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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.

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:			
Lender's 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

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

Type of facility:	<input type="checkbox"/>	Skilled Nursing (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

Current insured loan(s):

Original Section of the Act: _____

FHA number: _____

Original loan amount: _____

Current interest rate: _____

Maturity date: _____

Original terms (in months): _____

Principal & interest (monthly): _____

MIP (monthly): _____

Total P+I+MIP (monthly): _____

Debt service coverage: _____

Principal balance: _____

As of: _____

Replacement reserve balance: _____

As of: _____

Proposed 241(a) loan terms

Date facility built: _____

FHA number: _____

Proposed loan amount: _____

Proposed interest rate: _____

Proposed maturity date: _____

Proposed term (in months):* _____

Principal & interest (monthly): _____

MIP (monthly): _____

Total P+I+MIP (monthly): _____

*Mortgage term is the projected remaining term of the existing insured mortgage. The loan terms must be coterminous.

TOTAL INSURED MORTGAGES:

Total debt service coverage: _____

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 I: Amount based on total indebtedness:	\$ _____
Criterion L: Amount based on deduction of grant(s), loan(s), LIHTCs, and gift(s) for mortgageable items:	\$ _____

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 _____ %.

Gross income: \$ _____

Effective gross income: \$ _____

Expenses & repl. res.: \$ _____

Net operating income: \$ _____

Underwritten occupancy rate: _____ %

Expenses per bed/unit*: \$ _____

Expense ratio: _____ %

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

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

Operating deficit: \$ _____ Absorption rate (# beds per month): _____

Number of months to cover shortfall: _____ Break-even occupancy: _____ %

Borrower's working capital: \$ _____ Minor movables: \$ _____

Special escrows (describe below): \$ _____

<<describe special escrows here>>

Major movable equipment budget: \$ _____ **Major movable amount per bed:** \$ _____

Construction contract:	\$ _____	Offsites	\$ _____	Demolition	\$ _____
Total construction costs: <i>As reported on HUD-2328, Line 53 plus Offsites and Demolition Costs</i>	\$ _____				
		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"/>	

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:

- Market Study *(if required)*
- Appraisal
- Draft 4128
- Architecture/Cost Review

- | | | |
|----------------|--|---|
| Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |
| Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |
| Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |
| Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |

Labor Relations

Program Guidance:

Supplemental loans under Section 241 of the Act are subject to the provisions of Section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured or pursuant to which the original mortgage covering the project or facility was insured. For example, if the facility’s original loan was a Section 232 New Construction loan, the Section 241 loan would be subject to Davis-Bacon. If the facility’s original loan was a 232/223(f) loan, then the Section 241 loan would not be subject to Davis-Bacon.

Wage Decision:

Type: Residential Building (commercial)

Number: _____ No. of buildings: _____

Modification date: _____ No. of stories: _____

Modification number: _____ No. of units: _____

No. of self-contained units*: _____

**Self-contained means that the units contain both a kitchen/kitchenette and a bathroom. This criterion, in addition to the number of stories, affects whether the construction type will be “residential” or “building.”*

Lenders Pre-Construction Conference Coordinator Information:

Name: _____

Email: _____

Phone: _____

Mailing address: _____

General Overview

<<Provide narrative of rationale for selection of Wage Decision specified.>>

Program Eligibility

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. Does the facility require more than four residents share a full bathroom (see 24 CFR 232.3)? (Not applicable for SNFs.)	<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)? (Not applicable for SNFs.)	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the borrower, operator, or any of their affiliates’ 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 affiliates’ 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 is no commercial space at the subject.
- There is commercial space at the subject; however, it does 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:	<<b / a>>	f. % of commercial income:	<<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.>>

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.)

All non-residential leases, including renewals or extensions of existing leases must comply with the following language:

1. Such leases are subordinate to the lien of this Security Instrument and; the tenant shall, upon receipt after the occurrence of an Event of Default of a written request from Lender, pay all Rents payable under the Lease to Lender; and the tenant shall attorn to Lender and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Mortgaged Property by any purchaser at a foreclosure sale or by Lender in any manner;
2. The tenant agrees to execute such further evidences of attornment as Lender or any purchaser at a foreclosure sale may from time to time request;
3. The Lease shall not be terminated by foreclosure or any other transfer of the Mortgaged Property; and after a foreclosure sale of the Mortgaged Property or after transfer of the Mortgaged Property to Lender by a deed-in-lieu of foreclosure, Lender or any purchaser at such foreclosure sale may, at Lender's or such purchaser's option, accept or terminate such Lease;
4. Borrower shall not receive or accept rent under any lease (whether residential or non-residential) for more than two months in advance.

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.

Licensing/Certificate of Need/Keys Amendment

<<Provide affirmative statement along the lines of: “The facility is licensed by the State of {State}’s Department of Health and Welfare as a {Type of Facility} for {X} beds. The license is issued to {Name of Entity on License}. 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...”>>

<<(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"/>
7. Does the HUD Addendum to the AIA Agreement of the Design Architect identify any identities of interest?	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| 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. 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"/> |
| 2. 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"/> |
| 3. 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"/> |
| 4. 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 2, 3, or 4 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.>>

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 #: _____

Site inspection date: _____

Inspecting underwriter: _____

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
Architectural reviewer				
Cost analyst				
Environmental consultant				
Market analyst				
Appraiser				

Key Questions – Architectural Reviewer

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the architectural reviewer have experience with construction within the healthcare field? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the architectural reviewer knowledgeable and experienced with local building standards and construction methods for the type of project proposed, including the Federal Fair Housing Accessibility Guidelines and the Uniform Federal Accessibility Standards? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the architectural reviewer a registered architect or engineer? | <input type="checkbox"/> | <input type="checkbox"/> |

Key Questions – Cost Analyst

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the cost analyst have experience in the healthcare field? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the cost analyst knowledgeable and experienced with local building standards and construction costs for the type of project proposed? | <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. Is the appraiser currently active in the appraisal of other healthcare properties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. 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"/> |
| 6. Did the appraiser meeting the above qualifications, personally inspect the property being appraised? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. 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>.

