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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.

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

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## Executive Summary

**Project Name:**

**Project Address:**

**City / State / Zip:**

**County:**

**Lender Name:**

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

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

<b>Resident Type:</b>	<input type="checkbox"/>	<b>Elderly</b>	<b>Comments:</b>
	<input type="checkbox"/>	<b>Developmentally Disabled</b>	
	<input type="checkbox"/>	<b>Other (describe)</b>	

### **Current insured loan(s):**

Original Section of the Act:

FHA number:

Original loan amount:

Current interest rate:

Maturity date:

Original term (in months):

Principal & interest (monthly):

MIP (monthly):

**Total P+I+MIP (monthly):**

Debt service coverage:

Principal balance:

As of:

Prepayment penalty:

Replacement reserve balance:

As of:

### **Proposed 223(a)(7) 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):**

Debt service coverage:

Projected annual savings:

Occupancy rate:

Add'l. deposit to replacement reserve at closing (if any):

Total repl. reserve deposit:

Proposed total repairs:

Last REAC score:

Cost recapture (in months):

Effective Gross Income:

Expenses: \_\_\_\_\_ Expense Ratio: \_\_\_\_\_  
 Replacement Reserves: \_\_\_\_\_  
 Net Operating Income: \_\_\_\_\_

Borrower:	<<Legal Name>>		
Operator:	<<Legal Name>>	<input type="checkbox"/>	Operating Lease
Management Agent:	<<Legal Name>>		
<b>License held by:</b>	<<Legal Name>>		
<b>Licensed issued by:</b>	<<Legal Name>>		
<b>Effective date:</b>		Through:	
(If applicable,) An application to transfer the license was filed on:		Date:	Name of Entity:
<b>Resident contracts with:</b>	<<Entity with whom residents contract for services>>		
Section 38 of the Regulatory Agreement shall apply to the following individuals and/or entities (list name(s)):			

## **Risk Factors**

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Is the lender requesting an increase in the loan term? If yes, a Project Capital Needs Assessment (PCNA) is required and the PCNA section of this document must be completed.	<input type="checkbox"/>	<input type="checkbox"/>
2. Have 10 or more years passed since a PCNA was provided to HUD? If yes, a PCNA is required and the PCNA section of this document must be completed.	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the subject a skilled nursing facility that <u>does not</u> comply with the CMS requirement for all nursing facilities to be fully sprinklered by August 2013? If yes, a PCNA is required and the PCNA section of this document must be completed.	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any exceptions reflected on the pro forma title policy that materially affect HUD's risk?	<input type="checkbox"/>	<input type="checkbox"/>
5. Will there be an interest rate premium? (Note: The interest rate premium may only benefit the borrower by covering a prepayment penalty on the current mortgage note or increasing the reserves for replacement. Any other distribution to the borrower's benefit is not allowed.)	<input type="checkbox"/>	<input type="checkbox"/>
6. Is the borrower currently delinquent or has the borrower previously been delinquent on its mortgage loan payments?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the borrower or the operator (or any of their affiliates, renamed, or reformulated companies) currently in, filed for, or emerged from, bankruptcy within the last five years?	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the community participate in the National Flood Insurance Program (NFIP)? (A project located in a FEMA identified special flood hazard area where the community has been suspended from or does not participate in the NFIP is not eligible for mortgage insurance.)	<input type="checkbox"/>	<input type="checkbox"/>
9. Is the subject located within the 100-year floodplain?	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the Standard Flood Hazard Determination Form indicate that the subject is located within the 100-year floodplain?	<input type="checkbox"/>	<input type="checkbox"/>
11. Is Flood Insurance required for this property?	<input type="checkbox"/>	<input type="checkbox"/>
12. Is the operator, parent company, affiliates or subsidiaries the subject of an ongoing investigation or judicial or administrative action involving and Federal, State, municipal and/or other regulatory authority, which could have a detrimental impact on the operator's financial condition or may jeopardize the operator's license and or its provider agreements?	<input type="checkbox"/>	<input type="checkbox"/>
13. Will there be a change in operations that departs from the historical number of potential resident days?	<input type="checkbox"/>	<input type="checkbox"/>
14. Is a change in participants proposed (owner, operator, management agent and/or any principals thereof) or has a change in participants occurred without HUD approval? If yes, please complete the appropriate corresponding sections and describe in detail.	<input type="checkbox"/>	<input type="checkbox"/>

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

<<Identify the risk factors. Analyze and clarify how they are mitigated.>>

**Other Risk Factors Identified by Underwriter**

Additionally, the underwriter has identified the following risk factors:

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

**Program Eligibility**

***Project is Currently HUD- Insured***

<<Affirmative statement confirming the existing loan is currently HUD-insured and not HUD-Held.>>

***Prepayment Approval***

<<Make an affirmative statement confirming that HUD has approved prepayment of the existing loan. Provide the date of HUD’s prepayment approval. Evidence of HUD’s approval should be included in the application.>>

**Waivers**

<<Identify any waivers required for proposed financing. Identify specific provisions to be waived and justification for the waiver.>>

**Underwriting Team**

***Lender***

Name: \_\_\_\_\_  
Underwriter: \_\_\_\_\_  
Underwriter Trainee: \_\_\_\_\_  
Lender #: \_\_\_\_\_

<<UNDERWRITER>>

<<Brief description of qualifications>>

<<UNDERWRITER TRAINEE, if Applicable>>

<<Brief description of qualifications>>

<<INSPECTING UNDERWRITER, if Applicable>>



<<Brief description of qualifications.>>

**Program Guidance:** Handbook 4232.1, Section II Production, 2.5N

## ***Identities of Interest***

### **Key Questions**

	<b>Yes</b>	<b>No</b>
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. Are there any identities of interest involving the underwriting lender, the existing lender or note holders, or the mortgage broker?	<input type="checkbox"/>	<input type="checkbox"/>
4. 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"/>

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

Example: **Borrower and Operator**: The borrower and operator are related parties – John Doe has ownership in both entities. No other identities of interest are disclosed.>>

## **Special Underwriting Considerations**

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Is there any FHA-insured debt that is not being refinanced?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is there any non-FHA-insured debt associated with this project? If yes, and the borrower intends to include it with the project, the Other Eligible Existing Indebtedness section of this document must be completed.	<input type="checkbox"/>	<input type="checkbox"/>
3. Is a mortgage broker involved in this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the underwriting include income from adult day care? (Note: Non-resident adult day care space <u>may not</u> be located on a separate site. The adult day care space will not be considered commercial space; however, the space may not exceed 20% of the gross floor area of the facility and the income may not exceed 20% of gross income. Provide a Certificate of Need or operating license, if applicable.)	<input type="checkbox"/>	<input type="checkbox"/>
5. Is there income from other commercial leases?	<input type="checkbox"/>	<input type="checkbox"/>
6. Is there a ground lease?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is there accounts receivable financing involved in this transaction? If yes, the Accounts Receivable Financing section of this document must be completed.	<input type="checkbox"/>	<input type="checkbox"/>
8. Are there any professional liability insurance issues that require special consideration?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are any tax credits involved in this transaction?	<input type="checkbox"/>	<input type="checkbox"/>

- |  | <b>Yes</b>               | <b>No</b>                |
|--|--------------------------|--------------------------|
| 10. Are any secondary funding sources involved in this transaction?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Is any real estate tax abatement or exemption included in the underwriting assumptions?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Are there any special escrows or reserves proposed for this transaction?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Are there any other issues that require special or atypical underwriting consideration?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Do you, as the underwriter, recommend or request any HUD technical reviews of issues, exhibits, or third-party reports related to this transaction?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Does the project propose repairs in excess of routine maintenance as defined in Notice CPD-16-02? If yes, the Environmental section of this document must be completed. <i>(Note: HUD has a specific definition of routine maintenance, which may differ from other definitions of routine maintenance.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |

*If you answer “yes” to any of the above questions, discuss the topic. If there are any associated risks, describe how they will be mitigated.*

## **Occupancy**

### **Key Questions**

- |   | <b>Beds</b>              | <b>Units</b>             |
|---|--------------------------|--------------------------|
| 1. How many beds/units is the facility licensed for?  |                          |                          |
| 2. How many beds/units does the facility currently offer/operate? (Please explain any deviations from the license below.) |                          |                          |
| 3. How many beds/units are currently occupied?<br>As of what date?  |                          |                          |
|   | <b>Yes</b>               | <b>No</b>                |
| 4. Have any new beds/units been added or removed since the facility originally came into the FHA portfolio?               | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Will the beds/unit configuration be changing?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Has there been any change in resident type since the facility originally came into the FHA portfolio?                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is this a Certificate of Need (CON) state?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is state regulatory approval needed for a license transfer?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Please provide the average occupancy rate for the past 3 years:  |                          |                          |

	Month/Year	Occupancy
Year-to-date		
1 year ago		
2 years ago		
3 years ago		

<<Please address any item(s) listed above that need explanation. If bed/unit additions or reductions have taken place, fully explain the terms of the approval obtained from HUD, including any escrow or principal paydown requirements.>>

## **Term Extensions**

<<Complete these questions even if a term extension is not being requested.>>

### **Key Questions**

### **Responses**

1. What is the length of the requested term extension?
2. Has the facility completed any substantial rehabilitation? (List dates and add explanation below.) ☐ Yes ☐ No
3. Was HUD approval obtained for substantial rehabilitation? (If not, please address below.) ☐ Yes ☐ No
4. Year facility built:
5. What amount, if any, is the borrower depositing to the replacement reserves at closing?
6. By what amount, if any, is the borrower increasing its annual deposits to the replacement reserves?
7. Current DSCR:
8. Prospective DSCR without the term extension:
9. Prospective DSCR with the term extension:
10. Annual savings to borrower without a term extension:
11. Annual savings to borrower with the term extension:
12. Difference in annual savings?
13. Does the project rely on Medicaid Waivers or State Plan Options for a significant portion of its resident population, MI/DD residents, or for residents in the assisted living portion of a combined SNF/ALF Facility?  
(Note: The narrative discussion to a “yes” answer to this question should include a discussion of the State’s progress in implementing the HCBS Settings Rule. The discussion might include references to the Statewide Transition Plan, CMS responses to or approval of the Plan, State Regulatory language, State Medicaid Agency input or a discussion of the facility’s compliance with the HCBS Settings requirements. If it appears that the facility will not, or will not be able, to comply with the Rule, the Lender should provide a Sensitivity Analysis showing the project’s ability to operate without these residents.) ☐ Yes ☐ No
14. Why is the borrower asking for the extension? (Use the space below to explain the benefit to HUD of the extension.)

