

**Lender Narrative –
Change of Operator/
Lessee
Section 232**

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

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Public reporting burden for this collection of information is estimated to average 4.0 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 Change of Operator review process. If the transaction includes a Change of Management Agent in conjunction with the Change of Operator, those transactions may be combined with this submission. Where applicable, please provide additional documentation for those transactions; there is no need to complete separate applications for each change. However, if the transaction is for a **Change of Management Agent only**, **do not use this form**; you must use HUD-92266B-ORCF. For further description of these requirements, please refer to Chapter 8 of the Section 232 Handbook 4232.1, Section III Asset Management.

Each section of the narrative and all questions need to be completed and answered. If the lender disagrees and modifies any third-party report conclusions, provide sufficient detail to justify. The narrative should identify the strengths and weaknesses of the transaction and demonstrate how the weaknesses are mitigated.

- **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.,)

<<Optional: Insert Project Photo>>

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Executive Summary

This application is for a change in (check one):

- Operator/Lessee
 Operator/Lessee and Management Agent

Note: This document is not required for a change in Management Agent only.

FHA Number:
Project Name:
Project Address:
City / State / Zip:
County:

Lender Name:

		Licensed	Operating		Licensed	Operating	
Type of facility:	<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

Borrower: <<Legal Name>>

Current Operator and Management Agent (if applicable) Entities

Operator: <<Legal Name>> Operating lease

Parent of Operator: <<Legal Name>>

Does the operating lease cover multiple properties or tenants (is it a master lease)? Yes No

Management Agent: <<Legal Name>>

License held by: <<Legal Name>>

Resident contracts with: <<Entity with whom residents contract for services>>

CMS Provider Number: <<As applicable>>

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

Proposed Operator and Management Agent (if applicable) Entities

Operator: <<Legal Name>> Operating lease
Parent of Operator: <<Legal Name>>
 Does the operating lease cover multiple properties or tenants (is it a master lease)? Yes No
Management Agent: <<Legal Name>>
License held by: <<Legal Name>>
Resident contracts with: <<Entity with whom residents contract for services>>

Transaction Overview

Key Questions

	Yes	No
1. Is a license transfer necessary? <i>(If the license is held by the Borrower, a license transfer may not be necessary.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is state regulatory approval needed for license transfer?	<input type="checkbox"/>	<input type="checkbox"/>
3. Will there be a change in operations that departs from the historical number of potential resident days?	<input type="checkbox"/>	<input type="checkbox"/>
4. Will the facility participate in the state’s Upper Payment Limit (UPL) Program? <i>(If you answer “yes,” you must provide a summary of the Upper Payment Limit (UPL) transaction in the following section.)</i>	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion regarding the topic. As applicable, discuss the issue and its effect on the transaction. Describe any potential risks and the mitigants. For waivers, identify specific provisions to be waived and justification for the waiver.>>

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

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

Background

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

Proposed Structure

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

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

Material Provisions

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

Conclusion

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

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

Certification

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

Program Eligibility

Key Questions

	Yes	No
1. Has the proposed new operator and/or new management agent, or any of their affiliates’ renamed or reformulated companies, or filed for or emerged from bankruptcy within the last 5 years?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the proposed new operator and/or management agent, or any of their affiliates’ renamed or reformulated companies, currently in bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>

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

Licensing

<<Provide affirmative statement along the lines of: “The facility is currently licensed by the State of {State}’s Department of Health and Welfare as a {Type of Facility} for {X} beds. The license is issued to {Name of Entity on License}, effective {date}, through {date}. The license covers {number of beds}. An application to transfer the license to {Name of New Entity} was filed on {Date}.”>>

Identities-of-Interest

Program Guidance: Handbook 4232.1, Section I, Introduction, Chapter 1.6.

Key Questions

	Yes	No
1. Have you, as the lender, identified any identities of interest on your certification?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the operator’s certification indicate any identities of interest?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the management agent’s certification (if applicable) indicate any identities of interest? <input type="checkbox"/> N/A	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the lender know, or have any reason to believe, that any of the assertions in the other Consolidated Certifications submitted herewith, are inaccurate or incomplete?	<input type="checkbox"/>	<input type="checkbox"/>

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

New Operator

Name: _____
 State of Organization: _____
 Date Formed: _____
 Termination Date: _____
 FYE Date: _____

Key Questions

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

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

Organization

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

Experience/Qualifications

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

Credit History

Report Date: _____ <<within 60 days of submission>>
Reporting Firm: _____
Score: _____

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

Program Guidance: Handbook 4232.1, Section II Production, Chapter 6.1.F, The Credit Investigation

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 lender have any concerns related to their review of the credit report? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Financial Statements

The application includes the following financial statements for the new operator.

