

**Lender Narrative
Supplement – Cost
Certification**
Section 232 – New Construction,
Substantial Rehabilitation, and
Section 241(a)

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

OMB Approval No. 2502-0605
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Public reporting burden for this collection of information is estimated to average 15 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

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

INSTRUCTIONS:

The lender should review the Cost Certification and audited financial statements and complete the following sections of this supplement:

| Mortgage Increase Request? | New Construction | Substantial Rehabilitation | 232/241(a) |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| No | N/A—Complete Lender Certification | All sections | N/A—Complete Lender Certification |
| Yes | All sections | All sections | All sections |

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.
- **Additional documents** to be submitted with the Cost Certification are:
 1. Audited borrower financial statements and Form HUD-92330-ORCF
 2. Audited general contractor and subcontractor financial statements (as applicable) and Form HUD-92330-A-ORCF
 3. Form HUD-92023-ORCF
 4. Draft LEAN Section 232 Maximum Insurable Mortgage Letter
 5. Invoices that have not been provided to HUD for initial closing or insured advances.
 6. Updated third-party appraisal and lender narrative appraisal section (in the case of a mortgage increase request that includes a proposed revision to value).

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.,)

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Executive Summary

FHA Number:
Project Name:
Project Address:
City / State / Zip:

Lender Name:

| | | |
|----------------------------|--|---|
| Section of the Act: | <input type="checkbox"/> New Construction | <input type="checkbox"/> Substantial Rehabilitation |
| | <input type="checkbox"/> 241(a) Addition | <input type="checkbox"/> 241(a) Equipment Purchase |
| | <input type="checkbox"/> 241(a) Major System Upgrade | <input type="checkbox"/> Other <<specify here>> |

| | |
|---|----|
| Initial closing mortgage amount: | \$ |
|---|----|

| | |
|--|----|
| Requested mortgage increase amount: * | \$ |
| Requested mortgage decrease amount: | \$ |

**Note: The minimum mortgage increase request is \$100,000.*

Project is part of building with shared walls/floors with non-HUD insured or other HUD-insured project and costs were allocated: Yes:

(Note: any allocated costs must be described in detail in the applicable cost certification audit)

No:

Key Dates:

Initial closing date: _____

HUD-approved final trip report date: _____

Revised contract completion date (including HUD-approved time change orders): _____

Number of days from initial closing to final completion: _____

Number of days from initial closing to cutoff date: _____

Borrower cutoff date: _____

Date of financial responsibility (day after cutoff date): _____

Borrower fiscal year end (next) date: _____

Operator fiscal year end (next) date: _____

Beginning date of audited income statement: _____

Date borrower signed Form HUD-92330: _____

Date of borrower entity's third-party CPA certification: _____

Third-party reports provided:

| | | | |
|---|----------------|--|--|
| <input type="checkbox"/> Borrower's Audit | Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by lender. |
| <input type="checkbox"/> General Contractor's Audit | Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by lender. |

Other <<identify here>> Conclusion is: Accepted as is. Modified by lender.

Waivers Requested or Previously Approved:

<<Provide narrative description. Identify status of waivers that affect cost certification. If new waiver request, give full explanation of the basis for the request.>>

Cost Certification Review Team and Signatures

Lender’s cost certification reviewer: _____

CPA reviewer: _____
(borrower’s cost certification)

CPA reviewer: _____
(contractor’s cost certification)

Lender’s Cost Certification Reviewer

<<Provide discussion on qualifications.>>

CPA Reviewer (Borrower’s Cost Certification)

<<Provide discussion on qualifications.>>

CPA Reviewer (Contractor’s Cost Certification)

<<Provide discussion on qualifications.>>

Signatures

| | Signed by | Date signed |
|----------------------------------|-----------------------|--------------------|
| Form HUD-92330-ORCF | <<name>> <<title>> | <<date>> |
| Borrower’s audit (CPA) | <<name>> <<title>> | <<date>> |
| Form HUD-92330A-ORCF | <<name>> <<title>> | <<date>> |
| General contractor’s audit (CPA) | <<name>> <<title>> | <<date>> |

Additional Borrower Cost Certified Items

(Not included in original underwriting estimates—from Form HUD-92330-ORCF)

