operating beds x 365 x occupancy percentage**. Assisted living may be reported by occupied unit, the total of which should equal the **number of operating units x 12 x occupancy percentage**. Do not enter potential gross incomes here, but rather effective gross income, wherein vacancy has already been accounted for.>>

<<Discuss any departures from historical reimbursements, mix, and trends here.>>

<<**Instructions:** Each type of care should have its own subsection below discussing the payor source identified in the rent schedule, as demonstrated below. You may delete the sections (Skilled Nursing, Assisted Living, and Independent Living) that do not apply to your subject. >>

SKILLED NURSING – AS IS

Private Pay

In addition to an analysis of the subject’s rent roll, the appraiser and underwriter analyzed the private pay rates at X comparable facilities. A summary of their analysis is provided below.

Private Pay Rates Comparability Analysis

(Double click inside the Excel Tables to add information)

Skilled Nursing - Private Pay	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
	e.g. Private Room		e.g. Semi-Private		e.g. Ward		e.g. Sub-Acute	
Rent Comp 1 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 2 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 3 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 4 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 5 - (Name) - add lines as needed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$ -		\$ -		\$ -		\$ -	
Underwriter Conclusion	\$ -		\$ -		\$ -		\$ -	

<<Provide narrative discussion of private pay rate conclusion. Discuss how the rate conclusion compares to the achieved rents shown on the rent roll. Expand or shorten the table above as needed to accommodate the types of rooms or the number of comparables used. Additional analysis can be provided at the Lender’s option to support its conclusions, as appropriate. Identify any modification from the appraiser’s concluded rent and provide justification. >>

Medicare

Daily rate – Underwriting: \$ _____
 Subject’s historical average \$ _____

Appraisal: \$ _____
 Time period of _____

RUG Rate: _____ quoted average: _____

<<Identify any anticipated changes to the reimbursement rate. Provide narrative discussion of conclusion. For example: “The appraiser provided a detailed Resource Utilization Group (RUG) rate analysis of the facility’s operation over the last 12-month operating period. The analysis concluded a weighted average Medicare rate of \$XX PRD. The RUG Rates used to determine the average rate are based on the <<DATE>> rates. The underwriter concurs with the appraiser’s conclusion.”>>

Medicaid

Daily Rate – Underwriting: \$ _____ Appraisal: \$ _____
Published Rate: \$ _____ Date of Rate _____

<<Provide narrative discussion of the state’s reimbursement system and how the subject’s or tenant’s rate is determined. If rate is facility specific, discuss evidence of current or prospective rate. If rate is based on resident care requirements, provide an analysis of the last 12-months of rates for this payor source, as appropriate. Identify and discuss any other sources or copayments that are required, e.g., Supplemental Security Income (SSI). Identify any anticipated changes to the reimbursement rate, such as when rates are tied to depreciating capital components .>>

Veteran’s Administration (VA)

Daily Rate – Underwriting: \$ _____ Appraisal: \$ _____

<<If applicable, provide narrative discussion of how the rate is determined. Discuss review of evidence (e.g., rate letter) or historical precedent for the underwritten rate. >>

HMO or Other Private Insurance

Daily Rate – Underwriting: \$ _____ Appraisal: \$ _____

<<If applicable, provide narrative discussion of how the rate is determined. Discuss review of evidence (e.g., rate letter) or historical precedent for the underwritten rate. >>

Other

<<If applicable, provide narrative discussion of other types of payor sources. Describe source and how the rate is determined. Discuss review of evidence (e.g., rate letter) or historical precedent for the underwritten rate. >>

ASSISTED LIVING – AS IS

Private Pay

In addition to an analysis of the subject’s rent rolls, the appraiser and underwriter analyzed the assisted living rents at _____ comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis

(Double click inside the Excel Tables to add information)

Assisted Living - Private Pay	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Unit/Care Type	e.g Studio		e.g One Bedroom		e.g Two Bedroom		e.g Semi-Private	
Rent Comp 1 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 2 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 3 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 4 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 5 - (Name) - <i>add lines as needed</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$ -		\$ -		\$ -		\$ -	
Underwriter Conclusion	\$ -		\$ -		\$ -		\$ -	

<<Provide narrative discussion of the private pay conclusion. Include a discussion on achieved rents shown on the rent roll versus asking rates. >>

Medicaid

<<If applicable, provide narrative discussion of state's reimbursement system and how the subject's or tenant's rate is determined. If rate is facility specific, discuss evidence of current or prospective rate. If rate is based on resident care requirements, provide an analysis of the last 12-months of rates for this payor source, as appropriate. Identify and discuss any other sources or copayments that are required (e.g., SSI). >>

Independent Units

In addition to an analysis of the subjects rent rolls, the appraiser and underwriter analyzed the independent living rents at comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis

(Double click inside the Excel Tables to add information)

Independent Living	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Unit/Care Type	e.g Studio		e.g One Bedroom		e.g Two Bedroom	
Rent Comp 1 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 2 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 3 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 4 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 5 - (Name) - <i>add lines as needed</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$ -		\$ -		\$ -	
Underwriter Conclusion	\$ -		\$ -		\$ -	

<<Provide narrative discussion of conclusion. Include a discussion on achieved rents shown on the rent roll versus asking rates. >>

Other Income Breakdown

<<Input effective income conclusions, not gross income.>>

(Double click inside the Excel Tables to add information)

Underwriter's Breakdown of "Other" Income			
Line	Description	Annual Amount	Per Occupied Day/Unit
A			
B			
C			
D			
E			
F			
Total		0	

<<Provide narrative discussion and support for each other income category as appropriate. An equivalent analysis of the information provided above is required. Additional analysis can be provided at the lender's option to support their conclusion, as appropriate.

Example: Additional Personal Care Fees: The project bases additional care fees on levels of care needed as determined by the initial assessment and subsequent assessments as needed. The appraiser concludes to a net amount of \$X annually. The underwriter has analyzed the history to determine the average monthly charge of \$X, net of vacancie. Insert historical or comparable data as appropriate.

Example: Second Occupant Income: The appraiser has included a net annual projection of X second occupants at \$X per month. Over the last 12 months, the facility has averaged X second occupants per month. Competitive facilities in the market place report second occupant charges ranging between \$X and \$X with a range of X to X second occupants. Based on the history and the market, the underwriter concurs with the appraiser's conclusion for a net annual income of \$X.

Example: Miscellaneous Income: In addition to room rents, additional care, and second occupant income, the project receives miscellaneous income from X (list miscellaneous). The appraiser has included a net annual projection of \$X. Historically, typical miscellaneous income is between x and x percent of effective income. The appraiser's conclusion is x. The underwriter has concluded to a net \$X per annum (calculation shown). >>

Expenses – As Is

The appraiser concludes to total expenses of \$ including reserve for replacement of \$. The underwriter concludes to total expenses of \$ including reserve for replacement of \$. An analysis of subject's history is provided below. The appraiser also compared the subject's expense conclusions to comparable projects located in .

<<Explain how the appraiser's expenses used for valuing the facility differ from the expenses used by the lender for the Debt Service Coverage analysis. Typically, these may differ in the categories of reserves, management fee, and taxes. The appraiser's numbers will represent market expenses and the lender's expenses for DSC analysis will represent what will actually be paid. >

Historic Comparison

<<The data in the following table must be in totals, not per resident day or per occupied unit. Cells with grey shading will calculate automatically. You are given some latitude in defining the expense categories. The expense categories in black text are required items. You have the option of presenting the current year's expense data in an annualized amount or in the form of trailing 12 months (T-12) of expense. The lender must include the most current historical income and expense data available to them, and not the dated information from the appraisal.>>

Expense Analysis –Subject

(use totals not per patient day/occupied bed)

(Double click inside the Excel Table to add information)

Expense Categories	Year Ending 12/31/09	Year Ending 12/31/10	Year Ending 12/31/2011	T-12 or YTD (specify dates)	As-Is Appraisal (Market)	As-Is Lender's (Market)
e.g. General & Administrative						
e.g. Payroll Taxes and Benefits						
e.g. Resident Care						
e.g. Food Services						
e.g. Activities						
e.g. Housekeeping & Laundry						
e.g. Maintenance						
e.g. Utilities						
e.g. Marketing and Promotion						
e.g. Insurance (property & liability)						
e.g. Bad Debt						
Sub-total	\$0	\$0	\$0	\$0	\$0	\$0
Real Estate (Property) Taxes						
Management Fees						
Replacement Reserves						
Total Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Expense Percentage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Normalization Calculations						
Deduct Actual Taxes	\$0	\$0	\$0	\$0	/	/
Add Market Rate Taxes	\$0	\$0	\$0	\$0	/	/
Deduct Actual Management Fee	\$0	\$0	\$0	\$0	/	/
Add Market Management Fee @ enter %	#VALUE!	#VALUE!	#VALUE!	#VALUE!	/	/
Deduct Actual Reserves for Replacement	\$0	\$0	\$0	\$0	/	/
Add Market Reserves by Appraiser	\$0	\$0	\$0	\$0	/	/
Normalized Expenses	#VALUE!	#VALUE!	#VALUE!	#VALUE!	/	/
Normalized Expense Percentage	#VALUE!	#VALUE!	#VALUE!	#VALUE!	/	/
Normalized Expense per Res Day OR Occ. U	#VALUE!	#VALUE!	#VALUE!	#VALUE!	/	/
Key Data	Year Ending 12/31/09	Year Ending 12/31/10	Year Ending 12/31/2011	T-12 or YTD (specify dates)	As-Is Appraisal (Market)	As-Is Lender's (Market)
Effective Gross Income						
Net Operating Income	\$0	\$0	\$0	\$0	\$0	\$0
Normalized Net Operating Income	#VALUE!	#VALUE!	#VALUE!	#VALUE!	/	/
Occupancy	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Potential # Res Days (beds x 365) OR Units Annually (units x 12)						
Actual # Res Days (SNF) OR Occ. Units (ALF or IL)						

Comparable Expense Data

<<Unlike the previous table, the information for the expense comparables should be entered on a per resident day basis (# beds x 365 x occupancy rate) or per occupied unit basis (# units x 12

x occupancy rate). A minimum of three expense comps are required. More columns or tables can be added if needed.>>

Expense Analysis –Comparables

(Double click inside the Excel Tables to add information)

Expense Comparables - As Is	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Appraiser's Conclusion
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	
Expense Categories						
e.g. General & Administrative						
e.g. Payroll Taxes and Benefits						
e.g. Resident Care						
e.g. Food Services						
e.g. Activities						
e.g. Housekeeping & Laundry						
e.g. Maintenance						
e.g. Utilities						
e.g. Marketing and Promotion						
e.g. Insurance (property & liability)						
e.g. Bad Debt						
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate (Property) Taxes						
Management Fees						
Replacement Reserves						
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense Percentage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Effective Gross Income						
Net Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy						
Number of Res Days OR Occ. Units						
Date of Expense Information	e.g. Jul-12					
Adjustment amount applied for date	0.0%	0.0%	0.0%	0.0%	0.0%	

<<Provide narrative discussion of comparable information. The appraiser should trend the expense comparables to the effective date of the appraisal. An explanation of the adjustments should be included here. Explain any other adjustments made to the comparables such as for normalization of reserves, management fee, taxes, etc., required to put the comparables on the same footing as the subject. For skilled nursing and other facilities, resident days are more appropriate than occupied units. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.>>

Net Operating Income (NOI)

<<Provide narrative discussion as necessary. Summarize and compare the NOI of the appraiser and the lender's NOI that incorporates all potential changes to incomes and expenses. Typically, the lender would explain here that the appraiser's "market" NOI was used for valuation and loan sizing based on value. The lender's NOI, which may vary from the appraiser's due to the Office of Residential Care Facilities (ORCF) requirements (e.g., specific

reserve requirements, tax abatements that the appraiser was not allowed to recognize, or unusual management fees) will be used for loan sizing based on Debt Service Coverage.>>

<<Reproduce or paste the pro forma that follows. If the lender disagrees with the appraiser's value conclusion, present a separate pro forma for both the lender's conclusions and the appraiser's conclusions. A separate pro forma is not required to show the underwriter's conclusions for debt coverage (i.e., when expenses for management fee, reserves, or taxes will differ from the appraiser's market conclusion).