Property Description

Site

<<Brief narrative description about site—"as-is" and "as-proposed"—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

<<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. If the building is not a legal conforming use, discuss the adequacy of the zoning ordinance insurance coverage and/or recommend a condition to mitigate this risk.>>

Utilities

<<Narrative description - Identify utilities in use at site. Discuss any limitations in service and any other issues that would affect the operation of the facility. Also clearly indentify the utilities to be paid by the residents.>>

Scope of Construction

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

Improvement Description

Building Description

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

Landscaping

<<Provide narrative description about the proposed landscaping.>>

Parking

<<Provide narrative description about the proposed 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

<<Provide an “as-is” and “as-rehabilitated” table or provide equivalent detail.>>

As-is:

(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:

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

Obsolescence/Depreciation and Remaining Economic Life

<<There are three categories that need to be addressed. Each should be discussed in terms of the as-is and as-proposed improvements.>>

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).>>

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. >>

Services

<<Narrative description of “as-is” and “as-proposed” services provided. Identify which services are included in rent and which services are available for extra charges, as applicable.>>

Architectural Review

Date of report: _____
 Review firm: _____
 Reviewer: _____

Key Questions

	Yes	No
1. Are any drawings or specifications to be “deferred submissions?” If yes, explain below.	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the architectural reviewer recommend any commitment conditions? ...	<input type="checkbox"/>	<input type="checkbox"/>
3. Are the plans and specification incomplete?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is there an identity of interest between the design architect and any other project participant (i.e., borrower, principal of borrower, operator, and/or general contractor)?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there architectural review comments that have <u>not</u> been incorporated into the plans and specifications?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any architectural drawings and specifications that do <u>not</u> comply with local building code standards, minimum property standards, or any other HUD requirements?	<input type="checkbox"/>	<input type="checkbox"/>
7. After reviewing the plans, did the architectural reviewer confirm that the plans are <u>not</u> in conformance with FHAG and UFAS requirements?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the design architect providing supervision services?	<input type="checkbox"/>	<input type="checkbox"/>
9. After reviewing the AIA agreement, did the architectural reviewer find the agreement was <u>not</u> complete?	<input type="checkbox"/>	<input type="checkbox"/>
10. After reviewing the Geotechnical Engineering Evaluation Report, did the architectural reviewer find the report <u>unacceptable</u> showing an <u>insufficient</u> number of borings provided?	<input type="checkbox"/>	<input type="checkbox"/>
11. After reviewing the soils report, did the architectural reviewer find the structural design <u>not</u> in compliance with the findings of the report?	<input type="checkbox"/>	<input type="checkbox"/>
12. After reviewing the survey, did the architectural reviewer find the survey <u>not</u> in compliance with HUD requirements?	<input type="checkbox"/>	<input type="checkbox"/>

<<If you answer “yes” to any of the above questions, please address below. For example, Item 1 – Fire sprinkler system engineering will be completed by XXX, Item 3 – The completed plans and specifications will be submitted prior to closing. The architectural reviewer’s inspector has identified minor revisions to the plans and specifications that will be completed and submitted to HUD prior to closing. A list of the minor revisions includes XXX. The contractor has provided confirmation acknowledging the required revisions and confirms that they do not result in changes to the costs reflected on the HUD 2328 submitted with this application package. We (the lender) recommend a Special Condition to the Firm Commitment requiring that completed acceptable plans and specifications will be submitted prior to closing.

Item 4 – There is an identity of interest between the design architect and the borrower. The design architect is a principal of the borrower entity. Therefore, to meet HUD requirements, a separate AIA B108 is submitted with this package for an unrelated architect to provide the supervision services. Provide narrative describing the supervising architect’s name, experience, etc. >>

Architectural Overview

<<Provide narrative describing the architectural reviewers report and conclusions and if the lender’s underwriter concurs with the conclusions. Identify any modifications to the report conclusions and provide justification. Confirm if the review complies with the statement of work. Identify deliverables included in the application package. Include a narrative concerning key elements of the reviews, the appropriate HUD forms, and their correspondence with the design architect.>>

Program Guidance:

Construction specification template (CSI Master Format 2010), addressed in Mortgagee Letter 2010-41, must be used for all firm applications submitted after April 25, 2011.