(Double click inside the Excel Table to add information)

| Cost Description | Form HUD-92330 Line Item # | Certified Cost | Lender's Underwriter Allowed | Lender's Underwriter Disallowed |
|------------------|----------------------------|----------------|------------------------------|---------------------------------|
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| Total | | \$0 | \$0 | \$0 |

<<Provide narrative description. Identify basis for costs, reasons not included in original firm commitment application underwriting, justification for allowing or disallowing additional costs.>>

Increased Borrower Certified Cost Items

(Above original underwriting estimate--from Form HUD-92330-ORCF)

(Double click inside the Excel Table to add information)

| Cost Description (Form HUD-92330 Line Item #) | Original Underwriting Estimate | Certified Cost | Lender's Underwriter Allowed | Lender's Underwriter Disallowed |
|---|--------------------------------|----------------|------------------------------|---------------------------------|
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| | | | | \$0 |
| Total | \$0 | \$0 | \$0 | \$0 |

<<Provide narrative description. Identify basis for cost increase and justification for allowing or disallowing increased costs.>>

Mortgagor Entity Balance Sheet

As of (date): _____

(Note: The Balance Sheet date should be as of the borrower entity's cost cutoff date.)

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Are there any long-term liabilities other than the HUD-insured mortgage? .. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there any intercompany payables/receivables? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are any "to be paid" items on the Form HUD-92330-ORCF shown as short-term liabilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the mortgage payable differ from the mortgage proceeds advanced as of the cutoff date? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there any leases? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any mortgage and/or impound payments that are not current? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each "yes" answer above, please address briefly here.>>

Operator Entity Income Statement

From (date): _____

To (date): _____

(Note: The Income Statement date should cover the period from the date of initial occupancy—or in the case of substantial rehabilitation the date of initial closing--to the mortgagor entity’s cost cutoff date. If the lender is unable to determine the answers to any questions below they should contact the third-party CPA for further clarification. If the mortgagor is also the operator this may be the mortgagor entity’s income statement.)

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the Income Statement for the Operator Entity? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there any facility utility costs included in the construction contract? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there marketing/promotion costs included in both the borrower’s Form HUD-92330-ORCF and the operator income statement? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there real estate taxes included in both the borrower’s Form HUD-92330-ORCF and the operator income statement? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there insurance costs included in both the borrower’s Form HUD-92330-ORCF and the operator income statement? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any maintenance costs that may include construction contract latent defects or incomplete work? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is interest, depreciation, or amortization included in the Income Statement? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do management fees exceed the amounts permitted in the Management Certification-Residential Care Facility, Form HUD-9839-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, please address briefly here.>>

Income Statement Analysis

| Income | Cost Certification | Allowed | Disallow |
|--------------------------|--------------------|---------|----------|
| | | | \$0 |
| Expenses | | | |
| Category | Cost Certification | Allowed | Disallow |
| General & Administrative | | | |
| Payroll Taxes & Benefits | | | |
| Resident Care | | | |
| Food Service | | | |
| Activities | | | |
| Housekeeping/ Laundry | | | |
| Plant Operations | | | |
| Utilities | | | |
| Marketing/ Promotions | | | |
| Real Estate Taxes | | | |
| Insurance | | | |
| Management Fee | | | |
| Replacement Reserves | | | |
| Other (Identify) | | | |
| Other (Identify) | | | |
| Total Expense | \$0 | \$0 | |
| Net Income | | | |
| | \$0 | \$0 | |

<<Provide narrative description of justification for allowing or disallowing income and expenses.>>

General Contractor or Subcontractor Cost Certification

General Contractor Name: _____
 Subcontractor Name: _____
 Subcontractor Trade Line Item
 on HUD-92330A-ORCF: _____
 Date of Certification: _____

(Note: A General Contractor’s Cost Certification is required when there is a cost plus contract-Form HUD-92442A-ORCF or the general contractor had or has an identity of interest with the

mortgagor entity. A Subcontractor at any tier, equipment lessor, or material supplier must cost certify where the total for all subcontracts, purchases, and leases is more than five percent of the mortgage and an identity of interest exists or comes into being between such entity and the mortgagor or the contractor, where the contractor must cost certify. Attach additional pages to the narrative as necessary for each subcontractor cost certification.)