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

Key Questions

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

- | | Yes | No |
|--|--------------------------|--------------------------|
| 5. Do the Aging of Accounts Receivable schedules show any material accounts receivables (amounts in excess of 2% of gross income) over 120 days?
<i>(Note: Projects with material accounts receivables over 120 days that do not intend to have Accounts Receivable Financing should address the recent trends in length of time until reimbursement is made in the project's state. The Lender should address these projects' ability to handle delayed payments (e.g., access to sources of liquidity in an amount comparable to material accounts receivable over 120 days.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any issues or discrepancies related to tenant deposit accounts (e.g., not fully funded)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Within the last 3 fiscal years, are there any negative or declining NOIs? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

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

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

General Overview

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

Net Income Analysis

Net Income*

In total \$

20XX	20XX	20XX	YTD (Indicate time frame)
\$	\$	\$	

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

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

Conclusion

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

Parent of the New Operator (if applicable)

Program Guidance: Handbook 4232.1, Section II Production, Chapter 6.1.E. .

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

Name: _____

State of organization: _____

Date formed: _____

Termination date: _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the parent of the new operator rated by S&P or another rating agency? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is or has the parent of the new operator been delinquent on any federal debt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is or has the parent of the new operator been a defendant in any suit or legal action? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Has the parent of the new operator ever filed for bankruptcy or made | <input type="checkbox"/> | <input type="checkbox"/> |

	Yes	No
compromised settlements with creditors?		
5. Are there judgments recorded against the parent of the new operator?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the parent of the new operator have other HUD properties that will be master leased separately from the subject project?	<input type="checkbox"/>	<input type="checkbox"/>

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

Organization

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

Experience/Qualifications

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

Credit History

Report date: _____ <<within 60 days of submission>>
 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 lender have any concerns related to their review of the credit report?	<input type="checkbox"/>	<input type="checkbox"/>

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

Other Business Concerns/232 Applications

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the parent identify any other business concerns? | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Do any of the other business concerns have pending judgments; legal actions or suits; or, bankruptcy claims? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the parent identify any other Section 232 or Section 232/223(f) loans on their consolidated certification and Attachment 2 thereof? | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

Other Facilities Owned, Operated or Managed

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the parent of the new operator own, operate, or manage any other facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| a. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Do any of the other facilities have any open professional liability insurance claims? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Do any of the other facilities have any open state findings related to instances of actual harm and/or immediate jeopardy (G or higher)? <input type="checkbox"/> N/A | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Is the parent of the operator a participant in 50+ residential healthcare facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Does the parent of the operator carry <i>one</i> Professional Liability Insurance policy for its residential healthcare facilities? | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Does the parent of the operator carry <i>multiple</i> Professional Liability Insurance policies for its residential healthcare facilities? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Program Guidance: Handbook 4232.1, Section II Production, Chapter 8.8, Operator and Management Agent Analysis, Lender Responsibilities

Financial Statements

The application includes the following financial statements for the parent of the new operator:

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

Key Questions

	Yes	No
1. Are less than 3-years of historical financial data available for the parent of the new operator?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the financial statements missing any required information or schedules?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do the Aging of Accounts Payable schedules show any material accounts payables (amounts in excess of 5% of effective gross income) over 90 days?	<input type="checkbox"/>	<input type="checkbox"/>
4. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed?	<input type="checkbox"/>	<input type="checkbox"/>

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

General Overview

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

Net Income Analysis

Net Income*

In total \$

20XX	20XX	20XX	YTD (Indicate time frame)
\$	\$	\$	

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

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

Conclusion

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

New Management Agent (if applicable)

Name: _____

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

Principals/officers: _____

Key Questions

	Yes	No
1. Does the new management agent have experience managing other HUD-insured properties?	<input type="checkbox"/>	<input type="checkbox"/>
a. Has the agent received any “unsatisfactory” management reviews from HUD?	<input type="checkbox"/>	<input type="checkbox"/>
b. Have any managed, owned, or operated properties received REAC scores lower than 60?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the new management agent have less than 3-years of experience managing similar properties?	<input type="checkbox"/>	<input type="checkbox"/>

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

Previous HUD Experience

Project Name	Project City	Project State	Type of Facility

New Management Agent’s Duties and Responsibilities

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

Experience/Qualifications

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

Credit History

Report Date: _____ <<within 60 days of submission>>
 Reporting Firm: _____
 Score: _____