<<Please address any item(s) listed above that needs explanation.>>

## **Lender Site Visit**

### **Key Questions**

1. Date of visit:
2. Name and title of individual(s) with whom lender representative met while on site:

3. Please provide an overall assessment of the facility. Photographs are optional.

<<Please address any item(s) listed above that needs explanation.>>

## **Net Operating Income Analysis**

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Will a decrease in debt service negatively impact the facility's income?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the proposed loan increase the debt service payment?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer "yes" to the above questions, please identify the specifics of the circumstance and describe how the underwriter justified or mitigated this risk. Note that a more detailed analysis of operating income may be required. If the debt service payments increase, a full three-year and year-to-date historical analysis must be provided (use Section 223f model).

<< A detailed analysis of the income and expenses may not be required. The debt service mortgage criterion can be based on a trailing 12-month operating statement. If the borrower is unable to supply historical income and expenses in the form of trailing 12-months, the most recent full year data is acceptable. Net operating income equals earnings before interest, taxes, depreciation, amortization and rent (EBITDAR). If either a decrease in reimbursement rate or an increase in net operating income is projected, a more detailed analysis of the net operating income must be provided.>>

### **Net Income\***

In total \$

20XX	20XX	20XX	YTD (Indicate time frame)	Lender's Underwritten Net Operating Income
\$	\$	\$		

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

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

## Project Capital Needs Assessment (PCNA)

*NOTE: This section is applicable for Section 223(a)(7) when a term extension is requested or when it has been more than 10 years since the last PCNA inspection. If not applicable, check the box and move to the ALTA/ACSM Land Survey section. N/A ☐*

Date of Inspection: \_\_\_\_\_  
 Firm: \_\_\_\_\_  
 Needs Assessor: \_\_\_\_\_  
 Units Inspected: \_\_\_\_\_ units ( \_\_\_\_\_ % of units)

The scope of the inspection consisted of a visual evaluation of the project site, building exteriors, roof, interior common areas, all mechanical rooms, and a sampling of resident units (as indicated above). The report was prepared in accordance with HUD's requirements, as provided in applicable guides or handbooks, for a Limited Scope PCNA.

A summary of the PCNA and underwriting conclusions

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

### Key PCNA Questions

	Yes	No
1. Will the non-critical and/or borrower-proposed repairs be less than 110% of the repair estimate?	<input type="checkbox"/>	<input type="checkbox"/>
2. Will the escrowed repairs take more than 12 months to complete?	<input type="checkbox"/>	<input type="checkbox"/>
3. Will replacement reserve funds be used to fund any of the required or proposed repairs?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do any of the repairs require drawings and/or specifications?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do any of the repairs require relocation of the tenants?	<input type="checkbox"/>	<input type="checkbox"/>
6. Will any of the repairs create vacancy issues requiring an operating deficit escrow?	<input type="checkbox"/>	<input type="checkbox"/>
7. Will any of the repairs require permits or locality approvals?	<input type="checkbox"/>	<input type="checkbox"/>
8. Will any of the repairs require a review by the State licensing authority?	<input type="checkbox"/>	<input type="checkbox"/>
9. Were any specialty reports (e.g., seismic, wood destroying organisms, etc.) required?	<input type="checkbox"/>	<input type="checkbox"/>
10. Has the lender suggested a lower dollar amount or fewer repairs than the Needs Assessor's repair conclusions and are they justified?	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No
11. Is further description and detail of the repairs needed in terms of inspectability (location and what the need is)?	<input type="checkbox"/>	<input type="checkbox"/>
12. Are there any non-compliance issues with regard to the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act, including the applicable accessibility requirements (e.g., the Uniform Federal Accessibility Standards (UFAS), ADA Standards, and Fair Housing Accessibility Guidelines)?	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the proposed underwriting require any increases to the annual replacement reserve deposit over the next 15 years?	<input type="checkbox"/>	<input type="checkbox"/>
14. Will the facility require repairs to be in compliance with the Department of Health & Human Services, Centers for Medicare & Medicaid Services final rule, entitled "Medicare and Medicaid Programs; Fire Safety Requirements for Long Term Care Facilities, Automatic Sprinkler Systems?"	<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.>>

### **Lender Modifications**

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

### **Fire / Building Codes and HUD Standards**

<<Provide narrative description regarding needs assessor's finding.>>

### **Handicapped Accessibility**

**Program Guidance:** Project Capital Needs Assessment (PCNA) Statement of Work and Accessibility Matrix for Section 232, located at HUD.gov.

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

### **Seismic Evaluation**

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

## Repairs

### Critical Repairs

<<Provide a brief summary of the required critical repairs. If none, state none.

Example: The needs assessor identified the following non-critical repair items totaling \$X:

Remove and replace . Estimated cost: \$ .

1. Install in all units. Estimated Cost: \$ >>

### Non-Critical Repairs

<<Provide a brief summary of the required non-critical repairs. If none, state none.

Example: The needs assessor identified the following non-critical repair items totaling \$ :

1. Remove and replace . Estimated cost: \$ .

2. Install in all units. Estimated Cost: \$ .

### Borrower Proposed Repairs

<<Provide a brief summary of the borrower proposed repairs. If none, state none. >>

1. Remove and replace . Estimated cost: \$ .

2. Install in all units. Estimated Cost: \$ .

### Completion and Inspection of Repairs

The repair list attached to Exhibit C of the Draft Firm Commitment clearly describes the location of the repairs and what is required. The description is sufficiently detailed so that an experienced person can perform the work and that an experienced inspector can inspect with minimal additional direction or consultation.

### Replacement Reserves

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

<<Annual deposits should not change from year to year.>>

## General Review

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

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

### Reserve for Replacement Fund Schedule

(Double click inside the Excel Table to add information)

Year	0	1	2	3	4	5
Interest Earned	1.5%	\$0	\$0	\$0	\$0	\$0
Annual Deposit		\$0	\$0	\$0	\$0	\$0
Initial Deposit	\$0					
<b>Total Deposits</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Claims		\$0	\$0	\$0	\$0	\$0
Cumulative Claims		\$0	\$0	\$0	\$0	\$0
<b>Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Year	6	7	8	9	10
Interest Earned	\$0	\$0	\$0	\$0	\$0
Annual Deposit	\$0	\$0	\$0	\$0	\$0
Initial Deposit					
<b>Total Deposits</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Claims	\$0	\$0	\$0	\$0	\$0
Cumulative Claims	\$0	\$0	\$0	\$0	\$0
<b>Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Year	11	12	13	14	15
Interest Earned	\$0	\$0	\$0	\$0	\$0
Annual Deposit	\$0	\$0	\$0	\$0	\$0
Initial Deposit					
<b>Total Deposits</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Claims	\$0	\$0	\$0	\$0	\$0
Cumulative Claims	\$0	\$0	\$0	\$0	\$0
<b>Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Claims	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Claims	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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

## **ALTA/ACSM Land Survey**

Date: \_\_\_\_\_

Firm: \_\_\_\_\_

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Are there any differences between the legal description on the survey and legal description included in pro forma title policy, Phase I (if applicable) and Exhibit A of the Firm Commitment?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are there any revisions or modifications 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"/>
6. Have there been any material changes in the legal description of the property since the date of the last survey accepted by HUD (e.g., due to a partial release, the addition of property or both)?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have any new easements affecting the property been granted or accepted since the date of the last survey accepted by HUD (other than blanket easements)?	<input type="checkbox"/>	<input type="checkbox"/>
8. Have any additional improvements (including driveways and parking areas) been constructed on the property since the date of the existing survey? If HUD approval was not obtained, please address below.	<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 effect on value or the marketability of the project.

Example: **Encroachments**: The survey indicates an encroachment of the adjoining property fence on the easterly portion of the property.... An encroachment endorsement will be received at closing. There is no impact on the value or marketability of the project. >>

## **Title**

### ***Title Search***

Date of Search: \_\_\_\_\_

Firm:

File Number:

### Key Questions

	Yes	No
1. Is the title currently vested in an entity or individual other than the proposed borrower?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the report indicate that delinquent real estate taxes are owed?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the report indicate any outstanding special assessments?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the report identify any outstanding debt that is not disclosed on the borrower's listing of outstanding obligations?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there or will there be any Use and Maintenance Agreements associated with this facility?	<input type="checkbox"/>	<input type="checkbox"/>

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

### Pro Forma Policy

Date/Time:

Firm:

Policy Number:

### Key Questions

	Yes	No
1. Is the title vested in an entity or individual other than the proposed borrower?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are there any covenants, encumbrances, liens, restrictions, or other exceptions indicated on Schedule B-1?	<input type="checkbox"/>	<input type="checkbox"/>
a. If so, are any covenants, liens or restrictions related to environmental factors?	<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 requirement?	<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"/>

- |   | Yes                      | No                       |
|---|--------------------------|--------------------------|
| 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 or that involve environmental factors? | <input type="checkbox"/> | <input type="checkbox"/> |

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

*NOTE: This section is applicable for Section 223(a)(7) transactions if:*

1. The facility has completed a building addition without having obtained HUD’s approval;
2. The project will acquire or has acquired land that was not insured under the original mortgage loan and the facility has yet to receive HUD’s approval of the additional land; or
3. The project involves repairs that do not qualify as routine maintenance per HUD Notice CPD-15-02. Note that HUD’s definition of routine maintenance may vary from other definitions of routine maintenance.

*If not applicable, check the box and move to the Program Eligibility section. N/A ☐*

**Program Guidance:** Handbook 4232.1, Section II, Production, Chapter 7.

*It is the lender’s responsibility to review the Phase I and all other environmental review documentation to ensure that all environmental requirements are met.*

Assistance Prior to Application Submission: Many Federal agencies require contact directly from HUD. This list includes, but is not limited to, State Coastal Zone Management councils, U.S. Fish and Wildlife service, and local/regional Native American tribes. In this instance, please contact [LEANThinking@hud.gov](mailto:LEANThinking@hud.gov) in advance of the application submission.