Construction Progress Schedule

<<Provide narrative discussion of the construction period as projected by the general contractor and project architect. Indicate if architectural reviewer agrees. Typically, an updated Construction Progress Schedule that accurately reflects the month and date of construction start and completion will be needed prior to closing.>>

Conclusion

<<Indicate if the review architect has appropriately addressed all architectural aspects of the development and the firm commitment application.>>

Cost Review

Date of report: _____
Review firm: _____
Cost analyst: _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Are there any variances in excess of 10% between the general contractor’s form HUD-2328 line items and the cost analyst’s form HUD-92326? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the total reflected on the cost analyst’s form HUD-92326 more than 10% higher or lower than the total cost breakdown on form HUD-2328? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Will any one subcontractor, material supplier, or equipment lessor be awarded more than 50% of the construction contract? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Will three or fewer subcontractors, material suppliers, or equipment lessors be awarded more than 75% of the construction contract in aggregate? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does or will the contractor have any identities of interest with any subcontractors, material suppliers, or equipment lessors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Did the cost analyst find any evidence of front-loading in the contractor’s cost estimate? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Cost Overview

<<Confirm the cost reviewer performed the cost review pursuant to Section 232 standards. The deliverables in the application package include a narrative concerning the cost analysis, the appropriate HUD forms, and cost data. For example, “The cost analyst performed a comparison analysis and compared them to the contractor’s final schedules of values (forms HUD-2328). The cost analyst ultimately concludes to the contractor’s schedule of values. The underwriter concurs.”>>

Construction Costs (Form HUD-2328)

<<Discuss the cost analyst’s review of the final forms HUD-2328 supplied by the contractor and owner after completing an independent cost analysis. Confirm the analyst found no front-loading in the final costs reflected in the HUD-2328 submitted. Indicate the analyst completed the HUD 9236 in accordance with HUD guidelines and those forms are included in the appropriate section of the application package.

Provide a breakdown of the costs from the form HUD-2328, Contractor’s and/or Borrower’s Cost Breakdown, included in the application package. The form totals \$XXX and is summarized as follows (complete the following table or provide equivalent detail):

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				

**Construction Contract
Type:**

Cost Plus

Lump Sum

General Requirements

<<The contractor's estimate of general requirements totals \$XXX. The cost analyst has determined that the proposed cost of the general requirements and the sub-items included in it are reasonable. The underwriter concurs.>>

Program Guidance:

The cost for "General Requirements" will include the costs for those items incurred in the construction of the project and directly pertaining to a specific project. It will not include general overhead expense of operating the contractor's home office. Items of cost to be considered in determining General Requirements allowance include, but are not limited to, items such as:

- Supervision
- Field engineering to provide grades and lines for locating buildings, streets, and walks on the site.
- Field office, phones, office supplies and equipment, and clerical help
- Temporary sheds and toilets
- Temporary heat, water, light, and power for construction
- Cleaning and rubbish removal
- Watchmen's wages
- Medical and first aid facilities
- Temporary protection and fences

Other Fees – General Contractor

Program Guidance:

On Form HUD-2328, “Other Fees” is reserved for fees and allowances not normally included in General Requirements. Such fees might be:

- Special engineering fees such as test borings not provided for by the project architect.
- Special taxes based on cost of the buildings (i.e., school taxes, utility taxes or assessments, excise taxes, tap fees, etc.).
- Contractor’s cost certification (a cost certification is required when a “Cost Plus” construction contract is used)
- Building permits

The form HUD-2328 includes other fees to be paid the general contractor totaling \$. The other fees to be paid by the general contractor include the following:

Schedule of Other Fees included in Construction Contract

(Double click inside the Excel Table to add information)

Line	Description	Amount
A	Survey	
B	Cost Certification	
C	Municipal Inspections	
D	Special Engineering Tests/Fees	
E	Special Taxes	
F	Permits	
G		
H		
I		
J		
TOTAL		\$ -

The cost analyst has reviewed the schedule of other fees and determined the items and the total cost to be reasonable. The underwriter concurs.

Bond Premium/Assurance of Completion

<<Provide narrative discussion of either construction bond (bonding company, contractor’s bond capacity, etc.) or the Assurance of Completion escrow (15% or 25% of contract, cash or letter of credit, etc. Also, address whether the surety is listed on the Treasury Circular and is authorized to issue bonds in the state for the required amount.>>

Unusual Site Improvements

<<Describe unusual site improvements and applicable costs, if any.>>

Architect’s Fees

<<Provide narrative describing architect fees (design/supervision). For example: “The Owner-Architect Agreement (AIA document B108 with HUD Addendum) sets a total design fee of \$XXX and a construction supervision fee of \$XXX, for a total contract amount of \$XXX. The design fee currently represents XX% of the total architectural fee and XX% of the total cost of total structures, land improvements, and general requirements. The construction supervision fee is XX% and XX% of the same, respectively.”

Confirm there is not an identity of interest between the borrower and the architect or if there is, discuss the separate supervising architect and his/her B108. Confirm if the cost analyst and underwriter find the architectural fees to be reasonable in total and for the cost of design/supervision.>>

Other Fees-Borrower

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		
TO TAL		\$ -

The cost analyst has reviewed the schedule of other fees to be paid by the borrower and determined the items and the total cost to be reasonable. The underwriter concurs.

Off-Site and Demolition

<<Describe any off-site 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 cost or hookup fee related.

Describe any demolition that may apply; discuss costs and any other requirements or issues.>>

Major Movable Equipment

The borrower has provided a major movable list and budget totaling: \$ _____

The amount per unit is: \$ _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. The cost analyst found the list acceptable and the budget is reasonable. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The underwriter concurs with the analyst's conclusion or has provided justification for any differences. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The underwriter notes that a copy of the major movable list is included as an Exhibit to the Draft Firm Commitment submitted with this package. | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each "no" answer above, provide a narrative explanation and justification regarding the topic.>>

Conclusion

<<Provide lender's conclusions and wrap up of the cost review. Reiterate if any of the cost analyst's conclusions were modified and justified in the lender's underwriting.>>

Replacement Reserves

Program Guidance:

The lender must complete an analysis of the existing replacement reserve account to determine whether additional deposits to the account will be required as a result of the supplemental loan. A full 15-year analysis, similar to that completed as part of a Property Capital Needs Assessment (PCNA), may not be required if the status of the reserve for replacement account can be determined in consultation with the Office of Residential Care Facilities (ORCF) Account Executive.