At a minimum, the pro forma supplied needs to:

- Summarize the income by source. The income detail needs to be sufficient to show a line item for each source that a specific rate was concluded. Include the payor type (i.e., Medicare, Medicaid, private pay, etc.) and the care type (i.e., AL, MC, IL, SNF), and the room type (i.e., private, ward, one-bedroom, studio, etc.). A count of each type should also be shown.
- Show occupancy assumptions and the assumed number of resident days OR occupied units.
- Show the conclusions for the major expense categories.
- Show the NOI, EGI, expense per bed OR unit, and the overall expense percentage. It is not necessary to show the Potential Gross Income.

If the appraiser's pro forma does not include sufficient detail, the following table may be used or adapted to produce a pro forma acceptable to ORCF. The input fields are shaded. Non shaded fields are automatic calculations. Double click the table to open for editing.>>

Pro Forma - Appraiser's Conclusions

◀ Enter X to convert to "Per Occupied Unit" (ALF/Indep. only). Otherwise figures shown are "Per Resident Day"
 Enter Number of Beds ▶ (Account for second occupants in Other Income.)

Income Source (separate line for each concluded rate)	Rate Per Resident Day	what % of total units are this type?	Occupancy % for this type*	# of Resident Days/year	Source Total Annually	% of EGI
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
<<payor source /care type/room type >>	\$0.00	0.0%	0.0%	0	\$0	#DIV/0!
Residential Income Total		0.0%	0.0%	0	\$0	#DIV/0!

Other Income Sources	Other Inc. @ Forecasted Occupancy	% of EGI	Per Resident Day
e.g. Therapy	\$0	#DIV/0!	#DIV/0!
e.g. Level of Care Fees	\$0	#DIV/0!	#DIV/0!
e.g. Second Occupant Fees	\$0	#DIV/0!	#DIV/0!
e.g. Misc/Assessment Fees	\$0	#DIV/0!	#DIV/0!
Other Income Total	\$0	#DIV/0!	#DIV/0!
Effective Gross Income		\$0	

Expense Categories	Dollars Annually	% of EGI	Per Resident Day
e.g. General & Administrative	\$0	#DIV/0!	#DIV/0!
e.g. Payroll Taxes and Benefits	\$0	#DIV/0!	#DIV/0!
e.g. Resident Care	\$0	#DIV/0!	#DIV/0!
e.g. Food Services	\$0	#DIV/0!	#DIV/0!
e.g. Activities	\$0	#DIV/0!	#DIV/0!
e.g. Housekeeping & Laundry	\$0	#DIV/0!	#DIV/0!
e.g. Maintenance	\$0	#DIV/0!	#DIV/0!
e.g. Utilities	\$0	#DIV/0!	#DIV/0!
e.g. Marketing and Promotion	\$0	#DIV/0!	#DIV/0!
e.g. Insurance (property & liability)	\$0	#DIV/0!	#DIV/0!
e.g. Collection Loss/Bad Debt	\$0	#DIV/0!	#DIV/0!
Sub-total	\$0	#DIV/0!	#DIV/0!
Real Estate (Property) Taxes	\$0	#DIV/0!	#DIV/0!
Management Fees	\$0	#DIV/0!	#DIV/0!
Replacement Reserves	\$0	#DIV/0!	#DIV/0!
Total Expenses	\$0	#DIV/0!	#DIV/0!
Net Operating Income		\$0	

<<Provide narrative discussion as necessary. An equivalent analysis of the information provided above is required. Additional analysis can be provided at the lender's option to support its conclusion, as appropriate.>>

Capitalization Rate – As Is

<<The selection of the capitalization rate should be primarily based on recent sales rather than from investment models. Ideally, these rates would come from the Building Sales Comparables. However, these are often chosen by location before sale date. Recent cap rate data should be included every time, even if an additional set of cap rate comps or a survey needs to be introduced. In the table below, please add columns or duplicate the table as needed to accommodate additional comps.>>

(Double click inside the Excel Tables to add information)

Capitalization Rate Summary	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Comp. Average	Appraiser Conclusion	Underwriter Conclusion
	Comp 1	Comp 1	Comp 3	Comp 4	Comp 5			
Capitalization Rate								
Identify Source of Income Data								
Uses Retro or Prospective NOI								
Date of Sale								
Year Built								

<<Provide narrative discussion as necessary. If the subject was sold within the past 3 years, include the cap rate analysis here. An equivalent analysis of the information provided above is required. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type. Additional analysis can be provided at the lender's option to support its conclusion, as appropriate.>>

Sales Comparison Approach – As Is

<<If large adjustments are required in the sales comparison approach, extra attention and explanation are required to support the determination of the adjustments. Generally, those sales that require the smallest adjustment are the most desirable.>>

Summary of Comparable Sales Data

(Double click inside the Excel Tables to add information)

Summary of Comparable Sales Data		Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Average	Appraisal	UW
		Hope Health care Anywhere, XX							
Price Per (specify Unit OR Bed)	Unadjusted						#DIV/0!		
	Adjusted						#DIV/0!		
Net Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!		
	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!		
EGIM							#DIV/0!		
Expense Ratio							#DIV/0!		
Year Built									
Date of Sale									

Price Per Unit/Bed – As Is

<<Provide narrative discussion and summary of the appraisal conclusions. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate analysis for each care type. Include a general discussion of adjustments made to the sales and the comparables that best represent the subject facility. Additional analysis can be provided at the lender's option to support its conclusion, as appropriate.>>

Effective Gross Income Multiplier (EGIM) – As Is

<<Provide narrative discussion. An equivalent analysis of the information provided above is required. For continuum of care facilities (e.g., skilled and assisted living), it may be

appropriate to provide a separate analysis for each care type. Additional analysis can be provided at the lender's option to support its conclusion, as appropriate. >>

Subject Purchases

<<Provide analysis of subject's purchase price for all sales that have occurred within the last 3 years. (The analysis should provide: date of purchase; purchase price; whether the purchase was an arms-length transaction; and the financing term. In addition, the analysis should also state whether the sale was a market price. If not, explain.)>>

Cost Approach – As Is

Development Costs

<<Provide narrative discussion. If this approach was not expanded by the appraiser, indicate so here. Instead of deleting the remainder of the subsection, provide any lender insights in each category.>>

Depreciation

<<Provide narrative discussion of depreciation assumptions and conclusion.>>

Major Movable Equipment

<<Provide narrative discussion of assumptions and conclusion. Address discrepancies between appraiser and cost analyst. Additionally, address ownership of the major movable equipment (e.g., borrower or operator).>>

Marketing Allowance

<<Provide narrative discussion.>>

Land Value

<<Provide narrative discussion of assumptions and conclusion. A land valuation is no longer required if the cost approach is not utilized.>>

Overall Value Reconciliation – As Is

<<Provide narrative discussion of how the value approaches were reconciled to reach the final conclusions. The statement may be simple. For example: "As demonstrated in the Appraisal Overview section above, the underwritten value conclusion is based on the income approach to value." If the value conclusion is based on weighting multiple approaches provide an explanation of the rationale.>>

(Double click inside the Excel Tables to add information)

As-Is Market Value Summary		
Approach	Appraisal	Underwriter
Income Capitalization		
Sales Comparison		
Cost Approach (if utilized)		
Conclusion:		

Lender Modifications – As Is

<<State if the lender concurs or not with the appraiser’s value conclusion. When there is a disagreement, summarize the valuation modifications made by the lender underwriter. Insert a pro forma to highlight the differences in conclusions as needed. View the appraisal as a tool to do your underwriting and loan sizing correctly. Lenders should not use a value they disagree with and are allowed to use a lower value/NOI for loan sizing purposes. If lenders feel they are prohibited from doing this, they should cite the FIREA rule at issue in the narrative.>>

Income Capitalization Approach – As Proposed

Census Mix – As Proposed

An analysis of the subject and market comparable census mix is provided below.

Census Mix – Subject History (% of beds)

(Double click inside the Excel Table to add information)

Source	Year ending xx/xx/xx	Year ending xx/xx/xx	Year ending xx/xx/xx	YTD or T-12 (specify dates)	Appraisal	UW
Private pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Welfare (Medicaid)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. V.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. HMO (Insurance)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Census Mix – Market Comparables

(% of beds not revenue)

(Double click inside the Excel Table to add information)

Local Market Census Mix - As Is	Private-pay	Medicare	Medicaid	e.g. V.A.	e.g. HMO (Insurance)	e.g. Other	Total
Comp 1 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 2 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 3 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 4 - (Name)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Comp 5 - (Name) <i>add rows as needed</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subject - Appraiser's Forecast	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Market Average	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

<<Provide narrative discussion of conclusion. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide the above analysis for each care type. An equivalent analysis of the information provided above is required. Additional analysis can be provided at the lender’s option to support its conclusion, as appropriate.>>

Rents - As Proposed

The rent schedule is currently as follows:

<<Insert a summary chart of the rent schedule here that shows rents, number of units, and room/service types.>>

<<Discuss the subject Rent Schedule. For skilled nursing and other facilities, a daily rate may be more appropriate than a monthly conclusion. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.>>

SKILLED NURSING – AS PROPOSED

Private Pay

In addition to an analysis of the subject’s rent roll, the appraiser and underwriter analyzed the private pay rates at X comparable facilities. A summary of their analysis is provided below.