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

Key Questions

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

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

Other Facilities Owned, Operated or Managed

Key Questions

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

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

Program Guidance: Handbook 4232.1, Section II Production, Chapter 8.8 Operator and Management Agent Analysis, Lender Responsibilities

Past and Current Performance

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

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

Management Agreement

Date of agreement: _____

Agreement expires: _____

Management fee: _____

Key Questions

	Yes	No
1. Does the agreement insufficiently describe the services the agent is responsible for performing and for which the agent will be paid management fees?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the agreement fail to state that the management fees will be computed and paid according to HUD requirements?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the agreement fail to state that HUD may require the owner to terminate the agreement without penalty and without cause upon written request by HUD and contain a provision that gives no more than a 30-day notice of termination?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the agreement fail to state that HUD's rights and requirements will prevail in the event the management agreement conflicts with them?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the agreement fail to state that the management agent will turn over to the owner all of the project's cash trust accounts, investments, and records immediately, but in no event more than 30 days after the date the management agreement is terminated?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the agreement exempt the agent from gross negligence and or willful misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the Form HUD-9839-ORCF consistent with the Management Agreement?	<input type="checkbox"/>	<input type="checkbox"/>

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

Management Certification

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

Conclusion

<<Provide narrative discussion of lender's conclusion and recommendation. For example: "The management agent has demonstrated an acceptable credit history and has the experience

to continue to successfully manage this facility. The lender recommends this management agent for approval as an acceptable participant in this transaction.”>>

Operation of the Facility

Administrator

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

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

Operating Lease

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

Date of Agreement: _____
 Current Lease Term Expires: _____
 Description of Renewals: _____
 Current Lease Payment: _____
 Major Movable Equipment
 Current Ownership: _____ <<Borrower/Operator>>
 Post Closing Ownership: _____ <<Borrower/Operator>>

Key Questions

	Yes	No
1. Will the facility be subleased (master lease)?	<input type="checkbox"/>	<input type="checkbox"/>
2. At closing, will the lease have a term that expires within 5 years with no lease renewal options (see guidance below)?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the lease contain any non-disturbance provisions?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the lease require the borrower to escrow any funds other than those associated with this loan?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there proposed changes to the current operating lease?	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| 6. Has the lender recommended any special conditions concerning the lease? .. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the current lease payment need to be increased to provide sufficient debt coverage for the mortgage payment, MIP, other insurance premiums, taxes, reserves, or impounds? | <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.>>

Program Guidance: Lenders need to provide HUD with information in their application regarding any changes to the operator that will occur within the next 5 years. This plan of action is needed to ensure that the quality and experience of any potential new operator will be comparable or better than the current operator. For assisted living facilities (ALFs), it is important to re-emphasize that operators need to be experienced and have a proven track record with the operation, marketing, and lease up of ALF facilities. The 5- year lease expiration issue does not apply to lessees that have lease renewal options.

Lease Payment Analysis

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

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

a. Annual principal and interest	\$
b. Annual mortgage insurance premium	
c. Annual replacement reserves	
d. Annual property insurance	
e. Annual real estate taxes	
f. Total debt service and impounds	\$
g. Minimum annual lease payment	\$

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

Responsibilities

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

Master Lease

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

Key Questions

	Yes	No
1. Are three or more projects (or two projects with an aggregate total mortgage loan amount greater than \$15 million) being submitted to HUD that are under common control or have the same ownership?	<input type="checkbox"/>	<input type="checkbox"/>
2. Have projects under common control or with the same ownership applied for mortgage insurance or a Change of Participants (COP)/Transfer of Physical Assets (TPA) Full Review within the <i>past</i> 18 months OR will projects under common control or with the same ownership apply for mortgage insurance or a COP/TPA Full Review within the <i>next</i> 18 months?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the parent of the operator the same for all of these projects?	<input type="checkbox"/>	<input type="checkbox"/>

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

Key Questions

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

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

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

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

Accounts Receivable (A/R) Financing (if applicable)

Program Guidance: Handbook 4232.1, Section II Production, Chapter 15.

