MAP Lender Underwriter's Narrative
Refinance & Acquisition
Sections 223(f)
Firm Commitment Application Submission

(020513)
Introduction

The following Lender Underwriter's narrative is for FHA Multifamily refinance and acquisition submissions. It should be used for Firm Commitment applications, with appropriate modifications as noted. The document is designed for Multifamily Accelerated Processing (MAP), but is encouraged for Traditional Application Processing (TAP) submissions as well.

The Lender should modify the Underwriter Narrative to reflect specific requirements and features of other programs, and separate sections are provided to that end.

Instructions.

Each section of the narrative and all questions need to be completed and answered.

Subtitles and other formatting of the document to accommodate narrative discussion is permitted to produce the document or copy images onto this document for formatting purposes as long as the content and order of the outline of the template remains unchanged.

If the lender's underwriter disagrees and modifies any third party report conclusions**,** they must pro**vi**de sufficient detail to justify their findings. The narrative starts with an Executive Summary, and is followed by more technical analysis and details. The narrative should address all salient facts and details considered in the underwriting, and should reference other application exhibits and due diligence, but should not be used to just restate information found in other exhibits.

Charts. The charts contained in this document are designed to capture in one document the relevant information. They will not be able to accommodate all situations. Thus, you should alter the charts as the situation demands. Be sure to explain any alterations. Try to include all the information the form calls for.

HUD 92013, 92264, 92264-A, 92264-T. The data and conclusions in the Lender Narrative should be consistent with the processing forms. In some cases, appraisal conclusions in the HUD-92264 may be modified in the underwriting. Such modifications should be fully explained in the Underwriter's Narrative, and referenced in the Remarks Section (Section O) of the master form HUD 92264.

Sections Not Applicable. If a section is not applicable, state so in that section and provide a reason. Do not delete sections that are not applicable unless the [*italicized bracketed*] instructions so state.

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Executive Summary

	Firm Commitment Application	HUD Office:	
Lender Name:	Lender Address:		
Broker:	[*enter name, or N/A*]		
Borrower Entity:	[*single asset mortgagor entity*] [*indicate below whether the borrower is a non- profit or for-profit*]		
	☐ non-profit ☐ for-profit		
Principal:			
Management Agent:		I-of-I Management Agent?	[*yes or no*]
Project Name:		FHA Number:	**[***fill in after assigned*]
Street Address:			
City / ST / Zip:			
Sect. of Act:	223(f) Existing P & I Proposed P & I		
	[*Refinance or Acquisition*] [*select one*]		
Date of Site Visit:		Site Visit Conducted by:	
Purpose of Loan:	Provide description and purpose of loan [*one-two sentences, e.g., refinancing of a XX story, XX style apartment building*]		
Repairs	Critical Repair $_____ Non-Critical Repair $ _____ Assurance of completion amount of $_____ *20% of non-critical repairs or other amount with explanation.*		

Type of Project:	# of units per bedroom type		# of units market vs. subsidized		If applicable, breakdown of Affordable (or Tax Credit) unit restrictions:	
☐ Family		Studio Units		Market Rate		@ 30% AMI
☐ Elderly		One BR		Section 8		@ 40% AMI
☐ Coop		Two BR		Other subsidy		@ 50% AMI
		Three BR				@ 60% AMI
		Four or more BR				
☐ Elevator ☐ Non-Elevator	☐Building contains four or more floors. Building has _____ floors. Comment, if necessary. First floor is garage, office space or other.			Total units	[*Total*] Tax Credit rent restricted units	

Mortgage Criteria		**Sensitivity Analysis - 1.0 debt service coverage is still realized if:**	
Borrower Requested, Criterion 1:	$	Average rent (per unit per month) decreases by:	$
[Delete those not applicable] Criterion 3: Value:	$	Physical occupancy decreases by:	%
Criterion 4:	$	Operating expenses increase by:	%
Criterion 5:	$	Per unit per annum Operating expenses increase by	$

