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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

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

INSTRUCTIONS:

The narrative is a document critical to the Lean Underwriting process. Each section of the narrative and all questions need to be completed and answered. If the lender's underwriter disagrees and modifies any third-party report conclusions, sufficient detail to justify the changes must be provided. This narrative is to 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.

- **Historical Information:** Substantial rehabilitation can encompass a wide range of renovations—from “gut” rehabilitations that replace or newly construct nearly everything, to replacements and renovations that barely exceed the substantial rehabilitation threshold. Because of these types of variables, historical financial data on the previous operations may not be available or applicable. In those instances where historical information is not applicable, the underwriter should follow the above instructions for inapplicable sections and provide the reason. Acceptable reasons for not providing historical data include: the lack of data due to a sale or previous use or a significant change in use. Be cautioned that changes in census mix without a change in the type of license will likely not warrant elimination of the historical data as an underwriting tool.

Instead of pasting large portions of text from third-party reports into the narrative, it is preferred that the lender simply reference the page number and the report. The focus of this document is for lender conclusions, analyses, and summaries.

Italicized text found between these characters <<EXAMPLE>> is instructional in nature, and may be deleted from the lender’s final version. Please use the gray shaded areas (e.g.,) for your response. Double click on a check box and then change the default value to mark selection (e.g.,)

<<Insert Project Photo>>

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Executive Summary—Substantial Rehabilitation Single Stage

| | | | |
|--------------------------------------|---|-----------------------------------|---|
| FHA number: | | | |
| Project name: | | | |
| Project location: | <<street address, city, county, state, and zip>> | | |
| Lender's name: | | | |
| Lenders UW: | | UW trainee: | |
| Borrower: | | | |
| Operator: | | | |
| Parent of operator: | | | |
| Management agent: | | | |
| General contractor: | | | |
| License holder: | <input type="checkbox"/> Borrower | <input type="checkbox"/> Operator | <input type="checkbox"/> Management agent |
| Residents will contract with: | <<Entity with whom residents will contract for services>> | | |

Section 38 of the Regulatory Agreement shall apply to the following individuals and/or entities (list name(s)):

Type of Facility As Is:

| | | Licensed | Operating | | Licensed | Operating | |
|--------------------------|------------------------------------|----------|-----------|------|----------|-----------|-------|
| <input type="checkbox"/> | Skilled Nursing (SNF): | | | beds | | | units |
| <input type="checkbox"/> | Assisted Living (AL): | | | beds | | | units |
| <input type="checkbox"/> | Memory Care (AL): | | | beds | | | units |
| <input type="checkbox"/> | Board & Care (B&C): | | | beds | | | units |
| <input type="checkbox"/> | Independent Living (IL): | | | beds | | | units |
| | Total: | | | beds | | | units |

Type of Facility As Rehabilitated:

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

| | |
|-------------------------|----------|
| Mortgage Amount: | \$ _____ |
|-------------------------|----------|

Principal & interest:
(without MIP) \$ _____

Underwritten market value: \$ _____

| | |
|--------------------------|---|
| Loan-to-value: _____ % | Loan to transaction cost: _____ % |
| Term: _____ years | Interest rate: _____ % |
| DSCR (with MIP): _____ % | Market value per bed/unit*: \$ _____ |
| Cap rate: _____ % | Mortgage amount per bed/unit*: \$ _____ |

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

Mortgage Criteria:

| | |
|--|----|
| <u>Criterion A</u> : Requested loan amount: | \$ |
| <u>Criterion C</u> : Amount based on replacement cost: | \$ |
| <u>Criterion D</u> : Amount based on loan-to-value: | \$ |
| <u>Criterion E</u> : Amount based on debt service coverage: | \$ |
| <u>Criterion F</u> : Amount based on estimated cost of rehabilitation plus: | \$ |
| <u>Criterion L</u> : Amount based on deduction of grant(s), loan(s), LIHTCs, and gift(s) for mortgageable items: | \$ |

Sensitivity Analysis:

- A 1.0 debt service coverage is still realized if:
- (a) Average rental drops \$ _____ per month.
 - (b) Occupancy rate decreases _____ %.
 - (c) Operating expenses increase _____ % per year.
 - (d) Annual net operating income (NOI) decreases \$ _____ or _____ %.
 - (e) Medicaid Rate decreases by \$ _____ or _____ %.
 - (f) Medicaid Census drops by _____ %.

As-Is:

| | |
|----------------------------|----------|
| UW Gross income: | \$ _____ |
| UW Effective gross income: | \$ _____ |
| UW Expenses & repl. res.: | \$ _____ |
| UW Net operating income: | \$ _____ |

| | |
|---------------------------|----------|
| UW occupancy rate: | _____ % |
| UW Expense ratio: | _____ % |
| UW Expense per bed/unit*: | \$ _____ |

As-Rehabilitated:

| | |
|----------------------------|----------|
| UW Gross income: | \$ _____ |
| UW Effective gross income: | \$ _____ |
| UW Expenses & repl. res.: | \$ _____ |
| UW Net operating income: | \$ _____ |

| | |
|---------------------------|----------|
| UW occupancy rate: | _____ % |
| UW Expense ratio: | _____ % |
| UW Expense per bed/unit*: | \$ _____ |

Total project cost: \$ _____

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

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

**UW EGI, Expenses and NOI should be consistent with the HUD-92264A-ORCF, Criterion E.

| | | | |
|--|--|---------------------------------|-----------|
| Initial Operating Deficit: | | | |
| | No. Preleased Units: | | |
| | Absorption rate/no. units per month: | | |
| | No. months to cover shortfalls: | | |
| | Breakeven Occupancy %: | | |
| Working Capital: | \$ | | |
| Cash Investment: | \$ | | |
| Debt Service Reserve Escrow: | \$ | | |
| | No. months of principal & interest payments: | | |
| Offsite Escrow: | \$ | | |
| Minor Movable Equipment Escrow: | \$ | | |
| Demolition: | \$ | | |
| Other: | \$ | | |
| TOTAL Equity Without Land: | \$ | % of total project cost: | %* |
| TOTAL Equity With Land: | \$ | % of total project cost: | %* |
| *Total project cost is the total uses on the Form HUD-92264a-ORCF. | | | |
| Land Equity (Calculation of Warranted Price of Land): <<Describe whether land is currently owned or will be acquired, purchase price, date of purchase, part of larger parcel or planned unit development, etc.>> | | | |
| Front Money Escrow (Total Cash Requirement minus Escrows): | | | |
| Cash requirement will be met by: | <<pre-pays, letter of credit, sponsor, etc. Example: "Borrower's cash and letters of credit.">> | | |
| Based on a review of the principals <<identify principal(s)>> their net worth is estimated at \$; their liquidity meets/exceeds \$. | | | |

| | | | | | |
|--|----|---|--------------|-------------------|----|
| Construction contract: | \$ | Offsites | \$ | Demolition | \$ |
| Total construction costs: <i>As reported on HUD-92328-ORCF, Line 53 plus Offsites and Demolition Costs</i> | \$ | | | | |
| Construction contingency: | \$ | | | | |
| Relocation escrow: | \$ | Construction period: | # of months: | | |
| Architectural contract: | \$ | <input type="checkbox"/> Multiple AIA Agreements | | | |

| | Year | FTE's As reported on Form HUD-91125-ORCF | Operating Revenues | SWB As reported on Form HUD-91125-ORCF |
|--|-------------|---|---------------------------|---|
| | | | | |

| | | | | |
|--------------------------------|--|--|----|----|
| Operations – Base year | | | \$ | \$ |
| Operations – Post construction | | | \$ | \$ |

| | Yes | No | Comments: |
|---|--------------------------|--------------------------|-----------------------------------|
| Secondary Financing: | <input type="checkbox"/> | <input type="checkbox"/> | <i>(If yes, provide details.)</i> |
| A/R Financing: | <input type="checkbox"/> | <input type="checkbox"/> | |
| Master Lease: | <input type="checkbox"/> | <input type="checkbox"/> | |
| Waivers: <i>(list, as applicable)</i> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Low Income Housing Tax Credits | <input type="checkbox"/> | <input type="checkbox"/> | |

Portfolios

Program Guidance: Handbook 4232.1, Section II Production, Chapter 17.

It is the lender's responsibility to read the handbook chapter and provide HUD with full disclosure of all other HUD insured projects of the borrower and operator utilizing Forms HUD-90013-ORCF, Consolidated Certifications - Borrower and HUD-90014-ORCF Consolidated Certifications – Operator.

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Is the subject project part of a small, medium or large portfolio? (If yes, specify type) | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Small (two or more projects, up to \$90 Million) | | |
| <input type="checkbox"/> Medium (\$90 Million to \$250 Million) | | |
| <input type="checkbox"/> Large (> \$250 Million) | | |
| 2. Have principals of the borrower disclosed participation in any other HUD-insured projects in completing Form HUD-90013-ORCF, Consolidated Certification – Borrower? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have principals of the Operator disclosed participation in any other HUD-insured projects in completing Form HUD-90015-ORCF, Consolidated Certification –Operator? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| 4. Have principals of the borrower submitted any applications for HUD mortgage insurance or TPA in the <i>past 18 months</i> OR do they plan to submit any applications for HUD mortgage insurance or TPA in the <i>next 18 months</i> ? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Have principals of the operator submitted any applications for HUD mortgage insurance or TPA in the <i>past 18 months</i> OR do they plan to submit any applications for HUD mortgage insurance or TPA in the <i>next 18 months</i> ? | <input type="checkbox"/> | <input type="checkbox"/> |

<< For Medium and Large Portfolios (>\$90 Million) provide name/number of portfolio and date Corporate Credit Review approval was granted by ORCF.

Provide listing of projects, for the borrower and/or operator, that have been insured by HUD in the past 18 months, that are currently in application processing, or projects that the borrower and/or operator plans to submit for mortgage insurance in the next 18 months.>>

Special or Atypical Underwriting Considerations

- There are NO special or atypical underwriting considerations.
- The following are unique characteristics, key deal points, special, or atypical underwriting considerations:
- << Examples:
- Facility will be master leased
 - Identity-of-interest issues
 - Timing issues for closing or permits, land, licensing, etc.
 - Land will be added to the existing site
 - Shared costs/expenses with other facilities
 - The proposed project will be part of a building with shared walls/floors with non-HUD insured or other HUD-insured project and underwritten expenses/or capital costs were based on allocations.

