

**Addendum to Underwriting
Narrative – Operator**
Section 232/223(a)(7), 223(d),
241(a)

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

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

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

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

This addendum is applicable to Section 223(a)(7), Section 223(d), or Section 241(a) loans when a change in operator has occurred or is proposed. The addendum must be provided if the operator has not been previously approved by HUD for the subject property.

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

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the operator currently own, operate, or manage any other facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the operator organized as a single asset entity? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the operator contract out nursing services other than temporary staffing through an agency and/or contracting for ancillary services (e.g., therapies, pharmaceuticals)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. According to the application exhibits, is the operator currently delinquent or has the operator ever been delinquent on any Federal debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. According to the application exhibits, is the operator currently a defendant or has the operator previously been a defendant in any suit or legal action? . | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. According to the application exhibits, has the operator ever filed bankruptcy or made compromised settlements with creditors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. According to the application exhibits, are there judgments recorded against the operator? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. 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 regarding the topic.>>

Organization

<<Organization Chart and Narrative, as applicable.>>

Experience / Qualifications

<<Narrative description of operator’s and principal’s experience and qualifications: Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate that the operator and its principals have the expertise to successfully operate the facility.>>

Credit History

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

Key Questions

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

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

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

Other Business Concerns/232 Applications

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the 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 or suits, or bankruptcy claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the operator identify any other Section 232 loans on Part X and Attachment 2 of their certification? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

Other Business Concerns:

XXXXX identified XX other business concerns in addition to the 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.

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 per HUD Notice H 01-03 are required.>>

Other Facilities Owned, Operated or Managed

Key Questions

	Yes	No
1. Do the operator or its principals own, operate, or manage any other facilities?	<input type="checkbox"/>	<input type="checkbox"/>
a. Do any of the other facilities have pending judgments, legal actions or suits, or bankruptcy claims?	<input type="checkbox"/>	<input type="checkbox"/>
b. Do any of the other facilities have any open professional liability insurance claims?	<input type="checkbox"/>	<input type="checkbox"/>
c. Do any of the other facilities have any open state findings related to instances of actual harm and/or immediate jeopardy (G tag or higher for skilled nursing)?	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Other Facilities:

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

Financial Statements

The application includes the following operator financial statements:

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>>

Key Questions

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

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

<<For each “yes” answer above, provide a narrative discussion regarding the topic. If not applicable, indicate “NA” in the No column. 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.*

Tenant Security Deposits: *The tenant security deposits do not appear to be fully funded. At closing, however, the borrower will not be the operator and the tenant deposit obligation will fall to the new operator; therefore, the underwriter has included a commitment condition requiring the new operator to set up project accounts by closing and to provide an acceptable, certified balance sheet showing that the tenant security deposits are fully funded.>>*

General Review

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

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The operator entity has demonstrated an acceptable financial and credit history. The operator has the experience to continue to successfully operate this facility. The underwriter

recommends this operator for approval as an acceptable participant in this transaction.”>>

Parent of the 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 HUD-9001e-ORCF, Addendum to Underwriting Narrative – Principal of the Borrower and modify it appropriately for an operator.>>

Name: _____

State of Organization: _____

Date Formed: _____

Termination Date: _____

Key Questions

	Yes	No
1. Does the parent of the 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 the 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 the 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 the operator ever filed bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
5. According to the application exhibits, are there judgments recorded against the parent of the 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"/>

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

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

Organization

<<Organization Chart and Narrative, as applicable.>>

Experience / Qualifications

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

Credit History

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

Key Questions

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

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

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

Other Business Concerns/232 Applications

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the 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 or suits, or bankruptcy claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the operator identify any other Section 232 loans on Part VI and Attachment 2 of their certification? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

Other Business Concerns:

XXXXX identified XX other business concerns in addition to the 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.

Other Section 232 Applications:

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

Other Facilities Owned, Operated or Managed

Key Questions

	Yes	No
1. Do the operator or its principals own, operate, or manage any other facilities?	<input type="checkbox"/>	<input type="checkbox"/>
a. Do any of the other facilities have pending judgments, legal actions or suits, or bankruptcy claims?	<input type="checkbox"/>	<input type="checkbox"/>
b. Do any of the other facilities have any open professional liability insurance claims?	<input type="checkbox"/>	<input type="checkbox"/>
c. Do any of the other facilities have any open state findings related to instances of actual harm and/or immediate jeopardy (G tag or higher for skilled nursing)?	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Other Facilities:

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

Financial Statements

The application includes the following operator financial statements:

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>>

Key Questions

	Yes	No
1. Are less than 3 years of historical financial data available for the operator? .	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the financial statements missing any required information or schedules?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do any of the financial statements indicate a loss prior to depreciation?.....	<input type="checkbox"/>	<input type="checkbox"/>
4. Do the Aging of Accounts Payable schedules show any payables in excess of 60 days in amounts over \$2,500?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do the Aging of Accounts Receivable schedules show any receivables in excess of 60 days in amounts over \$2,500?	<input type="checkbox"/>	<input type="checkbox"/>
6. 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	<input type="checkbox"/>	<input type="checkbox"/>

Yes No

material concerns or weaknesses that need to be addressed?

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

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

General Review

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

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The parent of the operator entity has demonstrated an acceptable financial and credit history. The underwriter recommends this parent of the operator 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, “{Name of 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 XXX. 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.”>>

State Surveys

Subject

The application includes the following state surveys that are applicable to this operator (need not exceed the last three years of operations):

<<date of survey>>

<<date of survey>>

<<date of survey>>

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do the 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? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

General Review and Findings

<< 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? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

General Review and Findings

<< 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...”>>

Resident Rental and Service Agreement

Q: With whom do residents sign an agreement for their bed/unit and their healthcare services?

A: <<Borrower, operator, management agent or other (identify)>>

Staffing

<<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...”>>