

**Lender Narrative –
Loan/Note Modification
Section 232**

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

OMB Approval No. 2502-0605
(exp. 03/31/2018)

Public reporting burden for this collection of information is estimated to average 1.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation that must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number.

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

Executive Summary

Project Name: _____

Project Address: _____

City / State / Zip: _____

FHA Number: _____

Type of Facility:	<input type="checkbox"/>	Skilled Nursing:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Assisted Living:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Board & Care:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Dementia Care:	<input type="text"/>	beds	<input type="text"/>	units
	<input type="checkbox"/>	Independent:	<input type="text"/>	beds	<input type="text"/>	units
Totals:			<input type="text"/>	beds	<input type="text"/>	Units

Current Loan Amount (if previously modified, use numbers from the most recent modification)	\$		Estimated Unpaid Principal Balance at time of Loan Modification Date:	\$
Maturity Date:			Proposed Modified Loan Amount:	\$
Current Loan Term:			Proposed Loan Term:	
Current Occupancy:	%		Expected Date of Loan Modification Transaction:	
Current Interest Rate:	%		Proposed Interest Rate:	%
Current Monthly P&I	\$		Proposed Monthly P&I	\$
Current Monthly MIP	\$		Proposed Monthly MIP	\$
Current MIP Rate:	%		Proposed MIP Rate must remain the same	%
Current Monthly Payment w/MIP:	\$		Proposed Monthly Payment w/MIP:	\$
Current DSC:			Proposed DSC:	

Note: The executive summary should compare the current loan terms to the proposed loan terms after the modification. If the loan has been modified previously, use the loan terms from the most recent modification in the table above, and provide a summary of the loan details from the original loan and any other previous loan modifications below. Do not change the format of the Executive Summary.

General Qualifications of Transaction

Key Questions

	Yes	No
1. Is the FHA-insured loan currently delinquent or in default?.....	<input type="checkbox"/>	<input type="checkbox"/>
2. Are there any changes to the note contemplated besides the change in the interest rate, principal and interest payment amounts, and new lock out/prepayment penalties?.....	<input type="checkbox"/>	<input type="checkbox"/>
3. Will the loan modification extend the term/maturity date of the existing FHA-insured loan?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is the project currently subject to a prepayment lockout?	<input type="checkbox"/>	<input type="checkbox"/>
5. Have there been any changes to the Mortgagor, Operator, or their agents since the most recent FHA-insured loan transaction or HUD-approved loan modification?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have there been any assignments of the FHA-insured loan since the most recent FHA Insured loan transaction or HUD-approved loan modification transaction?	<input type="checkbox"/>	<input type="checkbox"/>
7. Will the FHA-insured loan be assigned to a new lender as part of the loan modification transaction?	<input type="checkbox"/>	<input type="checkbox"/>
8. Will any prepayment penalties be waived/forgiven?	<input type="checkbox"/>	<input type="checkbox"/>
9. If this loan is in a GNMA pool, are there any issues that must be addressed from the GNMA Guidance letter?N/A	<input type="checkbox"/>	<input type="checkbox"/>
10. Is this facility a nursing home that is listed as partially or not sprinkled on the Medicare website?	<input type="checkbox"/>	<input type="checkbox"/>
11. Is the debt service coverage ratio after the loan modification below 1.11?	<input type="checkbox"/>	<input type="checkbox"/>
12. If there is expected to be an interest rate premium generated with this transaction, will any portion that does not go to the lender be used to cover anything other than the prepayment penalty or a deposit into the Reserve for Replacement account?N/A	<input type="checkbox"/>	<input type="checkbox"/>
13. Is the Mortgagor or the Operator (or any of their affiliates, renamed, or reformulated companies) currently in, filed for, or emerged from bankruptcy within the last five (5) years?	<input type="checkbox"/>	<input type="checkbox"/>
14. Has the loan been modified previously?	<input type="checkbox"/>	<input type="checkbox"/>
15. Have there been any intervening liens or encumbrances filed/recorded since the most recent FHA-insured loan transaction or HUD-approved loan modification transaction?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, please describe how the proposed modification is acceptable or how the issue is being addressed. If the loan has been modified previously, describe the payment, interest rate, and term (months) for original loan term and the for any previous modification(s). Identify the risk factors; analyze and clarify how they are mitigated (e.g., declining occupancy, reimbursement issues, etc.). Explain, in detail, the causes of low debt service coverage for all deals with proposed DSCR below 1.11.>>

Other Risk Factors Identified by Lender:

Additionally, the lender has identified the following risk factors:

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

Quality of Care

CMS Rating

	Overall	Health	Nursing	Quality
# of stars:				

<<If quality of care as indicated above is an issue, enter comments here on how this is being addressed. If acceptable, simply enter "Acceptable." If not applicable, enter "Not Applicable.">>

Investor Prepayment Approval

<<If investor approval is required, make an affirmative statement confirming that the investor has approved the prepayment of the existing loan or address any issues related to this.>>

Net Operating Income Analysis

<<Provide a brief description of any comments you have related to the underwritten NOI. If you are using an underwritten NOI that differs from the trailing 12-month NOI, explain any adjustments to income and expenses.>>

Trailing 12-Month NOI	
Effective Gross Income:	\$
Expenses:	\$
Replacement Reserves:	\$
Net Operating Income:	\$

Underwritten NOI with Proposed Modification	
Effective Gross Income:	\$
Expenses:	\$
Replacement Reserves:	\$
Net Operating Income:	\$

Note Modification Costs

The following costs cannot be paid from trade premium: Borrower legal fees, organizational costs, and third-party reports costs (e.g., PCNA). Any portion of the trade premium that is not retained by Lender or applied to Lender costs (e.g., Lender legal fees) or title and recording costs may be used to defray the prepayment premium on the existing GNMA Securities, with any remaining balance to be contributed to the reserve for replacement.

Prepayment Penalties

<<Describe any prepayment penalties associated with the note modification. Include the amount and explain how it is calculated. If none state "None." If borrower cash is proposed to pay modification transaction costs, confirm that project operating funds will not be the source of borrower cash.>>

Replacement Reserve Deposit

A PCNA ☐ was ☐ was not performed in conjunction with this transaction.

The existing replacement reserves account has a balance of \$ or \$ per unit. The anticipated balance in the replacement reserves account at closing of this transaction will be \$ or \$ per unit, which ☐ does ☐ does not exceed the \$1,000 minimum balance per unit. <<If the estimated balance per unit at closing of this transaction is below the \$1,000 minimum balance, please describe why this is acceptable.>>

The current annual replacement reserve deposit is \$. The annual replacement reserve deposit after the closing of this transaction will be \$.

Repairs/improvements associated with this transaction equal \$. <<If there are repairs, provide a description of each repair and its estimated cost.>>

Legal and Organizational Costs

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

Title and Recording Fees

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

Lender Fees

The financing fees payable to the lender are estimated to total \$. These fees are further broken down as follows:

Lender	Amount
Lender Financing Fee	\$
Lender Legal Fee	\$
GNMA Commitment Fee	\$
Permanent Placement Fee	\$
Lender Closing Fee	\$
Other - <<Identify.>	\$
Total:	\$

Other Fees

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

Sources & Uses

<<Provide a statement of **Sources and Uses** estimating the costs for the loan modification. Include all costs and sources of funds. Use the format provided; you may add or delete rows and change categories as needed.>>

SOURCES:	Modified HUD Insured Loan	\$
	Existing Replacement Reserves to Transfer	\$
	Borrower Cash Contribution	\$
	Interest Rate Premium	\$
	Other: <<Describe>>	\$
	Other: <<Describe>>	\$
	TOTAL	\$

USES:	UPB of Loan Being Modified	\$
	Final Month's Principal	\$
	Final Month's Interest	\$
	Prepayment Penalty	\$
	Existing Replacement Reserves to Transfer	\$
	Additional Deposit to Replacement Reserves	\$
	Estimate of Repair Cost (Critical, Non-Critical and Borrower-Elected)	\$
	PCNA	\$
	Financing Fee	\$
	Permanent Placement Fee	\$
	GNMA Fee	\$
	Lender Closing Fee	\$
	Payoff Processing Fee	\$
	Lender Legal	\$
	Borrower Legal	\$
	Title & Recording	\$
	Additional Other Fees (Describe)	\$
	Other: <<Describe>>	\$
	Other: <<Describe>>	\$
	TOTAL	\$

Proposed Conditions of Approval Letter

<<List any recommended conditions for HUD's approval letter for this Note Modification. If none, state "None.">>

1. <<List special conditions here>>
2. <<List special conditions here>>

Addenda

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

☐
☐

PCNA, HUD-9001a-ORCF
Repair List

If PCNA is required submission.

Circumstances that May Require Additional Information

In addition to the information required in this narrative, 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.

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. Lender further acknowledges that any material changes to this transaction subsequent to the submission date may void this transaction in its entirety. This instrument has been made, presented, and delivered for the purpose of influencing an official action of HUD 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>>

Note: At least one signatory certifying above must be a HUD-Approved Section 232