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

Third-party reports provided:

- | | | | |
|---|----------------|--|---|
| <input type="checkbox"/> Market Study (if required) | Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |
| <input type="checkbox"/> Appraisal | Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |
| <input type="checkbox"/> Phase I Environmental | Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |
| <input type="checkbox"/> Architecture/Cost Review | Conclusion is: | <input type="checkbox"/> Accepted as is. | <input type="checkbox"/> Modified by underwriter. |

Labor Relations

Wage Decision:

Type: Residential Building (commercial)
Number: _____ No. of buildings: _____
Modification date: _____ No. of stories: _____
Modification number: _____ No. of units: _____
No. of self-contained units*: _____

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

Lenders Pre-Construction Conference Coordinator Information:

Name: _____
Email: _____
Phone: _____
Mailing address: _____

General Overview

<<Provide narrative of rationale for selection of Wage Decision specified. Be specific about configurations of kitchens and bathrooms (e.g., kitchenette includes a sink, microwave, and refrigerator and bathroom includes a commode, sink, and shower, etc.).>>

Program Eligibility

Substantial Rehabilitation

This project qualifies for substantial rehabilitation because:

- The hard costs of rehabilitation/construction \$<<amount>>, represents _____ % of the value as rehabilitated, which exceeds 15% of the project's value after completion. (Note: the hard costs of an addition to the building are included in this calculation.)
- The scope of rehabilitation includes substantial replacement of two or more major building components, including: <<list all applicable components here>>.

Key Questions

| | Yes | No |
|--|--------------------------|--------------------------|
| 1. Will the facility charge “founder’s fees,” “life care fees,” or other similar charges associated with “buy-in” facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Has the facility, borrower, operator, or any of their affiliates’ renamed or reformulated companies, or filed for or emerged from bankruptcy within the last 5 years? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Will less than continuous protective oversight be provided at the facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there any “minimum assistance” requirements necessary to qualify under the Section 232 mortgage insurance program that the facility does not plan to offer? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. If an ALF, are there residents who will not meet the statutory definition of frail elderly (at least age 62 and in need of assistance with at least three (3) Activities of Daily Living)? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Will the facility require more than four residents share a full bathroom (see 24 CFR 232.3)? <i>(Not applicable for SNFs.)</i> <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are any residents required to access a qualifying bathroom by moving through a public corridor or area (see 24 CFR 232.3)? <i>(Not applicable for SNFs.)</i> <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are there floodways or coastal high hazard areas located onsite*? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Is the project a hospital, clinic, diagnostic center, group practice facility, halfway house, or other type of facility that does not meet 232 program intent? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Has construction or site work commenced without prior HUD approval? | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Is the project designated by the Centers for Medicare and Medicaid Services (CMS) as a Special Focus Facility or similar future designation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Is the project a long-term acute care facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Does the owner or operator/management agent lack the relevant experience (with similar type of facility, regulatory environment, payor mix, etc.) to lease-up and operate the subject project? | <input type="checkbox"/> | <input type="checkbox"/> |

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

*Exception: The floodway and coastal high hazard area prohibitions do not apply if only an incidental portion of the project is in the 100-year floodplain, or for critical actions, the 500-year floodplain, and certain conditions are met in accordance with 24 CFR 55.12(c)(7).

Commercial Space/Income

Program Guidance: Handbook 4232.1, Section II Production, 2.6.E.

Select one of the following:

- There will be no commercial space at the subject.
- There will be commercial space at the subject; however, it will not exceed the program limitations of 10% of the gross floor area of the project and 15% of the effective project income.
- | | | | |
|---------------------------------|------------------------------|------------------------------|------------------------------|
| a. Total gross floor area: | _____ | d. Effective Project Income: | _____ |
| b. Gross floor commercial area: | _____ | e. Commercial income: | _____ |
| c. % of commercial area: | <u><<b / a>></u> | f. % of commercial income: | <u><<e / d>></u> |

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

Facility Type

Select **ALL** that apply:

- Nursing Home**
- Consists of at least 20 beds.
 - Considered a “Skilled Nursing Facility” by Department of Health & Human Services.
- Intermediate Care Facility**
- Consists of at least 20 beds.
 - Considered an “Intermediate Care Facility” by Department of Health & Human Services.
- Board and Care**
- Consists of at least 20 accommodations.
 - Provides “Continuous Protective Oversight.”
 - Provides areas for central dining.
 - Offers three meals per day to each resident.
 - Resident must take at least one meal a day.
 - Regulated by the state in accordance with Section 1616(e) of the Social Security Act (Keys Amendment)
- Assisted Living**
- Consists of at least 20 beds.
 - Provides “Continuous Protective Oversight.”
 - Provides areas for central dining.
 - Offers three meals per day to each resident.
 - Resident must take at least one meal a day.
 - Caters to frail elderly persons (62 years and older) who need assistance with 3 or more activities of daily living (ADLs).

Other - Requires explanation. <<describe here>>

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

Independent Units-As-Is

Program Guidance: Handbook 4232.1, Section II Production, 2.5.F.

Select all applicable statements:

- There will be NO unlicensed/independent beds at the subject.
- There will be unlicensed/independent beds at the subject; however, the total does not exceed 25% of the total beds at the facility.
 - a. Total beds: _____
 - b. Unlicensed independent beds: _____
 - c. Independent beds as % of total: <<b / a>>

Independent Units-As-Rehabilitated

Select all applicable statements:

- There will be NO unlicensed/independent beds at the subject.
- There will be unlicensed/independent beds at the subject; however, the total does not exceed 25% of the total beds at the facility.
 - a. Total beds: _____
 - b. Unlicensed independent beds: _____
 - c. Independent beds as % of total: <<b / a>>

Licensing/Certificate of Need/Keys Amendment

Number of Beds to be licensed:

Lender has verified that the beds or units in operation are in compliance with the State licensing agency.

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

<<Provide affirmative statement along the lines of: "There is no Certificate of Need (CON) requirement in {State} for {Type of Facility}." – OR – "A Certificate of Need (CON), dated {XXX} was issued by the State of {State} authorizing XX beds...">> For skilled nursing, where the state does not require a CON, discuss the required independent study conducted by the state

or commissioned by the state of market need and feasibility. Include in the discussion the number of beds and the date through which it is current.

<<(Applicable on projects with added units/beds.) If a new/updated CON is required by the local regulatory authorities, it is to be issued to the current license holder. Provide affirmative statement along the lines of: “There is no Certificate of Need (CON) requirement in [State] for [Type of Facility].”-OR-“A Certificate of Need (CON) dated [xxx] was issued by the State of [State] authorizing the addition of xx beds..”>>

<<(Applicable to B&C’s.) Provide affirmative statement along the lines of: “The State of {State} has certified its compliance with Section 1616(e) of the Social Security Act (Keys Amendment). Discuss documentation provided in the application that shows that the state where the facility is located is in compliance with Section 1616(e) of the Social Security Act (Keys Amendment) AND that the facility itself is regulated by the state pursuant to Section 1616e. Note on this last point that the requirement is not only that the facility be regulated, but that it be regulated specifically pursuant to 1616e. >>

Identities-of-Interest

Program Guidance: Handbook 4232.1, Section I, Chapter 1.6

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Have you, as the lender, identified any identities of interest on your certification? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the borrower’s certification indicate any identities of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do any of the certifications provided by principals of the borrower identify any identities of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the operator’s certification (if applicable) indicate any identities of interest? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the management agent’s certification (if applicable) indicate any identities of interest? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Does the general contractor’s certification indicate any identities of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the HUD Addendum to the AIA Agreement of the Design Architect identify any identities of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Does the lender know, or have any reason to believe, that any of the assertions in the other Consolidated Certifications submitted herewith, are inaccurate or incomplete? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Risk Factors

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. If the project is proposing new construction of assisted living units, is the proposed mortgage higher than the maximum loan-to-value (LTV)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the debt service coverage of the loan less than 1.45? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is this a “special use facility”—one that serves a “niche” type of market (e.g., psychiatric facilities; drug, alcohol, or eating disorder recovery facilities; hospice facilities; or short-term rehabilitation facilities)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is this an Intermediate Care Facility (ICF), Institution for Mental Diseases (IMD), or any other type of facility that caters to a significant population with mental illness (MI), developmental disabilities (DD) or individuals with intellectual disabilities (IID)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is the project in a state with an Olmstead Plan, pending Olmstead cases, Olmstead settlement agreements, or is the project’s state active in initiatives to “right-size” nursing facilities or otherwise working to “rebalance” long-term supports and services toward home and community-based settings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 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, subjecting it to HCBS Settings requirements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the operator, parent company, affiliates or subsidiaries the subject of an ongoing investigation or judicial or administrative action involving any 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"/> |

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

If you answer “yes” to question 3, the narrative discussion should include an analysis of the following: 1. The long-term viability of funding sources for this client group; 2. The facility’s ability to maintain stabilized occupancy over the long term, and/or the ability to fill the beds occupied by residents with the special use diagnosis, should the funding source cease; this analysis should include a demonstration that a market exists for increasing reliance on a more “traditional” SNF resident; 3. The extent of the successful experience of the operator in dealing with the contemplated population; 4. How the principals of this facility address the higher risk associated with the targeted population (e.g. higher Professional Liability Insurance, etc.); 5. The facility’s capacity to continue servicing the debt in the event that market/provider payment changes dictate that alternative/modified uses of the subject portion of the facility be pursued; and 6. Risk Mitigation.

If you answer “yes” to question 5, the narrative discussion should include a discussion of any of the state’s efforts above that might have an impact on the subject facility and what efforts the

owner and/or operator will take to respond to these impacts. Be sure to reference the state's strategy for moving the following populations: the elderly from skilled nursing facilities, individuals with intellectual or developmental disabilities (ID/DD) from ICFs, the physically disabled, non-elderly from skilled nursing facilities or the mentally ill from psychiatric facilities or other facilities, as appropriate.

If you answer "yes to question 6, the narrative discussion should include a discussion of the facility's compliance with the HCBS Settings requirements. The discussion might include the State's progress in implementing the HCBS Settings Rule, references to the Statewide Transition Plan, CMS responses to or approval of the Plan, State Regulatory language, or State Medicaid Agency input. 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.

