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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.

Project Name: _____ FHA Project Number: _____

THIS BUILDING LOAN AGREEMENT, made this _____ day of _____ 20_____, by and between _____ [BORROWER], a _____ [ENTITY DESCRIPTION] organized and existing under the laws of _____ with an office and place of business in _____ [BORROWER'S ADDRESS], _____ [CITY], County of _____, and State of _____ ("Borrower"), and _____ [LENDER], a _____ [ENTITY DESCRIPTION] organized and existing under the laws of _____, having an office and place of business at _____ [LENDER'S ADDRESS], _____ [CITY], County of _____ and State of _____ ("Lender"). [The definition of any capitalized term or word used herein can be found in this Building Loan Agreement, the Regulatory Agreement between Borrower and the U.S. Department of Housing and Urban Development ("HUD"), the Note, and/or the Security Instrument (as each term is defined below), except that the term "Program Obligations" means (1) all applicable statutes and any regulations issued by the Secretary pursuant thereto that apply to the Project, including all amendments to such statutes and regulations, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and (2) all current requirements in HUD handbooks and guides, notices, and mortgagee letters that apply to the Project, and all future updates, changes and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes and amendments shall be applicable to the Project only to the extent that they interpret, clarify and implement terms in this Building Loan Agreement rather than add or delete provisions from such document. Handbooks, guides, notices, and mortgagee letters are available on HUD's official website: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips or a successor location to that site.

WHEREAS, Borrower, as the owner in fee simple of, or the owner of the leasehold estate in, the land ("Land") described in Exhibit A attached to the **Security Instrument**, which Exhibit A is also attached hereto and incorporated herein by reference, has obtained a commitment from Lender for a Loan of _____ Dollars (\$_____), and as set forth in paragraph 1 below, to aid Borrower in the construction or rehabilitation on said Land of a Project, including off-

site improvements, if any (identified above as FHA Project Number: _____), in accordance with Drawings and Specifications hereinafter referred to, and

WHEREAS, Borrower understands that Lender has received a Firm Commitment from HUD for insurance of said Loan under the provisions of the National Housing Act, as amended, and intends upon execution of the hereinafter mentioned Note and Security Instrument to have the Note endorsed for insurance by HUD. (HUD is not making the Loan.)

NOW, THEREFORE, in consideration of the mutual promises hereinafter set out and of other valuable consideration, the receipt of which is hereby acknowledged, the undersigned agree as follows:

- (1) Lender shall make and Borrower shall obtain a loan (hereinafter called the "Loan") in the principal sum of _____ Dollars (\$ _____) to be advanced as hereinafter provided, and to bear interest from the date of each advance at the rate of _____ percent (_____%) per annum, to be used as set forth in paragraph 5 below. The Loan shall be evidenced by a Hospital Facility Note (hereinafter called the "**Note**") dated _____ 20 _____. The Note shall be payable in monthly installments, and shall have a maturity date of _____, 20 _____. The Note shall be executed by Borrower and be payable to Lender, or order, and shall be secured by a certain Hospital [Mortgage, Deed of Trust, Deed to Secure Debt, Security Deed or Other Designation as Appropriate in Jurisdiction], Assignment of Leases, Rents and Revenue and Security Agreement (hereinafter called the "**Security Instrument**") (HUD-94000-OHF), of even date, on the Land described in the Security Instrument (**Exhibit A**). The Security Instrument shall constitute a valid first lien on said Land, the Improvements to be erected thereon, and the only lien thereon except for liens for taxes and assessments not yet payable and other subordinate liens acceptable to Lender and HUD. Lender shall not advance any Loan funds until Borrower and Lender have submitted to HUD documents required by this Building Loan Agreement and the Firm Commitment to insure advances, and not until HUD has completed the initial endorsement of the Note.
- (2) Borrower shall complete, on the Land, by _____ 20 ____, a Project and the required off-site improvements, if any, in accordance with drawings and specifications filed with HUD, dated (mm/dd/yyyy) _____, last revised (mm/dd/yyyy) _____ ("Drawings and Specifications") and designated as _____ [NAME OF HOSPITAL], FHA Project No. _____, Such Drawings and Specifications, which include General Conditions of the Contract for Construction, AIA Document A201 – _____ { **Insert year of current edition** } ("**General Conditions**") and the Supplementary Conditions of the Contract for Construction (HUD-92554-OHF, have been initialed by Borrower, the architect administering the Construction Contract ("**Architect**"), the contractor for the improvements ("**Contractor**"), and the Contractor's surety or guarantor (if applicable).
- (3) Changes in the Drawings and Specifications, or changes to the scope of work contemplated, or change orders for extra work, or work which changes the design concept, must receive the prior written approval of the Architect. In addition, any such change or order may be effected only with the prior written approval of Lender and HUD and under such conditions as either Lender or HUD may establish.
- (4) (a) Borrower shall make monthly applications on form [HUD-92403-OHF for Application for Advances of Mortgage Proceeds from Lender] and/or [HUD-92464-OHF Request for Approval of Advance of Escrow Funds]. Applications for advances with respect to construction items shall be for amounts equal