Private Pay Rates Comparability Analysis
(Double click inside the Excel Tables to add information)

Skilled Nursing - Private Pay	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
	e.g. Private Room		e.g. Semi-Private		e.g. Ward		e.g. Sub-Acute	
Unit/Care Type								
Rent Comp 1 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 2 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 3 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 4 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 5 - (Name) - add lines as needed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$ -		\$ -		\$ -		\$ -	
Underwriter Conclusion	\$ -		\$ -		\$ -		\$ -	

<<Provide narrative discussion of private pay rate conclusion. Discuss how the rate conclusion compares to the achieved rents shown on the rent roll. Expand or shorten the table above as needed to accommodate the types of rooms or the number of comparables used. Additional analysis can be provided at the Lender's option to support its conclusions, as appropriate. Identify any modification from the appraiser's concluded rent and provide justification. >>

Medicare

Daily rate – Underwriting: \$ _____ Appraisal: \$ _____
 Subject's historical average _____ Time period of _____
 RUG Rate: \$ _____ quoted average: _____

<<Identify any anticipated changes to the reimbursement rate. Provide narrative discussion of conclusion. For example: "The appraiser provided a detailed Resource Utilization Group (RUG) rate analysis of the facility's operation over the last 12-month operating period. The analysis concluded a weighted average Medicare rate of \$XX PRD. The RUG Rates used to determine the average rate are based on the <<DATE>> rates. The underwriter concurs with the appraiser's conclusion.">>

Medicaid

Daily Rate – Underwriting: \$ _____ Appraisal: \$ _____
 Published Rate: \$ _____ Date of Rate _____

<<Provide narrative discussion of the state's reimbursement system and how the subject's or tenant's rate is determined. If rate is facility specific, discuss evidence of current or prospective rate. If rate is based on resident care requirements, provide an analysis of the last 12-months of rates for this payor source, as appropriate. Identify and discuss any other sources or copayments that are required, e.g., Supplemental Security Income (SSI). Identify any anticipated changes to the reimbursement rate, such as when rates are tied to depreciating capital components .>>

Veteran’s Administration (VA)

Daily Rate – Underwriting: \$ _____ Appraisal: \$ _____

<<If applicable, provide narrative discussion of how the rate is determined. Discuss review of evidence (e.g., rate letter) or historical precedent for the underwritten rate. >>

HMO or Other Private Insurance

Daily Rate – Underwriting: \$ _____ Appraisal: \$ _____

<<If applicable, provide narrative discussion of how the rate is determined. Discuss review of evidence (e.g., rate letter) or historical precedent for the underwritten rate. >>

Other

<<If applicable, provide narrative discussion of other types of payor sources. Describe source and how the rate is determined. Discuss review of evidence (e.g., rate letter) or historical precedent for the underwritten rate. >>

ASSISTED LIVING – AS PROPOSED

Private Pay

In addition to an analysis of the subject’s rent rolls, the appraiser and underwriter analyzed the assisted living rents at _____ comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis

(Double click inside the Excel Tables to add information)

Assisted Living - Private Pay	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
	e.g. Studio		e.g. One Bedroom		e.g. Two Bedroom		e.g. Semi-Private	
Unit/Care Type								
Rent Comp 1 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 2 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 3 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 4 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 5 - (Name) - add lines as needed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$ -		\$ -		\$ -		\$ -	
Underwriter Conclusion	\$ -		\$ -		\$ -		\$ -	

<<Provide narrative discussion of the private pay conclusion. Include a discussion on achieved rents shown on the rent roll versus asking rates. >>

Medicaid

<<If applicable, provide narrative discussion of state’s reimbursement system and how the subject’s or tenant’s rate is determined. If rate is facility specific, discuss evidence of current or prospective rate. If rate is based on resident care requirements, provide an analysis of the last

12-months of rates for this payor source, as appropriate. Identify and discuss any other sources or copayments that are required (e.g., SSI). >>

Independent Units

In addition to an analysis of the subjects rent rolls, the appraiser and underwriter analyzed the independent living rents at comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis

(Double click inside the Excel Tables to add information)

Independent Living	Un adjusted	Adjusted	Un adjusted	Adjusted	Un adjusted	Adjusted
	e.g Studio		e.g One Bedroom		e.g Two Bedroom	
Unit/Care Type						
Rent Comp 1 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 2 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 3 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 4 - (Name)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Comp 5 - (Name) - <i>add lines as needed</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$ -		\$ -		\$ -	
Underwriter Conclusion	\$ -		\$ -		\$ -	

<<Provide narrative discussion of conclusion. Include a discussion on achieved rents shown on the rent roll versus asking rates. >>

Other Income Breakdown

<<Input effective income conclusions, not gross income.>>

(Double click inside the Excel Tables to add information)

Underwriter's Break down of "Other" Income			
Line	Description	Annual Amount	Per Occupied Day/Unit
A			
B			
C			
D			
E			
F			
Total		0	

<<Provide narrative discussion and support for each other income category as appropriate. An equivalent analysis of the information provided above is required. Additional analysis can be provided at the lender's option to support their conclusion, as appropriate.

*Example: **Additional Personal Care Fees:** The project bases additional care fees on levels of care needed as determined by the initial assessment and subsequent assessments as needed. The appraiser concludes to a net amount of \$X annually. The underwriter has analyzed the history to determine the average monthly charge of \$X, net of vacancie. Insert historical or comparable data as appropriate.*

*Example: **Second Occupant Income:** The appraiser has included a net annual projection of X second occupants at \$X per month. Over the last 12 months, the facility has averaged X second occupants per month. Competitive facilities in the market place report second occupant charges ranging between \$X and \$X with a range of X to X second occupants. Based on the history and the market, the underwriter concurs with the appraiser's conclusion for a net annual income of \$X.*

*Example: **Miscellaneous Income:** In addition to room rents, additional care, and second occupant income, the project receives miscellaneous income from X (list miscellaneous). The appraiser has included a net annual projection of \$X. Historically, typical miscellaneous income is between x and x percent of effective income. The appraiser's conclusion is x. The underwriter has concluded to a net \$X per annum (calculation shown). >>*

Expenses – As Proposed

Comparable Expense Data – As Proposed

Expense Analysis –Comparables

(Double click inside the Excel Table to add information)

Expense Comparables - As Is	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX	Hope Healthcare Anywhere, XX
Expense Categories	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
e.g. General & Administrative					
e.g. Payroll Taxes and Benefits					
e.g. Resident Care					
e.g. Food Services					
e.g. Activities					
e.g. Housekeeping & Laundry					
e.g. Maintenance					
e.g. Utilities					
e.g. Marketing and Promotion					
e.g. Insurance (property & liability)					
e.g. Bad Debt					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate (Property) Taxes					
Management Fees					
Replacement Res erves					
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expense Percentage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Effective Gross In come					
Net Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy					
Number of Res Days OR Occ. Units					
Date of Expense Information	e.g. Jul-12				
Adjustment amount applied for date	0.0%	0.0%	0.0%	0.0%	0.0%

(Double click inside the Excel Table to add information)

Expense Categories	As-Proposed Appraisal (Market)		As-Proposed Lender (Market)		As-Proposed Lender (DSCR)	
	Total	Per Occpd. Unit/Bed	Total	Per Occpd. Unit/Bed	Total	Per Occpd. Unit/Bed
e.g. General & Administrative		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Payroll Taxes and Benefits		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Resident Care		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Food Services		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Activities		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Housekeeping & Laundry		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Maintenance		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Utilities		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Marketing and Promotion		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Insurance (property & liability)		#DIV/0!		#DIV/0!		#DIV/0!
e.g. Bad Debt		#DIV/0!		#DIV/0!		#DIV/0!
Sub-total	\$0	#DIV/0!	\$0	#DIV/0!	\$0	#DIV/0!
Real Estate (Property) Taxes		\$1.00		\$1.00		\$1.00
Management Fees		#DIV/0!		#DIV/0!		#DIV/0!
Replacement Reserves		#DIV/0!		#DIV/0!		#DIV/0!
Total Expenses	\$0	#DIV/0!	\$0	#DIV/0!	\$0	#DIV/0!
Expense Percentage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Effective Gross Income		#DIV/0!		#DIV/0!		#DIV/0!
Net Operating Income	\$0	#DIV/0!	\$0	#DIV/0!	\$0	#DIV/0!
Occupancy	#DIV/0!		#DIV/0!		#DIV/0!	
Potential # Res Days OR Units Annually						
Actual # Res Days OR Occ. Units						

<<Provide narrative discussion of comparable information. The appraiser should trend the expense comparables to the effective date of the appraisal. An explanation of the adjustments should be included here. Explain any other adjustments made to the comparables such as for normalization of reserves/management fee/taxes, etc. required to put the comparables on the same footing as the subject. For skilled nursing and other facilities, resident days are more appropriate than occupied units. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type. >>

Net Operating Income – As Proposed

<<Provide narrative discussion as necessary. Summarize and compare the NOI of the appraiser and the lender’s NOI that incorporates all potential changes to incomes and expenses. Typically, the lender would explain here that the appraiser’s “market” NOI was used for valuation and loan sizing based on value. The lender’s NOI, which may vary from the appraiser’s due to ORCF requirements (e.g., specific reserve requirements, tax abatements that

the appraiser was not allowed to recognize, or unusual management fees) will be used for loan sizing based on debt service coverage. >>

<<Below reproduce or paste the appraiser's pro forma. If the lender disagrees with the appraiser's value conclusion, a separate pro forma with the lender's conclusions should be added in section entitled "Lender Modifications of Value." A separate lender's pro forma is not required to show ORCF required revisions to items such as management fee, reserves, or taxes as part of the Debt Coverage analysis. Those changes will be summarized later in the expense section.

At a minimum the pro forma supplied needs to:

- Summarize the income by source. The income detail needs to be sufficient to show a line item for each source that a specific rate was concluded. Include the payor type (i.e., Medicare, Medicaid, private pay, etc.), the care type (i.e., AL, MC, IL, or SNF), and the room type (i.e., private, ward, one-bedroom, or studio). A count of each type should also be shown.*
- Show occupancy assumptions and the assumed number of resident days or occupied units.*
- Show the conclusions for the major expense categories.*
- Show the net operating income, effective gross income, expense per bed or unit, and the overall expense percentage. It is not necessary to show the potential gross income.*

If the appraiser's pro forma does not include sufficient detail, the following table may be used or adapted to produce a pro forma acceptable to ORCF. The input fields are shaded. Non-shaded fields are automatic calculations. Double click the table to open for editing.>>

Pro Forma - Appraiser's Conclusions

◀ Enter X to convert to "Per Occupied Unit" (ALF/Indep. only). Otherwise figures shown are "Per Resident Day"
 Enter Number of Beds ▶ (Account for second occupants in Other Income.)