Other Risk Factors Identified by Lender

Additionally, the lender has identified the following risk factors:

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

Strengths

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

Underwriting Team

Lender

Name: _____

Underwriter: _____

Underwriter trainee: _____

Lender number: _____

Site inspection date: _____

Inspecting underwriter: _____

Broker: _____

Lender's Underwriter

<<Brief description of qualifications. >>

Underwriter Trainee (if applicable)

<<Brief description of qualifications.>>

Inspecting Underwriter (if applicable)

<<Brief description of qualifications. The Loan-approved Section 232 Underwriter of record, employed by the lender, must visit the site AND sign this narrative.>>

Program Guidance: Handbook 4232.1 Section II Production, 2.5N

Lender’s Loan Committee Process

Date of loan committee: _____

Loan committee process: _____

Loan committee conditions: _____

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

Third Party Reviewers

Key Questions – Architectural Reviewer

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

Key Questions – Cost Analyst

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the cost analyst have experience in the healthcare field? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the cost analyst knowledgeable and experienced with local building standards and construction costs for the type of project proposed? | <input type="checkbox"/> | <input type="checkbox"/> |

Key Questions – Environmental Consultant(s)

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the environmental consultant(s) meet all the qualification requirements of Appendix X2 of ASTM E 1527-05? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the environmental consultant(s) meet the license/certification, educational, and experiential requirements of Section X.2.1.1(2)(i), (ii), or (iii) of Appendix X2 of ASTM E 1527-05? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|---|--------------------------|--------------------------|
| 3. Were any Phase II investigations performed by environmental investigator(s) specifically qualified to meet the responsibilities for the issue(s) of concern? | <input type="checkbox"/> | <input type="checkbox"/> |

Key Questions – Market Analyst

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

Key Questions – Appraiser

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

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

Project Description

Location/Proximity to Hospitals and Services

<<Brief narrative description about nearby hospitals and services. >>

Site

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

Neighborhood

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

Zoning

Legal Conforming Legal Non-Conforming Other

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

Utilities

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

Emergency Call System

<< Identify whether emergency call system proposed is included in construction contract, major movable equipment and/or borrower other fees.>>

Security, Networking and Other Information Technology Systems

<< Identify whether these systems proposed are included in construction contract, major movable equipment and/or borrower other fees.>>

Improvement Description

Building Description

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

Landscaping

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

Parking

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

Unit Mix & Features

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

As-is Unit Mix

(Double click inside the Excel Table to add information)

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

As-rehabilitated Unit Mix

(Double click inside the Excel Table to add information)

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

Living Unit Description

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

Services

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

Obsolescence/Depreciation and Remaining Economic Life

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

Functional Obsolescence

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

External Obsolescence

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

Remaining Economic Life

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

Scope of Rehabilitation

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

Architectural Review

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

Key Questions

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

Yes No

13. Did the architectural reviewer not find the construction progress schedule and construction period to be acceptable?

<<If you answer “yes” to any of the above questions, please address below. For example, Item 1 – Fire sprinkler system engineering will be completed by XXX, Item 3 – The completed plans and specifications will be submitted prior to closing. The architectural reviewer’s inspector has identified minor revisions to the plans and specifications that will be completed and submitted to HUD prior to closing. A list of the minor revisions includes XXX. The contractor has provided confirmation acknowledging the required revisions and confirms that they do not result in changes to the costs reflected on the HUD 92328-ORCF submitted with this application package. We (the lender) recommend a Special Condition to the Firm Commitment requiring that completed acceptable plans and specifications will be submitted prior to closing.

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

Architectural Overview

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

Construction Progress Schedule

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

Conclusion

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

Cost Review

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

Key Questions

| | Yes | No |
|--|--------------------------|--------------------------|
| 1. Are there any variances in excess of 10% between the general contractor’s form HUD-92328-ORCF line items and the cost analyst’s form HUD-92326? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the total reflected on the cost analyst’s form HUD-92326 more than 10% higher or lower than the total cost breakdown on form HUD-92328-ORCF? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Will any one subcontractor, material supplier, or equipment lessor be awarded more than 50% of the construction contract? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Will three or fewer subcontractors, material suppliers, or equipment lessors be awarded more than 75% of the construction contract in aggregate? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does or will the contractor have any identities of interest with any subcontractors, material suppliers, or equipment lessors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Did the cost analyst find any evidence of front-loading in the contractor’s cost estimate? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the builder’s overhead more than 2% of the total land improvements, total structures and general requirements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Did the third party cost reviewer not find the form HUD-92328-ORCF to be acceptable? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Are the form HUD-92328-ORCF, B108 and form HUD-92264a-ORCF inconsistent? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. If a Cost Plus Construction contract is utilized, is a General Contractor’s Cost not included on the form HUD-92328-ORCF? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |

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

Cost Overview

<<Confirm the cost reviewer performed the cost review pursuant to Section 232 standards. The deliverables in the application package include a narrative concerning the cost analysis, the appropriate HUD forms, and cost data. For example, “The cost analyst performed a comparison analysis and compared them to the contractor’s final schedules of values (form HUD-92328-ORCF). The cost analyst ultimately concludes to the contractor’s schedule of values. The underwriter concurs.”>>

Construction Costs (Form HUD-92328-ORCF)

<<Discuss the cost analyst’s review of the final forms HUD-92328-ORCF supplied by the contractor and owner after completing an independent cost analysis. Confirm the analyst found no front-loading in the final costs reflected in the HUD-92328-ORCF submitted. Indicate the analyst completed the HUD 92326 in accordance with HUD guidelines and those forms are included in the appropriate section of the application package.>>

Provide a breakdown of the costs from the form HUD-92328-ORCF, Contractor's and/or Borrower's Cost Breakdown, included in the application package. The form totals \$XXX and is summarized as follows (complete the following table or provide equivalent detail):>>

| Description | Cost |
|------------------------------------|------|
| Structures | |
| Accessory structures | |
| Land improvements | |
| General requirements | |
| Builder's overhead | |
| Builder's profit | |
| Contractor's Other fees | |
| Bond premium | |
| Total construction contract | |

Construction Contract Type:

Cost Plus

Lump Sum

General Requirements

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

Other Fees – General Contractor

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

Schedule of Other Fees included in Construction Contract
(Double click inside the Excel Table to add information)

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

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

Bond Premium/Assurance of Completion

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

Unusual Site Improvements

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

Architect's Fees

Program Guidance: In situations where there are multiple architects, submit each B108 as a separate exhibit in the firm application that corresponds to the below table (a, b, c, etc.).

| Architect Name | Function (Design, Supervision, Other) | Amount of Fee | Percent of Total Architect's Fees | Exhibit Number (a, b, c, etc.) |
|----------------|---|---------------|--------------------------------------|--------------------------------------|
|----------------|---|---------------|--------------------------------------|--------------------------------------|

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

Other Fees - Borrower

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

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

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

Off-Site and Demolition

<<Describe any off-site work to be accomplished and who will be performing the work. If the general contractor is responsible, describe the cost attributed to it and the cost reviewer's conclusions about the work and the cost. If the city will be performing the work, describe any cost or hookup fee related.

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

Proposed Major Movable Equipment as part of rehabilitation

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

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. The cost analyst found the list acceptable and the budget is reasonable. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The underwriter concurs with the analyst's conclusion or has provided justification for any differences. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The underwriter notes that a copy of the major movable list is included as an Exhibit to the Draft Firm Commitment submitted with this package matches the Form HUD-92264a-ORCF and Firm Commitment Draft. | <input type="checkbox"/> | <input type="checkbox"/> |

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

Contingency Reserve

Program Guidance: The contingency reserve amount is based on available data for the type and condition of structure. Calculate as percentage of the sum of structures, land improvements, and general requirements. Percentage ranges from 1% to 10%, depending on the condition of the project, extent of rehabilitation, and experience and financial capacity of the borrower and contractor.

The contingency reserve can only be used to cover unanticipated costs, such as discovering more extensive dry rot than was expected. The contingency reserve is not available for items such as an increase in cost of carpet.

<<The architectural and cost reviewer concluded that a contingency reserve of % is sufficient based on the site visit, the type of construction of the existing buildings, and the developer’s knowledge of the existing buildings. The lender agrees (explain modification).>>

Conclusion

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

Underwritten Reserve for Replacement

In the analysis below, the underwriter spreads the anticipated replacements by year based on the needs assessor’s replacement reserve analysis and assumes an interest of % 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 | | | | | |
| Total Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Claims | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cumulative Claims | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| Year | 6 | 7 | 8 | 9 | 10 |
|-----------------------|------------|------------|------------|------------|------------|
| Interest Earned | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Deposit | \$0 | \$0 | \$0 | \$0 | \$0 |
| Initial Deposit | | | | | |
| Total Deposits | \$0 | \$0 | \$0 | \$0 | \$0 |
| Claims | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cumulative Claims | \$0 | \$0 | \$0 | \$0 | \$0 |
| Balance | \$0 | \$0 | \$0 | \$0 | \$0 |

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

Appraisal _____

Date of valuation: _____
 Date of report: _____
 Appraisal firm: _____
 Appraiser: _____
 License no./State: _____

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

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

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Will there be a ground lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are any tax credits involved in this transaction? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are any real estate tax abatement or exemptions included in the underwriting assumptions? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there any special escrows or reserves proposed for this transaction? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the underwriting include income from adult day care? <i>(Note: Non-resident adult day care space <u>may not</u> be located on a separate site. The adult day care space will not be considered commercial space; however, the space may not exceed 20% of the gross floor area of the facility and the income may not exceed 20% of gross income. Provide a Certificate of Need or operating license, if applicable.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any other issues that require special or a-typical underwriting considerations? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the submission date of the application (date the application enters the queue) exceed the 120-day timeframe from the effective date of the appraisal? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Hypothetical Conditions and Extraordinary Assumptions

Hypothetical Conditions

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

Extraordinary Assumptions

<<Identify any assumptions specific to this assignment that if found to be false, could alter the appraiser’s opinions or conclusions. For example, “The appraisal assumes the subject project meets the state licensing requirements and that the facility is constructed as planned. There are

no other extraordinary assumptions.>>

Jurisdictional Exceptions

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

Market Analysis

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

Date of analysis: _____

Market analysis firm: _____

Market analyst: _____

Key Questions

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

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

Market Overview

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

Primary Market Area

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

Target Population

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

Demand

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

Competitive Environment (Supply)