[If acquired] Criterion 7:	$		
[If refinanced] Criterion 10, Cash out Refinance	$	Total Annual NOI decreases by:	$
Criterion 11:	$	Debt Service Coverage Ratio (including MIP):	%
If cash out, 50% of net proceeds to be held in escrow: $_____			
Loan-to- Value:	%	Permanent Interest Rate:	%
		Permanent Loan Term (in months):	
		Monthly Payments P & I	
		Monthly Payments (P&I, plus MIP):	

1. **Executive Summary** (continued)

Unit Rents				
Unit Type	Average Unit Sq.Ft.	# of Units	Monthly rent per unit	Monthly Rent per square foot
Studio Units			$	$
One BR			$	$
Two BR			$	$
Three BR			$	$
Four or more BR			$	$
Other/Ancillary Income as % of Potential Residential Rent: Define other income:	%	Other/Ancillary Income per month:		$
Total Annual Potential Rent/Ancillary Income:				$
Vacancy Rate:	%	Less Vacancy:< >		$
Commercial Space (as a % of net rentable area of project)	%	Commercial Income (as a % of effective gross income)		%
Commercial Vacancy Rate:	%	Net Commercial Income:		$
Effective Gross Income:				$

Operating Expenses					
Residential Expense Ratio:	%	Per Unit Per Annum:	$	Total Annual Operating Expenses: Residential Commercial Total:	 $ $ $
R4R (pupa):		$		Total annual R4R:	$
Management Fee (as % of EGI):		%	Management Fee (per unit per month):		$

Summary	
Net Operating Income:	$
Annual Debt Service, including MIP:	$
Cash Flow after Debt Service:	$

Sources and Uses of Funds (Cash basis)			
Sources / Mortgageable Uses		Non-Mortgageable Sources/Uses	
FHA 1st mortgage:		Borrower Cash:	
Borrower Cash Equity [or <Cash Out>]:		Letter of Credit:	
Existing R4R Escrows (and/or other):		Tax Credit or Exchange Proceeds:	
Net Tax Credit Equity:		Public funds – Grants:	
Public Grants or Loans:		Public funds – Loans:	

Other Sources:		Deferred Developer Fee:	
Other Sources:		Other:	
Total Cash Sources for Mortgageable Items:		**Total Cash Sources for Non-mortgageable Items:**	
Existing/Project Debt or Acquisition Price:		Initial Operating Deficit and/or Debt Service Reserve:	
Repair Escrow (100%)		Repair escrow – Assurance of completion *[20% or other, specify]*	
Initial Deposit to R4R:			
Total Carrying and Financing Charges:		Developer Fee:	
Legal, Org, Audit:		GNMA fee or Lender Legal outside of Financing/Placement, or Discounts:	
Other:			
Total HUD-recognized Uses (to be paid with cash):		**Total Non-mortgageable Uses:**	
Miscellaneous Information			
Lender Financing / Placement Fee:	$	Financing / Placement Fee as a % of loan amount:	%
FHA Application Fee ($3/1000 of loan amt):	$	Lender Third Party Reports including legal:	$
Acquisition Price of Arms Length Transaction:	$		

1. **Executive Summary** (continued)

   Transaction Overview. [*Provide a brief discussion about the project (preferably 1 page, no more than 2). Address program eligibility, site location, topography, size, frontage, proposed access, ingress/egress to the property, landscaping, location of amenities, commercial space, available parking, visibility from major thoroughfares, access to public transportation, public streets and public utilities included in rent, etc., design, construction type and cost, whether the property is part of a phase development, experience and financial strength of the borrower and development team, waiver requests. Describe any pre-leasing requirements or current contracts with any existing commercial space tenants. Discuss current commercial rents, proposed tenant improvements, budgeted items,* etc. *Are there any special escrows or reserves proposed? Identify any timing constraints, and unique characteristics of the project which HUD's underwriter and loan committee should be aware while reading the narrative. Briefly describe the capital structure (debt, equity, any other sources of financing).*]