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is Contractor’s Profit included in the cost certification? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the General Overhead exceed the amount shown on the Form HUD-92328-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there additional Contractor General Requirement line items not reflected in the Firm Commitment application Cost Analyst review? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there additional Contractor Other Fee line items not shown on the Form HUD-92328-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the certified Bond Premium amount exceed the amount shown on the Form HUD-92264a-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Does the certified Offsite and/or Demolition amount exceed the amount shown on the Form HUD-2328 or Form HUD-92264a-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are there miscellaneous costs (labor, materials, other) not shown on the Form HUD-92328-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, please address briefly here.>>

Structures Analysis

| Structures Trade Item | Original Underwriting Estimate (HUD-92328-ORCF) | Certified Cost (HUD-92230A-ORCF) | Variance% | Allowed | Disallowed |
|-------------------------|---|----------------------------------|-----------|---------|------------|
| Concrete | | | #DIV/0! | | \$0 |
| Masonry | | | #DIV/0! | | \$0 |
| Metals | | | #DIV/0! | | \$0 |
| Rough Carpentry | | | #DIV/0! | | \$0 |
| Finish Carpentry | | | #DIV/0! | | \$0 |
| Waterproofing | | | #DIV/0! | | \$0 |
| Insulation | | | #DIV/0! | | \$0 |
| Roofing | | | #DIV/0! | | \$0 |
| Sheet Metal | | | #DIV/0! | | \$0 |
| Doors | | | #DIV/0! | | \$0 |
| Windows | | | #DIV/0! | | \$0 |
| Glass | | | #DIV/0! | | \$0 |
| Lath and Plaster | | | #DIV/0! | | \$0 |
| Drywall | | | #DIV/0! | | \$0 |
| Tile Work | | | #DIV/0! | | \$0 |
| Acoustical | | | #DIV/0! | | \$0 |
| Wood Flooring | | | #DIV/0! | | \$0 |
| Resilient Flooring | | | #DIV/0! | | \$0 |
| Painting and Decorating | | | #DIV/0! | | \$0 |
| Specialties | | | #DIV/0! | | \$0 |
| Special Equipment | | | #DIV/0! | | \$0 |
| Cabinets | | | #DIV/0! | | \$0 |
| Appliances | | | #DIV/0! | | \$0 |
| Blinds, Shades, Artwork | | | #DIV/0! | | \$0 |
| Carpets | | | #DIV/0! | | \$0 |
| Special Construction | | | #DIV/0! | | \$0 |
| Elevators | | | #DIV/0! | | \$0 |
| Plumbing, Hot Water | | | #DIV/0! | | \$0 |
| Heat, Ventilation | | | #DIV/0! | | \$0 |
| Air Conditioning | | | #DIV/0! | | \$0 |
| Electrical | | | #DIV/0! | | \$0 |
| Accessory Structures | | | #DIV/0! | | \$0 |

<<Provide narrative description of justification for allowing or disallowing or disallowing trade items. Variances above 10% between original underwriting and certified amount should be explained.>>

Land Improvement Analysis

| Land Improvements Trade Item | Original Underwriting Estimate (HUD-92328-ORCF) | Certified Cost (HUD-92230A-ORCF) | Variance (%) | Allowed | Disallowed |
|--------------------------------|---|----------------------------------|--------------|---------|------------|
| Earth Work | | | #DIV/0! | | \$0 |
| Site Utilities | | | #DIV/0! | | \$0 |
| Roads and Walks | | | #DIV/0! | | \$0 |
| Site Improvements | | | #DIV/0! | | \$0 |
| Lawns and Planting | | | #DIV/0! | | \$0 |
| Unusual Site Conditions | | | #DIV/0! | | \$0 |
| Total Land Improvements | \$0 | \$0 | #DIV/0! | \$0 | \$0 |

<<Provide narrative description of justification for allowing or disallowing or disallowing trade items. Variances above 10% between original underwriting and certified amount should be explained.>>

General Requirements Analysis

| General Requirements Account | Original Underwriting Estimate (HUD-92328-ORCF) | Certified Cost (HUD-92230A-ORCF) | Variance (%) | Allowed | Disallowed |
|-----------------------------------|---|----------------------------------|--------------|---------|------------|
| Supervision | | | #DIV/0! | | \$0 |
| Field Engineering | | | #DIV/0! | | \$0 |
| Field Office Expense | | | #DIV/0! | | \$0 |
| Temporary Facilities | | | #DIV/0! | | \$0 |
| Temporary Utilities | | | #DIV/0! | | \$0 |
| Cleaning and Rubbish Removal | | | #DIV/0! | | \$0 |
| Watchmen Wages | | | #DIV/0! | | \$0 |
| Total General Requirements | \$0 | \$0 | #DIV/0! | \$0 | \$0 |