## **Phase I Site Assessment**

Date of Inspection: \_\_\_\_\_

Firm: \_\_\_\_\_

Consultant: \_\_\_\_\_

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| 1. Was the Phase I Environmental Site Assessment (ESA) performed in conformance with the scope and limitations of ASTM Practice E 1527-13 (or the most current version)?  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 2. Was the Phase I consultant provided with an accurate description of all repairs, site work, construction and/or demolition to be completed?  | <input type="checkbox"/>     | <input type="checkbox"/>    |
| 3. Does the Phase I investigation include all of the following?<br>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, a survey of water sources, and a review of historical information. | <input type="checkbox"/>     | <input type="checkbox"/>    |

<< Explain any "no" answer above. >>

### Key Questions

- |  |                          |                          |
|--|--------------------------|--------------------------|
|  | Yes                      | No                       |
| 1. Does the Phase I ESA recommend a Phase II assessment, other reports, or additional testing?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the Phase I or Phase II assessment indicate that remediation is required or ongoing?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the Phase I ESA indicate that a monitoring well or testing well (operating or non-operating) is located on the site?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 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"/> |
| 5. Does the report indicate evidence of any chemical misuse or unlawful dumping at the site?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 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"/> |
| 7. 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"/> |
| 8. Do the Phase I or II reports recommend any required repairs?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Does the Vapor Encroachment Screen identify a "vapor encroachment condition" (VEC)? <i>(The vapor encroachment screen must be performed using Tier 1 "non-invasive" screening pursuant to ASTM E 2600-10 or most recent edition.)</i>   | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Is the Phase I site inspection date more than 180 days before the date the firm commitment application was submitted? A Phase I that was conducted more than 180 days before the application's submission, but not more than one-year before the submission, must be updated pursuant to ASTM E 1527-13 or the most recent edition. (A Phase I ESA that was originally conducted more than one year prior to the application's submission date, even if updated within 180 days of submission, is not acceptable. <u>ORCF is not able to waive this requirement.</u> ) | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Does the land area in the Phase I differ from the land area in the survey and  | <input type="checkbox"/> | <input type="checkbox"/> |

Yes No

Exhibit A to the Firm Commitment?

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

## Radon

**Program Guidance:** Handbook 4232.1, Section II, Production, Chapter 7.8.

Date of Testing:

Firm:

Radon Professional:

Certification/License  
Information:

EPA Radon Zone:

## Key Questions

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. Was the radon report conducted by a qualified Radon Professional?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Was testing performed no earlier than 1 year prior to application submission?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Were occupants informed of the testing in the manner described in ANSI-AARST MALB-2014 (or more recent edition)?                                    | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is mitigation required due to radon levels at or above 4.0 picocuries per liter (4.0 pCi/L)? (If no, move on).                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Is a mitigation plan in compliance with ANSI-AARST RMS-LB 2014, Radon Mitigation Standards for Schools and Large Buildings included in the repairs? | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Was an Operations and Maintenance Plan included in the application?   | <input type="checkbox"/> | <input type="checkbox"/> |

<<Provide narrative discussion of radon risk applicable to the subject project. If a radon report was not required per HUD Handbook 4232.1, Chapter 7.8, please explain why the radon report was not required.>>

## Lender Comments

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

## Other Environmental Concerns

## Key Questions

	Yes	No
1. Is the subject located within a designated coastal barrier resource area? (If no, provide evidence.)	<input type="checkbox"/>	<input type="checkbox"/>
2. <b>Noise:</b>		
a. Is the subject located within 5 miles of a civil airport or within 15 miles of a military airfield?	<input type="checkbox"/>	<input type="checkbox"/>
b. Is the project located within 1,000 feet of major highways or busy roads?	<input type="checkbox"/>	<input type="checkbox"/>
c. Is the project located within 3,000 feet of a railroad?	<input type="checkbox"/>	<input type="checkbox"/>
d. Is the subject's marketability impacted by noise?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are there existing or proposed stationary tanks containing explosive or fire-prone materials on the site or nearby the site that are visible from satellite images or site reconnaissance?	<input type="checkbox"/>	<input type="checkbox"/>
a. Was a safety letter from the state or local fire department NOT provided for each tank? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
b. Was Handbook Chapter 7.5.G followed as required if there is an increase in units or beds (note that a tank safety letter IS NOT sufficient for projects that are increasing in units or beds. See Handbook Chapter 7.5.G.)? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any wetlands on or adjacent to the subject site?	<input type="checkbox"/>	<input type="checkbox"/>
a. If so, will the project impact or disturb wetland areas or their buffer zones?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are any repairs or modifications to the project likely to affect any listed or proposed endangered or threatened species or critical habitats?	<input type="checkbox"/>	<input type="checkbox"/>
6. Is the subject located on a sole source aquifer?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there any known landfills within ½-mile of the site?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the project subject to an Activity and Use Limitation, Engineering Control, and/or Institutional Control related to an environmental concern? (If so, provide the information to the Phase I environmental consultant.)	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the project utilize a private water supply? (If so provide evidence that the water quality meets local, state or Federal standards; for example, evidence that the water meets the EPA Primary Drinking Water Standards.)	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the project involve a private sewage treatment system?	<input type="checkbox"/>	<input type="checkbox"/>
11. Are any on-site structures located within the easement of an overhead high voltage transmission line?	<input type="checkbox"/>	<input type="checkbox"/>
12. Are any buildings located in the fall zone of a support structure for high voltage transmission lines or any other towers?	<input type="checkbox"/>	<input type="checkbox"/>
13. Is any structure located within 10 feet of an easement for a high-pressure gas or liquid petroleum transportation pipeline?	<input type="checkbox"/>	<input type="checkbox"/>
14. Is a residential structure located within 300 feet of an operating or abandoned oil or gas well? (If so, refer to Handbook 4232.1, Section II, Production, 7.5.K.3.)	<input type="checkbox"/>	<input type="checkbox"/>

	<b>Yes</b>	<b>No</b>
15. Do any of the repairs change the footprint of the building(s)?	<input type="checkbox"/>	<input type="checkbox"/>
16. Does the project site include a structure that was built before 1978? (If no, move on)	<input type="checkbox"/>	<input type="checkbox"/>
a. Was a comprehensive asbestos survey performed by a qualified asbestos inspector pursuant to the “baseline survey” requirements of ASTM E 2356-10 (or most recent edition) NOT provided? (Required for all buildings constructed before 1978. If provided, check “No.”)	<input type="checkbox"/>	<input type="checkbox"/>
b. Did the asbestos survey identify any friable and/or damaged asbestos?	<input type="checkbox"/>	<input type="checkbox"/>
c. Does the project involve asbestos removal? (Asbestos removal may involve additional risk, and may have a direct impact on residents and workers and ongoing facility operations. An operating deficit, for example, may need to be required if removal is to occur after endorsement.)	<input type="checkbox"/>	<input type="checkbox"/>
17. Does the proposal include demolition of a structure that was built before 1978? (If no, move on)	<input type="checkbox"/>	<input type="checkbox"/>
a. Was a comprehensive asbestos survey performed by a qualified inspector pursuant to the “pre-construction survey” requirements of ASTM E 2356-10 (or most recent edition) NOT provided?	<input type="checkbox"/>	<input type="checkbox"/>
18. Other than the aforementioned, are there any other environmental issues identified by the Phase I or II reports or lender’s due diligence?	<input type="checkbox"/>	<input type="checkbox"/>
19. Was a floodplain map with the subject site clearly marked on it NOT provided?	<input type="checkbox"/>	<input type="checkbox"/>
20. Was a preliminary or pending flood map of the project’s location available on the FEMA website? If so, provide a copy of this map with the subject site marked on it.	<input type="checkbox"/>	<input type="checkbox"/>
21. Was a wetland map with the subject site clearly marked on it NOT provided?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic. Describe any risk and how it will be mitigated. For example: “A preliminary flood map is available on the FEMA website (Preliminary Flood Map #XXXXXXXXXX) which identifies the project’s flood zone as Zone X (shaded), a 500-year flood zone. Documentation for the completion of an abbreviated 8-step decision making process is provided at Exhibit X. The project has prepared and participates in an early warning system. An emergency evacuation and relocation plan has been implemented. Evacuation routes out of the 500-year floodplain have been identified; and the estimated flood level has been marked at 3 feet above ground level at the southerly and northerly elevations of the building. An example of the floodplain notice that will be signed by the resident or their agents is provided.”>>

## Site Work, Ground Disturbance or Digging

**Program Guidance:** Handbook 4232.1, Section II Production, 7.5.

If the project includes any ground disturbance, contact [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov) in advance of application submission so that ORCF may initiate agency to agency contact. Include a project description including type of project, purpose of the project, the proposed activities/site work, and the current condition of the site (what is on the site now) as well as a location map, aerial view map, site layout map and a topographic map in your request to Lean Thinking.

Examples of ground disturbance include, but are not limited to, tree removal, burying a tank, new parking, increases in building footprint, adding a new fence, etc. If there is uncertainty regarding what may constitute ground disturbance, contact [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov) in advance of application submission.

## Key Questions

	Yes	No
1. Will there be any site work, construction, ground disturbance or digging? (If no, move on)	<input type="checkbox"/>	<input type="checkbox"/>
2. Was a request for Tribal Consultation submitted to <a href="mailto:LeanThinking@hud.gov">LeanThinking@hud.gov</a> in advance of application submittal?	<input type="checkbox"/>	<input type="checkbox"/>
3. Was a site plan provided showing where site work, ground disturbance and/or digging will occur?	<input type="checkbox"/>	<input type="checkbox"/>
4. Was documentation provided showing that a Section 7 Endangered Species review was completed?	<input type="checkbox"/>	<input type="checkbox"/>
5. Was evidence that the project is in compliance with the State's Coastal Zone Management Program provided if located in a designated coastal zone?	<input type="checkbox"/>	<input type="checkbox"/>
6. Did the correspondence with the State Historic Preservation Office (SHPO) accurately reflect the proposed site work, ground disturbance or digging as well as any planned repairs and/or construction?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there any wetlands on or adjacent to the site that could be potentially impacted by the construction or site work either directly or indirectly via drainage, etc.?	<input type="checkbox"/>	<input type="checkbox"/>
a. If yes, was HUD contacted in advance to conduct an 8 step?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the project site located in a flood plain?	<input type="checkbox"/>	<input type="checkbox"/>
a. If the footprint of the building or pavement will be significantly increased, was HUD contacted in advance to conduct the 8-step decision making process (24 CFR Part 55.20)?	<input type="checkbox"/>	<input type="checkbox"/>

## State Historic Preservation Office (SHPO) Clearance

**Program Guidance:** Routine maintenance definition.

For SHPO review purposes, HUD has a specific definition of routine maintenance, which may differ from other definitions of routine maintenance. See Notice CPD-16-02 for HUD's definition.