to (i) the total value of classes of the work acceptably completed; plus (ii) the value of materials and equipment not incorporated in the work, but delivered to and suitably stored at the site, plus (iii) the value of components stored off-site in compliance with Program Obligations; less (iv) ten percent (10 %) (“Holdback”) [as this percentage may be reduced in accordance with Program Obligations or as required by State law] and (v) less prior advances. Each application shall be filed at least twenty-five (25) days before the date the advance is desired, and Borrower shall be entitled thereon only to such amount as may be approved by Lender and HUD, pursuant to Program Obligations. For Commitments providing insurance of advances, Borrower shall make reasonable efforts as to matters within its control to obtain the Final Endorsement of the Note by HUD within _____ months of Substantial Completion. Borrower shall not be deemed to be in default if such Final Endorsement is not made due to matters which are beyond the control of Borrower.

- (b) Borrower shall furnish HUD Office of Hospital Facilities and Office of Architecture and Engineering and Lender with a report, within forty (40) days of the close of each fiscal quarter, addressing:
 - (i) The progress of construction;
 - (ii) Adherence to the construction budget and the projected schedule; and
 - (iii) Unanticipated issues encountered during construction (including project scope change, change orders and/or cost overruns), and how the issues will be resolved.
- (c) Upon completion of the Improvements, including all landscape requirements, off-site utilities and streets, and any incomplete construction work as described in the Escrow Agreement for Incomplete Construction (HUD 92456-OHF), Borrower shall furnish to Lender and HUD satisfactory evidence that all work requiring inspection by the Property Jurisdiction has been duly inspected and approved by such authorities and by the rating or inspection organization, bureau, association or office having jurisdiction; and that all requisite certificates of occupancy and other approvals to own and operate the Project have been issued. The balance due Borrower hereunder shall be payable at such time after completion as HUD authorizes the release of the final advance, including the Holdback. However, Lender may withhold final payment until after the expiration of any period that mechanics and materialmen may have for filing liens.
- (d) The Borrower agrees that any funds required for the completion of the Project over and above the proceeds of the Loan which have been deposited with the Lender for that purpose shall be advanced by the Lender to the Borrower in accordance with Program Obligations.
- (e) Borrower covenants that it shall hold in trust each advance hereunder for application to the items for which such advance was requested and approved.
- (f) Except as otherwise provided in Program Obligations, Borrower agrees that the Loan shall at all times remain in balance. Lender shall, in accordance with the provisions of this Building Loan Agreement, continue to advance to Borrower funds out of the proceeds of the Loan upon insurance thereof by HUD, as long as the Loan remains in balance and Borrower is not in default hereunder or under the Note or Security Instrument. The Loan shall be deemed to be in balance only when the undistributed proceeds of the Loan (after provision for reserves, fees, expenses and other deposits required by the Lender or HUD) equal or exceed the amount necessary (based on the HUD's estimate of the cost of construction, as stated in the Firm Commitment) to pay for all work completed and all materials delivered, for which payment has not been made, and the cost of completing construction of the Project in accordance with the Drawings and Specifications.