Stress Test

rent trend assumption:										
expense trend assumption:										
	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10
Effective Gross Income										
Expenses (including R4R deposits)										
NOI										
debt service (including MIP)										
cash flow										
debt service coverage ratio										

[*Discuss expected performance of NOI over the term as rents and expenses are trended. Lender is able to modify stress test to meet individual loan specifics.*]

STRENGTHS, RISKS and MITIGANTS

<u>Development Team Experience / Mortgage Credit</u>

Strengths

[*Discuss the strengths of the Borrower and theirTeam*]

- [*strength*…]
- [……..…]
- [……..…]

Risks and Mitigating Factors

[*Provide a description of risks associated with the Borrower / Team, identified by the lender and any weaknesses. List mitigating factors.*]

- [*risk factor*…]
  - [*mitigant* …]
- [……..…]
  - [……..…]
- [……..…]

- [……..…]

<u>Market / Value</u>

Strengths
[*Discuss the strengths of the Property, the economic and market trend.*]

- [*strength*…]
- [……..…]
- [……..…]

Risks and Mitigating Factors
[*Provide a summary description of risks associated with the property, market study, and appraisal, identified in the third-party reports or other reliable sources. Identify any weaknesses. List mitigating factors.*]

- [*risk factor*…]
  - [*mitigant* …]
- [……..…]
  - [……..…]
- [……..…]
  - [……..…]

<u>Property / Site / Neighborhood / A&E / Environmental</u>

Strengths

- [*strength*…]
- [……..…]
- [……..…]

Risks and Mitigating Factors
[*Provide a description of risks associated with the physical condition/quality of the property, the site and neighborhood. List mitigating factors.*]

- [*risk factor*…]
  - [*mitigant* …]
- [……..…]
  - [……..…]
- [……..…]
  - [……..…]

<u>Affordability issues [*IF APPLICABLE, per the HUD definition of Affordability*]</u>

Strengths
[*Discuss the strengths of any rent subsidies, rent advantage in the market, occupancy etc. Discuss if tax credit rents proposed are below market rents (percentage below market), tenants waiting lists in the PMA, strong local community support, preservation issues and amenities with the project.*]

- [*strength…*]
- [……..…]
- [……..…]

Risks and Mitigating Factors
[*Provide a description of risks associated with affordability provisions, identified by the lender and any weaknesses. Discuss if the tax credit rents (compared to market) effectively limit the marketability of the project due to limited band of qualified potential tenants. List mitigating factors.*]

- [*risk factor…*]
  - [*mitigant …*]
- [……..…]
  - [……..…]
- [……..…]
  - [……..…]

<u>Programmatic or General Underwriting Issues</u>

Strengths
[*Discuss the strengths, as indicated by the lender not covered in the above sections.*]

- [*strength…*]
- [……..…]
- [……..…]

Risks and Mitigating Factors
[*Provide a description of risks, identified by the lender and any weaknesses. List mitigating factors.*]

- [*risk factor…*]
  - [*mitigant …*]
- [……..…]
  - [……..…]
- [……..…]

Lender's Team

Role	Name	Phone	E-mail address
Underwriter [*or for TAP deals, point of contact*]			
U.W. Trainee*[if applicable]*			
Analyst / Processor			
Originator			

Third Party Consultants				
Role	**Name**	**Firm**	**Phone**	**E-mail address**
PCNA				
Environmental				
Appraiser License # & Expiration Date:				
Market Analyst				
Other				
Other				

[*Identify any Identity of Interest between the Lender, its officers and employees, and any other party to the transaction.*]

Broker / Correspondent / Packager [*If not applicable, delete. If Applicable, address the following information.*]

Broker:	[*Name*]	[*Phone*]	[*E-mail address*]
Scope of Services:			
Payment Source	[*Borrower or Lender*]		
Any Identity of Interest?	[*Enter Yes or No. If yes, describe.]*		

Waiver Requests
[*Describe briefly and reference Draft of HUD-2 form, which should be included as an attachment to the Underwriter's Narrative.]*