Underwritten Reserve for Replacement

Replacement Reserve Summary		
	Annually	Per Unit
Existing reserve for replacement	\$	\$
Additional reserve for replacement <u>proposed</u> :		
Realty	\$	\$
Major movables	\$	\$
Total	\$	\$
Existing reserve for replacement balance	\$	\$
Additional initial deposit to reserve for replacement account	\$	\$
Total balance at initial closing	\$	\$

<<Provide narrative discussion regarding how the above amounts were determined.>>

Appraisal

Date of valuation: _____
 Date of report: _____
 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. Do the underwriting assumptions include any real estate tax abatements or exemptions? | <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</i> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| <i>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> | | |
| 6. Are there any other issues that require special or a-typical 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/required repairs are completed. 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. >>

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 of financial information is available for the project's operations, provide a narrative justifying why the data is not available. Even in cases where there was an acquisition within the past 3 years, the current owners have usually 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!

(Double click inside the Excel Table to add information)

Market Occupancy - As Is	# 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.>>

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)	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 - 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%	

<<Indicate if the percentages quoted represent a single day survey, or are a year-over average. 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 be included in the table below or dealt with as an expense.>>

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

Actual												
Period	Year Ending XX/XX/XX				Year Ending XX/XX/XX				Year Ending XX/XX/XX			
	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
Income Source												
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!

Actual					Forecast							
Period	YTD Annlzd or T-12 (specify dates)				Appraisal As-Is				Appraisal - As Proposed			
	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
Income Source												
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, which overlaps into the prior reporting period. Please indicate which you are showing and the months covered by the T-12 or YTD.

In the chart 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 RENTS – AS IS

Private Pay

The appraiser and underwriter analyzed the private pay rates at XXX comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis - As Is

(Rent per resident day)

(Double click inside the Excel Table 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) - <i>add lines as needed</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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 conclusion, as appropriate. Identify any modification from the appraiser’s concluded rent and provide justification.*>>

Medicare

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

Appraisal: \$ _____
 Time period of _____
 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: \$ _____
Published Rate: \$ _____

Appraisal: \$ _____
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 RENTS – AS IS

Private Pay

The appraiser and underwriter analyzed the assisted living rents at XXX comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis – As Is
(Rent per bed)

(Double click inside the Excel Table 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	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 conclusion. 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. Identify any modification from the appraiser's concluded rent and provide justification.>>

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 prospective rate. If rate is based on resident care requirements, provide an analysis of how the concluded rent was determined. Identify and discuss any other sources or copayments that are required (e.g., SSI). Identify any modification from the appraiser's concluded rent and provide justification. >>

INDEPENDENT UNIT RENTS – AS IS

The appraiser and underwriter analyzed the independent living rents at XXX comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis - As Is
(Rent per unit)

(Double click inside the Excel Table to add information)

Independent Living	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
	e.g Studio		e.g One Bedroom		e.g Two Bedroom	
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. An equivalent analysis of the information provided above is required. Identify any modification from the appraiser's concluded rent and provide justification.>>

OTHER INCOME – AS IS

(Double click inside the Excel Table 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. A few examples follow:

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 based on his analysis of comparable data <<insert comparable data as appropriate. Identify any modification from the appraiser's concluded fees and provide justification.>>

Second Occupant Income

The appraiser has included a net annual projection of X second occupants at \$X 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 market, the underwriter concurs with the appraiser's conclusion for a net annual income of \$X. Identify any modification from the appraiser's concluded fees and provide justification.

Miscellaneous Income <<delete paragraph if not applicable>>

In addition to room rents, additional care, and second occupant income, the project will receive miscellaneous income from <<list miscellaneous>>. The appraiser has included a net annual projection of \$X. Typically, 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). Identify any modification from the appraiser's concluded fees and provide justification.>>

Expenses – As Is

The appraiser concludes to total expenses of \$X including reserve for replacement of \$X. The underwriter concludes to total expenses of \$X including reserve for replacement of \$X. The appraiser compared the subject's expense conclusions to X comparable projects located X.

Historic Comparison

Expense Analysis –Subject
 (use totals, not per occupied unit/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. Ur	#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)						

<<Provide narrative discussion of historical information. Include 3 full years of data plus any partial years as available. For skilled nursing and other facilities, resident days are more appropriate than units available per year. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.

Address any significant fluctuations/anomalies in the historical data. Comment on any expenses that were reimbursable, such as a provider tax, and how they were incorporated into the historical table. Address adjustments made to historical data for one-time expenditures, capital expenditures, etc >>

Comparable Expense Data – As Is

<<Unlike the previous table, the information for the expense comparables should be entered on a per resident day basis (number of beds x 365 x occupancy rate) or per occupied unit basis (number of units x 12 x occupancy rate). A minimum of 3 expense comps are required. More columns or tables can be added if needed.>>

(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	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 – As Is

<<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, 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.>>

<<Below reproduce or paste the pro forma. 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.), 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	% 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 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. If the subject has 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.>>

(Double click inside the Excel Table to add information)

Summary of Comparable Sales Data		Comp arable 1	Comp arable 2	Comp arable 3	Comp arable 4	Comp arable 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 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 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 Is