- (g) Holdback requirement for the purposes of this Section is defined as the withholding of 10% [or such lower maximum dictated by State law] on the entire request by the Project Manager for the (a) fee for services performed; (b) cost of the work performed; and (c) reimbursement of General Conditions items. Holdback will be withheld up to 50% of the Guaranteed Maximum Price established in the Construction Management Agreement between Borrower and _____ ("Project Manager"), on a cumulative basis. Thereafter, with the approval of the Borrower, the Lender, the architect for the Project (i.e., _____), HUD, and the surety company providing payment and performance bonds for the Project (i.e., _____), no further Holdback may be required on the balance.
- (5) Lender shall advance to Borrower out of the funds referred to in (4)(d) above, or out of the proceeds of the Loan, amounts for application to the charges or items set forth in the [Uses of Funds List attached hereto as (Exhibit B)], [Escrow Agreement for Limited Rehabilitation, Section 242/223(f), Form HUD-92476A-OHF] [HUD-92476-OHF Escrow Agreement for Deferred Work], but only to the extent that such charges have accrued, or that Borrower is otherwise entitled to payment on account of such items.
- (6) Borrower shall cause either this instrument, waiver of liens or the Construction Contract under which the Improvements are to be erected (or a memorandum thereof) to be filed in the public records, if the effect thereof shall be to relieve the Mortgaged Property from mechanics' and/or materialmen's liens. Before any advance hereunder, Lender may require Borrower to obtain from the Contractor and all subcontractors and materialmen dealing directly with the principal Contractor acknowledgments of payment and releases of lien down to the date covered by the last advance, and concurrently with the final payment for the entire Project. Such acknowledgments and releases shall be in the form required by local lien laws and shall cover all work done, labor performed and materials (including equipment and fixtures) furnished for the Project.
- (7) Borrower shall, as a condition precedent to the first advance hereunder, furnish Lender with a signed, sealed and certified, current survey of the Mortgaged Property and a Lender's title insurance policy (or other evidence of title) in form, substance and amount satisfactory to Lender and HUD. Said policy (or other title evidence) shall be endorsed so as to cover each and every advance of said Loan at the time of payment thereof and shall show no mechanics' or materialmen's liens against the Mortgaged Property. Borrower shall furnish duplicate originals of said survey and title policy (or title evidence) to HUD.
- (8) Borrower agrees that the Project shall be constructed strictly in accordance with all applicable ordinances and statutes, and in accordance with the requirements of all regulatory authorities, and any rating or inspection organization, bureau, association or office having jurisdiction. Borrower further agrees that the Project shall be constructed in accordance with the Drawings and Specifications (including any drawings and specifications for off-site improvements) and shall not encroach upon any easement or right-of-way, or the land of others; and that the buildings when erected shall be wholly within the building restriction lines however established, and shall not violate applicable use or other restrictions contained in prior conveyances, zoning ordinances or regulations. Borrower shall furnish from time to time such evidence with respect thereto as may be required by Lender or HUD and, upon completion of construction, shall furnish a survey, signed, sealed and certified by a registered surveyor that shows the Project to be entirely on the Land, except for off-site improvements approved by Lender and HUD, and to be free from any such violations.
- (9) The Borrower shall have defaulted under this Building Loan Agreement, if, at any time prior to the completion of construction: (a) it ceases work on the Project for a period of more than twenty (20) consecutive days; (b) it fails to complete the erection of the Project in accordance with the Drawings and

Specifications within the time period permitted hereunder, as such time period may be extended with the consent of Lender and HUD; (c) it makes changes in the Drawings and Specifications without first securing the written approval required by paragraph 3 hereof; (d) it otherwise fails to comply with the terms of this Building Loan Agreement without first obtaining the written approval of HUD; or (e) an Event of Default occurs under the Security Instrument. In the event of any such default under this Building Loan Agreement, Lender may, at its option, terminate this Building Loan Agreement or terminate its obligation to make further advances under this Building Loan Agreement; in either such event Lender may use and apply any funds deposited with it by Borrower, regardless of the purpose for which such funds were deposited, in such manner and for such purposes as HUD may prescribe. Regardless of whether Lender elects to terminate this Building Loan Agreement or its obligation to make further advances as a result of default under this Building Loan Agreement, it may enter into possession of the premises and perform any and all work and labor necessary to complete the Improvements substantially in accordance with the Drawings and Specifications (with such changes as may be approved in writing by HUD), and employ watchmen to protect the premises from injury. All sums so expended by Lender shall be deemed to have been paid to Borrower and secured by the Security Instrument. For this purpose Borrower hereby constitutes and appoints Lender its true and lawful attorney-in-fact, with full power of substitution in the premises, to complete the Project in the name of Borrower. Borrower hereby empowers said attorney as follows: (a) to use any funds of Borrower, including any balance that may be held in escrow and any funds that may remain unadvanced hereunder for the purpose of completing the Project in the manner called for by the Drawings and Specifications (with such changes as may be approved in writing by HUD); (b) to make such additions, changes and corrections in the Drawings and Specifications (with written HUD approval) as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Drawings and Specifications; (c) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purposes; (d) to pay, settle or compromise all existing bills and claims that may be liens against the Mortgaged Property, or as may be necessary or desirable for the completion of the Project, or for clearance of title; (e) to execute all applications and certificates in the name of Borrower that may be required by any of the contract documents; (f) to prosecute and defend all actions or proceedings in connection with the Mortgaged Property or the construction of the Project and to take such action and require such performance as it deems necessary under the accepted guaranty of completion; and (g) to do any and every act that Borrower might do in its own behalf. It is further understood and agreed that this power of attorney, which shall be deemed to be a power coupled with an interest, cannot be revoked. Borrower hereby assigns and quitclaims to Lender all sums unadvanced under the Security Instrument and all sums held by Lender and due in escrow conditioned upon the use of said sums for the completion of the Project, such assignment to become effective only in case of a default by Borrower.