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

Conclusion

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

Income Capitalization Approach – As-Is

Financial Statements

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

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

Market Occupancy and Census Mix – As Is

Double click inside the Excel Table to add information)

| Care Type | Comparable Name | Occupancy | Survey Time Period | Private Pay | Medicare | Medicaid | Veterans Admin | HMO (Insurance) | Other | Total |
|--------------------|-------------------------------|-----------|--------------------|-------------|----------|----------|----------------|-----------------|---------|-------|
| Select | Subject (Currently Achieving) | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Averages | | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Appraisal (Market) | | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Lender's (DSC) | | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |

<<The number of competitors will depend on the size of the market. Please expand or reduce the chart above as needed. Discuss the reliability of the market averages.>>

Occupancy History – As Is

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

(Double click inside the Excel tables to add information. You may delete rows for care types that do not apply.)

| CARE TYPE | Historical Occupancy | Year ending xx/xx/xx | Year ending xx/xx/xx | Year ending xx/xx/xx | T-12 specify dates | Appraisal (Market) | Lender (for DSCR) |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|--------------------|--------------------|-------------------|
| Skilled Nursing | Potential Days | | | | | | |
| | Actual Days | | | | | | |
| | Occupancy | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Assisted Living /Board & Care | Potential Days | | | | | | |
| | Actual Days | | | | | | |
| | Occupancy | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Memory Care | Potential Days | | | | | | |
| | Actual Days | | | | | | |
| | Occupancy | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Independent Living | Potential Days | | | | | | |
| | Actual Days | | | | | | |
| | Occupancy | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Other | Potential Days | | | | | | |
| | Actual Days | | | | | | |

<<Provide a brief narrative discussion the occupancy of conclusions. Address any significant

shifts in occupancy. >>

Census Mix History

<<The percentages should be based on people not dollars.>>

(Double click inside the Excel Tables to add information)

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

<<Provide a brief narrative discussion of the census mix conclusions. Address any significant shifts in census mix from one Payor source to another. >>

Rents - As Is

The rent schedule is currently as follows:

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

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

Historical Revenue Summary

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

History by Revenue Source

(Double click inside the Excel Table to add information)

| Period | Year Ending xx/xx/xx | | | Year Ending xx/xx/xx | | | Year Ending xx/xx/xx | | |
|------------------------------|----------------------|-----------|---------|----------------------|-----------|---------|----------------------|-----------|---------|
| | Total \$ | # of Days | Per Day | Total \$ | # of Days | Per Day | Total \$ | # of Days | Per Day |
| Income Source | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Medicaid | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Medicare (Part A) | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-HMO/Ins/Medicare (Part C) | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Veterans Admin (VA) | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Other Payors | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| AL/B&C-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| AL/B&C-Medicaid | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| MC-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| MC-Medicaid | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| MC-Other Payors | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| IL-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| IL-Other Payors | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| Residential Revenue Achieved | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! |
| Medicare Part B | | | | | | | | | |
| e.g. Therapy | | | | | | | | | |
| e.g. Level of Care Fees | | | | | | | | | |
| e.g. Second Occupant Fees | | | | | | | | | |
| e.g. Commercial Space | | | | | | | | | |
| e.g. Day Care | | | | | | | | | |
| Effective Gross Income | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! |
| Period | Year Ending xx/xx/xx | | | Appraisal (Market) | | | Lender (for DSCR) | | |
| Income Source | Total \$ | # of Days | Per Day | Total \$ | # of Days | Per Day | Total \$ | # of Days | Per Day |
| SN-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Medicaid | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Medicare (Part A) | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-HMO/Ins/Medicare (Part C) | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Veterans Admin (VA) | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| SN-Other Payors | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| AL/B&C-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| AL/B&C-Medicaid | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| MC-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| MC-Medicaid | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| MC-Other Payors | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| IL-Private-pay | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| IL-Other Payors | | | #DIV/0! | | | #DIV/0! | | | #DIV/0! |
| Residential Revenue Achieved | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! |
| Medicare Part B | | | | | | | | | |
| e.g. Therapy | | | | | | | | | |
| e.g. Level of Care Fees | | | | | | | | | |
| e.g. Second Occupant Fees | | | | | | | | | |
| e.g. Commercial Space | | | | | | | | | |
| e.g. Day Care | | | | | | | | | |
| Effective Gross Income | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! |

<<In the chart above, the most recent reporting period must be presented as the 12 trailing months (T-12) of income that overlaps into the prior reporting period.

Above you are asked to report the number of resident days, not occupied units. Although Assisted Living is typically reported on an occupied unit basis, we ask that you convert to resident days. Do not enter potential gross incomes here, but rather effective gross income, wherein vacancy has already been accounted for.>>

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

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

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

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

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

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

SKILLED NURSING – AS IS

Private Pay

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

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

| Skilled Nursing - Private Pay | Unadjusted Rate | Optional Notes | Unadjusted Rate | Optional Notes | Unadjusted Rate | Optional Notes | Unadjusted Rate | Optional Notes |
|-------------------------------|-----------------|-------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| Unit Type | | Select | | Select | | Select | | Select |
| Subject (Current Achieving) | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 1 - Name | \$0 | e.g. superior | \$0 | | \$0 | | \$0 | |
| Rent Comp 2 - Name | \$0 | e.g. care extra | \$0 | | \$0 | | \$0 | |
| Rent Comp 3 - Name | \$0 | e.g. most similar | \$0 | | \$0 | | \$0 | |
| Rent Comp 4 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 5 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 6 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 7 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 8 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 9 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Rent Comp 10 - Name | \$0 | | \$0 | | \$0 | | \$0 | |
| Market Average | #DIV/0! | | #DIV/0! | | #DIV/0! | | #DIV/0! | |
| Appraisal Conclusion | | \$0 | | \$0 | | \$0 | | \$0 |

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

Medicare

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

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

Medicaid

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

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

Veteran’s Administration (VA)

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

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

HMO or Other Private Insurance

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

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

Other

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

ASSISTED LIVING & MEMORY CARE - AS IS

Private Pay

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

Rent Comparability Analysis

(Double click inside the Excel Tables to add information. Delete or add rows as needed. This table can be used for either Assisted Living or Memory Care, or duplicated to separate the two.)

| Select | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted |
|-----------------------------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
| Unit Type | Select | | Select | | Select | | Select | |
| Subject (Current Achieving) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 1 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 2 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 3 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 4 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 5 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 6 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 7 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 8 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 9 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 10 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Market Average | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Appraisal Conclusion | \$0 | | \$0 | | \$0 | | \$0 | |

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

Medicaid

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

Independent Units

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

Rent Comparability Analysis

(Double click inside the Excel Tables to add information)

| Independent Living - Private Pay | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted |
|---|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
| Unit Type | Select | | Select | | Select | | Select | |
| Subject (Current Achieving) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 1 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 2 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 3 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 4 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 5 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 6 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 7 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 8 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 9 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Rent Comp 10 - Name | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Market Average | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Appraisal Conclusion | \$0 | | \$0 | | \$0 | | \$0 | |

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

Expenses – As Is

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

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

Historic Comparison

<<The data in the following table must be in totals, not per resident day or per occupied unit. Cells with grey shading will calculate automatically. You are given some latitude in defining the expense categories. The expense categories in black text are required items. The lender must include the most current historical income and expense data available to them, and not the dated information from the appraisal.>>

Expense Analysis –Subject

(Use totals not per patient day/occupied bed)
(Double click inside the Excel Table to add information)

| Expense Categories | Year Ending xx/xx/xx | Year Ending xx/xx/xx | Year Ending xx/xx/xx | T-12 Ending xx/xx/xx | Appraisal (Market) | Lender's DSC |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-----------------|
| e.g. General & Administrative | | | | | | |
| e.g. Payroll Taxes and Benefits | | | | | | |
| e.g. Resident Care | | | | | | |
| e.g. Food Services | | | | | | |
| e.g. Activities | | | | | | |
| e.g. Housekeeping & Laundry | | | | | | |
| e.g. Maintenance | | | | | | |
| e.g. Utilities | | | | | | |
| e.g. Insurance (property & liability) | | | | | | |
| e.g. Marketing and Promotion | | | | | | |
| e.g. Ground Rent | | | | | | |
| e.g. Bad Debt | | | | | | |
| Other (add lines as needed) | | | | | | |
| Sub-total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Real Estate (Property) Taxes | | | | | | |
| Management Fees | | | | | | |
| Replacement Reserves | | | | | | |
| Total Expenses | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Expense Percentage | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Normalization Calculations | | | | | | |
| Deduct Actual Taxes | \$0 | \$0 | \$0 | \$0 | | |
| Add Market Rate Taxes | \$0 | \$0 | \$0 | \$0 | | |
| Deduct Actual Management Fee | \$0 | \$0 | \$0 | \$0 | | |
| Add Market Management Fee @ 0.0% | \$0 | \$0 | \$0 | \$0 | | |
| Deduct Actual Reserves for Replacement | \$0 | \$0 | \$0 | \$0 | | |
| Add Market Reserves by Appraiser | \$0 | \$0 | \$0 | \$0 | | |
| Normalized Expenses | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Normalized Expense Percentage | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Actual # Res. Days from Occupancy table | | | | | | |
| Normalized Expense per Res Day | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Effective Gross Income | | | | | | |
| Net Operating Income | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Comparable Expense Data

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

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

Expense Analysis –Comparables

(Double click inside the Excel Tables to add information)

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

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

Net Operating Income (NOI)

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

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

Capitalization Rate – As Is

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

(Double click inside the Excel Tables to add information)

| Capitalization Rate Summary | City | State | Cap Rate | Type of NOI | Private Pay % | Medi-care % | Medi-caid % | Date of Sale | Year Built | Occ. % | Source of Income Data |
|--|------|-------|----------|-------------|---------------|-------------|-------------|--------------|------------|--------|-----------------------|
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| (Comp Name) | | | | Select | | | | | | | Select |
| Comparable Total/Average | | | #DIV/0! | | | | | | | | |
| Compare to Appraiser's Conclusion for Subject | | | | Prospective | | | | | | | |