Income Source (separate line for each concluded rate)	Rate Per Resident Day	what % of total units are this type?	Occupancy % for this type*	# of Resident Days/year	Source Total Annually
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
<<pay or source/care type/room type>>	\$0.00	0.0%	0.0%	0	\$0
Residential Income Total		0.0%	0.0%	0	\$0

Other Income Sources	Other Inc. @ Forecasted Occupancy	% of EGI	Per Resident Day
e.g. Therapy	\$0	#DIV/0	#DIV/0
e.g. Level of Care Fees	\$0	#DIV/0	#DIV/0
e.g. Second Occupant Fees	\$0	#DIV/0	#DIV/0
e.g. Misc/Assessment Fees	\$0	#DIV/0	#DIV/0
Other Income Total	\$0	#DIV/0	#DIV/0
Effective Gross Income	\$0		

Expense Categories	Dollars Annually	% of EGI	Per Resident Day
e.g. General & Administrative	\$0	#DIV/0	#DIV/0
e.g. Payroll Taxes and Benefits	\$0	#DIV/0	#DIV/0
e.g. Resident Care	\$0	#DIV/0	#DIV/0
e.g. Food Services	\$0	#DIV/0	#DIV/0
e.g. Activities	\$0	#DIV/0	#DIV/0
e.g. Housekeeping & Laundry	\$0	#DIV/0	#DIV/0
e.g. Maintenance	\$0	#DIV/0	#DIV/0
e.g. Utilities	\$0	#DIV/0	#DIV/0
e.g. Marketing and Promotion	\$0	#DIV/0	#DIV/0
e.g. Insurance (property & liability)	\$0	#DIV/0	#DIV/0
e.g. Collection Loss/Bad Debt	\$0	#DIV/0	#DIV/0
Sub-total	\$0	#DIV/0	#DIV/0
Real Estate (Property) Taxes	\$0	#DIV/0	#DIV/0
Management Fees	\$0	#DIV/0	#DIV/0
Replacement Reserves	\$0	#DIV/0	#DIV/0
Total Expenses	\$0	#DIV/0	#DIV/0
Net Operating Income	\$0		

<<Provide narrative discussion as necessary. Summarize and compare the NOI of the appraiser and the lender's NOI that incorporates all potential changes to incomes and expenses. Typically the lender would explain here that the appraiser's "market" NOI was used for valuation and loan sizing based on value. The lender's NOI, which may vary from the appraiser's due to HUD requirements (e.g., specific reserve requirements, or for tax abatements that the appraiser was not allowed to recognize, or unusual management fees) will be used for

loan sizing based on Debt Service Coverage. Additional analysis can be provided at the lender's option to support its conclusion, as appropriate. >>

Capitalization Rate – As Proposed

<<The selection of the capitalization rate should be based primarily on recent sales rather than from investment models. Ideally, these rates would come from the Building Sales Comparables. However, these are often chosen by location before sale date. Recent cap rate data should be included every time, even if an additional set of cap rate comps or a survey needs to be introduced. In the table below, please add columns or duplicate the table as needed to accommodate additional comps.>>

(Double click inside the Excel Table to add information)

Capitalization Rate Summary	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Hope Health care Anywhere, XX	Comp. Average	Appraiser Conclusion	Underwriter Conclusion
	Comp 1	Comp 1	Comp 3	Comp 4	Comp 5			
Capitalization Rate								
Identify Source of Income Data								
Uses Retro or Prospective NOI								
Date of Sale								
Year Built								

<<Provide narrative discussion as necessary. An equivalent analysis of the information provided above is required. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type. Additional analysis can be provided at the lender's option to support its conclusion

Sales Comparison Approach – As Proposed

(Double click inside the Excel Table to add information)

Summary of Comparable Sales Data		Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Average	Appraisal	UW
		Hope Health care Anywhere, XX							
Price Per (specify Unit OR Bed)	Unadjusted						#DIV/0!		
	Adjusted						#DIV/0!		
	Net Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!		
	EGIM	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!		
	Expense Ratio						#DIV/0!		
	Year Built								
	Date of Sale								

Price Per Unit/Bed – As Proposed

<<Provide narrative discussion. An equivalent analysis of the information provided above is required. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate analysis for each care type. Include a general discussion of adjustments made to the sales and which comparables best represent the subject facility.

Additional analysis can be provided at the Lender’s option to support its conclusion, as appropriate.>>

Effective Gross Income Multiplier (EGIM) – As Proposed

<<Provide narrative discussion. An equivalent analysis of the information provided above is required. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate analysis for each care type. Additional analysis can be provided at the lender’s option to support its conclusion, as appropriate.>>

Cost Approach – As Proposed

Development Cost

<<Provide narrative discussion. This section is a place for the lender to summarize the cost conclusions of the appraisal. The costs in this section will be different than those in the Cost Review Section. This section will focus on market costs, as opposed to the Cost Reviewer Section that will be geared toward HUD-specific costs, such as Davis-Bacon wages.>>

Depreciation

<<With new construction this will normally be not applicable, but if the appraiser concludes there is external obsolescence, or depreciation associated with a preexisting structure, it should be discussed here.>>

Major Movable Equipment

<<Provide narrative discussion of assumptions and conclusion. Address discrepancies between appraiser and cost analyst. Additionally, address ownership of the major movable equipment (e.g., borrower or operator).>>

Land Value

<<Provide narrative discussion of assumptions and conclusion. Include an analysis of the comparable data.>>

Reconciliation – As Proposed

As -Pr oposed Market Value Summary		
Approach	Appraisal	Underwrit er
Income Capitalization		
Sales Comparison		
Cost Approach (if utilized)		
Conclusion:		

<<Provide narrative discussion of how the value approaches were reconciled to reach the final conclusions. The statement may be simple. For example, “As demonstrated in the Appraisal Overview section above, the underwritten value conclusion is based on the income approach to value.” If the value conclusion is based on weighting multiple approaches provide an explanation of the rationale.>>

Lender Modifications – As Proposed

<<State if the lender concurs, or not, with the appraiser’s value conclusion. When there is a disagreement, summarize the valuation modifications made by lender underwriter. Insert a pro forma to highlight the differences in conclusions as needed. View the appraisal as a tool to do your underwriting and loan sizing correctly. Lenders should not use a value they disagree with and are allowed to use a lower value/NOI for loan sizing purposes. If lenders feel they are prohibited from doing this, they should cite the FIRREA rule at issue in the narrative.>>

Initial Operating Deficit

<<Below is the “output screen” of ORCF’s required IOD model. Double click to open. There are 3 tabs, the first of which is the “Input” screen. At this early stage, the first tab is the only area you will make entries (entry cells are shaded in light blue). Once finished with the entries, return to the “Output – Summary Exhibit” tab and click your mouse outside the excel chart to close. All three tabs are to be included as exhibit 1-3A.1. The electronic version of exhibit 1-3A.1, should be submitted as a functioning Excel (or equivalent) workbook. After construction is complete, this workbook will again be used to make draw requests on the IOD escrow account (Details and Draw Request tab). Enter narrative explanations below as needed below. >>

0

Prepared:

Occupancy Assumptions

Unit Type	Total # Beds	UW Occupancy	Number of Releases
e.g. Assisted Living	0	0.00%	0.00
e.g. Memory Care	0	0.00%	0.00
e.g. Skilled Nursing or Sub-Acute	0	0.00%	0.00
e.g. Independent Living	0	0.00%	0.00
Totals	0	#DIV/0!	0.00

Rounded Operating Deficit Total

Period	Occupied Units	Occupied Percent	Income per Period	Exp. & Mort per Period
Month 1	0.00	#DIV/0!	\$0	#DIV/0!
Month 2	0.00	#DIV/0!	\$0	#DIV/0!
Month 3	0.00	#DIV/0!	\$0	#DIV/0!
Month 4	0.00	#DIV/0!	\$0	#DIV/0!
Month 5	0.00	#DIV/0!	\$0	#DIV/0!
Month 6	0.00	#DIV/0!	\$0	#DIV/0!
Month 7	0.00	#DIV/0!	\$0	#DIV/0!
Month 8	0.00	#DIV/0!	\$0	#DIV/0!
Month 9	0.00	#DIV/0!	\$0	#DIV/0!
Month 10	0.00	#DIV/0!	\$0	#DIV/0!
Month 11	0.00	#DIV/0!	\$0	#DIV/0!
Month 12	0.00	#DIV/0!	\$0	#DIV/0!
Month 13	0.00	#DIV/0!	\$0	#DIV/0!
Month 14	0.00	#DIV/0!	\$0	#DIV/0!
Month 15	0.00	#DIV/0!	\$0	#DIV/0!
Month 16	0.00	#DIV/0!	\$0	#DIV/0!
Month 17	0.00	#DIV/0!	\$0	#DIV/0!
Month 18	0.00	#DIV/0!	\$0	#DIV/0!
Month 19	0.00	#DIV/0!	\$0	#DIV/0!
Month 20	0.00	#DIV/0!	\$0	#DIV/0!
Month 21	0.00	#DIV/0!	\$0	#DIV/0!
Month 22	0.00	#DIV/0!	\$0	#DIV/0!
Month 23	0.00	#DIV/0!	\$0	#DIV/0!
Month 24	0.00	#DIV/0!	\$0	#DIV/0!
Month 25	0.00	#DIV/0!	\$0	#DIV/0!
Month 26	0.00	#DIV/0!	\$0	#DIV/0!
Month 27	0.00	#DIV/0!	\$0	#DIV/0!
Month 28	0.00	#DIV/0!	\$0	#DIV/0!
Month 29	0.00	#DIV/0!	\$0	#DIV/0!
Month 30	0.00	#DIV/0!	\$0	#DIV/0!
Month 31	0.00	#DIV/0!	\$0	#DIV/0!
Month 32	0.00	#DIV/0!	\$0	#DIV/0!
Month 33	0.00	#DIV/0!	\$0	#DIV/0!
Month 34	0.00	#DIV/0!	\$0	#DIV/0!

ALTA/ACSM Land Title Survey

Date: _____

Firm: _____

Key Questions

	Yes	No
1. Are there any differences between the legal description on the survey and legal description included in the pro forma title policy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are there any revisions or modification required to the survey prior to closing?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the survey indicate any boundary encroachments?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the survey evidence any buildings encroaching on utility or other easements or rights-of-way?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there any unusual circumstances or items that require special attention or conditions?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated and the affect on value or the marketability of the project. For example, “**Encroachments**: The survey indicates an encroachment of the adjoining property fence on the easterly portion of the property. An encroachment endorsement will be received at closing. There is no impact on the value or marketability of the project.>>

Title

Title Search

Date of search: _____

Firm: _____

File number: _____

Key Questions

	Yes	No
1. Is the 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"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Pro-forma Policy

Date/time: _____

Firm: _____

Policy number: _____

Key Questions

	Yes	No
1. Is the title vested in an entity or individual other than the proposed borrower?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are there any covenants, , encumbrances, liens, restrictions, or other exceptions indicated on Schedule B-1?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are there any use or affordability restrictions remaining in effect on the property?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any easements or rights-of-way listed that are not indicated on the survey?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there any endorsements included aside from the standard HUD-required endorsements?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any subordination agreements, encroachments or similar issues that require HUD’s approval?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there any other matters requiring special consideration, agreements, or conditions that require HUD’s attention?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are there any easements, rights-of-way, encroachments, etc., identified on Schedules B-1 and B-2 that, in the lenders opinion, affect value or the marketability of the project?	<input type="checkbox"/>	<input type="checkbox"/>

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

Environmental

Phase I Environmental Site Assessment

Date of inspection: _____

Firm: _____

Consultant: _____

Key Questions

	Yes	No
1. Does the report recommend a Phase II assessment, other reports, or additional testing?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the vapor encroachment screen amendment to the Phase I identify a “vapor encroachment condition” (VEC)? <i>(The vapor encroachment screen must be performed using the Tier 1 “non-invasive” screening pursuant to ASTM E 2600-10.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the report indicate evidence of any soil staining or distressed vegetation, unusual odors, pools of liquid, leaking containers or equipment, hazardous materials or other unidentified substances?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the report indicate evidence of any chemical misuse or unlawful dumping at the site?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the report indicate the presence or suspected presence of any underground storage tanks or aboveground storage tanks on the site?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the report’s review of all major governmental databases for listings of potentially hazardous sites within the ASTM required search distances from the property identify any potential contamination concerns for the property?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do the Phase I or Phase II reports recommend any required actions or conditions?	<input type="checkbox"/>	<input type="checkbox"/>
8. Was the Phase I ESA conducted more than 180 days before the firm commitment application was submitted? <i>(This report must not be more than 180 days old at the time of submission. <u>ORCF is not able to waive this requirement.</u>)</i>	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Program Guidance – Above-ground storage tanks (ASTs):

HUD is required to qualitatively evaluate the risks associated with proximity to hazardous facilities. ORCF reviews on Section 232 applications will consider the potential danger presented by liquid fuel and gas aboveground storage tanks (ASTs). When existing or proposed ASTs are located onsite or when offsite tanks are visible from the property, a calculation of the Acceptable Separation Distance must be included in the application.