- (10) Borrower shall provide or cause to be provided workers compensation insurance and public liability and other insurance required by applicable law, by the general conditions included in the Drawings and Specifications or by the Security Instrument. Borrower further agrees to purchase and maintain fire insurance and extended coverage on the Mortgaged Property. All such policies shall be issued by companies approved by Lender and shall be in form and amounts satisfactory to Lender and HUD. Such policies shall be endorsed with standard Lender clauses making loss payable to Lender, its successors and assigns; and may be endorsed to make loss during construction payable to the Contractor, as its interest appears. Lender shall have the right to hold the original policies or duplicate original policies.
- (11) Lender and its agents and HUD and its agents shall, at all times during construction, have the right of entry and free access to the Project and the right to inspect all work done, and materials, equipment, building components and fixtures furnished, installed or stored either on the Land or offsite, and to inspect all books, subcontracts and records of Borrower. Lender and HUD have no obligation to make any such inspections. Any and all such inspections by the Lender or its agents shall solely be for the benefit of Lender and HUD.

Any and all inspections by HUD or its agents shall solely be for the benefit of HUD. Neither Borrower nor any third party shall have any claims against the Lender, HUD or their respective agents as a result of such inspections. Neither HUD, nor the Lender, nor any of their respective agents assumes any obligation of the Borrower or any other person or entity with respect to the quality of construction of the Project, compliance of said construction with the Drawings and Specifications or any defects in said construction.

- (12) Borrower shall execute and deliver to Lender a security agreement and financing statements, or other similar instrument, covering the UCC Collateral.
- (13) Borrower shall furnish to Lender assurance of completion of the Project in the form specified by HUD. Such assurance of completion shall run to Lender as obligee and shall contain a provision granting to Lender the authority to assign all rights thereunder to HUD.
- (14) [Consult Program Obligations for applicability of these provision to Section 223(f) and Section 241(a) loans]
 - (a) Borrower understands that the wages to be paid laborers and mechanics employed in the construction of the Project are required by the provisions of Section 212(a) of the National Housing Act, as amended, to be not less than the wages prevailing in the locality in which the work shall be performed for corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor pursuant to the Davis-Bacon Act and as published in the applicable prevailing wage determination. Borrower hereby states that it has read the determination by the Secretary of Labor and is fully familiar with the same.
 - (b) Borrower shall, as a condition precedent to any advance hereunder, submit to Lender (i) with each application for advance prior to the final application, certifications, in form approved by HUD, that all laborers and mechanics employed in the construction of the Project whose work is covered by that or any previous application and who have been paid in whole or in part on account of said employment, have been paid at rates not less those contained in the applicable prevailing wage determination; and (ii) with the final application for advance, certifications in form satisfactory to HUD, that the Project has been fully constructed in accordance with the provisions of this Building Loan Agreement and that all laborers and mechanics employed in the construction of the Project have been paid not less than the said prevailing wage rates. The applicable prevailing wage determination shall be construed to include every amendment to or modification of the determination that may be published prior to the beginning of construction or day the Note is initially endorsed for insurance, whichever occurs first; provided, that if construction has not begun within ninety (90) days after initial endorsement of the Note, the applicable prevailing wage determination shall include any modification of the determination that may be published prior to the beginning of construction.
 - (c) Borrower agrees that should any advances hereunder be ineligible for insurance under the National Housing Act, as amended, by reason of (i) the nonpayment of the said prevailing wage rates, or (ii) violation of any of the applicable labor standards provisions of the Regulations of the Secretary of Labor, Lender may withhold from Borrower all payments or advances payable to Borrower hereunder until Borrower establishes to the satisfaction of HUD that all laborers and mechanics or other persons employed in the construction of the Project have been paid said prevailing wage rates and that such violation of said Labor Standards provisions no longer exists. The written statement of any authorized agent of HUD declining to insure any advance of funds hereunder by reason of such nonpayment or violation shall be deemed conclusive proof that such advances are ineligible for mortgage insurance.