Note, if the answer to Key Questions 4 or 5 is yes, then the SHPO **must** be contacted. The lender may submit a Section 106 request to SHPO in order to expedite the process.

<<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, and internal repairs are limited to routine maintenance as defined in Notice CPD-16-02 there is no impact on any historical property.”>>

### Key Questions

	Yes	No
1. Was the SHPO contacted?	<input type="checkbox"/>	<input type="checkbox"/>
2. Was the SHPO website for the project’s state reviewed for any specific information required by that SHPO and was this information provided?	<input type="checkbox"/>	<input type="checkbox"/>
3. Was all correspondence with the SHPO provided in the application?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any known historic preservation issues related to the subject?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the project involve repairs in excess of routine maintenance (as defined in Notice CPD-16-02), construction, or ground disturbance?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have any other archeological or cultural resource centers been consulted?	<input type="checkbox"/>	<input type="checkbox"/>

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic. For example: “We have received a letter from the XXXX State Historic Preservation Office, dated XXXX. It was determined that the site is of no historical or suspected cultural significance. No additional investigation was recommended by the State.” Please indicate if a response has not been received. If the SHPO concluded that the project will have an adverse effect, please explain how this will be mitigated.>>

### Area of Potential Effects

**Program Guidance:** Handbook 4232.1, Section II Production, Chapter 7.  
In situations where the SHPO was contacted, provide a description of the Area of Potential Effects (APE) that was included in the correspondence that was sent to the SHPO.

<<Provide a narrative discussion on the Area of Potential Effects. For example: “The subject is located in the X Historic District, so we have determined that the APE is the entire Historic District.” Or, “The subject is not located near any properties that are on or eligible for the National Register of Historic Places, so the APE is only the subject site., etc. >>

### Floodplain

NFIP Map Panel #: \_\_\_\_\_ Date: \_\_\_\_\_

Flood Zone(s): \_\_\_\_\_

<< When in Zone X, indicate whether it is designated as X “(shaded)” or “(unshaded)”. When the site is located in multiple flood zones, identify each zone designation. For example: “X (unshaded), X (shaded), AE”.>>

## 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. Is flood insurance required for this property?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the subject site located within a 100- year floodplain (1% annual chance flood) or 500-year floodplain (0.2% chance of annual flood)? <i>(If no, move on). (Use the effective FEMA Flood Insurance Rate Map (FIRM) or, when FEMA provides interim flood hazard data such as Advisory Base Flood Elevations, preliminary or pending maps, use the latest of these sources except when the base flood elevations from interim data are lower than the elevations on the current FIRM.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
4. If located in a 100-year or 500-year floodplain*, is the 8-step documentation provided in the application materials? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
a. <i>Preparation of and participation in an early flood warning system:</i> Was the specific method(s) used to monitor weather conditions and flooding alerts provided?	<input type="checkbox"/>	<input type="checkbox"/>
b. <i>Emergency evacuation and relocation plan:</i> Was a relocation plan that includes names and addresses of like facilities that have agreements or contracts with the subject to serve as a temporary relocation site for the subject's residents provided?	<input type="checkbox"/>	<input type="checkbox"/>
c. <i>Identification of evacuation route(s) out of the 500-year floodplain:</i> Were road maps and flood zone designations for the relocation sites provided?	<input type="checkbox"/>	<input type="checkbox"/>
d. <i>Identification marks of past or estimated flood levels:</i> Was evidence that identification marks showing past or estimated flood levels have been placed on the structure provided?	<input type="checkbox"/>	<input type="checkbox"/>
e. <i>Resident Notification:</i> Was an example resident notice to residents provided and does the notice advise residents of the portions of the site that are in the floodplain and that flood insurance is available for their personal property?	<input type="checkbox"/>	<input type="checkbox"/>

<< *\*Provide a narrative discussion evaluating the floodplain exhibits. Include the elevation of the property, the elevation of the floodplain, and the location of the life support systems.*

*(If citing 24 CFR Part 55.12(c)(7) for an exemption from floodplain management regulations, provide a narrative summary confirming that the project qualifies for the regulatory exception. Note that the permanent restrictive covenant or comparable restriction that must be placed on the property's continued use to preserve the floodplain must run with the land and will not be dependent on the mortgage instrument.) >>*

## **Program Eligibility**

### ***Borrower (or Purchaser, as applicable)***

Name: \_\_\_\_\_  
State of Organization: \_\_\_\_\_  
Date Formed: \_\_\_\_\_  
Termination Date: \_\_\_\_\_  
FYE Date: \_\_\_\_\_

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Does the borrower/purchaser currently own any assets other than the subject property or participate in any other businesses?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is or has the borrower/purchaser been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
3. Has the borrower/purchaser ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there judgments recorded against the borrower/purchaser?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
6. Is the single asset borrower/purchaser entity registered outside the United States and/or in a state other than where their corporate office is located?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have any principals of the borrower changed or are any such changes proposed that have not been approved by HUD? If yes, the Principal of the Borrower section of this document must be completed.	<input type="checkbox"/>	<input type="checkbox"/>

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

### **Organization**

<<Provide an organization chart and narrative. At a minimum, all borrower principals must be identified.>>

## **New Borrower (Purchaser)**

*This section is applicable to Section 223(a)(7) loans when there has been a change, or a change is proposed, in the borrower entity.*

- |  | <b>Yes</b>               | <b>No</b>                |
|--|--------------------------|--------------------------|
| 1. <i>Has there or will there be a change in the ownership of the property via a deed transfer?</i>            | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. <i>Has there or will there be a substitution of an existing borrower entity with a new borrower entity?</i> | <input type="checkbox"/> | <input type="checkbox"/> |

*If the answer to either question above is yes, complete this section. If the answer to both questions is no, check the box and move to the Additional Proposed Changes to Existing Borrower section.*

N/A ☐

## **Experience/Qualifications**

*<<Provide narrative description of the proposed borrower experience and qualifications. For example: “The proposed borrower entity is a single-asset entity that was established in {date} to own the subject project...”>>*

## **Credit History**

Report Date: \_\_\_\_\_ *<<within 60 days of submission>>*

Reporting Firm: \_\_\_\_\_

Score: \_\_\_\_\_

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

## **Key Questions**

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

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

## **Financial Statements**

The application includes the following borrower financial statements:

Year-to-date:	<u>&lt;&lt;dates for start and end of period&gt;&gt;</u>
Fiscal year ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>
Fiscal year ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>
Fiscal year ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>

## Key Questions

	Yes	No
1. Are less than 3-years of historical financial data available for the proposed borrower?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the financial statements missing any required information or schedules?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do the financial statements provided include financial data from assets or liabilities not related to owning and operating this facility?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do any of the financial statements indicate a loss prior to depreciation and amortization?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do the Aging of Accounts Payable schedules show any material accounts payables (amounts in excess of 5% of effective gross income) over 90 days?	<input type="checkbox"/>	<input type="checkbox"/>
6. 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"/>
7. Are there any issues or discrepancies related to tenant deposit accounts (e.g., not fully funded)? (Generally not applicable for SNF.) <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
8. 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"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **Tenant Security Deposits**: The tenant security deposits do not appear to be fully funded. At closing, however, the borrower will not be the operator and the tenant deposit obligation will fall to the new operator. Therefore, the underwriter has included a commitment condition requiring the new operator to set up project accounts by closing and to provide an acceptable, certified Balance Sheet showing that the tenant security deposits are fully funded.

Owner-operated projects with material accounts receivables over 120 days that do not intend to have Accounts Receivable Financing should address the project State’s recent trends in length of time until reimbursement is made. The Lender should address these projects’ ability to handle delayed payments (e.g., access to sources of liquidity in an amount comparable to material accounts receivable over 120 days.) >>

## General Overview

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

## Conclusion

<<Provide narrative discussion of underwriter's conclusion and recommendation. For example: "The borrower entity has demonstrated an acceptable financial and credit history. The borrower has the experience to continue to successfully own this facility. The underwriter recommends this borrower for approval as an acceptable participant in this transaction.">>

## Additional Proposed Changes to Existing Borrower

This section is applicable to Section 223(a)(7) loans when there has been a change, or a change is proposed, in the borrower entity that does not involve a deed transfer or conveyance. Such changes include, but are not limited to, a change in an Internal Revenue Services Reporting Structure (i.e., when a Borrower converts from a limited partnership to a limited liability company). NOTE: this section does not apply to changes in principals – this section focuses on changes at the ownership entity level.

Is there a change or proposed change in the borrower entity that does not involve a deed transfer or conveyance?

Yes

☐

No

☐

If the answer to either question above is yes, complete this section. If the answer to both questions is no, check the box and move to the Additional Proposed Changes to Existing Borrower section.

