

Public reporting burden for this collection of information is estimated to average 70 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. 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. Response to this request for information is required in order to receive the benefits to be derived from the National Housing Act Section 232 Healthcare Facility Insurance Program. 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. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

Warning: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §§ 3729, 3802).

Privacy Act Statement: 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 used to review applications within HUD. No information will be disclosed outside of HUD. 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 applications will be reviewed or approved without the necessary information requested. 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, provide 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.

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 Final Submission

| | | | |
|--------------------------------------|---|--------------------|--|
| 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"/> | 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 |

| | | | | | |
|--|----|---------------------|-------|-----------------------------|----|
| Mortgage Amount: | \$ | Loan-to-value: | % | Loan to transaction cost: | % |
| | | Term: | years | Interest rate: | % |
| Principal & interest: (without MIP) | \$ | DSCR (with MIP): | % | Market value per bed/unit*: | \$ |

Underwritten market value: \$

Cap rate: %

Mortgage amount per bed/unit*: \$

Mortgage Criteria:

Criterion A: Requested loan amount: \$

Criterion C: Amount based on replacement cost: \$

Criterion D: Amount based on loan-to-value: \$

Criterion E: Amount based on debt service coverage: \$

Criterion L: 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 \$ _____ or _____ %.
- (f) Medicaid Census drops by _____ %.

As-Is:

UW Gross income: \$ _____

UW occupancy rate: _____ %

UW Effective gross income: \$ _____

UW Expenses & repl. res.: \$ _____

UW Expense ratio: _____ %

UW Net operating income: \$ _____

UW Expense per bed/unit*: \$ _____

As-Rehabilitated:

UW Gross income: \$ _____

UW occupancy rate: _____ %

UW Effective gross income: \$ _____

UW Expenses & repl. res.: \$ _____

UW Expense ratio: _____ %

UW Net operating income: \$ _____

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.*

| | | | |
|--|--|---------------------------------|-----------|
| Initial Operating Deficit: | | | |
| | Number of 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> | \$ | | | | |
| Major Movable Equipment Budget: | \$ | 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 | | | \$ | \$ |
| | | | | |

Third Party Reports provided:

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

Overview

<<Provide brief Summary/Overview of project.>>

Summary of Amendment to Initial Firm Commitment

Program Guidance: Noteworthy modifications to Initial Firm Commitment should include any material changes such as the proposed land, building (design, units, use), underwriting, title, litigation, environmental, shared costs/expenses, licensing, lender underwriter from the initial submission application. Discuss risks and mitigation of any material changes.

Based on the updated processing of the loan application, the following is a summary of amendments to the initial firm commitment:

| | <u>Increase</u> | <u>Same</u> | <u>Decrease</u> |
|-----------------------------|-----------------|-------------|-----------------|
| Mortgage amount: | \$ _____ | \$ _____ | \$ _____ |
| Underwritten value: | \$ _____ | \$ _____ | \$ _____ |
| Loan-to-value: | \$ _____ | \$ _____ | \$ _____ |
| Debt service coverage: | \$ _____ | \$ _____ | \$ _____ |
| Net operating income: | \$ _____ | \$ _____ | \$ _____ |
| Total for all improvements: | \$ _____ | \$ _____ | \$ _____ |
| Total development costs: | \$ _____ | \$ _____ | \$ _____ |
| Land value: | \$ _____ | \$ _____ | \$ _____ |
| Operating deficit: | \$ _____ | \$ _____ | \$ _____ |

<<Please provide an explanation of all changes below.>>

- Mortgage amount increase/decrease:
- Underwritten value:
- Loan-to-value:
- Debt service coverage:
- Net operating income:

general contractor are related parties – John Doe has ownership in both entities. A Cost Plus Construction will be utilized.>>

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 but not limited to the design and construction requirements under the Fair Housing Act, the Federal Fair Housing Accessibility Guidelines (FHAG) and the Uniform Federal Accessibility Standards (UFAS)? | <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"/> |

Market Analyst

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Appraiser

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Project Description

Location/Proximity to Hospitals

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Site

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Neighborhood

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

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

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

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

Buildings

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Landscaping

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Parking

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

Unit Mix and Features

<<Complete table or provide equivalent detail>>

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

Living Unit Description:

<<Brief narrative description of the units including: bathrooms, appliances, flooring, included furnishings, hook-ups, patios, etc. >>

Services

<<If unchanged from initial submission, state so. Otherwise, provide revised discussion.>>

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 accessibility standards such as 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"/> |
| 13. Did the architectural reviewer <u>not</u> find the construction progress schedule and construction period to be acceptable? | <input type="checkbox"/> | <input type="checkbox"/> |

<<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 reviewer's 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 LEAN 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.>>

Green MIP Summary – If applicable

<<Provide narrative discussion. Confirm that the design and energy conservation measures will comply with ORCF's program guidance for energy and water reductions after retrofits are complete, achieve an approved green building certification, and an Energy Star Score of 75 or better. Energy conservation measures must be designed for the entire project.>>

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. For Green MIP projects, the project Architect, energy design professional and Green Building Standard Keeper/rater must coordinate with the general contractor to include milestones for the green building inspections.>>

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"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| N/A | <input type="checkbox"/> | <input type="checkbox"/> |

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

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 Form 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 9236 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 | |
| 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-92328-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.).