- (d) In accordance with Article 1 of the Supplementary Conditions of the Contract for Construction (HUD 92554-OHF), Borrower shall insert the labor standards provisions thereof in any contract made for the construction of the Project, or any part thereof, and shall require the Contractor to insert similar provisions in each subcontract relating to the construction of the Project.
- (15) Lender and Borrower agree that the Loan may be reduced by the Commissioner pursuant to 24 CFR § 242.43 (not applicable to 223(f) or 223(a)(7) transactions).
- (16) Borrower shall furnish such records, papers and documents relating to the Project as Lender or HUD may reasonably require from time to time.
- (17) Borrower shall not transfer, assign or pledge any right or interest in, or title to, any funds deposited by Borrower with Lender, or reserved by Lender for Borrower, without the prior written approval of Lender and HUD.
- (18) As used in this instrument, the term **“Lender”** means the entity identified as "Lender" in the first paragraph of the Security Instrument, or any subsequent holder of the Note, and whenever the term “Lender” is used herein, the same shall be deemed to include the Obligee, or the Trustee(s) and the Beneficiary of the Security Instrument and shall also be deemed to be the mortgagee as defined by Program Obligations. This Building Loan Agreement shall be binding upon the parties hereto and their respective successors and assigns.
- (19) HUD is not a party to this Building Loan Agreement and has no obligation to Borrower or Lender pursuant to this Building Loan Agreement. HUD, pursuant to the Contract of Insurance, has reserved the right to approve or disapprove certain actions in this Building Loan Agreement to protect the mortgage insurance fund.
- (20) To the extent not inconsistent with applicable State law, Borrower’s liability under the Building Loan Agreement shall be limited to the same extent as set forth in the Note.
- (21) No waiver by the Lender of any default under this Building Loan Agreement will be effective unless such waiver is in writing and signed by the Lender and HUD. No waiver by the Lender of any default under this Building Loan Agreement will operate as a waiver of any other default or of the same default on a future occasion. The Lender may delay in exercising or omit to exercise any right or remedy available under this Building Loan Agreement or any other loan document or by law or equity provided without waiving that or any past, present or future remedy. All rights and remedies of the Lender in this Building Loan Agreement and the other loan documents are cumulative, and none of these rights or remedies are exclusive of any other right or remedy allowed at law or in equity or in any other loan document, and all of these rights and remedies may be exercised and enforced concurrently.
- (22) This Building Loan Agreement and the other loan documents represent the entire agreement between the Lender and the Borrower with respect to the subject matter of this Building Loan Agreement and supersede all previous agreements, negotiations, and understandings with respect to the subject matter of this Building Loan Agreement. Neither this Building Loan Agreement nor any of the other loan documents may be amended, altered or changed other than in writing signed by the Lender and the Borrower.
- (23) Upon assignment by Lender of its interest under this Building Loan Agreement, Lender shall automatically be released from any and all obligations under this Building Loan Agreement that arise after the date of assignment and Borrower shall look solely to the assignee of this Building Loan Agreement for the enforcement of any of Borrower’s rights hereunder.

(24) BORROWER AND LENDER EACH (a) AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BUILDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES AS LENDER AND BORROWER THAT IS TRIABLE OF RIGHT BY A JURY AND (b) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. Each signatory to the attached signature page(s) hereby certifies that each of their statements and representations contained in this Building Loan Agreement and all their supporting documentation thereto are true, accurate, and complete. This Building Loan Agreement 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.

Each signatory below hereby certifies under penalty of perjury such signatory's statements and representations contained in this Agreement and all supporting documentation provided by such signatory are true, accurate, and complete. This Agreement 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.

Project Name: _____ FHA Project Number: _____

BORROWER

LENDER

By: _____

By: _____

Print name and title

Print name and title

WARNING: Federal law provides that anyone who knowingly or willfully submits (or causes to submit) a document containing any false, fictitious, misleading, or fraudulent statement/certification or entry may be criminally prosecuted and may incur civil administrative liability. Penalties upon conviction can include a fine and imprisonment, as provided pursuant to applicable law, which includes, but is not limited to, 18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802; 24 C.F.R. Parts 25, 28 and 30, and 2 C.F.R. Parts 180 and 2424.

Attachments: Exhibit A – Legal Description
 Exhibit B – Uses of Funds List

EXHIBIT B

Uses of Funds List

The following is a complete listing of all uses of funds for FHA Project _____. It includes all line items from the Maximum Insurable Mortgage worksheet included in Hard Costs, Soft Costs, Debt to be refinanced, the price of any property purchased, and any other funding requirements for the FHA-insured mortgage. It includes a subtotal for Hard Costs, Soft Costs, and a Total for all uses.