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

Sales Comparison Approach – As Is

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

Summary of Comparable Sales Data

(Double click inside the Excel Tables to add information)

| Summary of Comparable Sales | City | State | Sales Price | # of Units/Beds | Price Unadjusted | Price Adjusted | Year Built | Date of Sale |
|---------------------------------|------|-------|-------------|-----------------|------------------|----------------|------------|--------------|
| Sales Comp 1 - Name | | | | | #DIV/0! | | | |
| Sales Comp 2 - Name | | | | | #DIV/0! | | | |
| Sales Comp 3 - Name | | | | | #DIV/0! | | | |
| Sales Comp 4 - Name | | | | | #DIV/0! | | | |
| Sales Comp 5 - Name | | | | | #DIV/0! | | | |
| Sales Comp 6 - Name | | | | | #DIV/0! | | | |
| Sales Comp 7 - Name | | | | | #DIV/0! | | | |
| Sales Comp 8 - Name | | | | | #DIV/0! | | | |
| Sales Comp 9 - Name | | | | | #DIV/0! | | | |
| Sales Comp 10 - Name | | | | | #DIV/0! | | | |
| Comparable Total/Average | | | | | #DIV/0! | #DIV/0! | | |

Price per Unit/Bed – As Is

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

Effective Gross Income Multiplier (EGIM) – As Is

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

Subject Purchases

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

Cost Approach – As Is

Development Costs

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

Depreciation

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

Major Movable Equipment

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

Marketing Allowance

<<Provide narrative discussion.>>

Land Value

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

Overall Value Reconciliation – As Is

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

(Double click inside the Excel Tables to add information)

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

Lender Modifications – As Is

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

Income Capitalization Approach – As Rehabilitated

Market Occupancy and Census Mix – As Rehabilitated

<<The percentages should be based on people not dollars.>>

(Double click inside the Excel Table to add information)

| Care Type | Comparable Name | Occupancy | Survey Time Period | Private Pay | Medicare | Medicaid | Veterans Admin | HMO (Insurance) | Other | Total |
|--------------------|-------------------------------|-----------|--------------------|-------------|----------|----------|----------------|-----------------|---------|-------|
| Select | Subject (Currently Achieving) | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Select | | | Select | | | | | | | 0.0% |
| Averages | | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Appraisal (Market) | | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Lender's (DSC) | | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |

<<The number of competitors will depend on the size of the market. Please expand or reduce the chart above as needed. Discuss the reliability of the market averages.>>

Effective Gross Income – As Rehabilitated

(Double click inside the Excel Table to add information)

| Period | Appraisal (Market) | | | Lender (for DSCR) | | |
|------------------------------|--------------------|-----------|---------|-------------------|-----------|---------|
| | Total \$ | # of Days | Per Day | Total \$ | # of Days | Per Day |
| Income Source | | | | | | |
| SN-Private-pay | | | #DIV/0! | | | #DIV/0! |
| SN-Medicaid | | | #DIV/0! | | | #DIV/0! |
| SN-Medicare (Part A) | | | #DIV/0! | | | #DIV/0! |
| SN-HMO/Ins/Medicare (Part C) | | | #DIV/0! | | | #DIV/0! |
| SN-Veterans Admin (VA) | | | #DIV/0! | | | #DIV/0! |
| SN-Other Payors | | | #DIV/0! | | | #DIV/0! |
| AL/B&C-Private-pay | | | #DIV/0! | | | #DIV/0! |
| AL/B&C-Medicaid | | | #DIV/0! | | | #DIV/0! |
| MC-Private-pay | | | #DIV/0! | | | #DIV/0! |
| MC-Medicaid | | | #DIV/0! | | | #DIV/0! |
| MC-Other Payors | | | #DIV/0! | | | #DIV/0! |
| IL-Private-pay | | | #DIV/0! | | | #DIV/0! |
| IL-Other Payors | | | #DIV/0! | | | #DIV/0! |
| Residential Revenue Achieved | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! |
| Medicare Part B | | | | | | |
| e.g. Therapy | | | | | | |
| e.g. Level of Care Fees | | | | | | |
| e.g. Second Occupant Fees | | | | | | |
| e.g. Commercial Space | | | | | | |
| e.g. Day Care | | | | | | |
| Effective Gross Income | \$0 | 0 | #DIV/0! | \$0 | 0 | #DIV/0! |

<< Above you are asked to report the number of resident days, not occupied units. Although Assisted Living is typically reported on an occupied unit basis, we ask that you convert that number to resident days. Do not enter potential gross incomes here, but rather effective gross income, wherein vacancy has already been accounted for.>>

<<Provide narrative discussion and support for each other income category as appropriate
A few examples follow:

Additional Personal Care Fees

The project bases additional care fees on levels of care needed as determined by the initial assessment and subsequent assessments as needed. The appraiser concludes to a net amount of \$X annually based on his analysis of comparable data <<insert comparable data as appropriate. Identify any modification from the appraiser's concluded fees and provide justification.>>

Second Occupant Income

The appraiser has included a net annual projection of X second occupants at \$X per month. Competitive facilities in the market place report second occupant charges ranging between \$X and \$X with a range of X to X second occupants. Based on the market, the underwriter concurs with the appraiser's conclusion for a net annual income of \$X. Identify any modification from the appraiser's concluded fees and provide justification.

Miscellaneous Income <<delete paragraph if not applicable>>

In addition to room rents, additional care, and second occupant income, the project will receive miscellaneous income from <<list miscellaneous>>. The appraiser has included a net annual projection of \$X. Typically, miscellaneous income is between x and x percent of effective income. The appraiser's conclusion is x. The underwriter has concluded to a net \$X per annum (calculation shown). Identify any modification from the appraiser's concluded fees and provide justification.>>

Rents - As Rehabilitated

The rent schedule is currently as follows:

The rent schedule will be as follows:

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

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

<<INSTRUCTIONS: Each type of care should have its own subsection below discussing the payor source identified in the rent schedule, as demonstrated below. You may delete the sections (skilled nursing, assisted living, and independent living) that do not apply to your subject. >>

SKILLED NURSING – AS REHABILITATED

Private Pay

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

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

| Skilled Nursing - Private Pay | Unadjusted Rate | Optional Notes | Unadjusted Rate | Optional Notes | Unadjusted Rate | Optional Notes | Unadjusted Rate | Optional Notes |
|-------------------------------|-----------------|-------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| Unit Type | Select | | Select | | Select | | Select | |
| Subject (Current Achieving) | | | | | | | | |
| Rent Comp 1 - Name | | e.g. superior | | | | | | |
| Rent Comp 2 - Name | | e.g. care extra | | | | | | |
| Rent Comp 3 - Name | | e.g. most similar | | | | | | |
| Rent Comp 4 - Name | | | | | | | | |
| Rent Comp 5 - Name | | | | | | | | |
| Rent Comp 6 - Name | | | | | | | | |
| Rent Comp 7 - Name | | | | | | | | |
| Rent Comp 8 - Name | | | | | | | | |
| Rent Comp 9 - Name | | | | | | | | |
| Rent Comp 10 - Name | | | | | | | | |
| Market Average | #DIV/0! | | #DIV/0! | | #DIV/0! | | #DIV/0! | |
| Appraisal Conclusion | | | | | | | | |

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

Medicare

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

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

Medicaid

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

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

Veteran’s Administration (VA)

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

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

HMO or Other Private Insurance

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

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

Other

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

ASSISTED LIVING & MEMORY CARE– AS REHABILITATED

Private Pay

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

Rent Comparability Analysis

| Select | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted |
|-----------------------------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
| Unit Type | Select | | Select | | Select | | Select | |
| Subject (Current Achieving) | | | | | | | | |
| Rent Comp 1 - Name | | | | | | | | |
| Rent Comp 2 - Name | | | | | | | | |
| Rent Comp 3 - Name | | | | | | | | |
| Rent Comp 4 - Name | | | | | | | | |
| Rent Comp 5 - Name | | | | | | | | |
| Rent Comp 6 - Name | | | | | | | | |
| Rent Comp 7 - Name | | | | | | | | |
| Rent Comp 8 - Name | | | | | | | | |
| Rent Comp 9 - Name | | | | | | | | |
| Rent Comp 10 - Name | | | | | | | | |
| Market Average | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Appraisal Conclusion | | | | | | | | |

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

Medicaid

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

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

Independent Units

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

Rent Comparability Analysis

(Double click inside the Excel Tables to add information)

| Independent Living - Private Pay | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted | Unadjusted Rate | Adjusted |
|----------------------------------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
| Unit Type | Select | | Select | | Select | | Select | |
| Subject (Current Achieving) | | | | | | | | |
| Rent Comp 1 - Name | | | | | | | | |
| Rent Comp 2 - Name | | | | | | | | |
| Rent Comp 3 - Name | | | | | | | | |
| Rent Comp 4 - Name | | | | | | | | |
| Rent Comp 5 - Name | | | | | | | | |
| Rent Comp 6 - Name | | | | | | | | |
| Rent Comp 7 - Name | | | | | | | | |
| Rent Comp 8 - Name | | | | | | | | |
| Rent Comp 9 - Name | | | | | | | | |
| Rent Comp 10 - Name | | | | | | | | |
| Market Average | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Appraisal Conclusion | | | | | | | | |

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

Expenses – As Rehabilitated

Comparable Expense Data – As Rehabilitated

Expense Analysis –Comparables

(Double click inside the Excel Table to add information)

| Expense Comparables | Name, City, State | Name, City, State | Name, City, State | Name, City, State | Name, City, State | Appraiser's Conclusion | Lender's DSC Conclusion |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|-------------------------|
| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 | | |
| Expense Categories | | | | | | | |
| e.g. General & Administrative | | | | | | | |
| e.g. Payroll Taxes and Benefits | | | | | | | |
| e.g. Resident Care | | | | | | | |
| e.g. Food Services | | | | | | | |
| e.g. Activities | | | | | | | |
| e.g. Housekeeping & Laundry | | | | | | | |
| e.g. Maintenance | | | | | | | |
| e.g. Utilities | | | | | | | |
| e.g. Marketing and Promotion | | | | | | | |
| e.g. Insurance (property & liability) | | | | | | | |
| e.g. Bad Debt | | | | | | | |
| Other - Add rows as needed | | | | | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Real Estate (Property) Taxes | | | | | | | |
| Management Fees | | | | | | | |
| Replacement Reserves | | | | | | | |
| Total Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expense Percentage | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Effective Gross Income | | | | | | | |
| Net Operating Income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Occupancy | | | | | | | |
| Number of Resident Days | | | | | | | |
| Date of Expense Information | e.g. Jul-12 | | | | | | |