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

Key Questions

	Yes	No
1. Does the AR loan require any guarantees from the new borrower, new operator, parent of the new operator, or any of those entities' principals?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are the guarantors guaranteeing performance on any other AR loans?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the AR loan involve multiple facilities or borrowers ?	<input type="checkbox"/>	<input type="checkbox"/>
a. Does the AR loan involve any non-HUD-insured properties?	<input type="checkbox"/>	<input type="checkbox"/>
b. Is the subject being added to an existing AR line that has already been reviewed/approved by HUD?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is there an identity of interest between the AR lender and the AR borrower?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is there a conflict of interest between the AR lender and the new borrower or its principals (as defined in Handbook 4232.1, Section II Production, Chapter 15.4.E or its successors)?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the maximum AR loan amount exceed 85% of the Medicaid, Medicare, and other governmental accounts receivable less than 121 days old?	<input type="checkbox"/>	<input type="checkbox"/>
7. Of the total Medicaid, Medicare and other governmental accounts receivable less than 121 days old, are more than 30% over 90 days old?	<input type="checkbox"/> N/A	<input type="checkbox"/>
8. Does the AR lender have less than 3 years of experience providing AR financing?	<input type="checkbox"/>	<input type="checkbox"/>
9. Is the AR borrowing base not monitored by the AR lender on a regular basis (e.g., daily, weekly, or monthly)?	<input type="checkbox"/>	<input type="checkbox"/>
10. Are the borrower or new operator out of compliance with any business agreements or loan covenants (i.e., in default on those agreements, not current on financial submissions, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| 11. Is the AR loan being syndicated or participated? | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Does the Intercreditor Agreement (ICA) propose additional obligations beyond those allowed as the types of AR Loan Obligations that may be secured by project collateral? | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Does the ICA propose loan extensions or interest rate changes? | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Does the ICA include any cross-default or cross-collateralization provisions? | <input type="checkbox"/> | <input type="checkbox"/> |

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

Terms and Conditions

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

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

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

Collateral/Security

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

Permitted Uses and Payment Priorities

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

Financial Analysis

Borrowing Base Analysis

(Double click inside the Excel Table to add information)

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

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

*Inclusion of Private Pay receivables requires waiver approval

#DIV/0!

Medicare, Medicaid, Commercial AR aged 90-120 days

\$ -

AR Loan Available

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

\$ -

AR Loan Amount

(from Loan Agreement)

Historical AR Loan Costs

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

Historical AR Loan Costs

(Double click inside the Excel Table to add information)

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

Proposed AR Loan Costs

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

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

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

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

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

Recommendation

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

Insurance

Professional Liability Insurance (PLI) Coverage

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

Name of insured: _____

Insurance company: _____

Rating: Rater: _____

Insurance company is licensed
in the United States: Yes No

Statute of limitations: _____

Current coverage: Per occurrence: _____

Aggregate: _____

Deductible: _____

Policy Basis: Per occurrence Claims made

Current Expiration: _____

Retroactive Date: _____

Policy Premium: _____

Summary of Six-Year Loss History for New 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 loss history available? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the loss history indicate any professional liability claims over \$35,000?
..... | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the loss history or potential claims certification indicate any uncovered
claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the loss history or potential claims certification indicate any claims
that would exceed the per occurrence or aggregate coverage limits at the
facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Has the facility been covered by a “claims made” policy at any time during
the statute of limitations for the State in which the facility is located? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the policy funded on a “cash front” basis? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is an actuarial study applicable (more than 50 facilities)? (If yes, discuss
study results.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. For all facilities Owned, Operated or Managed by the new operator and/or
parent of the operator, are there any surveys/reports that have open G-level
or higher citations outstanding? (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 lender notes that the professional liability policy is a ‘blanket’ policy covering XXX facilities, including the subject...{address potential impact of other facilities on the subject’s coverage}*

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

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

Lawsuits

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

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

Recommendation

<<Provide narrative recommendation regarding acceptability of professional and general liability insurance. For example: “The professional and general liability insurance was analyzed in accordance with Handbook 4232.1, Section II Production, Chapter 14 and Appendix

14. 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.">>

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 lender has confirmed estimates of the cost and coverage and will re-verify this information prior to closing. The insurance coverage will comply with HUD requirements prior to closing.>>

Property Insurance

<<Provide narrative discussion of policy coverages as applicable, including property damage, ordinance and law coverage, and boiler and machinery/equipment breakdown insurance. For example: "Property insurance will be provided by XX. The lender has confirmed estimates of the cost and coverage for and will re-verify this information prior to closing. The insurance coverage will comply with HUD requirements prior to closing.">>

Directors' and Officers' Liability Insurance

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

Commercial Auto Liability Coverage

<<Provide narrative discussion of policy coverages.>>

Additional Insurances

<< Provide narrative discussion of fidelity bond/crime insurance coverage. For example: "The current insurance policy reflects fidelity (crime) insurance with the limit of \$XX and \$XX deductible. The HUD requirement for at least two months **potential** gross income receipts would total \$XX. The current level of coverage is sufficient for this project." If not sufficient, recommend commitment condition.

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

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

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

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.

Special 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. 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>>