<<This is an optional analysis in the Sales Comparison Approach. 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 Past 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.>>

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. The value used for criterion 3 of the form HUD-92264-A will be the lesser of: (a) Total Estimated Replacement Cost; and (b) the Fair Market Value.>>

(Double click inside the Excel Table 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 FIRREA 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 – Market Comparables

(% of beds not revenue)

(Double click inside the Excel Table to add information)

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) add rows as needed	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%	

<<Indicate if the percentages quoted represent a single day survey, or are a year-over average. 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.>>

<<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 PROPOSED

Private Pay

The appraiser and underwriter analyzed the private pay rates at XXX comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis - As Proposed

(rent per resident day)

(Double click inside the Excel Table 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) - <i>add lines as needed</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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 conclusion, 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

The appraiser and underwriter analyzed the assisted living rents at XXX comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis

(Double click inside the Excel Table 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 conclusion. 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. Identify any modification from the appraiser's concluded rent and provide justification.>>

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 prospective rate. If rate is based on resident care requirements, provide an analysis of how the concluded rent was determined. Identify and discuss any other sources or copayments that are required (e.g., SSI). Identify any modification from the appraiser's concluded rent and provide justification.>>

INDEPENDENT UNIT RENTS – AS PROPOSED

The appraiser and underwriter analyzed the independent living rents at XXX comparable facilities. A summary of their analysis is provided below.

Rent Comparability Analysis - As Proposed

(rent per unit)

(Double click inside the Excel Table to add information)

Independent Living	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	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) - add lines as needed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subject (Current Achieving)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Market Average	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appraisal Conclusion	\$	-	\$	-	\$	-
Underwriter Conclusion	\$	-	\$	-	\$	-

<<Provide narrative discussion of conclusion. An equivalent analysis of the information provided above is required. Identify any modification from the appraiser's concluded rent and provide justification.>>

OTHER INCOME – AS PROPOSED

Schedule of Other Income - As Proposed
(Double click inside the Excel Table 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. A few examples follow:

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 based on his analysis of comparable data <<insert comparable data as appropriate>>. Identify any modification from the appraiser's concluded fees and provide justification.

Second Occupant Income

The appraiser has included a net annual projection of X second occupants at \$X 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 market, the underwriter concurs with the appraiser's conclusion for a net annual income of \$X. Identify any modification from the appraiser's concluded fees and provide justification.

Miscellaneous Income <<delete paragraph if not applicable>>

In addition to room rents, additional care, and second occupant income, the project will receive miscellaneous income from <<list miscellaneous>>. The appraiser has included a net annual projection of \$X. Typically, 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). Identify any modification from the appraiser's concluded fees and provide justification.>>

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 Reserves					
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expense Percentage	#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%

(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, 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.>>

<<Below reproduce or paste the pro forma. 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.), 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	% 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 Proposed

<<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 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, as appropriate.>>

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 is geared toward HUD-specific costs, such as Davis-Bacon wages.>>

Depreciation

<<With new construction, this typically does not apply. However, 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

(Double click inside the Excel Table to add information)

As Proposed		
Market Value Summary		
Approach	Appraisal	Underwriter
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 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 FIRREA rule at issue in the narrative.>>

Underwritten Value of Improvements (Betterments)

The value used for criterion 3 of the form HUD-92264a-ORCF will be the lesser of: (a) total estimated replacement cost; and (b) the Fair Market Value.

(Double click inside the Excel Table to add information)

Memorandum For Section 241 Regarding the Value of the Improvements (betterments)									
The value of the improvements (betterments) will be the lesser of (a) or (b) below:									
a.	<table border="1"><tr><td>The Estimated Cost of the Improvements, including carrying charges and financing and legal expense for the supplemental loan (from Line G-72 of HUD-92264) is:</td><td>\$0</td></tr></table>	The Estimated Cost of the Improvements, including carrying charges and financing and legal expense for the supplemental loan (from Line G-72 of HUD-92264) is:	\$0						
The Estimated Cost of the Improvements, including carrying charges and financing and legal expense for the supplemental loan (from Line G-72 of HUD-92264) is:	\$0								
b.	<table border="1"><tr><td>The "As-Stabilized" Value Upon Completion (from Appraisal)</td><td>\$0</td></tr><tr><td> minus</td><td></td></tr><tr><td>The "As Is" Value of the facility (from Appraisal):</td><td>\$0</td></tr><tr><td> The Value of the Improvements through Appraisal is:</td><td>\$0</td></tr></table>	The "As-Stabilized" Value Upon Completion (from Appraisal)	\$0	minus		The "As Is" Value of the facility (from Appraisal):	\$0	The Value of the Improvements through Appraisal is:	\$0
The "As-Stabilized" Value Upon Completion (from Appraisal)	\$0								
minus									
The "As Is" Value of the facility (from Appraisal):	\$0								
The Value of the Improvements through Appraisal is:	\$0								
<hr/>									
The Value of the Improvements (betterments) - for Underwriting Purposes is:									
\$0									

Initial Operating Deficit

<<Below is the “output screen” of OHP’s required IOD model. Double click to open. There are three 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 Preleases
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!
Month 35	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	<input type="checkbox"/>	<input type="checkbox"/>

Yes No

with this facility?

<<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. ORCF is not able to waive this requirement.</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 will consider the potential danger presented by liquid fuel and gas ASTs, even in cases of refinance where the tanks are pre-existing, and may at times require mitigation.