General Overview

The Phase I Environmental Site Assessment (ESA) was performed in conformance with the scope and limitations of ASTM Practice E 1527-05 <<Because ASTM may amend these requirements, please reference the most current version.>> The investigation specifically included a reconnaissance of the subject site and the immediate surrounding area, a review of regulatory agency information, a survey of local geological and topographical maps, a review of aerial photographic studies, survey of water sources, a review of historical information, and a limited visual inspection for suspect asbestos containing materials (ACMs).

Lender Comments

<<Provide a brief summary of comments made by underwriter. If none, state none.>>

Other Potential Environmental Concerns

Key Questions

	Yes	No
1. Is the project located within a designated coastal barrier resource area	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the project located within 5 miles of a civil airport or within 15 miles of a military airfield?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the project located within 1,000 feet of major highways or busy roads	<input type="checkbox"/>	<input type="checkbox"/>
4. Is the project located within 3,000 feet of a railroad?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there existing or proposed stationary tanks containing explosive or fire-prone materials of 100 gallons or larger on the site or nearby the site that are visible from satellite images or site reconnaissance?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any wetlands on the subject site?	<input type="checkbox"/>	<input type="checkbox"/>
• If so, will the project impact or disturb wetland areas or their buffer zones?	<input type="checkbox"/>	<input type="checkbox"/>
..... <input type="checkbox"/> N/A		
7. Is any construction of the project likely to affect any listed or proposed endangered or threatened species or critical habitats?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the project located on a sole source aquifer?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are there any known landfills within ½-mile of the site?	<input type="checkbox"/>	<input type="checkbox"/>
10. Are any buildings located in the fall zone of any high voltage power transmission or other towers?	<input type="checkbox"/>	<input type="checkbox"/>
11. Does the project include a structure that was built before 1978?	<input type="checkbox"/>	<input type="checkbox"/>
• If so, was a comprehensive asbestos survey performed by a qualified asbestos inspector pursuant to the “baseline survey” requirements of ASTM E 2356-10 provided (required for all buildings constructed before 1978)?	<input type="checkbox"/>	<input type="checkbox"/>
..... <input type="checkbox"/> N/A		

<< For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. For example: **Item 11 - Existing Structures on Site:** A vacant one-story house and two storage sheds currently occupy the site. The current owner of the land will be relocating these structures prior to initial closing, at no cost to the Borrower. Therefore, no off-site or demolition costs are anticipated.

Because of the existing structures, we have addressed potential asbestos and lead-based paint concerns. A qualified assessor evaluated the house and outbuildings for asbestos containing materials. A comprehensive asbestos survey was performed pursuant to the “baseline survey” requirements of ASTM E 2356-10 and no asbestos containing materials were identified. A visual inspection by the environmental assessor also indicated that there is no evidence of peeling paint and no suspect lead-based paint containing surfaces were identified. Given the condition of the paint, the fact that the buildings are not occupied, and the fact that they will be

relocated prior to the start of construction, the underwriter and the assessor conclude that no further action is warranted.>>

State Historic Preservation Office (SHPO) Clearance

<<Provide narrative description indicating whether or not SHPO has been contacted, information sent to SHPO, and any response received. For example: “Since we are not making changes to the exterior of the building, there is no impact on any historical property.”>>

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Are there any known historic preservation issues related to the subject? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have any other archeological or cultural resource centers been consulted? .. | <input type="checkbox"/> | <input type="checkbox"/> |

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic. For example, “We have received a letter from the XXXX State Historic Society, dated XXXX. It was determined that the site is of no historical or suspected cultural significance. No additional investigation was recommended by the State.”>>

How did the SHPO respond regarding the Historic Preservation Review?

- No potential to cause effect.
- No adverse effect.
- Adverse effect (explain below).
- Other (please describe):
- Not applicable; response has not yet been received.

<<If the SHPO concluded that the project will have an adverse effect, please explain how this will be mitigated.>>

Flood Plain

NFIP Map Panel #: _____ Date: _____
Flood Zone: _____

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the community participate in the National Flood Insurance Program (NFIP)? (A project located in a FEMA-identified special flood hazard area, where the community has been suspended for or does not participate in the NFIP, is <u>not</u> eligible for mortgage insurance.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the subject located within the 100- or 500-year floodplain?* | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the Standard Flood Hazard Determination Form indicate that the subject is located within the 100- or 500-year floodplain?* | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is flood insurance required for this property? | <input type="checkbox"/> | <input type="checkbox"/> |

<<**If the project is in a 100- or 500-year floodplain, provide a narrative discussion evaluating exhibits required on the application checklist with detailed information about how the property will be altered and improvements designed. Include the elevation of the property, the elevation of the floodplain, and the location of life support systems.*>>

Borrower

Name: _____
 State of organization: _____
 Date formed: _____
 Termination date: _____
 Fiscal year-end date: _____

Key Questions

	Yes	No
1. Does the borrower currently own any assets other than the 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. According to the application exhibits, is or has the borrower been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
4. According to the application exhibits, has the borrower ever claimed 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 borrower?	<input type="checkbox"/>	<input type="checkbox"/>
6. According to the application exhibits, are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>

<<*As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.*>>

Organization

<<*Provide organization chart and narrative, as applicable. At a minimum, all principals of the borrower should be identified.*>>

Experience/Qualifications

<<*Narrative description of borrower (experience, if any) and qualifications. For example, “The borrower entity is a newly formed single-asset entity that was established in {date} to develop and own the subject project.”>>*

Credit History

Report Date: _____ <<within 60 days of submission>>

Reporting Firm: _____

Score: _____

<<Provide an explanation of the credit score in terms of risk level (i.e., low, medium, or high). Also, if the score is evaluated numerically, explain what value the credit agency places on the 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 their review of the credit report?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the credit report dated more than 60 days before the application date?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Program Guidance:

Dunn & Bradstreet (D&B) or other acceptable commercial credit report for business entities and RCMR “residential” for individuals are required. If not using D&B, an acceptable commercial credit report must include the following:

1. Public filings that includes suits, liens, judgments, bankruptcies, and federal debt.
2. UCC filings
3. Credit payment history
4. Industry standards showing how the facility compares in the areas of financial stress and payment trends
5. A credit payment delinquency risk score over a 12-month period.

Credit reports can be no more than 60 days old at the time of the firm application submission.

Financial Statements

The application includes the following borrower financial statements:

Principal of the Borrower – <<enter Principal Name>>

<<Provide this section for each principal of the borrower.>>

Key Questions

	Yes	No
1. According to the application exhibits, is or has the principal of the borrower been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
2. According to the application exhibits, is or has the principal of the borrower been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
3. According to the application exhibits, has the principal of the borrower ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
4. According to the application exhibits, are there judgments recorded against the principal of the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
5. According to the application exhibits, are there any unsatisfied tax liens against the principal of the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are any of the principals of the borrower, principals of any other HUD-insured projects or principals of a project(s) applying for HUD insurance within the next 18 months?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. >>

Organization (not applicable to individuals)

<<If the principal is an entity, provide the following information:>>

State of Organization: _____
Date Formed: _____
Termination Date: _____

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

Experience/Qualifications

<<Provide narrative description of principal’s experience and qualifications. Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate that the borrower has sufficient expertise to successfully own the facility. >>

Program Guidance – Supporting Documentation of Appropriate Experience:

The application for firm commitment must include complete information on the individuals and/or entity that will bring the appropriate experience to the project. Appropriate experience is

3 to 5 years successful practice in developing, owning and/or operating board and care facilities, assisted living facilities, and/or skilled nursing facilities. If an entity or its principal does not have the appropriate experience, it may contract with a third-party experienced operator. Evidence of appropriate experience must be provided that includes specific project examples including project name, type of care provided, location, unit/bed count, year opened and key operating metrics (fill pace, occupancy, net operating income margins), and specific responsibilities for the management and operation of the example health care facility. The ORCF is seeking assurance that the developers and other stakeholders are committed to the long-term success of their project and have the requisite experience to operate and manage the project.

In addition to the requirements of the application package, the Lender Narrative must also provide a complete discussion on the borrower's commitment to the project, both financially and in a business sense, over the long-term as well as the borrower's experience.

Credit History

Report Date: _____ <<*within 60 days of submission*>>

Reporting Firm: _____

Score: _____

<<*Provide an explanation of the credit score in terms of risk level (i.e., low, medium, or high). Also, if the score is evaluated numerically, explain what value the credit agency places on the score. >>*

Program Guidance:

Dunn & Bradstreet (D&B) or other acceptable commercial credit report for business entities and RCMR "residential" for individuals are required. If not using D&B, an acceptable commercial credit report must include the following:

6. Public filings that includes suits, liens, judgments, bankruptcies, and federal debt.
7. UCC filings
8. Credit payment history
9. Industry standards showing how the facility compares in the areas of financial stress and payment trends
10. A credit payment delinquency risk score over a 12-month period.

Credit reports can be no more than 60 days old at the time of the firm application submission.

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 their review of the credit report? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Other Business Concerns

Key Questions

- | | Yes | No |
|---|------------------------------|--------------------------|
| 1. Does the principal identify any other business concerns? | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Do any of the other business concerns have pending judgments, legal actions/suits, or bankruptcy claims? (If so, a credit report must be obtained on the business concern.)..... | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| b. If so, was a credit report obtained on the business concern? | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 2. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information?..... | <input type="checkbox"/> N/A | <input type="checkbox"/> |

<<As applicable, a “yes” answer requires a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Credit Reports for Other Business Concerns:

<<Provide narrative discussion on other business concerns. For example, “XXX identified XX other business concerns. 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 from participation in this loan transaction.>>

Name of Entity	Report Type (Commercial, etc.)	Report Date	Comments (i.e., any derogatory information, etc.)

Program Guidance:

If the borrower has sufficient financial strength, no review of a principal's financials is required. If a review of the principal's financials is required to support approval of the loan, provide an analysis similar to the one provided for the borrower, above.