<<Provide narrative description of justification for allowing or disallowing or disallowing trade items. Variances above 10% between original underwriting and certified amount should be explained.>>

Summary Table: Contractor Cost Certification Analysis

| Trade Item or Account | Original Underwriting Estimate (HUD-92328-ORCF) | Certified Cost (HUD-92230A-ORCF) | Allowed | Disallowed |
|---|---|----------------------------------|---------|------------|
| Total Structures | | | | \$0 |
| Total Land Improvements | | | | \$0 |
| General Requirements | | | | \$0 |
| General Overhead | | | | \$0 |
| Miscellaneous (specify) | | | | \$0 |
| Bond Premium | | | | \$0 |
| Contractor Other Fees | | | | \$0 |
| General Contractor Total (not including profit, incentive or liquidated damages) | | | | \$0 |

Change Order Analysis

Necessity Change Orders (do not include time change orders)

| HUD Change Order Number | Change Order Description | HUD Approved Cost (\$) |
|-------------------------|--------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Necessity Total | | \$0 |

Betterment Change Orders (do not include time change orders)

| HUD Change Order Number | Change Order Description | HUD Approved Cost (\$) |
|-------------------------|--------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Betterment Total | | \$0 |

Time Change Orders

| HUD Change Order Number | Time Change Order Description (from ___ to ___) | HUD Approved # of Days |
|---|---|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Number of Days | | 0 |
| | | |
| + Initial Closing Contract Complete Date | | |
| | | |

General Contractor Incentive Computation

| | | |
|--|-------|---------|
| Construction period, HUD-92264a-ORCF: | _____ | Months |
| Period for prorating interest, taxes, insurance: | _____ | Months |
| Period for prorating mortgage insurance premium: | _____ | Months |
| Incentive Percentage (Form HUD-92443-ORCF): | _____ | Percent |
| | _____ | |

Step 1: Soft Cost Computations

(Note: all HUD-92264a- ORCF references are to the Replacement Cost section. The Allocation for Savings Computation is calculated as follows: (HUD-92264a-ORCF Construction Period divided by Cost Certification Proration Period) x Line Item. This calculation is needed because the cost certification period includes an additional 0 to 60 days after construction is complete—and that additional period is beyond the control of the general contractor.)

| Step # | Cost Description | Source Document | Estimated Cost During Construction Period | Allocation Savings Computation |
|----------|---|---------------------------|---|--------------------------------|
| 1.(a)(1) | Interest | HUD-92264A-ORCF | | |
| 1.(a)(2) | Taxes | HUD-92264A-ORCF | | |
| 1.(a)(3) | Insurance | HUD-92264A-ORCF | | |
| 1.(a)(4) | Mortgage Insurance Premium | HUD-92264A-ORCF | | |
| 1.(a) | Subtotal - HUD's Estimated Soft Costs | Calculate | | |
| 1.(b)(1) | Interest | Allowed Amount, Section I | | |
| 1.(b)(2) | Taxes | Allowed Amount, Section J | | |
| 1.(b)(3) | Insurance | Allowed Amount, Section K | | |
| 1.(b)(4) | Mortgage Insurance Premium | Allowed Amount, Section L | | |
| 1.(b) | Subtotal - HUD's Approved Borrower Certified Soft Costs | Calculate | | |
| 1.(c) | Total Soft Costs: Subtract 1.(b) from 1.(a). If 1.(b) | Calculate | | |