N/A ☐

## Organization

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

## Recommendation

<<Provide narrative recommendation regarding acceptability of the proposed change, as applicable. Discuss what is required for the change, including changes to the organizational documents, and what special conditions are appropriate. >>

**New/Proposed Principal of the Borrower (or Purchaser, as applicable) –<< enter Principal Name >>**

*This section is applicable to Section 223(a)(7) loans when there has been a change, or a change is proposed, in the principal ownership of the borrower entity. The section must be provided for each new or existing principal that has not been previously approved by HUD.*

	<b>Yes</b>	<b>No</b>
<i>Has there or will there be a change in a principal of the borrower entity?</i>	<input type="checkbox"/>	<input type="checkbox"/>

*If the answer to the above question is no, check the box and move to the Operator section.*

*N/A* ☐

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

**Key Questions**

	<b>Yes</b>	<b>No</b>
1. Is any principal of the new borrower with operational decision-making authority <u>not</u> a United States citizen?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is or has the principal of the borrower been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is or has the principal of the borrower been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the principal of the borrower ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there judgments or criminal convictions for fraud or larceny recorded against the principal of the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any unsatisfied tax liens against the principal of the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are any of the principals of the borrower, principals of any other HUD-insured projects or principals of a project(s) applying for HUD insurance within the next 18 months?	<input type="checkbox"/>	<input type="checkbox"/>

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

***Organization (not applicable to individuals)***

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

State of Organization: \_\_\_\_\_

Date Formed: \_\_\_\_\_

Termination Date: \_\_\_\_\_

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

## Experience / Qualifications

<<Narrative description of principal's experience and qualifications: Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate that the principal has sufficient expertise from which to draw to successfully own the facility.>>

## Credit History

Report Date: \_\_\_\_\_ <<within 60 days of submission>>  
Firm: \_\_\_\_\_  
Score: \_\_\_\_\_

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

### Key Questions

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

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

## Other Business Concerns/232 Applications

### Key Questions

	Yes	No
1. Does the Principal identify any other business concerns?	<input type="checkbox"/>	<input type="checkbox"/>
a. Do any of the other business concerns have pending judgments; legal actions or suits; or, bankruptcy claims? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the Principal identify any other Section 232 program (i.e., 223(f), 241(a), 223(a)(7), 232(i), or 223(d)) loans on the Consolidated Certification – Principal of Borrower (form HUD-90014-ORCF) and Attachment 2 thereof?	<input type="checkbox"/>	<input type="checkbox"/>

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



*Example: **Other Section 232 Applications:** XXXXX identified XX other Section 232 loan application – {projects}. The applications were submitted XXX and closed in XXX. As this is only XXXXX’s Xth HUD-insured healthcare loan, no additional reviews are required>>*

**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.>>*

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

**Financial Statements**

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

**Conclusion**

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

**Operator**

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

*If not applicable, check the box and move to the Parent of the Operator section. N/A ☐*

Name: \_\_\_\_\_  
 State of Organization: \_\_\_\_\_  
 Date Formed: \_\_\_\_\_  
 Termination Date: \_\_\_\_\_  
 FYE Date: \_\_\_\_\_

## Key Questions

	Yes	No
1. Does the operator currently own/operate any assets other than the property or participate in any other businesses?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the operator have shared expenses with other facilities?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the operator contract out nursing services other than temporary staffing through an agency and/or contracting for ancillary services (e.g., therapies, pharmaceuticals)?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is or has the operator been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is or has the operator been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
6. Has the operator ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there judgments recorded against the operator?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>

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

## Organization

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

## Experience / Qualifications

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

## Credit History

Report Date: \_\_\_\_\_ <<within 60 days of submission>>

Firm: \_\_\_\_\_

Score: \_\_\_\_\_

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

## Key Questions

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

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

## Financial Statements

The application includes the following operator financial statements:

Year to date:	<u>&lt;&lt;dates for start and end of period&gt;&gt;</u>
Fiscal Year Ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>
Fiscal Year Ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>
Fiscal Year Ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>

## Key Questions

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. Are less than 3-years of historical financial data available for the operator?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are the financial statements missing any required information or schedules?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do the financial statements indicate a loss prior to depreciation?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do the Aging of Accounts Payable schedules show any material accounts payables (amounts in excess of 5% of 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?<br><i>(Note: Projects with material accounts receivables over 120 days that do not intend to have Accounts Receivable Financing should address the project State’s recent trends in length of time until reimbursement is made. The Lender should address these projects’ ability to handle delayed payments, e.g. access to sources of liquidity in an amount comparable to material accounts receivable over 120 days.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any issues or discrepancies related to tenant deposit accounts (e.g., not fully funded)?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Within the last 3 fiscal years was NOI negative or declining?   | <input type="checkbox"/> | <input type="checkbox"/> |

<<If you answer “yes” to any of the above questions, please identify each risk factor and how it is mitigated below. The Accounts Payable and Accounts Receivable analysis provides information regarding an entity’s collection and payment practices, policies, and potential risks to the new project. Discuss your analysis of these issues and how the lender determined they are an acceptable risk.

*Example: **No Financial Statements:** The operator is a newly formed entity and does not have a financial history to report. At this time, the operation of this facility is the new entity's sole purpose, so there is no need to review financial data from other facilities or sources.*

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

*Projects with material accounts receivables over 120 days that do not intend to have Accounts Receivable Financing should address the project State's recent trends in length of time until reimbursement is made. The Lender should address these projects' ability to handle delayed payments, e.g. access to sources of liquidity in an amount comparable to material accounts receivable over 120 days.)>>*

### **General Overview**

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

### **Net Income Analysis**

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

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

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

### **Conclusion**

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

## Parent of the Operator (if applicable)

*This section is applicable to Section 223(a)(7) loans when a change in the Parent of the Operator has occurred or is proposed. The information must be provided if the operator has not been previously approved by HUD for the subject property.*

*If not applicable, check the box and move to the Operation of the Facility section. N/A ☐*

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

Name: \_\_\_\_\_

State of Organization: \_\_\_\_\_

Date Formed: \_\_\_\_\_

Termination Date: \_\_\_\_\_

### Key Questions

	Yes	No
1. Is the parent of the operator rated by S&P or another rating agency?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is or has the parent of the operator been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is or has the parent of the operator been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the parent of the operator ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there judgments recorded against the parent of the operator?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the parent of the operator have other HUD properties which are master leased separately from the subject project?	<input type="checkbox"/>	<input type="checkbox"/>

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

## Organization

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

## Experience/Qualifications

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

## Credit History

Report Date: \_\_\_\_\_ <<within 60 days of submission>>

Firm: \_\_\_\_\_

Score: \_\_\_\_\_

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

### Key Questions

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

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

## Other Business Concerns/232 Applications

### Key Questions

	Yes	No
1. Does the parent of the operator identify any other business concerns?	<input type="checkbox"/>	<input type="checkbox"/>
a. Do any of the other business concerns have pending judgments; legal actions or suits; or, bankruptcy claims? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the Principal identify any other Section 232 program (i.e., 223(f), 241(a), 223(a)(7), 232(i), or 223(d)) loans on the Consolidated Certification – Parent of Operator (form HUD-90016-ORCF) and Attachment 2 thereof?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **Other Business Concerns:** XXXXX identified XX other business concerns in addition to the borrower and the newly formed operator discussed in this narrative. The underwriter reviewed Dunn and Bradstreet credit reports for XX Other Business Concerns identified by XXXX. {Discuss each report}. No reports indicated derogatory information that would prohibit XXXXX participation in this loan transaction.

Example: **Other Section 232 Applications:** XXXXX identified XX other Section 232 loan application – {projects}. The applications were submitted XXX and closed in XXX. As this is only XXXXX’s Xth HUD-insured healthcare loan, no additional reviews are required.>>

## Other Facilities Owned, Operated or Managed

### Key Questions

		Yes	No
1.2. Does the parent of the operator own, operate, or manage any other facilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
b. Do any of the other facilities have any open professional liability insurance claims?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
c. Do any of the other facilities have any open state findings related to instances of actual harm and/or immediate jeopardy (G or higher)?	<input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
d. Does the parent of the operator a participant in 50+ residential healthcare facilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Does the parent of the operator carry one Professional Liability Insurance policy for its residential healthcare facilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Does the parent of the operator carry multiple Professional Liability Insurance policies for its residential healthcare facilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **Other Facilities:** XXXXX identified XX other facilities it owns, operates, or manages in addition to the subject facility. **PLI Insurance:** XXXXXX identified XX facilities which are carried on the same PLI policy as the subject project. Other facilities of the parent of the operator are covered on XX separate PLI policies.>>

**Program Guidance:** Handbook 4232.1, Section II Production, 8.8.

## Financial Statements

The application includes the following operator financial statements:

Year to date:	<u>&lt;&lt;dates for start and end of period&gt;&gt;</u>
Fiscal Year Ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>
Fiscal Year Ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>
Fiscal Year Ending:	<u>&lt;&lt;date – end of period&gt;&gt;</u>

### Key Questions

	Yes	No
1. Are less than 3-years of historical financial data available for the parent of the operator?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the financial statements missing any required information or schedules?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do the Aging of Accounts Payable schedules show any material accounts	<input type="checkbox"/>	<input type="checkbox"/>

- |  |            |           |
|--|------------|-----------|
|  | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
- payables (amounts in excess of 5% of effective gross income) over 90 days?
4. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed? ☐ ☐

<<If you answer “yes” to any of the above questions, please identify each risk factor and how it is mitigated below. The Accounts Payable and Accounts Receivable analysis provides information regarding an entities collection and payment practices, policies, and potential risks to the new project. Discuss your analysis of these issues and how the lender determined they are an acceptable risk. >>

### **General Review**

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

### **Net Income Analysis**

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

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

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

### **Conclusion**

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The parent of the operator entity has demonstrated an acceptable financial and credit history. The underwriter recommends this parent of the operator for approval as an acceptable participant in this transaction.”>>

## **Operation of the Facility**

### **Administrator**

Name: \_\_\_\_\_

Employed by: \_\_\_\_\_ <<Name of entity who employs/pays administrator>>

Facility Start Date: \_\_\_\_\_ <<Date started at this facility as Administrator>>

<<Narrative description of experience and qualifications - For example, “{Administrator} has been a licensed administrator since XXXX. Her current Residential Care Administrator’s license No. XXXXXXXX expires XXXXX. It was issued by XXXXXXX in the State of XXXX. Her experience includes... Since arriving at the facility, XXXX has helped to increase the revenues



and profitability of the project, as evidenced by the increasing effective gross income and net operating income (NOI). XXXXX is well qualified and has demonstrated her ability to act as Administrator for the subject facility.”>>

## Subject's State Surveys

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

### 3 Years of Survey Inspections

Date of survey/inspection	Date state issued letter approving POC

## Key Questions

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

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

## Staffing

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

## Operating Lease

**Program Guidance:** Handbook 4232.1, Section II Production, Chapter 8.6, Operating Lease Requirements

Date of Agreement: \_\_\_\_\_  
 Current Lease Term Expires: \_\_\_\_\_  
 Description of Renewals: \_\_\_\_\_  
 Major Movable Equipment: \_\_\_\_\_

Current Ownership:	<<Borrower/Operator>>
Post-closing Ownership:	<<Borrower/Operator>>

### Key Questions

	Yes	No
1. Has a change in the Operating Lease occurred that has not been approved by HUD, or is such a change proposed?	<input type="checkbox"/>	<input type="checkbox"/>
2. At closing, will the lease have a term that expires within 5 years with no lease renewal options (see guidance above)?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the lease contain any non-disturbance provisions?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the lease require the borrower to escrow any funds other than those associated with this loan?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there proposed changes to the current operating lease?	<input type="checkbox"/>	<input type="checkbox"/>
6. Has the lender recommended any special conditions concerning the lease?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is state approval of the lease payment required?	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the current lease payment need to be increased to provide sufficient debt coverage for the mortgage payment, MIP, other insurance premiums, taxes, reserves, or impounds?	<input type="checkbox"/>	<input type="checkbox"/>
9. Is the lease payment delinquent?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please identify specifics of the circumstance.