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

Net Operating Income – As Rehabilitated

<<Provide narrative discussion as necessary. Summarize and compare the NOI of the appraiser and the lender's NOI that incorporates all potential changes to incomes and expenses. Typically, the lender would explain here that the appraiser's "market" NOI was used for valuation and loan sizing based on value. The lender's NOI, which may vary from the

appraiser's due to ORCF requirements (e.g., specific reserve requirements, tax abatements that the appraiser was not allowed to recognize, or unusual management fees) will be used for loan sizing based on debt service coverage. >>

Capitalization Rate – As Rehabilitated

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

(Double click inside the Excel Table to add information)

| Capitalization Rate Summary | City | State | Cap Rate | Type of NOI | Private Pay % | Medi-care % | Medi-caid % | Date of Sale | Year Built | Occ. % | Source of Income |
|--|------|-------|----------|-------------|---------------|-------------|-------------|--------------|------------|--------|------------------|
| Cap Rate Comp 1 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 2 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 3 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 4 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 5 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 6 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 7 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 8 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 9 - Name | | | | Select | | | | | | | Select |
| Cap Rate Comp 10 - Name | | | | Select | | | | | | | Select |
| Comparable Total/Average | | | #DIV/0! | | | | | | | | |
| Compare to Appraiser's Conclusion for Subject | | | | Prospective | | | | | | | |

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

Sales Comparison Approach – As Rehabilitated

(Double click inside the Excel Table to add information)

| Summary of Comparable Sales | City | State | Sales Price | # of Units/Beds | Price Unadjusted | Price Adjusted | Year Built | Date of Sale |
|---------------------------------|------|-------|-------------|-----------------|------------------|----------------|------------|--------------|
| Sales Comp 1 - Name | | | | | #DIV/0! | | | |
| Sales Comp 2 - Name | | | | | #DIV/0! | | | |
| Sales Comp 3 - Name | | | | | #DIV/0! | | | |
| Sales Comp 4 - Name | | | | | #DIV/0! | | | |
| Sales Comp 5 - Name | | | | | #DIV/0! | | | |
| Sales Comp 6 - Name | | | | | #DIV/0! | | | |
| Sales Comp 7 - Name | | | | | #DIV/0! | | | |
| Sales Comp 8 - Name | | | | | #DIV/0! | | | |
| Sales Comp 9 - Name | | | | | #DIV/0! | | | |
| Sales Comp 10 - Name | | | | | #DIV/0! | | | |
| Comparable Total/Average | | | | | #DIV/0! | #DIV/0! | | |

Price per Unit/Bed – As Rehabilitated

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

adjustments made to the sales and which comparables best represent the subject facility. Additional analysis can be provided at the Lender's option to support its conclusion, as appropriate.>>

Effective Gross Income Multiplier (EGIM) – As Rehabilitated

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

Cost Approach – As Rehabilitated

Development Cost

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

Depreciation

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

Major Movable Equipment

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

Land Value

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

Reconciliation – As Is and As Rehabilitated

(Double click inside the Excel Table to add information)

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

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

Lender Modifications – As Proposed

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

Initial Operating Deficit

Note that existing operations may be considered in the prelease.

(Double click inside the Excel Table to add information)

| Unit type | # of Beds | UW Occupancy | # of Preleases | Avg. Month Absorptio |
|---------------------------|-----------|--------------|----------------|----------------------|
| Assisted Living | | | | |
| Memory Care | | | | |
| Skilled Nursing/Sub-Acute | | | | |
| Independent Living | | | | |
| Total | | | | |
| Months to breakeven | | | | |
| Initial Operating Deficit | | | | |

<< Use form 91128-ORCF to calculate the Initial Operating Deficit. Enter a summary above and a narrative explanation below as needed below.>>

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Has the lender revised the expense floors in the Form HUD-91128-ORCF Template? | <input type="checkbox"/> | <input type="checkbox"/> |

ALTA/ACSM Land Title Survey

Date: _____

Firm: _____

Key Questions

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

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

Title

Title Search

Date of search: _____

Firm: _____

File number: _____

Key Questions

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

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

Pro-forma Policy

Date/time: _____

Firm: _____

Policy number: _____

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the title vested in an entity or individual other than the proposed borrower? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there any covenants, encumbrances, liens, restrictions, or other exceptions indicated on Schedule B-1? | <input type="checkbox"/> | <input type="checkbox"/> |
| 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-required endorsements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any subordination agreements, encroachments or similar issues that require HUD’s approval? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are there any other matters requiring special consideration, agreements, or conditions that require HUD’s attention? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are there any easements, rights-of-way, encroachments, etc., identified on Schedules B-1 and B-2 that, in the lenders opinion, affect value or the marketability of the project? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion regarding the topic. For example, “**Additional Endorsements**: As described in the Risk Factors section of the narrative, the XXXX does not conform to the past or current zoning requirements. The lender recommends...>>

Environmental

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 in advance of the application submission.

Phase I Environmental Site Assessment

Date of inspection: _____

Firm: _____

Consultant: _____

- | | | | | | | | | | | | | | |
|--|---|------------|--------------------------|-----------|--------------------------|--|--------------------------|--|--------------------------|--|--------------------------|--|--------------------------|
| <p>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)?</p> <p>2. Was the Phase I consultant provided with an accurate description of all repairs, site work, construction and/or demolition to be completed?</p> <p>3. Does the Phase I investigation include all of the following? 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.</p> | <table border="0"> <tr> <td style="padding-right: 10px;">Yes</td> <td><input type="checkbox"/></td> <td style="padding-right: 10px;">No</td> <td><input type="checkbox"/></td> </tr> <tr> <td></td> <td><input type="checkbox"/></td> <td></td> <td><input type="checkbox"/></td> </tr> <tr> <td></td> <td><input type="checkbox"/></td> <td></td> <td><input type="checkbox"/></td> </tr> </table> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | | <input type="checkbox"/> | | <input type="checkbox"/> | | <input type="checkbox"/> | | <input type="checkbox"/> |
| Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | | | | | | | | | | |
| | <input type="checkbox"/> | | <input type="checkbox"/> | | | | | | | | | | |
| | <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 Exhibit A to the Firm Commitment? | <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.>>

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 construction scope of work? | <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.>> | | |

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. Noise: | | |
| 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"/> |
| 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"/> |

| | Yes | No |
|---|--------------------------|--------------------------|
| 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"/> |
| 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 to question 17) | <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 to question 18) | <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 | <input type="checkbox"/> | <input type="checkbox"/> |

| | Yes | No |
|--|--------------------------|--------------------------|
| on the FEMA website? If so, provide a copy of this map with the subject site marked on it. | | |
| 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 describing the risk and how it will be mitigated.>>

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 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 in advance of application submission.

Key Questions

Increases in Units or Beds

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Was a request for Tribal Consultation submitted to LeanThinking@hud.gov in advance of application submittal? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Was a site plan provided showing where site work, ground disturbance and/or digging will occur? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Was documentation provided showing that a Section 7 Endangered Species review was completed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 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"/> |
| 5. 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"/> |
| 6. 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"/> |

- | | Yes | No |
|---|--------------------------|--------------------------|
| a. If yes, was HUD contacted in advance to conduct an 8 step? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are there any current Aboveground Storage Tanks (ASTs) on or directly visible from the site? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Will any Aboveground Storage Tanks be added? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Was an ASD calculation or mitigation plan submitted for all current or proposed ASTs? (Note that a tank safety letter IS NOT sufficient for projects that are increasing in units or beds. Refer to Handbook chapter 7.5.F.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Was a HUD compliant noise analysis provided? | <input type="checkbox"/> | <input type="checkbox"/> |

State Historic Preservation Office (SHPO) Clearance

Program Guidance:

The lender may submit a Section 106 request to SHPO in order to expedite the process.

<<Provide narrative description indicating that the SHPO has been contacted, information sent to SHPO, and any response received.>>

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. >>

Flood Plain

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

<< 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)? (A project located in a FEMA-identified special flood hazard area, where the community has been suspended for or does not participate in the NFIP, is <u>not</u> eligible for mortgage insurance.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is 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)? (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.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. If located in a 100-year or 500-year floodplain, was the 8-step documentation not provided to LEANThinking@hud.gov in advance of application submission? | <input type="checkbox"/> N/A | <input type="checkbox"/> |

<<Provide a narrative discussion evaluating the floodplain exhibits.>>

Borrower

Name: _____
 State of organization: _____
 Date formed: _____
 Termination date: _____
 Fiscal year-end date: _____
 Ownership Start Date
 in this Project: _____

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the borrower 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 been delinquent on any federal debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is or has the borrower been a defendant in any suit or legal action? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Has the borrower ever filed for bankruptcy or made compromised settlements with creditors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there judgments recorded against the borrower? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any unsatisfied tax liens? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the single asset borrower 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"/> |
| 8. Does the single asset borrower entity fail to have at least one principal, with operational decision-making authority, as a United States citizen? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Program Guidance: Handbook 4232.1, Section II Production, Chapter 6.1.D, Foreign National and Corporate Entity Participation

Organization

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

Experience/Qualifications

<< Provide narrative description of principal’s experience with development, lease-up and operations of facilities similar to the proposed project in resident type, regulatory environment, size and complexity of project. Discussion should highlight direct experience and involvement in other transactions. Provide key operating metrics from initial lease-up to stabilization, including fill pace, occupancy and net operating income.>>

Credit History

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

Reporting Firm: _____

Score: _____

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

Key Questions

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

<<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:

Balance Sheet as of: _____

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the balance sheet missing any required information or schedules? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the balance sheet provided include financial data from assets or liabilities not related to owning and operating this facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Did your review and analysis of the balance sheet indicate any other material concerns or weaknesses that need to be addressed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there any debts on the balance sheet that will survive closing? | <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.>>

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 position of the entity.>>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The borrower is a single-asset entity registered in the state of XXX on {date}. It was formed solely to own and operate the subject project. The organizational documents have been

reviewed by counsel and comply with HUD requirements in order to participate as an acceptable borrower in this transaction.”>>

Principal of the Borrower – <<enter name of principal here>>

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

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is or has the principal of the borrower been delinquent on any federal debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is or has the principal of the borrower been a defendant in any suit or legal action? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Has the principal of the borrower ever filed for bankruptcy or made compromised settlements with creditors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there judgments recorded against the principal of the borrower? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there any unsatisfied tax liens against the principal of the borrower? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is this principal a principal of any other HUD-insured projects or principals of a project(s) applying for HUD insurance or TPA 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:>>

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

<<As applicable, please provide organization chart and narrative discussion.>>

Experience/Qualifications

Program Guidance: Handbook 4232.1, Section II Production, Chapter 2.5FF.