Step 2: Construction Cost

| Step # | Cost Description | Source Document (all 92264 references are to Section H) | Estimated Cost During Construction Period |
|-----------|--|--|---|
| 2.(a)(1) | Land Improvements | HUD-92264A-ORCF | |
| 2.(a)(2) | Total Structures | HUD-92264A-ORCF | |
| 2.(a)(3) | General Requirements | HUD-92264A-ORCF | |
| 2.(a)(4) | Builder's Profit | HUD-92264A-ORCF | |
| 2.(a)(5) | General Overhead | HUD-92264A-ORCF | |
| 2.(a)(6) | Bond Premium | HUD-92264A-ORCF | |
| 2.(a)(7) | Builder's Other Fees | HUD-92328-ORCF, Line 49 | |
| 2.(a)(8) | Subtotal | Calculate | |
| 2.(a)(9) | Cash Upset Price | Article 3(a) Construction Contract | |
| 2.(a)(10) | Lesser of 2.(a)(8) and 2.(a)(9) | Calculate | |
| 2.(b) | HUD Approved Total Change Order Increased or Decreased Costs | Add totals from necessity and betterment change order tables | |
| 2.(c) | 2.(a)(10) + 2.(b) | Calculate | |
| | | | Calculation Complete Savings Computation |
| 2.(d) | HUD Approved Cost of Construction (including Builder's Profit without adjustments for liquidated damages or incentive) | Calculate | |
| 2.(e) | If 2.(c) exceeds 2.(d) enter difference. If 2.(d) exceeds 2.(c) enter 0 | Calculate | |
| 3.(a) | Enter the sum of Step 1.(c) and 2.(e) | Calculate | |

Liquidated Damages Analysis

(Note: For Cost Plus Contracts, estimated liquidated damages are not applicable.)

| Estimated Damages Calculation | |
|---|------|
| Revised Contract Completion Date | |
| Minus HUD Approved Final Trip Report Date | |
| | Days |
| | |
| Daily Liquidated Damages (Article 2C. - Construction Contract Lump Sum) | |
| | |
| Estimated Damages | |

Actual Damages Calculation

(The portion for the actual liquidated damages computation is the actual HUD approved construction time in days divided by the number of days in the construction period--up to the mortgagor's cost cutoff date--times the applicable soft cost.)

| Actual Damages Calculation | |
|---|---------|
| <i>HUD approved construction time (days):</i> | |
| <i>Estimated construction period to cutoff date (days):</i> | |
| <i>Allocation for computation, Column (1) (below):</i> | #DIV/0! |

| Cost Description | Source Document | Allowable Mortgagor's Certified Cost | (1) Allocated Amount for Actual Liquidated Damages Calculation | Source Document | (2) Original Underwriting Estimate | (3) = (1) - (2) Actual Liquidated Damage |
|----------------------------|-----------------|--------------------------------------|--|-----------------|------------------------------------|--|
| Interest | LNCCS | | | HUD-92264A-ORCF | | |
| Taxes | LNCCS | | | HUD-92264A-ORCF | | |
| Insurance | LNCCS | | | HUD-92264A-ORCF | | |
| Mortgage Insurance Premium | LNCCS | | | HUD-92264A-ORCF | | |
| Loan Extension Fees | LNCCS | | | | | |
| Total Actual Liquidated | LNCCS | | | | | |

Lesser of Estimated or Actual Damages: \$ _____

Determination of Total Allowable Construction Cost

| | |
|--|------------|
| 1a: Borrower Certified Amount | |
| 1b: Allowable Contractor's Cost Certification Amount | |
| 1c: Original Contract Amount | |
| Plus: HUD Approved Necessity Change Orders | |
| Plus: Incentive (for projects completed prior to HUD approved completion date) | |
| Less: Liquidated Damages | |
| 1c: Subtotal: Adjusted Upset Amount | \$0 |
| 1d: Lesser of 1a, 1b, or 1c = Total Allowable Construction Cost | \$0 |

| Certified Construction Amount—HUD 92330-ORCF, Line 1 Total | Allowable Construction Amount (above calculation) | Disallowed Construction Amount |
|--|---|--------------------------------|
| \$ | \$ | \$ |

Architect's Fees—Design, Supervision, Additional Services

Design Architect: _____
 Supervisory Architect: _____

Additional Consultants/Engineers Providing Architectural Services

Landscape Architect: _____
 Structural Engineer: _____
 Mechanical Engineer: _____
 Plumbing Engineer: _____
 Electrical Engineer: _____
 Interior Designer: _____
 Other, identify: _____

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Is there an identity of interest between any of the architects/engineers and other participants (borrower, operator, general contractor, design architect, etc.)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Were there any costs for services provided by the architects or engineers that were not included in Line 2a, 2b and 2c of the Form HUD-92330-ORCF? ... | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each "yes" answer above, please address briefly here.>>

| Cost Description | Original Underwriting Estimate | Form HUD-92330-ORCF Line Item # | Certified Cost | Lender's Underwriter Allowed | Lender's Underwriter Disallowed |
|---------------------------------|--------------------------------|---------------------------------|----------------|------------------------------|---------------------------------|
| Architect's Design Fee | | | | | \$0 |
| Architect's Supervision Fee | | | | | \$0 |
| Architect's Additional Services | | | | | \$0 |
| Total Architect's Fees | | | \$0 | \$0 | \$0 |