Lender's Loan Approval Process and Recommendation to HUD:
[*Discuss any exceptions to the "Bright Line" between origination and underwriting functions per the Lenders Quality Control Plan. Discuss any special conditions of the lender's loan committee or other approval criteria and state the lender's conclusion and recommendation to HUD.]*

General Question	N/A	Yes	No	Comments
Was the loan approved by a committee?				*If yes, date of approval if no approval authority and date*
Are all loan conditions outlined in the loan approval?				*Comment*

2. **Programmatic Issues and Project Eligibility**

General Questions/Statements	N/A	Yes	No	Comments
Does the project meet the applicable occupancy standards for the 223(f) program? Average occupancy rate of at least 85% Market Rate properties at underwritten at no more than 93% Affordable properties at no more than 95%?				*[If no, has a waiver been granted?][If the project has applied for a 3-year rule waiver, the occupancy provision stated here must comply with ML 2010-21]*
Has the project been constructed over three years ago and has not undergone any substantial rehabilitation in the three years prior to the date of the application?				*[If no, has a 3 year waiver been requested? Address conditions in an attachment.]*
The property is not a manufactured home park.				*[If, no, the application is not eligible,(i.e. the property is a manufactured home park)].*
Is this a purchase transaction with no identity of interest between the seller and purchaser?				*[If no, (i.e. there is an identity of interest) the application should be processed as a refinance.]*
Is there an acceptable form of Single Asset Mortgagor Entity?				[*identify type of entity, e.g. LLC, LP, GP, non-profit, corporation*]
Does the property have 5 Units or greater?				
If the project has scattered sites, do they constitute "one marketable, manageable real estate entity"?				[*If other than N/A, describe.]*
Does or will the Mortgagor have fee simple interest in the property?				[*If Mortgagor does not yet own the land, describe terms of Purchase and Sale Agreement. Specify expiration date and any options to extend.*]
Does the project have permissive zoning?				[*If no or if zoning would not allow the project to be replaced, discuss.]*
Is the scope of repairs less than the threshold for substantial rehabilitation?				[*If, no, the application is not eligible]*
Is there a single site legal description, as opposed to a condominium regime?				[*If no, comment on ownership structure and configuration of condo owners units.*]
Are the easements or joint use and maintenance agreements acceptable?				[*Comment.*]
Is there a real estate tax abatement or exemption, or special assessment that was included in the underwriting assumptions?				[*If yes, comment. Does the abatement or exemption run with the land, what is its term, and is it fixed or variable in amount?*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

[*If the Project has Project based Section 8, or other deep subsidy rental assistance (such as RAP or Rent Supp), complete the following section. Else delete it.*]

Questions about Rental Assistance	N/A	Yes	No	Comments
Is there a copy of the current (and if applicable underlying) HAP Contract included in the Application exhibits?				[*If no, explain.]*
Is there a current Project based HAP Contract, with terms identified?				[*Explain the terms of the HAP Contract – e.g., which renewal option was last selected, and is proposed, how are rents adjusted and when.*]
Is the regulatory authority of the HAP Contract identified?				[*If no, explain.]*
Are the rents at market and are the Section 8 rent comparability study conclusions (or current contract rents) and the FHA application underwritten rents the same?				[*If no, this needs to be fully explained – do so below.*]
Is there proposed limitation on distributions and/or a Residual Receipts account?				*[If no, explain.]*
Is there an assignment of the HAP contract?				*[If yes, explain.]*

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

[*If the Project is a Section 202 property being refinanced, complete the following section. Else delete it.*]

Questions for Section 202 loans being recapitalized	N/A	Yes	No	Comments
Has there been a request for prepayment approval submitted to HUD Asset Management?				[*Comment on status/timing/previous discussions.*]
Have the existing funds in the Reserve for Replacement and any Residual Receipts accounts been accounted for and requested to be deposited into those accounts controlled by the new loan?				[*Comment on status/timing/previous discussions.*]
If applicable, are there debt service savings and has the application defined the expected use / distribution criteria / and any escrow documents been drafted?				[*Address these issues in comments.*]
Has the use agreement and terms/timing of release been defined in the application?				[*Address these issues in comments.*]
Has mortgage credit review (2013 SUPP, 2530, credit report) been completed for the Non-profit Sponsor's officers?				[*If no, explain.*]
Has all other financing for the subject property other than the proposed loan been described and approved?				[*Describe here or in the next section if there will be a residual receipts/surplus cash note, seller notes, secondary financing loans or grants or other sources.*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