<<Describe how the underwriter justified or identified mitigation of all associated risks.>>

### Lease Payment Analysis

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.

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	\$
<b>i. Minimum Annual Lease Payment</b>	<b>\$</b>

<<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.”>>

## **Responsibilities**

<<Provide a description of the responsibilities of the borrower and operator 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.>>

## **Upper Payment Limit (UPL) Transaction Summary (if applicable)**

This section is applicable to Section 223(a)(7) loans when the facility participates or will participate in the state’s Upper Payment Limit (UPL) Program. The information must be provided if the facility’s UPL Program has not been previously approved by HUD for the subject property.

If not applicable, check the box and move to the Master Lease section. N/A ☐

<< If there is a new, proposed or changed UPL Program, provide a narrative discussion regarding the topic. As applicable, discuss the issue and its effect on the transaction. Describe any potential risks and the mitigants. For waivers, identify specific provisions to be waived and justification for the waiver.>>

<<The state will require preliminary approval from HUD in order for the subject to participate in their UPL program. To obtain HUD approval, please provide the following:>>

## **Background**

<<Provide narrative to explain how the state’s UPL program works and why the subject facility wants to participate in the program. Provide draft copies of any documents required by the state to participate in the UPL program as an attachment to this document (Exhibit A).>>

## **Proposed Structure**

<<Provide narrative discussion and organization charts to describe the current and proposed organizational structure of the subject. Be sure to discuss the effect the proposed structure will have on any existing master lease, if applicable. Also, if applicable, discuss the effect of the proposed structure on any accounts receivable financing and what, if any, changes are needed to accommodate the new operator’s receipt of Medicare and Medicaid receivables.

Provide a Cash Flow Chart describing the current and proposed location of the Deposit Account Control Agreement (DACA) and Deposit Account Instructions and Services Agreement (DAISA).>>

### Material Provisions

<<Provide a narrative discussion of provisions in proposed sublease (e.g., “Under XXX state law, the hospital districts must file change of ownership applications for licensure and Medicaid at least XX days before the sublease becomes effective....”) and management agreement (e.g., “The new management agreement will require the current licensee to provide management services necessary to operate the facility.... The hospital district will pay the current licensee (as manager) a base management fee and incentive payments that are equal to XXX% of the net revenue of the facility plus XX% of the supplemental payments that the hospital district receives under the UPL Program”). Attach copies of sublease and management agreement as Exhibits B and C, respectively.>>

### Conclusion

<<Provide narrative discussion regarding how the proposed transaction will be of benefit. Complete income analysis in the table provided that compares financial operations with and without UPL participation.>>

Income Analysis		
	Trailing 12 mos. without UPL participation* <i>&lt;&lt;TTM thru Month-Year&gt;&gt;</i>	Forecast with UPL participation
Effective Gross Income (EGI)	\$	\$
Expenses	\$	\$
Replacement Reserves	\$	\$
Net Operating Income (NOI)	\$	\$
Date UPL participation to begin (month, year):		
*Use trailing 12-month (TTM) figures in this column. The TTM data is preferred; however, if TTM is not available, year-to-date annualized figures may be used (please indicate this in the heading).		

### Certification

<The borrower must certify that a change in operator will not occur until HUD has given its preliminary approval for the change. Additionally, if at any time the state determines that it will not fund the UPL Program, the borrower will immediately notify their lender and HUD.

### **Master Lease**

**Program Guidance:** Handbook 4232.1, Section II Production, Chapter 13. It is the lender’s responsibility to read the handbook chapter and provide HUD with a full set of documents for review of the proposed master lease or alternative master lease structure.

## Key Questions

	Yes	No
1. Is the subject currently operated under a Master Lease Agreement?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are three or more projects (or two projects with an aggregate total mortgage loan amount greater than \$15 million) being submitted to HUD that are under common control or have the same ownership?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have projects under common control or with the same ownership applied for mortgage insurance or a TPA within the <i>past</i> 18-months OR will projects under common control or with the same ownership apply for mortgage insurance or a full TPA within the <i>next</i> 18 months?	<input type="checkbox"/> N/A	<input type="checkbox"/>
4. Is the parent of the operator the same for all of these projects?	<input type="checkbox"/> N/A	<input type="checkbox"/>

If you answered “yes” to all three questions, a master lease or master lease alternative is required.

## Key Questions

	Yes	No
1. Is a new master lease proposed for the subject project?	<input type="checkbox"/>	<input type="checkbox"/>
2. Will the subject project be joined to an existing HUD master lease?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do the borrower principals currently participate in any other HUD master leases?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the parent of the operator currently participate in any other HUD master leases?	<input type="checkbox"/>	<input type="checkbox"/>

<<Provide a narrative describing the terms and conditions of the master lease proposed payments to and from the master tenant, lease agreements between borrower, master tenant and subtenants, the flow of funds from the subtenants to the master tenant and the borrower (including the AR lender if applicable), and any waivers or requests for modification to standard requirements.

If the subject is being joined to an existing master lease, list projects/project numbers already included in the master lease.

Describe any other HUD master leases the principals of the borrower or parent of the operator are party to, list projects/project numbers, and indicate the HUD lender who is party to the lease(s).>>

## Management Agent

This section is applicable to Section 223(a)(7) loans when a change in Management Agent or the Management Agreement has occurred or is proposed. The section must be provided if the Management Agent or the change in Management Agreement has not been previously approved by HUD for the subject property. If the only change that has occurred or is proposed relates to the Management Agreement, skip to the **Management Agreement** section and complete the rest of this section.

If a change in Management Agent is not applicable, but there has been a change in the Management Agreement, check the box and move to the Management Agreement section. ☐

If neither a change in Management Agent or Management Agreement has occurred, check the box and move to the Compliance section. N/A ☐

Name:

Relation to Mortgagor: <<Owner Managed/IOI Entity/Independent/Other>>

Principals/Officers:

### Key Questions

	Yes	No
1. Does the management agent have experience managing other HUD-insured properties?	<input type="checkbox"/>	<input type="checkbox"/>
a. Has the agent received any “unsatisfactory” management reviews from HUD?	<input type="checkbox"/>	<input type="checkbox"/>
b. Have any managed, owned, or operated properties received REAC scores lower than 60?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the management agent have less than 3-years of experience managing similar properties?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is or has the management agent been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is or has the management agent been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
5. Has the management agent ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there judgments recorded against the management agent?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
8. Does (or will) the Management Agent hold the certificate of need, license to provide care, enter into provider agreement(s) with third party payor(s) such as Medicare, Medicaid, or Private Payors, or enter into contracts for patient services?	<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.

### Previous HUD Experience

Project Name	Project City	Project State	Type of Facility


## **Management Agent's Duties and Responsibilities**

<<Briefly describe the management agent's duties and responsibilities (i.e., will the management agent control the operating accounts; contract for services; recruit, select or train employees; take responsibility for the management of the functional operation of the facility or the execution of the day-to-day policies of the facility; etc.). Also describe the nature of the management agent's compensation and how it was calculated.>>

## **Experience/Qualifications**

<<Provide a narrative description of experience and qualifications. Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate the expertise to successfully manage the facility and meet the obligations of the management agreement.>>

## **Credit History**

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

Reporting Firm: \_\_\_\_\_

Score: \_\_\_\_\_

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

## **Key Questions**

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

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

## Other Facilities Owned, Operated or Managed

### Key Questions

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

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **Other Facilities:** XXXXX identified XX other facilities it owns, operates, or manages in addition to the subject facility.>>

**Program Guidance:** Handbook 4232.1, Section II Production, 8.8.

### Past and Current Performance

Indicator	Findings
Billing	<<acceptable>>
Controlling operating expenses	
Vacancy rates	
Resident turnover	
Rent collection and accounts receivable	
Physical security	
Physical condition and maintenance	
Resident relations	

<<Provide narrative support for review and finding. For example: “Based on interviews with the principals of the borrower and management agent, as well as a review of the management policies and procedures, the underwriter has concluded that the management agent has demonstrated acceptable past and current performance with regard to all of the above indicators.”>>



## Management Agreement

Date of agreement: \_\_\_\_\_

Agreement expires: \_\_\_\_\_

Management fee: \_\_\_\_\_

### Key Questions

	Yes	No
1. Does the agreement fail to 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 fail to state that the management fees will be computed and paid according to HUD requirements?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the agreement fail to state 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 fail to state that HUD's rights and requirements will prevail in the event the management agreement conflicts with them?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the agreement fail to state 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. Does the agreement exempt the agent from gross negligence and or willful misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the Form HUD-9839-ORCF inconsistent with the Management Agreement?	<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. >>

### Management Certification

<<Provide narrative review. For example: "The form HUD-9839-ORCF, Management Agent Certification, provided in the application package indicates a management fee of XX percent of the residential, commercial and miscellaneous income collected, which is in line with industry standards for projects of this size. The term of the agreement is for XX-years. The stated fee and term match those stated in the management agreement. The fee calculations on page 4 are coordinated with the underwriting conclusions.">>