- Existing projects with no additions and with no increase in residential density: When ASTs exist on site—containing liquid fuel (over 100 gallons in size) or containing pressurized gas (stationary tanks of any size)—**a conformance letter from the governing Fire Department/District will be required.** The letter must specifically address the safety of the storage tanks. In cases where safety letters cannot be obtained for on-site ASTs and where off-site tanks are visible from the site, a calculation of the Acceptable Separation Distance (ASD) must be included in the application. A useful tool for calculating ASDs can be found at <http://www.hud.gov/offices/cpd/environment/asdcalculator.cfm>.

- Projects where new units or beds are being added: When existing or proposed ASTs are located on-site 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"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input type="checkbox"/>

Yes No

ASTM E 2356-10 provided (required for all buildings constructed before 1978)? N/A

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

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?
- 2. Have any other archeological or cultural resource centers been consulted? ..

<<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)? <i>(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.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the Standard Flood Hazard Determination Form indicate that the subject is located within the 100- or 500-year floodplain? <i>(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.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is flood insurance required for this property? | <input type="checkbox"/> | <input type="checkbox"/> |

Borrower Entity and Principals of the 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 or principals of 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 or principals of 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 or principals of the borrower 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 borrower or principals of 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"/> |
| 7. Is the borrower a Real Estate Investment Trust (REIT)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is the borrower a non-profit or public entity <u>and</u> are the non-profit mortgage criteria utilized in the underwriting? <i>(If yes, the operator must also be a non-profit entity.)</i> | <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 must be identified.>>

Financial Statements – For Party or Parties Responsible For Financial Requirements for Closing and Beyond <<enter party(ies) name(s) 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>>

<<Provide 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 required, provide discussion on the individual’s financial capacity, net worth, and liquidity.>>

Effective date (of HUD-92417)	Total assets	Net worth	Total liquidity (cash available)	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.**

Operator

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

Organization

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

Management Agent (if applicable)

Name: _____
Relation to borrower: _____ <<Owner Managed/IOI Entity/Independent/Other>>
Principals/officers: _____

<<Provide a brief narrative discussion on the existing or proposed management agent, if applicable.>>

Management Agreement (as applicable)

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"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| 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 <u>does not</u> exempt the agent from all liability for gross negligence and/or willful misconduct? | <input type="checkbox"/> | <input type="checkbox"/> |

<<If you answer "no" to any of the above questions, identify the risk factor and how it is mitigated below.>>

General Contractor

Name: _____
 State of organization: _____
 License number/state: _____
 Surety: _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. According to the application exhibits, is or has the general contractor been delinquent on any federal debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. According to the application exhibits, is or has the general contractor been a defendant in any suit or legal action? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. According to the application exhibits, has the general contractor 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 general contractor? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. According to the application exhibits, are there any unsatisfied tax liens? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is the general contractor a joint-venture? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. If the general contractor is a subsidiary of another entity, are they relying upon the parent to demonstrate financial capacity? (If yes, provide financial analysis of parent.) | <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.>>

Experience/Qualifications

<<Provide narrative description of general contractor's experience and qualifications. Discussion should highlight the contractor's experience constructing similar type and size projects. It should discuss the architectural and cost reviewer's analysis of the contractor's experience, bonding capacity, financial capacity, etc.>>

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.>>

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.

Other Business Concerns-

Key Questions

	Yes	No
1. Does the general contractor 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?	<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"/>

- | | | |
|---|------------|-----------|
| | Yes | No |
| 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"/> <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.)

Financial Statements

The application includes the following General Contractor 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 general contractor? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are the financial statements missing any required information or schedules? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is there a pattern of significant downward income prior to depreciation over the years as demonstrated in the general contractor’s Income & Expense statements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do the Aging of Accounts Payable schedules show any material accounts payables (amount in excess of 5% effective gross income) over 90 days? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do the Aging of Accounts Receivable schedules show any material accounts receivables (amounts in excess of 2% of gross income) over 120 days? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 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"/> |

- | | | |
|---|--------------------------|--------------------------|
| | Yes | No |
| 7. Does the general contractor have less than the required 5% adjusted working capital? | <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. For example, Item 7 – Contractor has less than 5% working capital. Contractor may hypothecate fixed assets. The contractor has a sale pending on another building that they have constructed. Lender will provide evidence prior to closing that funds are available to meet the 5% working capital.”>>

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.>>

Working Capital Analysis

<<Provide narrative and analysis of contractor’s working capital. Analysis should discuss appropriate adjustments to current assets and liabilities; how you account for work-in-progress; lines-of-credit; verifications of deposit; etc.

Example: XXXX current balance sheet is summarized below.

	Financial Statement As of XXXXXXXX	Working Capital Analysis
<i>Current Assets</i>		
Cash Accounts	\$ 1,200,000	\$ 1,200,000
Retainage Receivable	3,600,000	3,600,000
Accounts Receivable	4,900,000	4,700,000
Accounts Receivable - Employees	110,000	-
Accounts Receivable - RELATED	5,000	-
Accounts Receivable - RELATED	25,000	-
Cost & Profit in Excess of Bill	650,000	650,000
Prepaid Insurance	150,000	-
Total Current Assets	\$ 10,640,000	\$ 10,150,000
<i>Current Liabilities</i>		
Retainage Payable	\$ 2,680,000	\$ 2,680,000
Accounts Payable	4,720,000	4,720,000
Profit Sharing Payable	-	-
Current Portion of Notes Payable	66,000	66,000
Accrued Payables	445,000	445,000
Total Current Liabilities	\$ 7,911,000	\$ 7,911,000

The underwriter has made the following modification for the working capital analysis:

Example:

- Only used accounts receivable less than 90 days old
- Did not use accounts receivable from related parties.
- Did not include prepaid expenses.