<<Provide narrative description of justification for allowing or disallowing or disallowing architect's fees. Architects Additional Services should be explained. >>

Interest During Construction

(Allowable interest should be the amount accrued on the HUD insured loan.)

| Original Underwriting Estimate | Certified Interest Per HUD-92330-ORCF | Allowable Interest | Disallowed Interest |
|--------------------------------|---------------------------------------|--------------------|---------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing interest. >>

Property Tax Analysis

(The construction period is defined as the period from initial closing to the borrower cutoff date.
The construction period is _____ days.)

| | (1) | | (2) | (3) | (4) = (3)/(2) | (5) = (1) x (4) |
|--------------------------|----------------|---------------------------------|-----------------------------------|--|--|------------------------------|
| Name of Tax Jurisdiction | Invoice Amount | Invoice from (date1) to (date2) | Number of days covered by invoice | Number of days in construction period covered by invoice | Percent of invoice applicable to construction period | Allowable portion of invoice |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| Total | | | | | #DIV/0! | #DIV/0! |

| Original Underwriting Estimate | Certified Property Taxes Per HUD-92330-ORCF | Allowable Property Taxes (calculated above) | Disallowed Property Taxes |
|--------------------------------|---|---|---------------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing property taxes. >>

Insurance Analysis

(Property, Liability, Builder's Risk Insurance if not paid by General Contractor. The construction period is defined as the period from initial closing to the borrower cutoff date. The construction period is _____ days.)

| | (1) | | (2) | (3) | (4) = (3)/(2) | (5) = (1) x (4) |
|---|----------------|---------------------------------|-----------------------------------|--|--|------------------------------|
| Type of Insurance/ Name of Insurance Company | Invoice Amount | Invoice from (date1) to (date2) | Number of days covered by invoice | Number of days in construction period covered by invoice | Percent of invoice applicable to construction period | Allowable portion of invoice |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| | | | | | #DIV/0! | #DIV/0! |
| Total | | | | | | #DIV/0! |

| Original Underwriting Estimate | Certified Insurance Per HUD-92330-ORCF | Allowable Insurance (calculated above) | Disallowed Insurance |
|--------------------------------|--|--|----------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing insurance. >>

Mortgage Insurance Premium (MIP) Analysis

(The construction period is defined as the period from initial closing to the borrower cutoff date. The actual construction period is _____ days.)

| | |
|---|----|
| Estimated Mortgage Insurance Premium (HUD-92264a-ORCF): | \$ |
| Divided by the number of days in the estimated construction period (HUD-92264a-ORCF) - converted from months to days: | |
| = Mortgage Insurance Premium per day | \$ |
| Times the number of days in the actual construction period = allowable amount of: | \$ |

| Original Underwriting Estimate | Certified MIP Per HUD-92330-ORCF | Allowable MIP (calculated above) | Disallowed MIP |
|--------------------------------|----------------------------------|----------------------------------|----------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing MIP.>>

HUD Application Fee and Inspection Fee Analysis

(Fees paid to reopen an expired or terminated commitment are not allowable costs.)

Application Fee

| Original Underwriting Estimate | Certified Application Fee Per HUD-92330-ORCF | Allowable Application Fee | Disallowed Application Fee |
|--------------------------------|--|---------------------------|----------------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing application fee.>>

Inspection Fee

| Original Underwriting Estimate | Certified Inspection Fee Per HUD-92330-ORCF | Allowable Inspection Fee | Disallowed Inspection Fee |
|--------------------------------|---|--------------------------|---------------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing inspection fee.>>

Title and Recording Fee Analysis

(Title search and policy, recording fees at initial endorsement, mortgage (or other security instrument), transfer and stamp taxes, title updates during construction, final title policy and recording charges, and legal fees associated with these items are allowable costs.)

| Original Underwriting Estimate | Certified Title and Recording Per HUD-92330-ORCF | Allowable Title and Recording Fee | Disallowed Title and Recording Fee |
|--------------------------------|--|-----------------------------------|------------------------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing title and recording.>>