## Conclusion

<<Provide narrative discussion of underwriter's conclusion and recommendation. For example: "The management agent has demonstrated an acceptable credit history and has the experience to continue to successfully manage this facility. The underwriter recommends this management agent for approval as an acceptable participant in this transaction.">>

## Compliance

### Key Questions

	Yes	No
1. <u>State Inspection</u> : Are there currently any open findings of "G" or higher resulting from State survey inspections? If yes, include the State survey inspection in the firm application and explain below. N/A	<input type="checkbox"/>	<input type="checkbox"/>
2. <u>Medicare Star Rating</u> : Is the project currently rated 1 or 2 stars? N/A	<input type="checkbox"/>	<input type="checkbox"/>
3. <u>REAC Inspection</u> : Are there currently outstanding deficiencies resulting from the last REAC inspection? In the space below, summarize the most recent REAC Inspection Summary Report, HUD-93332-ORCF, Certification of Exigent Health & Safety (EH&S) Issues, and HUD-93333-ORCF, Project Owner's Certification of Physical Condition Compliance.	<input type="checkbox"/>	<input type="checkbox"/>
4. <u>Active Partners Performance Systems (APPS)</u> : Are there currently any open flags in APPS pertaining to the owners or the facility? Please explain below. (Note: The borrower may need to authorize ORCF to release this information to the proposed 223(a)(7) lender.)	<input type="checkbox"/>	<input type="checkbox"/>
5. <u>Discrepancies on the Facility License</u> : Does the operator entity name differ the entity name listed on the license?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered "yes" to any of the above questions, please discuss any open findings or issues, and their resolutions.

## Risk Management Program

**Program Guidance:** See Risk Management Program grid on the Section 232 program website for additional guidance. Note that the below tier descriptions are general descriptions and HUD retains discretion to require additional risk management measures, as warranted, on a case by case basis.

### Risk Management Tier General Descriptions:

- Tier 1 Baseline: For most assisted living and low-risk skilled nursing projects with no more than one incident of actual harm/immediate jeopardy in the past three years. In these instances, the risk management program may be administered internally or by a third party provided the party administering the program is qualified.
- Tier 2 Elevated Risk: Higher risk projects with two more incidents of actual harm/immediate jeopardy within the past three years. In these instances the risk management program should be administered by a third party.

(Note both Tier and Internal/External)

<input type="checkbox"/> Tier 1 Baseline	<input type="checkbox"/> Internally Administered Risk Management Program
<input type="checkbox"/> Tier 2 Elevated Risk	<input type="checkbox"/> External 3 <sup>rd</sup> Party Administered Risk Management Program

Describe the Risk Management Program and how it meets the following requirements:

1. Real-time incident reporting and tracking that informs senior management:
2. Experience of Staff:
3. Training:
4. Continuous Improvement:

<<If a third party is involved, describe the contractual arrangement, what company has been contracted, what the contract provides for, when the contract was entered into, when it expires, what results have been seen thus far if the contract has been in place, etc.>>

## **Accounts Receivable (AR) Financing**

*This section is applicable to Section 223(a)(7) loans when an addition or change in AR financing has occurred or is proposed.*

*If not applicable, check the box and move to the Insurance section. N/A ☐*

AR Lender: \_\_\_\_\_  
AR Borrower: \_\_\_\_\_  
Maximum Loan Amount: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_  
Current Balance: \_\_\_\_\_  
Current Maturity Date: \_\_\_\_\_

## Key Questions

	Yes	No
1. Does the AR loan require any guarantees from the borrower, operator, or parent of the operator, or any of those entities' principals?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the guarantors guaranteeing performance on any other AR loans?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the AR loan involve multiple facilities or borrowers?	<input type="checkbox"/>	<input type="checkbox"/>
a. Does the AR loan involve any non-HUD-insured properties?	<input type="checkbox"/>	<input type="checkbox"/>
b. Is the subject being added to an existing AR line that has already been reviewed/approved by HUD?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is there an identity of interest between the AR lender and the AR borrower?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is there a conflict of interest between the AR lender and the borrower or its principals (as defined in Handbook 4232.1, 15.4.E or its successors)?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the maximum AR loan amount exceed 85% of the Medicaid, Medicare, and other governmental accounts receivable less than 121 days old?	<input type="checkbox"/>	<input type="checkbox"/>
7. Of the total Medicaid, Medicare and other governmental accounts receivable less than 121 days old, are more than 30% over 90 days old? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the AR lender have less than 3 years of experience providing AR financing?	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the AR lender NOT monitor the borrowing base on a regular basis (i.e. daily, weekly, or monthly basis)?	<input type="checkbox"/>	<input type="checkbox"/>
10. Is the borrower or operator out of compliance with any business agreements or loan covenants (i.e., in default on those agreements, not current on financial submissions, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>
11. Is the AR loan being syndicated or participated?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does the Intercreditor Agreement (ICA) propose additional obligations beyond those allowed as the types of AR Loan Obligations that may be secured by project collateral?	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the ICA propose loan extensions or interest rate changes?	<input type="checkbox"/>	<input type="checkbox"/>
14. Does the ICA include any cross-default or cross-collateralization provisions?	<input type="checkbox"/>	<input type="checkbox"/>
15. Does the ICA identify a flow of funds consistent with the cash flow chart?	<input type="checkbox"/>	<input type="checkbox"/>

<< For each "yes" answer above, provide a narrative discussion regarding the topic. For projects being added to an existing HUD-Insured AR line, provide specific information on when the AR line was originated (date), when documents were reviewed/approved by HUD, which HUD OGC field office performed the review, and provide a listing of projects participating in the line (project name, FHA#).>>

## Terms and Conditions

1. Describe the borrowing base formula (e.g., XX% of AR borrower's accounts receivable up to 120 days):
2. Describe term and renewal options:
3. Describe the rate applied to the used and unused portions of the AR loan:
4. Describe other fees (i.e., financing fees, late payment fees, etc.):

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

<<Describe the flow of all funds, into and out of accounts. Describe how deposit accounts are controlled (e.g., number of controlled accounts, hard or springing lockbox, daily sweeps, etc.). Attach cash flow chart.>>

***Collateral Security***

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

***Permitted Uses and Payment Priorities***

<<Provide descriptions of the permitted uses of the AR loan funds in order of priority. For example: (1) debt service incurred in connection with the AR loan; (2) operating costs; and (3) distributions to the operator's shareholders.>>

***Financial Analysis***

Calculations as of: (Date of AR aging report submitted with application)

### **Borrowing Base Analysis**

(Double click inside the Excel Table to add information)

Calculations as of: **DATE** (of AR aging report submitted with application materials)

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

\*Inclusion of Private Pay receivables requires waiver approval

**#DIV/0!**

Medicare, Medicaid, Commercial AR aged 90-120 days

**\$ -**

AR Loan Available

(point in time, based on Borrowing Base described in AR loan documents)

**\$ -**

AR Loan Amount

(from Loan Agreement)

### **Historical AR Loan Costs**

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

### Historical AR Loan Costs

(Double click inside the Excel Table to add information)

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

### Proposed AR Loan Costs

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

Assuming the \$            maximum AR loan limit, an annual interest rate of            %, and that the entire amount is outstanding for the year, the maximum annual interest expense would be \$            . In addition to the interest, the other associated fees are the            fees <<list types of fees>>, which total \$            per year for the same assumed balance. An analysis of the operator's 12 month trailing financial statement (Month 20XX – Month 20XX) is below:

Trailing 12-Month Operating History	
Operating revenue	\$
Less: Operating expenses	
Net Operating Income (NOI)	\$
Annual P&I + MIP	\$
AR fee: Interest	
AR fee: Other	
Total annual mortgage and AR debt service	\$
DSCR including AR	

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

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

### Recommendation

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

## **Insurance**

### ***Professional Liability Coverage***

**Program Guidance:** Handbook 4232.1, Section II Production, Appendix 14.1

Name of insured: \_\_\_\_\_

Insurance company: \_\_\_\_\_

Rating: \_\_\_\_\_ Rater: \_\_\_\_\_

Insurance company is licensed in the United States: ☐ Yes ☐ No

Statute of limitations: \_\_\_\_\_

Current coverage: Per occurrence: \_\_\_\_\_  
Aggregate: \_\_\_\_\_  
Deductible: \_\_\_\_\_

Policy Basis: ☐ Per occurrence ☐ Claims made

Current Expiration: \_\_\_\_\_

Retroactive Date: \_\_\_\_\_

Policy Premium: \_\_\_\_\_

<b>Summary of Six-Year Loss History for New Operator or its Parent of Operator</b>				
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				
<b>Total/average</b>				

### **Key Questions**

	<b>Yes</b>	<b>No</b>
1. Does the insurance policy cover multiple properties?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is less than 6 years of loss history available?	<input type="checkbox"/>	<input type="checkbox"/>



	Yes	No
3. Does the loss history indicate any professional liability claims over \$35,000?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the loss history or potential claims certification indicate any uncovered claims?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the loss history or potential claims certification indicate any claims that would exceed the per occurrence or aggregate coverage limits at the facility?	<input type="checkbox"/>	<input type="checkbox"/>
6. Has the facility been covered by a “claims made” policy at any time during the statute of limitations for the State in which the facility is located?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the policy funded on a “cash front” basis?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is an actuarial study applicable (self-insurance)? <i>(If yes, discuss results below.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
9. For all facilities Owned, Operated or Managed by the new operator and/or parent of the operator, 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"/>
10. 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"/>
11. Are there any PLI issues that require special consideration?	<input type="checkbox"/>	<input type="checkbox"/>

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

*Example: **1. Multiple properties:** The lender 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}*

*Example: **2. Less than 6-year loss history:** The claims history reports were examined for the period XX through XX. The lender determined that there were no professional liability XX claims during that period... {Address claims and sufficiency of coverage, etc. based on history}.*

*Example: **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**

<< Identify all potential or expected professional liability insurance (PLI) 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. Identify any reserves held for potential claims. Discuss the risk associate with each potential PLI claim. Discuss how that risk is mitigated. Describe the circumstances, identify the potential award amount, provide evidence and analysis showing that the suits are covered by PLI insurance, and if the insurance is not sufficient, does the insured demonstrate adequate funds to cover the potential excess? Describe any other information that mitigates the risk.