The underwriter's analysis of Work in Progress is as follows:

Job	Contract Amount	% Complete	Contract Balance	Used for Work In Progress
Project A	\$ 309,875	87.0%	\$ 40,284	\$ 40,284
Project B	25,790,007	92.6%	1,908,461	-
Project C	11,050,619	99.6%	44,202	-
Project D	1,673,600	66.5%	560,656	560,656
Project E	5,935,000	77.0%	1,365,050	1,365,050
:	8,807,800	61.0%	3,435,042	3,435,042
:	196,200	42.2%	113,404	113,404
:	244,429	39.2%	148,613	148,613
:	833,806	98.0%	16,676	-
:	100,164	16.8%	83,336	83,336
:	2,063,500	4.6%	1,968,579	1,968,579
:	74,434	36.5%	47,266	47,266
:	922,400	25.7%	685,343	685,343
	<u>\$ 58,001,834</u>		<u>\$ 10,416,912</u>	<u>\$ 8,447,572</u>
		5% of Work in Progress	=	422,379

The underwriter calculated the working capital necessary for the work in progress as 5% of the contract balances for all work that was less than 90% complete. The working capital for the planned sister facility in XXXXX is 5% of the contract amount of \$6,356,426. The working capital for the subject is 5% of the contract amount of \$6,502,743.

Based on the above adjustments and analysis, the underwriter concludes to the following working capital analysis:

Current Assets	10,150,000
Current Liabilities	(7,911,000)
<u>Working Capital</u>	<u>\$ 2,239,000</u>

Working Capital for Other Work in Progress	(422,379)
Working Capital for planned SISTER Facility	(317,821)
Working Capital for Subject	(325,137)
<u>Excess Working Capital</u>	<u>\$ 1,173,663</u>

The contractor clearly demonstrates sufficient working capital for the current work in progress and the planned sister facility and the subject facility. In addition to the above working capital, the contractor also has a \$XXXXM revolving line of credit that currently has no balance. The line of credit is available to supplement the above working capital, if necessary, during construction. >>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The general contractor has demonstrated an acceptable financial and credit history. The general contractor has the experience to complete the construction. The underwriter recommends this General Contractor for approval as an acceptable participant in this transaction.”>>

Operation of the Facility

Staffing

<<Provide narrative description of review. For example, “The appraiser and underwriter have reviewed the 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. Will the lease at closing have a term that will expire within 5 years with no lease renewal options? (See guidance below.)	<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	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| associated with this loan? | | |
| 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.>>

Lease Payment – During Construction

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 – As Proposed

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	\$	-
g.	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.>>

Accounts Receivable (A/R) Financing

<<If the subject project has AR financing, complete the AR Financing Addendum to the Lender Narrative.>>

Insurance

Professional Liability Coverage

Program Guidance:

The PLI insurance policy must be in the name of the entity that is conducting the day-to-day operations of the subject facility. The PLI policy can be issued to the parent operator as long as each operating entity that is conducting the day-to-day operations of the facility is listed on the policy.

Commercial insurance:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Self insurance:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If self insurance, describe:	_____	
Is there a fronting policy?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Name of insured:	_____	
Insurance company:	_____	
Rating:	Rater: _____	
Insurance company is licensed in the United States:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Statute of limitations:	_____	
Current coverage:	Per occurrence:	_____
	Aggregate:	_____
	Deductible:	_____
	<u>OR</u> Self insurance retention:	_____
Policy Basis:	<input type="checkbox"/> Per occurrence	<input type="checkbox"/> Claims made
Current Expiration:	_____	
Retroactive Date:	_____	
Policy Premium:	_____	

Summary of Six-Year Loss History for Operator or its Parent of Operator				
Year	Total claims paid under this policy (dollars)	Total claims paid under this policy (no. of claims)	Total bed count covered under the policy	Dollars paid in claims per bed
1				
2				
3				
4				
5				
6				
Total/average				

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Will the insurance policy cover multiple properties? <i>(If yes, complete questions a through e below.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Is less than 6 years of loss history available? | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Does the loss history indicate any professional liability claims over \$35,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Does the loss history or potential claims certification indicate any uncovered claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Does the loss history or potential claims certification indicate any claims that would exceed the per occurrence or aggregate coverage limits? | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Have the facilities been covered by a “claims made” policy at any time during the statute of limitations for the states where the facilities are located? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the policy funded on a “cash front” basis? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is an actuarial study applicable (self-insurance)? <i>(If yes, discuss results below.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. For all facilities identified on the insured’s Schedule of Facilities Owned, Operated or Managed, are there any surveys/reports that have open G-level or higher citations outstanding? <i>(As appropriate, provide a complete analysis of the surveys.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are any entities that provide resident care (as discussed in the Provider Agreements and “Resident Care Agreements/Rental Agreements) not covered by the PLI policy? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any PLI issues that require special consideration? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answer “yes” to any of the above questions, please address here. Examples:

Multiple properties: The underwriter notes that the professional liability policy is a “blanket” policy covering XXX facilities, including the subject... {Address potential impact of other facilities on the subject’s coverage}

Less than 6-year loss history: The claims history reports were examined for the period XX through XX. The underwriter determined that there were no professional liability XX claims during that period...{address claims and sufficiency of coverage, etc. based on history}.