**Financial Statements – For Party(ies) Responsible For
Financial Requirements for Closing and Beyond –**

<<enter name(s) of responsible party(ies) here>>

<<Complete this section if the borrower entity does not have sufficient financial capacity.>>

Year to date: _____ <<dates for start and end of period>>
Fiscal year ending: _____ <<date – end of period>>
Fiscal year ending: _____ <<date – end of period>>
Fiscal year ending: _____ <<date – end of period>>

<<Include a discussion on the borrower's financial capacity. Include the percentage of owner's equity into the project. The discussion must address: (1) the borrower's net worth; (2) liquidity; (3) the borrower's ability to meet the cash requirements of the project; and (4) the borrower's ability to meet the financial obligations of the project for the long term.>>

<<If Form HUD-92417-ORCF is included, provide discussion on the individual's financial capacity, net worth and liquidity.>>

Effective date <i>(of HUD-92417-ORCF)</i>	Total assets	Net worth	Total liquidity <i>(cash available)</i>	Comments
	\$	\$	\$	

Program Guidance – Supporting documentation of financial capability, cash requirement, and financial qualifications of the borrower:

The application for Firm Commitment must include year-to-date financial statements for the party who will be responsible for the financial requirements (typically the parent entity) at initial closing. If the legal entity of the borrower will be capitalized by another party, the financial statements for that party(ies) must also be provided. The lender must confirm that sufficient financial resources will be available for the cash requirements for closing and to meet any unanticipated financial needs of the project going forward.

The true financial needs of a project are not limited to just the numbers that are reflected under Part III of Form HUD-92264a-ORCF. Although working capital, initial operating deficit (IOD) and a debt service reserve escrow, along with any other required escrows, are presented in this document and should mirror the figures included in the Sources & Uses Statement, there may be times when an owner or principal may be required to contribute funds in the future to maintain a successful project. While it is difficult to determine when and if such an occasion may occur, it is important that ORCF be able to determine the willingness and ability of the principals to support their project over the long-term. Their willingness can be determined by documentation regarding their experience and relationships in the community. Their financial ability can only be evidenced by actual financial reports and evaluation of available working capital.

Exhibit 3-6B of the application for Firm Commitment must include the last three full years and year-to-date financial statements for the party who will be responsible for providing the financial requirements for closing and beyond. The Lender’s Narrative must include a discussion on the available working capital of this party and their ability to support the project over the long-term. In cases where an individual(s) is providing the cash requirement, one full year financial statement on each will suffice. The financial statement must meet either of the following requirements:

1. Personal Financial and Credit Statement, Form HUD-92417-ORCF:
 - The spouse of married sponsors or principals must also sign the form.
 - If a spouse’s signature cannot be obtained, the principal must prepare the form reflecting only those assets that are solely in their name and any liability, including those joint liabilities, for which they have any responsibility.
2. A substitute statement that contains, at a minimum, the information contained on Form HUD-92417-ORCF. This form must contain the following certifications and criminal warning:

I HEREBY CERTIFY that the foregoing figures and statements contained herein submitted by me as agent of the Borrower [owner] for the purpose of obtaining mortgage insurance under the National Housing Act are true and give a correct showing of _____’s (Name of Borrower or owner) financial position as of _____ (date of financial statement).

Signed this ____ day of _____, 20____. Signature of authorized agent with name printed or typed under signature _____.

Warning – HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

For married individuals, the spouse must also sign the certification.

During our analysis of new construction or substantial rehabilitation proposals where units are being added to the market, we take into consideration the financial commitment of the owner and their ability to provide financial strength when needed. This includes determining the percentage of cash that the party is putting into the transaction related to the total cost of the project. While

a definitive degree of coverage is not required due to the unique nature of each transaction, a level of 20% to 30% equity coverage on new construction or substantial rehabilitation projects is anticipated. Any less than 20% requires an explanation and mitigation. **The discussion under the borrower’s financial capability in the Lender’s Narrative must include the percentage of owner’s equity into the project.**

Other Section 232 Projects

Key Questions

	Yes	No
1. Does the principal identify any other Section 232 program (i.e., 223(f), 241(a), 223(a)(7), 232(i), or 223(d)) applications on their consolidated certification?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the principal identify any other existing Section 232 program (i.e., 223(f), 241(a), 223(a)(7), 232(i), or 223(d)) projects on their consolidated certification?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **Other Business Concerns:** XXXXX identified XX other business concerns in addition to the borrower and the newly formed operator 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.

Example: **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 are required>>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “XXX has demonstrated an acceptable credit history and sufficient experience owning and operating other facilities. The underwriter recommends this principal as an acceptable participant in this transaction.”>>

Operator

Name: _____

State of organization: _____

Date Formed: _____

Termination date: _____

Key Questions

	Yes	No
1. Does the operator currently own, operate, or manage any other facilities? <i>(If you answer “yes,” a waiver is required.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the operator contract out nursing services, exclusive of temporary staffing, through an agency and/or contracting for ancillary services (e.g., therapies, pharmaceuticals)?	<input type="checkbox"/>	<input type="checkbox"/>
3. According to the application exhibits, is or has the operator been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
4. According to the application exhibits, is or has the operator been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
5. According to the application exhibits, has the operator ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
6. According to the application exhibits, are there judgments recorded against the operator?	<input type="checkbox"/>	<input type="checkbox"/>
7. According to the application exhibits, are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it has been or will be mitigated. >>

Organization

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

Experience/Qualifications

<<Provide narrative description of operator’s experience and qualifications. Discussion should highlight direct experience and involvement in other HUD transactions, if any. This section should clearly demonstrate that the operator has the expertise to successfully lease up a new facility and operate a facility.>>

Program Guidance – Supporting Documentation of Appropriate Experience:

The application for Firm Commitment must include complete information on the individuals and/or entity that will be bringing appropriate experience to the project. Appropriate experience is 3 to 5 years successful practice in developing, owning and/or operating board and care facilities, assisted living facilities, and/or skilled nursing facilities. If an entity or its principal does not have the appropriate experience, it may contract with a third-party experienced operator. Evidence of appropriate experience must be provided that includes specific project examples including project name, type of care provided, location, unit/bed count, year opened and key operating metrics (fill pace, occupancy, net operating income margins) and specific responsibilities for the management and operation of the example health care facility. ORCF is seeking assurance that the developers and other stakeholders are committed to the long-term success of their project and have the requisite experience to operate and manage the project.

- | | Yes | No |
|---|--------------------------|--------------------------|
| receivables (amounts in excess of 2% of gross income) over 120 days? | | |
| 6. 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"/> |
| 8. Within the last 3 fiscal years (as applicable) are there any negative or declining NOI? | <input type="checkbox"/> | <input type="checkbox"/> |

<<If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below. The Accounts Payable and Accounts Receivable analysis provides information regarding an entity’s collection and payment practices, policies, and potential risks to the new project. Discuss your analysis of these issues and how the lender determined they are an acceptable risk. For example: “**No Financial Statements**: The operator is a newly formed entity and does not have a financial history to report. At this time, the operation of this facility is the new entity’s sole purpose, so there is no need to review financial data from other facilities or sources.”>>

General Review

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

Net Income Analysis

Net Income*			
In total \$			
20XX	20XX	20XX	YTD (Indicate time frame)
\$	\$	\$	

**before depreciation, amortization, and any other non-cash expense*

<<Provide an explanation of any Net Losses or declining Net Incomes for the year-to-date and last 3 fiscal years, as applicable.>>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The operator entity has demonstrated an acceptable financial and credit history as demonstrated in our analysis of their financial statements and credit history as discussed above. The operator has the experience to successfully operate this facility. The underwriter recommends this operator for approval as an acceptable participant in this transaction.”>>

Parent of Operator (if applicable)

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

Name: _____
 State of organization: _____
 Date formed: _____
 Termination date: _____

Key Questions

	Yes	No
1. Does the parent of operator 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 operator been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
3. According to the application exhibits, is or has the parent of operator 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 operator ever filed for 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 operator?	<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. Does the parent of operator have other HUD properties that are master leased separately from the subject project?	<input type="checkbox"/>	<input type="checkbox"/>

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it has been or will be mitigated. Example: **S&P Rating:** The entity is rated X by S&P. The rating agency indicates the outlook for the company is X.>>

Organization

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

Experience/Qualifications

<<Provide 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 lease up a new facility and operate the facility.>>

Credit History

Report date: _____ <<within 60 days of submission>>

Reporting 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 their review of the credit report? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the credit report dated more than 60 days before the application date? | <input type="checkbox"/> | <input type="checkbox"/> |

<<If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below. Provide an explanation of the credit score in terms of low, medium, or high risk, etc. Also, if the score is evaluated numerically, explain the value the credit agency places on the score.>>

Other Business Concerns

Key Questions

- | | Yes | No |
|---|------------------------------|--------------------------|
| 1. Does the parent of the operator identify any other business concerns? | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Do any of the other business concerns have pending judgments, legal actions/suits, or bankruptcy claims? (If so, a credit report must be obtained on the business concern.)..... | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| b. If so, was a credit report obtained on the business concern? | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 2. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information?..... | <input type="checkbox"/> N/A | <input type="checkbox"/> |

<<As applicable, a “yes” answer requires a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Credit Reports for Other Business Concerns:

<<Provide narrative discussion on other business concerns. For example, “XXX identified XX other business concerns. 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 from participation in this loan transaction.>>

Name of Entity	Report Type (Commercial, etc.)	Report Date	Comments (i.e., any derogatory information, etc.)

Other Section 232 Projects

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the parent of the operator identify any other Section 232 program (i.e., 223(f), 241(a), 223(a)(7), 232(i), or 223(d)) applications on their consolidated certification? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the parent of the operator identify any other existing Section 232 program (i.e., 223(f), 241(a), 223(a)(7), 232(i), or 223(d)) projects on their consolidated certification? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **Other Business Concerns:** XXXXX identified XX other business concerns in addition to the borrower and the newly formed operator 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.

Example: **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 are required>>

Other Facilities Owned, Operated or Managed

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the parent of the operator own, operate, or manage any other facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do any of the other facilities have any open professional liability insurance claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do any of the other facilities have any open Citations or state findings related to instances of actual harm and/or immediate jeopardy (G or higher)? | <input type="checkbox"/> | <input type="checkbox"/> |

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it has been or will be mitigated.