<<Provide narrative description of principal’s experience with development, lease-up and operations of facilities similar to the proposed project in resident type, regulatory environment, size and complexity of project. Discussion should highlight direct experience and involvement in other transactions. Provide key operating metrics from initial lease-up to stabilization, including fill pace, occupancy and net operating income.>>

Credit History

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

Reporting firm: _____

Score: _____

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

Key Questions

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

<<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/suits, or bankruptcy claims? (If so, a credit report must be obtained on the business concern.) | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| b. If so, was a credit report obtained on the business concern? | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 2. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 3. 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"/> |

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

Credit Reports for Other Business Concerns:

<<Provide narrative discussion on other business concerns. For example, “XXX identified XX other business concerns. The underwriter reviewed Dunn and Bradstreet credit reports for XX other business concerns identified by XXXX. {Discuss each report}. No reports indicated derogatory information that would prohibit XXXXX from participation in this loan transaction.>>

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

Financial Statements

– For Party(ies) Responsible for Financial Requirements for Closing and Beyond – <<enter name(s) of responsible party(ies) here>>

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

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

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

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

| Effective date (of HUD-92417) | Total assets | Net worth | Total liquidity (cash available) | Comments |
|----------------------------------|--------------|-----------|-------------------------------------|----------|
| | \$ | \$ | \$ | |

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 other facilities. The underwriter recommends this principal as an acceptable participant in this transaction.”>>

Operator

Name: _____
State of organization: _____
Date Formed: _____
Termination date: _____
Operator Start Date
for this Project: _____

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 intend to have shared expenses with other facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the operator intend to contract out nursing services, exclusive of temporary staffing, through an agency and/or contracting for ancillary services (e.g., therapies, pharmaceuticals)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 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"/> |

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

Organization

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

Experience/Qualifications

Program Guidance: Handbook 4232.1, Section II Production, Chapter 2.5FF.

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

Credit History

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

Reporting firm: _____

Score: _____

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

Key Questions

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

<<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: _____ <<dates for start and end of period>>

Fiscal year ending: _____ <<date – end of period>>

Fiscal year ending: _____ <<date – end of period>>

Fiscal year ending: _____ <<date – end of period>>

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Are less than 3-years of historical financial data available for the operator? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are the financial statements missing any required information or schedules? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do any of the financial statements indicate a loss prior to depreciation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do the Aging of Accounts Payable schedules show any material accounts payables (amount in excess of 5% effective gross income) over 90 days? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do the Aging of Accounts Receivable schedules show any material accounts receivables (amounts in excess of 2% of gross income) over 120 days? <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., | <input type="checkbox"/> | <input type="checkbox"/> |

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

General Review

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

Net Income Analysis

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

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

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

Conclusion

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

Parent of Operator (if applicable)

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

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

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. 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"/> |

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

Organization

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

Experience/Qualifications

Program Guidance: Handbook 4232.1, Section II Production, Chapter 2.5FF.

<<Provide narrative description of experience and qualifications. Discussion should highlight direct experience and involvement in other FHA transactions. This section should clearly demonstrate the expertise to successfully lease up a new facility and operate the facility.>>

Credit History

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

Reporting firm: _____

Score: _____

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

Key Questions

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

<<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? (If so, a credit report must be obtained on the business concern.) | <input type="checkbox"/> N/A | <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"/> |
| 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.>>

Credit Reports for Other Business Concerns:

<<Provide narrative discussion on other business concerns. For example, “XXX identified XX other business concerns. The underwriter reviewed Dunn and Bradstreet credit reports for XX other business concerns identified by XXXX. {Discuss each report}. No reports indicated derogatory information that would prohibit XXXXX from participation in this loan transaction.>>

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

Other Facilities Owned, Operated or Managed

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the parent of the operator own, operate, or manage any other facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| 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. Is the parent of the operator a participant in 50+ residential healthcare facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Does the parent of the operator carry <i>one</i> Professional Liability Insurance policy for its residential healthcare facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Does the parent of the operator carry <i>multiple</i> Professional Liability Insurance policies for its residential healthcare facilities? | <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 financial statements for the Parent of the Operator:

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

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Are less than 3-years of historical financial data available for the parent of 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 payables (amount in excess of 5% effective gross income) over 90 days? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed? | <input type="checkbox"/> | <input type="checkbox"/> |

<<If you answer “yes” to any of the above questions, please 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 risk to the subject. 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 3 fiscal years, as applicable.>>

Conclusion

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

Management Agent (if applicable)

Name: _____
 Management Agent
 Start Date in this
 Project: _____
 Relation to borrower: <<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? (If yes to any of these listed circumstances, the Key Question answer should be marked Yes and a narrative discussion is required 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 has been or will be mitigated.>>

Previous HUD Experience

| Project Name | Project City | Project State | Type of Facility |
|--------------|--------------|---------------|------------------|
| | | | |
| | | | |
| | | | |

Management Agent’s Duties and Responsibilities

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

Experience/Qualifications

Program Guidance: Handbook 4232.1, Section II Production, Chapter 2.5FF.

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

Credit History

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

Reporting firm: _____

Score: _____

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

Key Questions

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

report?

Yes No

<<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"/> |
| 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 Citations or 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"/> |
| | | Yes | No |
| 2. Does the management agent own, operate, or manage any other facilities? | | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims? | <input type="checkbox"/> 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 Citations or 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"/> |

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

Program Guidance: 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 | <input type="checkbox"/> | <input type="checkbox"/> |

| | Yes | No |
|--|--------------------------|--------------------------|
| misconduct? | | |
| 7. Is the Form HUD-9839-ORCF inconsistent with the Management Agreement? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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.”>>

General Contractor

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

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is or has the general contractor been delinquent on any federal debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is or has the general contractor been a defendant in any suit or legal action? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Has the general contractor ever filed for bankruptcy or made compromised settlements with creditors? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there judgments recorded against the general contractor? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there any unsatisfied tax liens? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is the general contractor a joint-venture? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. If the general contractor is a subsidiary of another entity, are they relying upon the parent to demonstrate financial capacity? (If yes, provide financial analysis of parent.) | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| 8. Did the third party architectural reviewer find the contractor to have insufficient experience? | <input type="checkbox"/> | <input type="checkbox"/> |

<<If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below.>>

Experience/Qualifications

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

Credit History

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

Reporting firm: _____

Score: _____

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

Key Questions

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

<<If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below.>>

Other Business Concerns

Key Questions

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

Yes No

indicate any material derogatory information?

N/A

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

Credit Reports for Other Business Concerns:

<<Provide narrative discussion on other business concerns. For example, “XXX identified XX other business concerns. The underwriter reviewed Dunn and Bradstreet credit reports for XX other business concerns identified by XXXX. {Discuss each report}. No reports indicated derogatory information that would prohibit XXXXX from participation in this loan transaction.>>

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

Financial Statements

The application includes the following General Contractor financial statements:

Year to date: <<dates for start and end of period>>

Fiscal year ending: <<date – end of period>>

Fiscal year ending: <<date – end of period>>

Fiscal year ending: <<date – end of period>>

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Are less than 3-years of historical financial data available for the general contractor? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are the financial statements missing any required information or schedules? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is there a pattern of significant downward income prior to depreciation over the years as demonstrated in the general contractor’s Income & Expense statements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do the Aging of Accounts Payable schedules show any material accounts payables (amount in excess of 5% effective gross income) over 90 days? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do the Aging of Accounts Receivable schedules show any material accounts receivables (amounts in excess of 2% of gross income) over 120 days? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the general contractor have less than the required 5% adjusted working | <input type="checkbox"/> | <input type="checkbox"/> |

Yes No

capital?

<<If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below. For example: Item 7 – Contractor has less than 5% working capital. Contractor may hypothecate fixed assets. The contractor has a sale pending on another building that they have constructed. Lender will provide evidence prior to closing that funds are available to meet the 5% working capital.>>

General Review

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

Working Capital Analysis

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

Example: XXXX current balance sheet is summarized below.

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

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

Example:

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

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

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

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

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

| | | |
|--|-----------|------------------|
| Current Assets | | 10,150,000 |
| Current Liabilities | | (7,911,000) |
| Working Capital | \$ | 2,239,000 |
| Working Capital for Other Work in Progress | | (422,379) |

| | |
|---|---------------------|
| Working Capital for planned SISTER Facility | (317,821) |
| Working Capital for Subject | (325,137) |
| Excess Working Capital | \$ 1,173,663 |

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

Conclusion

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

Operation of the Facility

Administrator

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

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

Subject’s State Surveys

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

3 Years of Survey Inspections

| Date of survey/inspection | Date state issued letter approving POC |
|---------------------------|--|
| | |

| | |
|--|--|
| | |
| | |

Key Questions

| | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do the state surveys identify any instances of actual harm and/or immediate jeopardy (during last 3 year period)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. 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 constitute a pattern of findings, or repetitive findings from survey to survey, resulting in repeat deficiencies and civil money penalties of \$XXX...”>>

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 rd 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.>>

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: _____

Current lease payment: _____

Major Movable Equipment

Current Ownership: _____ <<Borrower/Operator>>

Post Closing Ownership: _____ <<Borrower/Operator>>

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Will the facility be subleased (master lease)? | <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"/> |

Yes No

7. 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?