Initial Financing Fee, Permanent Placement Fee, and Other Approved Financing Expenses

(These should be reflected in the Lender’s Certification at Initial Closing and should include lender’s legal fees. Do not allow the total of these fees and expenses to exceed 3.5% for non-bond financing and 5.5% for bond financing.)

| Original Underwriting Estimate | Certified Initial Financing Fee Per HUD-92330-ORCF | Allowable Initial Financing Fee | Disallowed Initial Financing Fee |
|--------------------------------|--|---------------------------------|----------------------------------|
| \$ | \$ | \$ | \$ |

| Original Underwriting Estimate | Certified Permanent Placement Fee Per HUD-92330-ORCF | Allowable Permanent Placement Fee | Disallowed Permanent Placement Fee |
|--------------------------------|--|-----------------------------------|------------------------------------|
| \$ | \$ | \$ | \$ |

| Original Underwriting Estimate | Certified Other Approved Financing Expenses Per HUD-92330-ORCF | Allowable Other Approved Financing Expenses | Disallowed Other Approved Financing Expenses |
|--------------------------------|--|---|--|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing financing fees.>>

Legal, Organizational and Cost Cert Audit Fee

(Legal fees may not include lender legal fees. These should be included in the financing fee. Any increases in these fees above original underwriting must be supported by invoices, must not be associated with the cost of acquiring the land, zoning, creating tax shelters and trusts, and cannot be allowed if the lender is requesting a mortgage increase.)

Lender’s Attorney _____
 Borrower’s Attorney _____
 Other Atty. (identify) _____
 Other Atty. (identify) _____

| Original Underwriting Estimate—Legal Fees | Certified Cost--Legal Fees | Allowed Legal Fees | Disallowed Legal Fees |
|---|----------------------------|--------------------|-----------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing legal fees.>>

(Organizational fees include third party reports, such as architectural reviews, environmental reviews, and appraisals, and may include a Clerk of the Works. Costs to create mortgagor or operator books and records should be included as organizational fees and not be included in the cost certification audit fee.)

| Original Underwriting Estimate-- Organizational Fees | Certified Cost— Organizational Fees | Allowed Organizational Fees | Disallowed Organizational Fees |
|--|-------------------------------------|-----------------------------|--------------------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing organizational fees.>>

| Original Underwriting Estimate—Cost Cert Audit Fee | Certified Cost—Cost Cert Audit Fee | Allowed Cost Cert Audit Fee | Disallowed Cost Cert Audit Fee |
|--|------------------------------------|-----------------------------|--------------------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description of justification for allowing or disallowing or disallowing organizational fees.>>

Borrower Other Fee Analysis

| Cost Description/ Vendor | Original Underwriting Estimate | Form HUD-92330-ORCF Line Item # | Certified Cost | Allowed | Disallowed |
|-----------------------------|--------------------------------|---------------------------------|----------------|---------|------------|
| | | | | | \$0 |
| | | | | | \$0 |
| | | | | | \$0 |
| | | | | | \$0 |
| | | | | | \$0 |
| | | | | | \$0 |
| | | | | | \$0 |
| | | | | | \$0 |
| Total | | | \$0 | \$0 | \$0 |

<<Provide narrative description to identify basis for costs, reasons not included in original firm commitment application underwriting, and justification for allowing or disallowing additional costs. >>

Major Movable Equipment Analysis

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Are any major movables currently leased? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Where beds are included in the Major Movables list is the number of beds less than the underwritten bed count? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each "yes" answer above, please address briefly here.>>

| Major Movable Category | Original Underwriting Estimate | Certified Cost | Variance (%) | Allowed | Disallowed |
|--|--------------------------------|----------------|--------------|---------|------------|
| Resident Rooms (Beds, Furnishings, etc.) | \$0 | \$0 | #DIV/0! | | \$0 |
| Kitchen Equipment | | | #DIV/0! | | \$0 |
| Office/ Computers/ Employee Areas | | | #DIV/0! | | \$0 |
| Maintenance Areas | | | #DIV/0! | | \$0 |
| Medical/ Therapy Equipment/ Furnishings | | | #DIV/0! | | \$0 |
| Total | \$0 | \$0 | #DIV/0! | \$0 | \$0 |

<<Provide narrative description to identify basis for costs, reasons not included in original firm commitment application underwriting, and justification for allowing or disallowing additional costs. Variances above 10% between underwriting and certified amount should be explained.>>