Net Income Analysis

Net Income*
In total \$

20XX	20XX	20XX	YTD (Indicate time frame)
\$	\$	\$	

**before depreciation, amortization, and any other non-cash expense*

<<Provide an explanation of any Net Losses or declining Net Incomes for the year-to-date and last 3 fiscal years, as applicable.>>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The parent of the operator entity has demonstrated an acceptable financial and credit history. The underwriter’s review of the parent of the operator does not reveal any material derogatory information that would prohibit the approval of the operator entity as an acceptable participant in this transaction.”>>

Management Agent (if applicable) – <<insert name here>>

Name: _____
 Relation to borrower: <<owner managed/IOI entity/independent/other>> _____
 Principals/officers: _____

Key Questions

	Yes	No
1. According to the application exhibits, is or has the management agent been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
2. According to the application exhibits, is or has the management agent been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
3. According to the application exhibits, has the management agent ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
4. According to the application exhibits, are there judgments recorded against the management agent?	<input type="checkbox"/>	<input type="checkbox"/>
5. According to the application exhibits, are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it has been or will be mitigated.>>

Management Agent’s Duties and Responsibilities

<<Briefly describe/list the management agent’s duties and responsibilities (i.e., will the management agent control the operating accounts; contract for services; recruit, select or train employees; take responsibility for the management of the functional operation of the facility or the execution of the day-to-day policies of the facility; etc.).>>

<<Also describe the nature of the management agent’s compensation and how it was calculated.>>

Experience/Qualifications

<<Provide narrative description of experience and qualifications. Discussion should highlight direct experience and involvement in other HUD transactions, if any. Include a discussion/explanation of any current REAC scores less than 60. This section should clearly demonstrate the expertise to successfully manage the facility and meet the obligations of the management agreement. This section should clearly demonstrate that the management agent has the expertise to successfully lease up a new facility and operate a facility.>>

Credit History

Report date: _____ <<within 60 days of submission>>
Reporting 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 their review of the credit report?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the credit report dated more than 60 days before the application date?	<input type="checkbox"/>	<input type="checkbox"/>

<<If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below. Provide an explanation of the credit score in terms of low, medium, or high risk, etc. Also, if the score is evaluated numerically, explain the value the credit agency places on the score.>>

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"/>
2. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do any of the other facilities have any open professional liability insurance claims?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do any of the other facilities have any open Citations or state findings related to instances of actual harm and/or immediate jeopardy (G or higher)?	<input type="checkbox"/>	<input type="checkbox"/>

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it has been or will be mitigated.

Program Guidance:

For other projects/facilities owned, operated, or managed, the lender must submit copies of inspection reports for the facilities that have open level “G” or higher citations/deficiencies. This includes negative inspection results for ALF and B&C facilities. The lender must address any issues/risks associated with the reports and show how they would be mitigated. If no open/unresolved level G or higher deficiencies, this should be stated.

***Note:** If any facility has recent (within last 2 years) resolved “G” or higher citations/deficiencies, the lender must address this in the narrative; however, a copy of the report is not required.*

Past and Current Performance

Indicator	Findings
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 <u>not</u> exempt the agent from gross negligence and or willful misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the Form HUD-9839-ORCF consistent with the Management Agreement?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “no” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. >>

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.”>>

Operation of the Facility

Administrator

Name: _____
 Employed by: _____ <<Name of entity who employs/pays administrator>>
 Facility Start Date: _____ <<Date started at this facility as Administrator>>

<<Narrative description of experience and qualifications - For example, “{Administrator} has been a licensed administrator since XXXX. Her current Residential Care Administrator’s license No. XXXXXXXX expires XXXXX. It was issued by XXXXXX in the State of XXXX. Her experience includes... Since arriving at the facility, XXXX has helped to increase the revenues and profitability of the project, as evidenced by the increasing effective gross income and net operating income (NOI). XXXXX is well qualified and has demonstrated her ability to act as Administrator for the subject facility.”>>

Subject’s State Surveys

The application includes the following state surveys issued on the following dates over the last three (3) years of operations: (State when the survey was conducted and when the project was found in compliance.)

3 Years of Survey Inspections

Date of survey/inspection	Date state issued letter approving POC

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do the state surveys identify any instances of actual harm and/or immediate jeopardy (during last 3 year period)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there currently any open findings? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **General Review and Findings:** Provide narrative description of review. For example: “The {date} state survey inspection letter indicates that there were X deficiencies. The deficiencies...”>>

Other Facilities Operated or Managed

<<This section is only applicable for skilled nursing facilities.>>

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do any state surveys identify any instances of actual harm and/or immediate jeopardy? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there currently any open findings at any of the facilities? | <input type="checkbox"/> | <input type="checkbox"/> |

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

General Review and Findings

<<Provide a narrative description of review. For example, “The most recent state survey inspections are provided for XX skilled nursing facilities that are owned, operated, or managed by XXXX. The underwriter has reviewed the findings and found...”>>

Staffing

<<Provide narrative description of review. For example: “The appraiser and underwriter have reviewed the current and proposed staffing to be charged to the facility and found it to be acceptable and within reason...”>>

Operating Lease

- Date of agreement: _____
- Current lease term expires: _____
- Description of renewals: _____
- Current lease payment: _____
- Major movable equipment ownership: <<borrower/operator>> _____

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Will the facility be leased? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Will the facility be subleased (master lease)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. At closing, will the lease have a term that will expire within 5 years with no lease renewal options? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the lease contain any non-disturbance provisions? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the lease require the borrower to escrow any funds other than those associated with this loan? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Has the lender recommended any special conditions concerning the lease? .. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the lease payment adequate to provide sufficient debt coverage after the costs of the mortgage? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion regarding the topic. For example: **Item 10 – Leased Facility** The facility will be leased to XXX. The lease and the operator are discussed in the appropriate sections of this narrative. There are no known special

provisions or considerations involved with this lease that require special consideration in the underwriting.>>

Lease Payment – During Rehabilitation Period

Program Guidance – Lease Payment/Net Income During Construction Period

1. At the time of cost certification, an audited operating statement covering the period from the beginning of marketing and rent-up activities (or date of initial endorsement in rehabilitation projects involving insurance of advances or start of construction for rehabilitation projects involving insurance upon completion) to the cost certification cut-off date, must be submitted by:
 - a. The borrower entity, in all cases.
 - b. The lessee, when an identity-of-interest exists between the borrower and lessee and the lessee has executed the Regulatory Agreement, Form HUD-92466-ORCF.
 - c. The borrower entity only, where no identity-of-interest exists between the borrower and lessee and the lessee has executed the Regulatory Agreement Form HUD-92466-ORCF. The borrower's income statement should reflect a market comparable lease payment as income.
 - d. The borrower, where the borrower and the administrator are the same entity and Form HUD-92466-ORCF has not been executed.
2. Treat net income resulting from review of the operating statement as a recovery of construction costs for a profit-motivated borrower and for a non-profit borrower as:
 - a. At cost certification, as a recovery of construction costs to the extent it was used to reduce liquidated/actual damages.
 - b. As an offset for any eligible mortgage increase.

<<Provide narrative explaining the terms of the lease and the payments to be made during the rehabilitation.>>

Lease Payment – During Lease Up

<<Provide narrative explaining the terms of the lease and the payments to be made while the project is in lease-up.>>

Lease Payment Analysis – Stabilized, As Rehabilitated

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.

(Double click inside the Excel Table to add information)

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	\$	-
i.	Minimum Annual Lease Payment	\$	-

<<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.”>>

Program Guidance:

- Clarification of minimum lease payments. The annual lease payment must be calculated using a minimum of a 1.05 coverage ratio (e.g., the sum of the annual principal, annual interest, annual mortgage insurance premium, annual reserve for replacement deposit, annual property insurance, and annual property taxes times a multiplier of 1.05). This minimum coverage level required for executed leases is different than the test measurement used in the 223(f) Lender’s Narrative, which remains unchanged; it will continue at the 1.17 coverage level.
- Subordination, non-disturbance and attornment agreement (SNDA). If there is an identity of interest between the borrower and the operator, a SNDA is not permitted.

Responsibilities

<<Provide a description of the responsibilities of the lessor and lessee 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.>>

Master Lease

Key Questions

	Yes	No
1. Are three or more projects (or two projects with an aggregate total mortgage loan amount greater than \$15 million) being submitted to HUD that are under common control or have the same ownership?	<input type="checkbox"/>	<input type="checkbox"/>
2. Will the projects be submitted within an 18-month window?	<input type="checkbox"/> N/A	<input type="checkbox"/>
3. Is the parent of the operator the same for all of these projects?	<input type="checkbox"/> N/A	<input type="checkbox"/>

<<If you answered “yes’ to all three questions, a master lease is required. 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. Refer to definitions of Common Control and Same Ownership previously provided in this lender narrative.>>

Accounts Receivable (A/R) Financing

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?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the guarantors guaranteeing performance on any other AR loans?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the AR loan involve multiple facilities or borrowers?	<input type="checkbox"/>	<input type="checkbox"/>
a. Does the AR loan involve any non-HUD-insured properties?	<input type="checkbox"/> N/A	<input type="checkbox"/>
b. Does the AR loan involve facilities located in multiple states or HUD field office jurisdictions?	<input type="checkbox"/> N/A	<input type="checkbox"/>
4. Is there an identity of interest between the AR lender and the AR borrower?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is there any conflict of interest between the AR lender and the borrower or its principals as defined in Notice H 08-09?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the maximum AR loan amount exceed 85% of the Medicaid, Medicare, and other governmental accounts receivable less than 121 days old?	<input type="checkbox"/>	<input type="checkbox"/>
7. Of the total Medicaid, Medicare and other governmental accounts receivable less than 121 days old, are more than 30% over 90 days old?	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No
8. Does the AR lender have less than 3 years of experience providing AR financing?	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the AR lender lack the financial controls and capability to monitor the operator's performance?	<input type="checkbox"/>	<input type="checkbox"/>
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 submissions, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>
11. Is the AR loan being syndicated or participated?	<input type="checkbox"/>	<input type="checkbox"/>
12. Is the lockbox associated with the DAISA Government Receivables account a "springing lockbox"?	<input type="checkbox"/>	<input type="checkbox"/>

<<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 the AR borrowers accounts receivable up to 120 days):
2. Describe term and renewal options:
3. Describe the rate applied to the used and unused portion of the AR loan:
4. Other fees (i.e., financing fees, late payment fees, etc.):

Mechanisms for operator receipts, disbursements and control of operator funds:

<<Describe the flow of all funds, into and out of accounts (i.e., 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>>, that total \$ _____ per year for the same assumed balance. An analysis of the operator's 12 month trailing financial statement (Month 20XX – Month 20XX) is below:

12-Month Trailing Operating History	
Operating revenue	\$ _____
Less: Operating expenses	_____
Net operating income (NOI)	\$ _____
Annual P&I + MIP	\$ _____
AR fee: Interest	_____
AR fee: Other	_____
Total annual mortgage & 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.>>

Mortgage Loan Determinants

Overview

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

Requested amount:	\$
Amount based on replacement cost:	\$
Amount based on loan-to-value:	\$
Amount based on debt service coverage:	\$
Amount based on cost of rehabilitation plus:	\$
Amount based on deduction of loans, grant(s), loan(s), LIHTCs, and gift(s) for mortgageable items:	\$

Mortgage Term

The underwriter concluded to a mortgage term of _____ years.

Type of Financing

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

Criterion C: Amount Based on Replacement Cost

The amount based on replacement cost limit is \$ _____. This is based on 90% of the replacement cost of the improvements of \$ _____.

Criterion D: Amount Based on Loan-to-Value

The \$ _____ value of improvement limit was calculated in accordance with HUD guidelines. This is based on _____ % of the underwriter’s value of improvements \$ _____ (as-proposed value minus as-is value).

Program Guidance:

Blended rate projects may use a blended loan-to-value that takes into account the number of beds of each type (refinance and new construction). The refinance loan-to-value requirement is to be used for those beds that are existing and the new construction loan-to-value requirement is to be used for those beds that are new.