[*If the Project will have Secondary Financing Sources, complete the following section. Else delete it.*]

Questions about Secondary Financing	N/A	Yes	No	Comments
Are the sources from governmental funds?				[*Address this issue in comments, e.g.; what is the source of the secondary financing.*]
Are payments restricted to surplus cash?				[*Address these issues in comments.*]
Is the maturity date, pre-payment, lien, and default terms described in draft documents and are the terms acceptable to HUD?				[*Address this issue in comments.*]
Are the uses un-restricted or any restrictions addressed in the underwriting?				[*Address this issue in comments.*]
Is a subsidy layering review been conducted, or determined to be not required?				[*Address this issue in comments.*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

[*If the Project will have Bond Financing, complete the following section. Else delete it.*]

Questions about Bond Financing	N/A	Yes	No	Comments
Are the bond costs of issuance reflected in the financing plan (sources & uses)?				[*Address whether the bonds will be sold at a premium, if they are tax exempt or taxable, is there a B piece, and if there is a premium, its use is in accordance with HUD and MAP requirements.]*
Are the total financing and placement fees less than or equal to 5.5% of the mortgage amount?				[*Address this issue in comments.*]
Are use / rent / income restrictions addressed in the underwriting?				[*Address this issue in comments.*]
Are prepayments, GNMA lockout provisions, or other provisions addressed in the underwriting?				[*Address this issue in comments.*]
Is the bond rate fixed (versus a variable rate)?				[*Address this issue in comments.*]
Has the bond issuer, underwriter, and counsel contact information added to the comments here or addressed in the executive summary above?				[*Address this issue in comments.*]
Have draft bond documents and any related regulatory or land use restriction agreements been submitted for review, or timing identified?				[*Address this issue in comments.*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

[If the Project is using FHA insured debt in conjunction with Low Income Housing Tax Credits (LIHTC) or New Market Tax Credits (NMTC), complete the following section. Else delete it.]

Questions about Tax Credits	N/A	Yes	No	Comments
Are the Tax Credits being funded with private, non-Identity of Interest syndication proceeds?				[*If no, comment.*]
Is equity anticipated from the sale of Low Income Tax Credits in the private market as opposed from a public entity (TCAP or Exchange)?				[*If no, discuss status and content of draft documents and any conflict with HUD requirements, subordination, management of reserves or construction loan proceeds, terms of repayment, default provisions/conditions, etc.*]
Is the FHA loan less than 80% of the mortgageable cost?				[*If yes, no cost certification is required by HUD and the audit cost is not mortgageable.*]
Will equity proceeds be deferred until during or after repairs?				[*If yes, comment on the limited partnership agreement or commitment, and address proposed schedule to determine likelihood funds will be available.*]
Has the Market Study, Appraisal, and Underwriting addressed the relationship between maximum and achievable Tax Credit rents, true market rents, and any Project based rental subsidy, or other controls on rent?				*[If no, comment.]*
Is there a Master Lease proposed, and does it comply with the terms of Housing Notice H 09-18?				*[If no, comment.]*

[*Insert discussion/comments that weren't included or didn't fit in the above checklist. Provide brief narrative description of the ownership structure, including detailed discussion of any tiered partnerships. Provide narrative description indicating whether or not tax credits have been allocated or reserved for this project, timing issues for the completion and mandatory placed-in-service dates. Is a commitment or letter of intent from the tax credit investor or buyer being used to demonstrate cash to close? Comment on the timing of funding of tax credit proceeds, and the FHA Underwriters due diligence and/analysis as to likelihood funds will be available when needed. Does the timing of tax credit proceeds match the sources and uses during the repair period and the disbursements as described in the partnership agreement? Comment on the source, control, and disposition of IOD, Working Capital, and any other escrows to be funded through the tax credit equity or other sources.*]