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

Lease Payment – During Rehabilitation Period<<Provide narrative explaining the terms of the lease and the payments to be made during the construction and/or rehabilitation.>>

Lease Payment – During Lease Up

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

Lease Payment Analysis – Stabilized, As Rehabilitated

The lease payments must be sufficient to (1) enable the borrower to meet debt service and impound requirements and (2) enable the operator to properly maintain the project and cover operating expenses. The minimum annual lease payment must be at least 1.05 times the sum of the annual principal, interest, mortgage insurance premium, reserve for replacement deposit, property insurance and property taxes.

The underwriter has prepared an analysis demonstrating the minimum annual lease payment.

| | |
|---------------------------------------|-----------|
| 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 | \$ |
| h Minimum annual lease payment | \$ |
| . | |

<<Compare the minimum annual lease payment to the current lease payment. If the lease payment needs to increase, add the following language: “The lease payment must be increased to \$XX per year (\$XX per month). The underwriter has included a special condition to the firm commitment requiring the lease payment be revised to meet or exceed this minimum.” If the lease payment does not need to increase, add the following language: “The current lease payment is sufficient. The recommended annual lease payment also provides the operator with an acceptable profit margin.”>>

Responsibilities

<<Provide a description of the responsibilities of the lessor and lessee under the terms of the lease with regard to the following: payment of real estate taxes, maintenance of building, capital improvements, replacement of equipment, property insurance, etc.>>

Master Lease

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. Are three or more projects (or two projects with an aggregate total mortgage loan amount greater than \$15 million) being submitted to HUD that are under common control or have the same ownership? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have projects under common control or with the same ownership applied for mortgage insurance or TPA within the <i>past</i> 18-months OR will projects under common control or with the same ownership apply for mortgage insurance or TPA within the <i>next</i> 18 months? | <input type="checkbox"/> N/A | <input type="checkbox"/> |
| 3. Is the parent of the operator the same for all of these projects? | <input type="checkbox"/> N/A | <input type="checkbox"/> |

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

| | 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).>>

Accounts Receivable (A/R) Financing

AR lender: _____
 AR borrower: _____
 Maximum loan amount: _____
 Current balance: _____
 Current maturity date: _____
 Interest Rate: _____

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the AR loan require any guarantees from the borrower, operator, 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 HUD-Insured 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 monitor the borrowing base on a daily/weekly/monthly basis? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Are 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 inconsistent 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 the AR borrowers accounts receivable up to 120 days):
2. Describe term and renewal options:
3. Describe the rate applied to the used and unused portion of the AR loan:
4. Other fees (i.e., financing fees, late payment fees, etc.):

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

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

Collateral/Security

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

Permitted Uses and Payment Priorities

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

Financial Analysis

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>>, that total \$ per year for the same assumed balance. An analysis of the operator’s 12 month trailing financial statement (Month 20XX – Month 20XX) is below:

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

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

<<If multiple FHA-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 Insurance Coverage

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

Name(s) 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: _____

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

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the insurance policy cover multiple properties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is less than 6 years of lost history available? | <input type="checkbox"/> | <input type="checkbox"/> |
| 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 operator and/or parent of the operator, are there any surveys/reports that have open G-level or higher citations outstanding? (As appropriate, provide a complete analysis of the surveys.) | <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"/> |

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

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

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

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

Lawsuits

<<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.>>

Commercial General Liability Insurance

<<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

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

Builder’s Risk

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

Fidelity Bond/Employee Dishonesty Coverage

Provide narrative discussion of fidelity bond / crime insurance coverage. For example: “A fidelity (crime) insurance with the limit of \$XX and \$XX deductible will be put into place prior to Permission to Occupy. The HUD requirement for at least two months **potential** gross income receipts would total \$XX.

Provide narrative discussion of fidelity bond / crime insurance coverage. For example: “A fidelity (crime) insurance with the limit of \$XX and \$XX deductible will be put into place prior to Permission to Occupy. The HUD requirement for at least two months **potential** gross income receipts would total \$XX.

Recommendation

<<Provide narrative recommendation regarding acceptability of professional and general liability insurance. For example: “The 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.”>>

Tax Credits

Program Guidance: If the proposed documents do not currently comply with the requirements, outline the differences, what changes are required, and how they are justified. Note that proposed changes to OMB form documents must go through the ORCF document change protocol. Also, documents previously negotiated Multifamily documents are not automatically approved for use in Section 232 transactions, and must receive specific ORCF approval for use.

Will the subject have tax credits? (If no, skip this section) Yes No

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Do the tax credits require the project to comply with an affordability restriction? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the lender have any concerns with the experience or financial strength of the proposed tax credit syndicator? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Will there be an equity bridge loan? | | |
| a. If there will be an equity bridge loan, will it be retired after final closing? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do the tax credit documents conflict with ORCF requirements in any way? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the proposed funding schedule depart from the guidelines set out in the handbook? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Does the funding schedule propose that any borrower funds required for completion of the project be escrowed after initial closing? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the funding schedule propose that any borrower funds escrowed for completion of the project be disbursed after mortgage proceeds are disbursed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Does the funding schedule propose that equity be contributed to construction draws according to any method other than a pro rata share? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Will there be a lack of funds needed to meet the borrower's cash contribution be in the transaction, and any equity bridge loan NOT be retired by final closing? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Mortgage Loan Determinants

Overview

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

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

Criterion C: Amount Based on Replacement Cost

The amount based on replacement cost limit is \$. This is based on a replacement cost of \$.

Criterion D: Amount Based on Loan-to-Value

The \$ value of improvement limit was calculated in accordance with HUD guidelines. This is based on a value of \$.

Criterion E: Amount Based on Debt Service Coverage

The \$ debt service limit was calculated using the underwritten NOI of \$.

Criterion F: Cost of Rehabilitation Plus

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

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

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

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

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

Existing Indebtedness

Program Guidance: Handbook 4232.1, Section II Production, 3.3.

<<For a **purchase**, this section should be titled "Purchase Price" and the information below should be replaced by an appropriate narrative section describing the pertinent terms of the purchase transaction, generally including: purchase price, itemization of costs to be paid by

seller, date of agreement and addendums, expiration date, date by which sale must occur, etc.>>

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

Schedule of Debt to Refinance

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

Key Questions

| | Yes | No |
|---|--------------------------|--------------------------|
| 1. Are there any debts on the borrower’s balance sheet or recorded against the property, other than the primary mortgage, that will survive closing? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are any of the debts to be paid off less than 2 years old? (If so, complete the Debt Seasoning Matrix below.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the borrower have any identities of interest with any of the existing lenders or note holders? (Refer to Section 232 Handbook, Section II, Production, Chapter 3.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Do any of the debts to be paid off have prepayment penalties or other significant cost associated with them? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is any of the existing debt cross-collateralized with other assets (pooled debt or master leased) or financed with a line of credit? (If yes, explain how you allocated the debt between the facilities cross-collateralized.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are delinquent real estate taxes or other liens included as eligible debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is unrecorded debt of or costs incurred in connect with the project included as eligible debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is Operator debt included as eligible debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Are reserves or escrows held by the current lender included as eligible debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Are Swap Fees included in the HUD-insured mortgage (as deemed eligible in the Section 232 Handbook, Section II, Production, Chapter 3)? | <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. >>

General Overview

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

Debt Seasoning Matrix

| <u>% of Existing Debt Used for Project Purposes</u> | <u>Requested FHA Loan Amount <= 60% LTV</u> | <u>Requested FHA Loan Amount 61% - 70% LTV</u> | <u>Requested FHA Loan Mount >=71% LTV</u> |
|--|---|---|---|
| <u>>50%</u> | <input type="checkbox"/> <u>Application may be submitted within 2 years</u> | <input type="checkbox"/> <u>Application may be submitted within 2 years</u> | <input type="checkbox"/> <u>2 year seasoning required</u> |
| <u><=50%</u> | <input type="checkbox"/> <u>Application may be submitted within 2 years</u> | <input type="checkbox"/> <u>2 year seasoning required</u> | <input type="checkbox"/> <u>2 year seasoning required</u> |

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.

Other Fees

A total of \$ in third-party report fees has been included in the mortgage calculation and the fees include .

HUD Fees

<<This section pertains to the transaction cost calculation and may not match the actual fees in the source and use.>>

The HUD fees total \$ and are comprised of MIP totaling % of the mortgage amount (\$); the HUD application fee totaling 0.3% of the mortgage amount (\$); and, the HUD inspection fee (\$). <<i.e., 0.0050 x Total Structures on the Form HUD 92264a-ORCF.>>

Financing Fees

<<This section pertains to the transaction cost calculation and may not match the actual fees in the sources and uses chart. >>

The financing fees payable to the lender total \$. The total is made up of a fee of 1.00% of

the mortgage amount (\$)); plus fixed lender fees totaling \$. In total, the fees payable to the lender represent % of the mortgage amount.

A broker <<select one>> is / is not involved in this transaction. The broker fee is \$ and will be paid by , using <<select one>> mortgaged / non-mortgaged funds.

Sources & Uses – Copied From HUD 92264a-ORCF

Program Guidance: *In the case of tax credit transactions, the individual sources must be spelled out, as well as any non-mortgageable costs. Details regarding the requirements of those sources and uses should be discussed in the tax credit section, or under Secondary Sources, as applicable.*

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

Secondary Sources

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

| Source | Entity Receiving Funds | Public or Private | % of Equity Coverage | % FMV | Non-mortgageable costs? |
|--------|------------------------|-------------------|----------------------|-------|-------------------------|
| | | | | | |
| | | | | | |

Surviving Debt

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

Other Uses

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

Circumstances that May Require Additional Information

In addition to the information required in this narrative, depending upon the facility for which mortgage insurance is to be provided, the mortgagor, operator, management agent and such other parties involved in the operation of the facility, current economic conditions, or other factors or conditions as identified by HUD, HUD may require additional information from the lender to accurately determine the strengths and weaknesses of the transaction. If additional information is required, the questions will be included in an appendix that accompanies the narrative.

Special Commitment Conditions

<<List any recommended special conditions. If none, state "None.">>

- 1.
- 2.

Conclusion

<<Provide narrative conclusion and recommendation.>>

Signatures

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

Lender: _____

HUD Mortgagee/Lender No.: _____

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

<<Name>>

<<Title>>

<<Phone>>

<<Email>>

<<Name>>

<<Title>>

<<Phone>>

<<Email>>

This report was reviewed and the Date
site inspected by:

<<Name>>

<<*Title*>>
<<*Phone*>>
<<*Email*>>