Claims made coverage: The project’s previous professional liability insurance coverage was a “claims made” form policy with XXXX, which expired XXXX, when the current policy was put in place. In XXXX, the borrower purchased a “nose coverage” policy, which is the coverage needed when going from a “claims made” form of insurance to a “per occurrence” form of insurance. The premium for this “nose” coverage liability was a one-time charge and was paid in XXX. Because of that additional insurance coverage, the insurance expense for XXXX was substantially higher than the current expense. The current “per occurrence basis” insurance policy covers the entire statute of limitations. The project’s professional liability insurance is in compliance with HUD’s requirements.>>

Lawsuits

<<As applicable, discuss each lawsuit and describe the potential risk related to the party’s participation in the proposed project. Discuss how that risk is mitigated.

If the suit is closed, does it contribute to a pattern? Does it materially affect the party’s ability to participate in the project? If not closed, describe the circumstances, identify the potential award amount, provide evidence and analysis showing that the suits are covered by insurance (general or professional liability—identify which one), and if the insurance is not sufficient, do they demonstrate adequate funds to cover the potential excess? Describe any other information that mitigates the risk.>>

Recommendation

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

Program Guidance:

State licensing surveys of all individual facilities of the operator for the last 3 years, are to be transmitted as part of the application submission. These surveys will be used to determine the quality of care provided by the operator. The operator or its parent must also submit a 6-year loss history of all professional liability claims filed against it for all facilities controlled by the operator or its parent. This loss history should be provided in annual summary form and should:

- A. Provide a current inventory of all paid or settled claims.
- B. Break out the expected cost of claims in a year-by-year summary. In separate line items, list the amount of the actual and/or anticipated awards, claims expenses, and any funds reserved for estimated claims.
- C. List total actual or estimated claims costs for compensatory damages, medical expenses, punitive damages, and legal expenses incurred processing the claim.
- D. Identify potential or expected professional liability claims in excess of \$35,000 that have been or may be filed for all periods within the statute of limitations for the state where the claim occurred.
- E. Include a brief discussion or chart that provides the timeframe for the statutes of limitations for filing claims of negligence, injuries, wrongful death, and/or improper care based on the law in the states where the parent operator's facilities are located.
- F. Include a certification from the parent operator (or operator, if no parent) as to the accuracy of this documentation. The certification must be signed and dated by a senior officer of the parent operator (or operator, if no parent), and include the following statement:

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

Property Insurance

<<Provide narrative discussion of review. For example, “Hazard and Liability insurance has been and/or will be provided by XX. The underwriter has confirmed estimates of the cost and coverage for underwriting and that it complies with HUD requirements.”>>

Builder's Risk

<< If contractor is paying, show in contractor's other fees. If borrower is paying, show in borrower's other fees.>>

Fidelity Bond/Employee Dishonesty Coverage

<<Provide narrative discussion of review. For example, “The current insurance policy reflects fidelity (crime) insurance with the limit of \$XX and \$XX deductible. The HUD requirement for at least two months gross income receipts would total \$XX. The current level of coverage is sufficient for this project.” If not sufficient, recommend commitment condition.>>

Relocation Plan and Budget During Construction

<<Provide details on the relocation plan (if applicable) and the budget for such relocation plan.>>

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 total indebtedness:	\$
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. <<must be coterminous with the current first mortgage>>

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).

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 I: Amount Based on Total Indebtedness

The \$ _____ total indebtedness limit was calculated in accordance with HUD guidelines. The “as proposed” value is \$ _____. The total outstanding indebtedness relating to the property is \$ _____. 90% of the difference between the “as proposed” value outstanding indebtedness is the Criterion I limit.

(Double click inside the Excel Table to add information)

<i>Amount based on Total Indebtedness</i>	
"As Proposed" Value	\$ -
Loan-to-Value Percentage:	90.000%
Maximum Mortgage Insurable Under Section	\$ -
Less: Total of All Current Outstanding Indebtedness Relating to Property:	-
Amount Available for Supplemental Loan:	\$ -

Criterion L: Deduction of Grants, Loans, 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.

Conclusion

The proposed supplemental mortgage is constrained by _____. The underwritten debt service coverage for HUD-insured mortgages after improvement is _____, which is _____ % of the estimated net operating income for debt service and MIP payments.

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.>>

Other Uses

<<Discuss any uses not previously discussed in this narrative.>>

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.>>

Addenda

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

- | | | |
|--------------------------|--|--|
| <input type="checkbox"/> | Principal of the Borrower, HUD-9001e-OHP | <i>Ownership change; principal not previously approved by HUD.</i> |
| <input type="checkbox"/> | Operator, HUD-9001f-OHP | <i>Operator change not previously approved by HUD</i> |
| <input type="checkbox"/> | Management Agent, HUD-9001g-OHP | <i>Management Agent change, not previously approved by HUD.</i> |
| <input type="checkbox"/> | Accounts Receivable Financing, HUD-9001i-OHP | <i>Project's Accounts Receivables are financed.</i> |
| <input type="checkbox"/> | Survey, HUD-9001b-OHP | <i>Refer to ALTA/ACSM Land Title Survey section.</i> |

Signatures

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

Lender: _____

HUD Mortgagee/Lender No.: _____

This report was prepared by: _____ Date _____ This report was reviewed by: _____ Date _____

<<Name>>
<<Title>>
<<Phone>>
<<Email>>

<<Name>>
<<Title>>
<<Phone>>
<<Email>>

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

<<Name>>
<<Title>>

<<*Phone*>>

<<*Email*>>