As applicable, discuss other types of lawsuits (non-PLI) 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 liability), 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.>>

## **Property Insurance**

<<Narrative discussion of review. For example, "Hazard and Liability insurance will be provided by XX. The insurance coverage will continue to comply with HUD requirements.">>

## **Fidelity Bond/Employee Dishonesty Coverage**

<<Narrative discussion of review. For example, "The subject has inadequate fidelity (crime/dishonesty) insurance. HUD requires coverage equal to at least two (2) months gross income or \$\_\_\_\_\_ for 223(a)(7)s. Coverage that meets or exceeds the HUD minimum requirements must be in place prior to closing. The Lender and HUD (451 7th St S.W. Washington D.C. 20410) must be named as additional loss payees." If not sufficient, recommend special condition.>>

## **Additional Insurances**

<<Provide narrative discussion of other insurance currently in place, including amount of coverage and deductible.>>

## **Commercial General Liability Insurance**

<<If there has been an addition or change in the coverage, or a new Borrower is proposed, provide narrative discussion of policy coverage for bodily injury, property damage and personal injury. For example: General liability insurance will be provided by XX. The underwriter has confirmed estimates of the cost and coverage for underwriting and will re-verify this information prior to closing. The insurance coverage will comply with HUD requirements prior to closing.>>

## **Property Insurance**

<< If there has been an addition or change in the coverage, or a new Borrower is proposed, provide narrative discussion of policy coverages as applicable, including property damage, ordinance and law coverage, and boiler and machinery/equipment breakdown insurance. For example: “Property insurance will be provided by XX. The lender has confirmed estimates of the cost and coverage for and will re-verify this information prior to closing. The insurance coverage will comply with HUD requirements prior to closing.”>>

## **Directors’ and Officers’ Liability Insurance**

<< If there has been an addition or change in the coverage, or a new Borrower is proposed, provide narrative discussion of policy coverages.>>

## **Commercial Auto Liability Coverage**

<< If there has been an addition or change in the coverage, or a new Borrower is proposed, provide narrative discussion of policy coverages.>>

## **Additional Insurances**

<< If there has been an addition or change in the coverage, or a new Borrower is proposed, provide narrative discussion of fidelity bond/crime insurance coverage. 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 **potential** gross income receipts would total \$XX. The current level of coverage is sufficient for this project.” If not sufficient, recommend commitment condition.

Additionally, provide narrative discussion of business income coverage insurance, including amount of coverage and deductible.

Also, provide narrative discussion of coverage for the following, as applicable, including amount of coverage and deductible:

- Earthquake insurance
- Sinkhole/mine subsidence insurance
- Windstorm coverage insurance
- Flood insurance >>

## **Recommendation**

<<Provide narrative recommendation regarding acceptability of professional and general liability insurance, and other coverages as applicable. For example: “The new borrower’s professional and general liability insurance was analyzed in accordance with Handbook 4232.1, Section II Production, Chapter 14 and Appendix 14.1. 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.">>

## **Mortgage Loan Determinants**

### **Overview**

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

Requested Loan Amount	\$
Original Principal Balance:	\$
Amount Based on the Cost to Refinance:	\$

The proposed mortgage loan is \$ and is constrained by . The underwritten debt service coverage, including debt service and MIP payment, is , which is % of the estimated net operating income

### **Original Principal Balance**

The original principal balance is \$ . <<Multiple FHA-insured mortgage loans on the same facility can be refinanced under one 223(a)(7) loan. For each insured loan provide the current loan information identified in the Executive Summary.>>

### **Amount Based on the Cost to Refinance**

The costs to refinance associated with the project total \$ on form HUD-92264a-ORCF, which is used to calculate the mortgage loan amount for this criterion. This total includes the following:

Unpaid Principal Balance	\$
Payoff Processing Fee	
Final Month's Interest	
Prepayment Penalty	
Other Eligible Existing Indebtedness	
Additional Replacement Reserve Deposit	
Critical Repairs	
Non-Critical Repairs	
Owner-Elected Repairs	
Borrower Legal & Organizational	
Title & Recording	
HUD Application Fee	
HUD MIP	
Lender Financing Fee	
Lender Legal Fee	

GNMA Fee	
Permanent Placement Fee	
Lender Closing Fee	
PCNA, if required	
Survey, if required	
Other <<identify>>	
<b>Total:</b>	\$

## Existing HUD-Insured Indebtedness

### Schedule of HUD-Insured Loans to Refinance

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

### General Review

<<Narrative review of debt and payoff information. The discussion should explain each item that is included in the existing indebtedness, including the unpaid principal balance, payoff processing fees, final month's interest, and anything else included in the payoff. For example, "Per the statement from XXX dated XXXX, the current existing indebtedness is \$XXXX. The payoff balance will be reconfirmed prior to closing and only eligible payoff charges will be included in the cost certification.">>

### Cost Recapture

<<Divide the costs of the transaction by the debt service savings per month. Do not include replacement reserve deposits, required repairs, taxes, insurance, interest or MIP. If any portion of the prepayment penalty will be paid for by an interest rate premium, do not include that portion of the prepayment penalty in the Cost Recapture. The Cost Recapture must be less than 120 months.>>

### Other Eligible Existing Indebtedness

This section is applicable to Section 223(a)(7) proposals that include refinancing of non-HUD-insured loans.

If not applicable, check the box and move to the Prepayment Penalties section. N/A ☐

## Schedule of Non-HUD-Insured Debt to Refinance

Lender	Payoff Amount
	\$
	\$
	\$
Total:	\$ 0

**Program Guidance:** *The non-HUD-insured debt is only eligible if you answer “yes” to Key Question 1 or 2. Accrued interest or fees associated with that debt are only eligible if you answer “yes” to Key Question 3. Evidence to support the details must be included in the application package and the underwriter must positively state that the evidence has been evaluated and concludes that it meets HUD guidelines for acceptance.*

### Key Questions

	Yes	No
1. Is the non-HUD-insured debt to be paid off recorded debt, such as a mechanic’s lien or a tax lien?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the non-HUD-insured debt to be paid off directly connected with the project (i.e., debt incurred to improve the property or cover operating deficits) and supported by documentation from the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the HUD lender confirm that all fees associated with the debt are reasonable and any accrued interest is correctly calculated?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each answer above, provide a narrative discussion on the topic.>>

### General Review

<<Narrative review of debt and payoff information: The narrative must provide full details of the underwriter’s analysis and determination that the debt is allowable per HUD guidelines including what it was for, who it is owed to, etc.>>

### Prepayment Penalties

<<Describe any prepayment penalties associated with refinancing the existing obligations. Include the amount and explain how it is calculated. State when and by how much the prepayment penalty will decrease in the next 12 months. If none, state “None.”>>

### Additional Replacement Reserve Deposit

<<If the proposal includes increasing the replacement reserve balance with loan proceeds, indicate the amount and provide justification for the increased balance. If none, state “None.”>>

## Repairs

**Program Guidance:** Projects that involve repairs in excess of routine maintenance as defined in Notice CPD-16-02 require an environmental review. The lender must complete the Environmental section of this document. Please note that Notice CPD-16-02 has a specific definition of routine maintenance, which may differ from other definitions of routine maintenance.

<<If the proposal includes funding critical, non-critical or owner-elected repairs, list the repairs, the estimated cost and provide justification. If none, state "None">>

Critical:	\$ _____
Non-Critical:	\$ _____
Owner-Elected:	\$ _____

Does the lender propose to administer the non-critical repair escrow? ☐ Yes ☐ No

## Legal and Organizational Costs

The borrower's legal and organization costs are estimated to total \$ \_\_\_\_\_ (\$ \_\_\_\_\_ for legal / \$ \_\_\_\_\_ for organizational expenses). The underwriter concluded that the budgeted amounts are reasonable.

## Title and Recording Fees

Title and recording fees are estimated to cost \$ \_\_\_\_\_. The underwriter concluded that the budgeted amount is reasonable.

## HUD Fees

<<This section pertains to the Amount Based on the Cost to Refinance on the HUD-92264a-ORCF, and the fees calculated for that criterion may not match the actual fees in the sources and uses. If they do not match, provide both.>> The HUD fees total \$ \_\_\_\_\_ and are comprised of MIP totaling \_\_\_\_\_ % of the mortgage loan amount (\$ \_\_\_\_\_) and the HUD application fee totaling **0.15%** of the mortgage loan amount (\$ \_\_\_\_\_).

**Program Guidance:** Per HUD Handbook 4232.1, Part II, Production, 2.10D, there is no inspection fee required on Section 223(a)(7) transactions.

## Lender Fees

<<This section pertains to the Amount Based on the Cost to Refinance on the HUD-92264a-ORCF, and the fees calculated for that criterion may not match the actual fees in the sources and uses. If they do not match, provide both. All fees paid to the lender are to be discussed. Maximum lender fees cannot exceed 2% of the mortgage loan.>> The financing fees payable to the lender total \$ \_\_\_\_\_. These fees are further broken down as follows:

<b>Lender</b>	<b>Pay-off Amount</b>
Lender Financial Fee	\$
Lender Legal Fee	\$
GNMA Fee	\$
Permanent Placement Fee	\$
Lender Closing Fee	\$
Other <<Identify.>	\$
<b>Total:</b>	\$

### **Other Fees**

<<If other fees are included, provide a descriptive listing with the estimated cost. Provide justification for eligibility. If none, state "None.">>

### **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 transaction costs.>>

### **Secondary Sources**

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

### **Surviving Debt**

<<List and discuss all existing long-term debt that will survive closing. HUD must agree to the surviving debt and may require a surplus cash note. If none, state "None.">>

### **Type of Financing**

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

### **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**

<<*Narrative conclusion and recommendation*>>

## Signatures

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

Lender: \_\_\_\_\_

HUD Mortgagee/Lender No.: \_\_\_\_\_

This report was prepared by: \_\_\_\_\_

Date

This report was reviewed by: \_\_\_\_\_

Date

\_\_\_\_\_  
<<Name>>

<<Title>>

<<Phone>>

<<Email>>

\_\_\_\_\_  
<<Name>>

<<Title>>

<<Phone>>

<<Email>>