For example, assuming a project has 77 existing beds and 39 new construction beds, the blended loan-to-value should be calculated as follows:

$$77 \text{ beds multiplied by } 0.8 \text{ (80\% applicable to existing)} = 61.6$$

$$39 \text{ beds multiplied by } 0.75 \text{ (75\% applicable to new construction)} = 29.25$$

$$\text{Total} = 90.85$$

90.85 divided by 116 (total # of beds) = blended LTV of 78.3%

Criterion E: Amount Based on Debt Service Coverage

The \$ debt service limit was calculated using HUD’s guidelines.

The underwriter’s NOI for the project after improvement is \$ <<indicate if this amount differs from the appraiser’s NOI for the project after improvement>>. Annual debt service payments on outstanding indebtedness related to the property is \$. There is no annual ground rent or annual special assessments on the property. Therefore, the NOI available for the supplemental loan is \$. There is an interest rate of % and an assumed remaining term of months. <<the insured loans must be coterminous>>

(Double click inside the Excel Table to add information)

<i>Calculation of Net Operating Income Available for Supplemental Loan</i>	
Net Operating Income (NOI) of Project After Improvement:	\$ -
Percentage of NOI Available for Total Debt Service:	90.000%
NOI Available for Total Debt Service:	\$ -
Less: Annual Debt Service Payments Required on All Outstanding Indebtedness Relating to Property:	-
Less: Annual Ground Rent:	-
Less: Annual Special Assessment(s):	-
Incremental NOI Criterion E:	\$ -

Criterion F: Cost of Rehabilitation Plus

The estimated cost of rehabilitation limit is \$. This amount is based on % of the total estimated rehabilitation cost of \$ plus the offsite costs of \$ plus the lesser of 90.0% of as-is value of \$ or the allowable existing debt \$.

Program Guidance:

- **Property held in fee:** 100% of the estimated cost of rehabilitation less grant/loan funds attributable to replacement costs items.
- **Property subject to existing mortgage:** Lender’s estimated cost of rehabilitation, plus the lesser of:
 - (1) Secured indebtedness, or
 - (2) 90% (95% for non-profit borrowers) of the sum of lender’s estimate of the fair market (as-is) value of the property before rehabilitation less:
 1. The value of the leased fee, if leasehold, and
 2. The amount of non-prepayable special assessments.

- **Property to be acquired:** 90% (95% for non-profit borrowers) of the sum of lender’s estimated cost of rehabilitation plus the lesser of:
 - (3) 90% (95% for non-profit borrowers) of the actual purchase price of the property,
 - (4) 90% (95% for non-profit borrowers) of the sum of lender’s estimate of the fair market (as-is) value of the property before rehabilitation less:
 - (a) The value of the leased fee, if leasehold and
 - (b) The amount of nonprepayable special assessments.

Criterion L: Deduction of Grants, Loans, LIHTCs, and Gifts

The limit was calculated in accordance with HUD guidelines as follows:

a.	Amount based on estimated cost of rehabilitation	\$ _____
b.	(1) Grants/loans/gifts	_____
	(2) Tax credits	_____
	(3) Value of leased fee	_____
	(4) Excess unusual land improvement cost	_____
	(5) Unpaid balance of special assessment	_____
	(6) Sum of lines (1) through (5)	\$ _____
c.	Line a minus line b (6)	\$ _____

The secondary sources are discussed in detail below in the Sources & Uses section of the narrative.

Program Guidance:

The grants, loans, gifts, and tax credits to be deducted are those credits for mortgageable cost only. Sources for non-mortgageable cost are not included in the calculations and are also not reflected in any of the other criterion on Form HUD-92264a-ORCF. The sources and uses statement provided by the borrower should outline all mortgageable and non-mortgageable costs and the source(s) to fund each.

Existing Indebtedness

<<For a **purchase**, this section should be titled “Purchase Price” and the information below should be replaced by an appropriate narrative section describing the pertinent terms of the purchase transaction, generally including: purchase price, itemization of costs to be paid by seller, date of agreement and addendums, expiration date, date by which sale must occur, etc.>>

<<Provide detailed breakdown of all existing debt(s) being included in requested mortgage amount below. Include similar detail on HUD-92264a-ORCF.>>

Schedule of Debt to Refinance

<u>Lender</u>	<u>Pay-off Amount</u>
	\$
	\$
	\$
Total:	\$

Key Questions

	Yes	No
1. Are there any debts on the borrower’s balance sheet or recorded against the property, other than the primary mortgage, that will survive closing?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are any of the debts to be paid off less than 2 years old? (Refer to Program Guidance below.)	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the borrower have any identities of interest with any of the existing lenders or noteholders? (Refer to Program Guidance below.)	<input type="checkbox"/>	<input type="checkbox"/>
4. Do any of the debts to be paid off have prepayment penalties or other significant cost associated with them?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is any of the existing debt cross-collateralized with other assets (pooled debt or master leased) or financed with a line of credit? (If yes, explain how you allocated the debt between the facilities cross-collateralized.)	<input type="checkbox"/>	<input type="checkbox"/>
6. Are delinquent real estate taxes included as an eligible transaction cost?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. >>

<<If Swap Fees are not applicable to subject transaction this section may be deleted>>

Swap Fees:

If Swap Fees are eligible and will be included in the HUD-insured mortgage, please answer the following questions:

Key Questions

	Yes	No
1. If the original financing is tax exempt, is there a legal opinion from qualified counsel that states the swap meets the definition of a “Qualified Hedge” or is substantially in conformance with that definition? (Check N/A if financing is taxable.)	<input type="checkbox"/>	<input type="checkbox"/>
2. For interest rate swap contracts related to taxable financing, was the swap integrated with the original financing and entered into as an interest rate hedge within 15 days of the original financing? (Check N/A if financing is	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No
tax exempt.) <input type="checkbox"/> N/A		
3. Is the loan-to-value <u>with the swap termination costs included</u> at or below 80%	<input type="checkbox"/>	<input type="checkbox"/>
4. Is the swap termination cost proposed no more than 10% of the insured mortgage proceeds?	<input type="checkbox"/>	<input type="checkbox"/>
5. Was the interest rate swap contract put into place prior to January 1, 2009? ..	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the Fairness Certification acceptably address the requirements outlined in Mortgagee Letter 2012-08?	<input type="checkbox"/>	<input type="checkbox"/>

Program Guidance – Eligible Debt on a Refinance:

A. Definition of Eligible Debt. Project debt that meets any of the below definitions may be included as a mortgageable item in calculating the Maximum Insurable Mortgage.

1. Outstanding mortgage(s). Outstanding mortgage(s) on the property that are at least two years old at the time that HUD begins processing the loan are considered eligible debt. If the mortgage was generated less than two years before the date HUD begins processing the application, the lender must determine that there was no cash out to the mortgagor of the proposed HUD-insured loan or its principals in order for the debt to be considered eligible debt. Debt incurred as a result of an identity-of-interest purchase or as a result of buying out a partner is not considered eligible debt and must meet the two-year debt seasoning requirement. An identity-of-interest purchase is defined as one where there is an identity of interest, however slight, between the seller and purchaser that survives the sale transaction. An owner operator that continues to operate the facility after the sale constitutes an identity of interest.
2. Other recorded indebtedness. Other recorded indebtedness such as mechanic's liens and tax liens, provided they did not result from personal obligations of the mortgagor.
3. Unrecorded debt. Unrecorded debt directly connected with the project that is supported by documentation from the mortgagor. If the indebtedness is not recorded, the mortgagor must provide the lender with documentation that substantially verifies that the obligation is directly connected to the project. Examples include:
 - a. Indebtedness incurred in making needed improvements and betterments to the property.
 - b. Indebtedness incurred or advances made to cover operating deficits.
4. Other eligible costs associated with paying off the eligible debt. Examples of other eligible costs associated with paying off the eligible debt are:

- a. Reasonable delinquent and accrued interest.
- b. Reasonable prepayment penalties on the mortgage.
- c. Recording, release, and re-conveyance fees.
- d. Documentation or processing fees.

Note: Program penalties arising from the defeasance of tax-exempt and taxable bonds cannot be recognized.

B. **Swap Fees:** Swap Fees may be included as an eligible mortgageable item when reviewed and approved by HUD in accordance with Mortgagee Letter 2012-08.

C. **ORCF does not recognize indebtedness:**

1. Recently placed against the project to increase the mortgage or circumvent program intent.
2. On operating debts of the operating entity.
3. Created by wrap mortgages:
 - a. Unless the mortgagor and Lender give a detailed explanation of the purpose of the wrap and a documented accounting of disbursement of the loan proceeds.
 - b. Loan proceeds used for capital improvements or project operations qualify for inclusion as eligible debt.

General Overview

<<Narrative review of debt and pay-off information. For example, “Per the statement from XXX dated XXXX, the current existing indebtedness is \$XXXX. The pay-off balance will be reconfirmed prior to closing and only eligible pay-off charges will be included in the cost certification.”>>

Sources & Uses – Copied From HUD 92264a-ORCF

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

Secondary Sources

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

Program Guidance:

Government Sources

- a. Secondary financing may be on a form of promissory note and mortgage lien as is prescribed by the governmental funding source and reviewed and approved by ORCF.
- b. Secondary financing or grants lent to the property as a secondary loan may be used to cover up to 100% of the applicable Section of the Act equity requirements.
- c. Secondary financing or grants advanced to the property as a secondary loan may also be used to finance non-mortgageable costs and when added to the HUD mortgage and required equity contribution, may exceed 100% of the project's fair market value (FMV) or replacement cost.
- d. Non-mortgageable costs (i.e., replacement cost items not eligible for inclusion in the HUD insured loan) to be covered by governmental secondary loans, or grants advanced to the property as a secondary loan, must be certified by the funding source to be reasonable and necessary to complete the project and that the project costs to be covered by the secondary financing are reasonable. Documentation to this effect must be included with the application submission.
- e. The governmental secondary financing lender must agree to and enter into a HUD-prescribed form of Subordination Agreement that details the rights and legal relationship between the HUD-insured first mortgage and the secondary financing loan.

Private Sources

Secondary financing from a private source is not permitted on Section 232 new construction, substantial rehabilitation, and blended rate projects.

Surviving Debt

<<List and discuss all existing long-term debt that will survive closing.>>

Cash Requirements

Initial operating deficit:			
	Absorption rate/no. units per month:		
	No. months to cover shortfalls:		
	Breakeven Occupancy %:		
Working capital:	\$		
Cash investment:	\$		
Debt service reserve escrow:	\$		
	No. months of principal & interest payments:		
Offsite escrow:	\$		
Minor movable equipment escrow:	\$		
Demolition:	\$		
Other:	\$		
TOTAL:	\$	% of total project cost:	%*
<i>*Total cash requirements divided by total project cost.</i>			
Cash requirement will be met by:	<<pre-pays, letter of credit, sponsor, etc. Example: "Borrower's cash and letters of credit.">>		
Based on a review of the principals <<identify principal(s)>> their net worth is estimated at \$; their liquidity meets/exceeds \$.			

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

<<Provide narrative conclusion and recommendation.>>

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 _____

<<Name>>

<<Title>>

<<Phone>>

<<Email>>

<<Name>>

<<Title>>

<<Phone>>

<<Email>>

This report was reviewed and the _____ Date _____
site inspected by:

<<Name>>

<<Title>>

<<Phone>>

<<Email>>