Marketing

(Marketing costs are for rent for space used for marketing, salaries and benefits of marketing staff, promotional services and advertising, marketing consultants, and marketing supplies. Additional marketing costs above the original marketing estimate may be eligible costs for purposes of a mortgage increase if all invoices are provided and the costs are fully explained and justified below.)

| Original Underwriting Estimate--Marketing | Certified Cost— Marketing | Allowed Marketing | Disallowed Marketing |
|---|---------------------------|-------------------|----------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description and detailed explanation for costs above original estimate. Identify basis for costs, reasons not included in original firm commitment application underwriting, and justification for allowing or disallowing additional costs. >>

Relocation

(Additional relocation costs above the original estimate may be eligible costs for purposes of a mortgage increase if all invoices are provided and the costs are fully explained and justified below. However, increased overhead or allocated costs from identity of interest entities are not eligible for consideration for a mortgage increase.)

| Original Underwriting Estimate--Relocation | Certified Cost—Relocation | Allowed Relocation | Disallowed Relocation |
|--|---------------------------|--------------------|-----------------------|
| \$ | \$ | \$ | \$ |

<<Provide narrative description and detailed explanation for costs above original estimate. Identify basis for costs, reasons not included in original firm commitment application underwriting, and justification for allowing or disallowing additional costs. The explanation should identify the number of individuals relocated (compared to original estimate) and cost per relocation (compared to original estimate). >>

Calculation of Replacement Cost

| | | | | |
|---|-----|-----|-----|-----|
| Allowed Construction Cost | | | | |
| Allowed Architect Fees | | | | |
| Allowed Interest | | | | |
| Allowed Property Taxes | | | | |
| Allowed Insurance | | | | |
| Allowed MIP | | | | |
| Allowed FHA Exam Fee | | | | |
| Allowed FHA Inspection Fee | | | | |
| Allowed Title and Recording | | | | |
| Allowed Financing Fees | | | | |
| Allowed Legal | | | | |
| Allowed Organizational | | | | |
| Allowed Cost Cert Audit Fee | | | | |
| Allowed Borrower Other Fees | | | | |
| Allowed Major Movables | | | | |
| Allowed Marketing | | | | |
| Allowed Relocation | | | | |
| (1) Subtotal | \$0 | \$0 | \$0 | \$0 |
| (2) + Betterment Change Orders | | | | |
| (3) - Applicable Net Income During Construction (=Windfall) | | | | |
| (4) - Grants/ Loans Applicable to Replacement Cost | | | | |
| Total Development Cost | \$0 | \$0 | \$0 | \$0 |
| Land* | | | | |
| Total Replacement Cost | \$0 | \$0 | \$0 | \$0 |

**(Land is HUD's estimated Value of Land "As Is" from the original underwriting—Form HUD-92264a-ORCF—adjusted for change orders that reduced the value of the land during the construction period. The Applicable Net Income During Construction is determined by the Windfall calculation discussed in the email blast of _____.)*

Mortgage Determinants

Overview

The mortgage criteria based on actual allowed costs are summarized as follows:

| Criteria | Firm Commitment Application | Cost Certification Amount |
|--------------------|-----------------------------|---------------------------|
| Fair Market Value: | \$ | \$ |
| Replacement Cost: | \$ | \$ |
| Debt Service: | \$ | \$ |
| Requested Amount: | \$ | \$ |

The Mortgage Amount is: \$_____

(Note: If the new Mortgage Amount is less than the Firm Commitment Mortgage Amount, the difference will be an additional deposit in the reserve for replacement account or may be a mortgage reduction if requested by the lender.)

Additional Deposit to Reserve for Replacement Account: \$_____

Sources & Uses – Copied from HUD-92264a-ORCF

<<Provide a statement of Sources and Uses of estimated cost at final 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. Demonstrate compliance with HUD limits on private sources. Remember that Criterion 11 is applicable to mortgage sizing.>>

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.

Conclusion

<<Cost certification supplement conclusion and recommendation. In the case of a mortgage increase or decrease request, indicate the new mortgage amount, the revised principal and interest payment, and revised application fees and mortgage insurance premiums to be paid to HUD or refunded to the lender at closing. In the case of a mortgage increase, discuss the new debt service coverage, loan-to-value ratio, and impact on operator lease payments.>>

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 Number: _____

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

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

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