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

<<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 | | |
| 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.>>

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

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 4. The cost analyst found the list acceptable and the budget is reasonable. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. The underwriter concurs with the analyst’s conclusion or has provided justification for any differences. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. 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 _____ %.

For Green MIP projects, the Needs Assessor must specify all appliances and heating and air conditioning systems as ENERGY STAR® when replaced. For lighting, electrical and mechanical equipment, and building envelope components with no available ENERGY STAR® label, the capital needs assessment must specify high performance and/or sustainable replacements.

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 | \$ - | \$ - | \$ - | \$ - | \$ - |

Market Analysis

<<If unchanged from initial submission, state so. If a revised market study is provided, insert the Market Analysis section required for the Initial Submission narrative here. >>

Appraisal

<<If a revised appraisal is provided, substitute the Appraisal section required for the Initial Submission narrative here.>>

ALTA/ACSM Land Title Survey

<<If revised title/survey documentation is provided, substitute the ALTA/ACSM Land Title Survey section for the Initial Submission narrative here.>>

Environmental

<<Discuss any modifications/updates to the previous underwriting.>>

Borrower – <<borrower's name here>>

<<Discuss any modifications/updates to the previous underwriting.>>

Principals of the Borrower - <<principal(s) name(s) here>>

<<Discuss any modifications/updates to the previous underwriting.>>

Operator – <<operator's name here>>

<<Discuss any modifications/updates to the previous underwriting.>>

Parent of the Operator – <<parent's name here>>

<<Discuss any modifications/updates to the previous underwriting.>>

Management Agent – <<management agent's name here>>

<<Discuss any modifications/updates to the previous underwriting.>>

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"/> |
| 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 indicate any material derogatory information? | <input type="checkbox"/> N/A | <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

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 capital? | <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. 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.

| | |
|--------------------------------|----------------------------|
| <i>Financial Statement</i> | <i>Working Capital</i> |
|--------------------------------|----------------------------|

| | As of XXXXXXXX | 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) |
| <u>Working Capital</u> | <u>\$ 2,239,000</u> |
| Working Capital for Other Work in Progress | (422,379) |
| Working Capital for planned SISTER Facility | (317,821) |
| <u>Working Capital for Subject</u> | <u>(325,137)</u> |
| 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.” >>

Professional Liability Insurance Coverage (PLI)

| |
|---|
| 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: Per occurrence Claims made
 Policy Basis: _____
 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 | <input type="checkbox"/> | <input type="checkbox"/> |

| | Yes | No |
|---|--------------------------|--------------------------|
| facility? | | |
| 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"/> |

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

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

*Example: **2. 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}.*

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

Lawsuits

<<Identify all potential or expected professional liability insurance (PLI) claims in excess of \$35,000 that have been or may be filed for all periods within the statute of limitations for the state where the claim occurred. Identify any reserves held for potential claims. Discuss the risk associate with each potential PLI claim. Discuss how that risk is mitigated. Describe the circumstances, identify the potential award amount, provide evidence and analysis showing that the suits are covered by PLI insurance, and if the insurance is not sufficient, does the insured

demonstrate adequate funds to cover the potential excess? Describe any other information that mitigates the risk.

As applicable, discuss other types of lawsuits (non-PLI) and describe the potential risk related to the party's participation in the proposed project. Discuss how that risk is mitigated. If the suit is closed, does it contribute to a pattern? Does it materially affect the party's ability to participate in the project? If not closed, describe the circumstances, identify the potential award amount, provide evidence and analysis showing that the suits are covered by insurance (general liability), and if the insurance is not sufficient, do they demonstrate adequate funds to cover the potential excess? Describe any other information that mitigates the risk.>>

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. The insurance coverage will comply with HUD requirements prior to permission to occupy.>>

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.>>

Directors' and Officers' Liability Insurance

<<When applicable, provide narrative discussion of policy coverages.>>

Commercial Auto Liability Coverage

<<Provide narrative discussion of policy coverages.>>

Additional Insurances

<<Provide narrative discussion of business income coverage insurance, including amount of coverage and deductible.

Provide narrative discussion of earthquake insurance coverage, when applicable, including amount of coverage and deductible.

*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 sinkhole / mine subsidence insurance, when applicable, including amount of coverage and deductible.

Provide narrative discussion of windstorm coverage insurance, when applicable, including amount of coverage and deductible.

Provide narrative discussion of windstorm coverage insurance, when applicable, including amount of coverage and deductible.

Provide narrative discussion of flood insurance, when applicable, including amount of coverage and deductible.>>

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.”>>

Mortgage Loan Determinants

Overview

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

| | Initial | Final |
|---|---------|-------|
| Request amount: | \$ | \$ |
| Replacement Cost: | \$ | \$ |
| Loan-to-value: | \$ | \$ |
| Debt service coverage: | \$ | \$ |
| Cost of rehabilitation plus: | \$ | \$ |
| Amount based on deduction of loan(s), grant(s), LIHTCs, and gift(s) for mortgageable items: | \$ | \$ |

The proposed mortgage is \$ _____ and is constrained by _____.

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

<<Discuss any modifications/updates to the previous underwriting.>>

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*>>