[*If the Project will have Other Land Use Restrictions, complete the following section. Else delete it.*]

Questions about Use Restrictions or	N/A	Yes	No	Comments

Covenants				
All Use Restrictions or Covenants have been identified above?				[*If yes, comment on the type, duration, lien position, and documentation of any such restrictions.*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist.*]

[*If the Project will have a ground lease, complete the following section. If no ground lease, delete this section.*]

Lessor:	[*Insert Landlord/mortgagor name*]			Lessee: [*Insert tenant name*]
Questions about Ground Lease Terms	**N/A**	**Yes**	**No**	**Comments**
If there is a Leasehold Estate (land lease), do the terms of the lease conform to the requirements in the FHA-2070 Form and the MAP Guide?				[*Discuss any terms that vary from the FHA-2070, here or below if more space is needed.]*
Is the ground rent market rate?				[*If no, Comment. Has a leasehold estate value been established? How?*]
Are the terms of the ground rent/lease payments acceptable?				[*No up-front lease payments or payments as a percentage of collections are allowed.*]
Is the Lessor a public entity?				[*If yes, discuss whether the ground rent is market rate or below market, and impact on the valuation. Discuss any waivers required to comply with local requirements.*]
Is there an arms length relationship between the Lessor and the Lessee?				[*Fully disclose and describe any identity of interest.*]
Is the Leasehold Value recognized in the mortgageable cost build up less than or equal to the Leasehold Value above?				[*If no, explain.*]

[*Insert discussion/comments that were not included or did not fit in the above checklist discussion items.]*

3. **Market Analysis**
   [Complete this section whether or not a separate market study was obtained. Section 223(f) applications typically do not require a separate market analysis report. The exception is if the transaction requires a 3-yr rule waiver or the project is in a volatile or declining market., In those cases the Lender should obtain such an analysis (in addition to the appraisal) to support the underwriting conclusions of market demand for the subject property.]

MSA:	**Primary Market Area:** *[Insert description, or "see below" and*

	include in Narrative.]			
Questions about the Market Analysis	**N/A**	**Yes**	**No**	**Comments**
Was there a separate market study?				[*Comment if/as needed.*]
Is the market considered tight or balanced, and healthy (as opposed to"soft" and "declining")?				[*Comment if/as needed.*]
Are average comparable occupancy rates in the area greater than 93%?				[*Comment if/as needed.*]
Has the market historically been stable (as opposed to particularly volatile)?				[*Comment if/as needed.*]
Compared to similar areas, is the market unaffected by a significant reliance on a single industry or company?				[*Comment if/as needed.*]
Has the market been relatively unaffected by single family or condominium foreclosure and vacancy problems, creating a "shadow market?"				[*Comment if/as needed.*]

Comparables

Project Name	Year Built	Number of Units	Occupancy Rate	Units Offered	Tenant Profile
			%	BR types	[*e.g.High end market rate*]
			%	BR types	[*e.g.Moderate market rate*]
			%	BR types	[*Senior*]
			%	BR types	[*Tax Credit*]

[Narrative Discussion of Market: *Briefly (2-3 paragraphs) describe economic and market analysis, e.g. demographics by age, income levels, employment opportunities, supply and demand ratios, renters vs. owned, quality of housing stock, expected job / household growth, current tenure, shadow market and other vacancies, relative cost of rent-vs.-own, projects expected to come on line and otherwise be competitive, impact on current housing stock (particularly FHA insured), concessions, marketability of the proposed project, demand conclusions*.]

4. Valuation

Questions about the Appraisal Analysis	**N/A**	**Yes**	**No**	**Comments**
Did the Appraiser conclude the site was acceptable, and accessible, the project was marketable and represented the highest and best use?				[*Comment if/as needed.*]
Are the rents are in the middle 60% range of				[*Comment if/as needed.*]

appropriately selected and adjusted comparables, and are reasonably achievable in the market?				
Are the proposed rents no more than the high end of what is currently being achieved (unadjusted) at comparable projects in the market?				[*Comment if/as needed.*]
Is other residential income less than or equal to 5% of EGI? [There is no limitation of EGI].				[*Comment if greater than 5%.]*
Is the HUD 92273 Rent Grid correctly filled out, including the impact of concessions?				[*Comment if/as needed.*]
Are the (residential and commercial) expenses supported by comparable properties and trended correctly on the HUD 92274 form?				[*Comment if/as needed.*]
Has the appraiser used a grid similar to the HUD-92273, containing at least three commercial rental comparables with the required HUD information?				[*Comment if/as needed.*]
Is the Appraiser's conclusion of vacancy rate supported in the market?				[*Comment if/as needed.*]
Was the analysis of commercial space well documented and in accordance with HUD's guidelines?				[*Comment if/as needed. Describe proposed tenants and lease terms.*]
Did the appraisal include a discussion of the Last Arms Length Transaction for the subject?				[*Comment if/as needed.*]
Is the Appraiser's Replacement Cost consistent with the third party Cost Analyst report or discrepancies discussed in the underwriting?				[*Comment if/as needed.*]
Were the Appraisal conclusions consistent with the Market Analysis, or if not, were discrepancies addressed in the underwriting?				[*Comment if/as needed.*]
Did the Lender accept the Appraisal without modifications, or if modified, have been discussed in the underwriting?				[*Comment if/as needed.*]
Did the Appraiser list the effective date (i.e., date of their site visit), sign the report, and sign the Appraisal HUD 92264 form?				[*Comment if/as needed. Appraisal preparation and signature of a trial HUD 92264-A will be optional and should be routinely waived in the meantime.*]
If applicable, is the calculated/expected noise level surrounding the property acceptable?				[*Enter in dBL's. Comment in Narrative below if greater than 65.} Describe how noise will be mitigated if expected to be above acceptable levels.]*

[**Narrative Discussion of Appraisal:** *Briefly (1-2 pages) discuss current rents, potential rents, concessions, other income and expense comparison of the subject property to the comparables. Include cap rate discussion, potential growth form PMA versus number of units in subject. How do concluded expenses compare with historical? Has the appraiser applied a consistent methodology for unit size, age and condition and other adjustments consistently between rent and sales comparison analyses? Discuss current commercial rents, proposed tenant improvements if applicable. Include existing debt on subject property and stabilized occupancy percentages on subject and comparables. e.g. Insert discussion/comments/conclusions that weren't included or didn't fit in the above checklist.*]

Tenant Occupancy Review
Date of Report: _____

Date of Site Inspection: _____
Information Source: _____
Name of Reviewer: _____

Unit Type	#of Units	Rentable Area	% Occupied	% Vacant Units

Leases with less than 6 months remaining:	%
Leases at rents below that estimated as market in the appraisal/application:	%
Leases reported as delinquent (1 wk past due):	%
Leases with rent incentives or concessions:	%
Expired leases pending renewal:	%

Describe any anomalies or high percentages on line items that would typically be considered unacceptable (e.g., Does the rent roll list concessions granted in prior months that effectively reduced rents for the entire lease term? Discuss conclusions from the lease audit and site inspections.)

5. **Historical Comparison of Operations** *[Indicate whether the submitted financial statements were audited and if not, why not. Last year's financial statement is required to be reviewed by a Certified Public Accountant (CPA)].*

Year (ending 12/31)	Net Income	Operating Expense	OE PUPA	NOI
20##	$	$	$	$
20##				
20##				
20## Annualized				

Question about Operations	N/A	Yes	No	Comments
Do the operating/income statements indicate a positive operating history?				[*If no explain*]

Historical Occupancy Rates
The subject project vacancy levels noted by quarter/year for the past three years as follows:

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
20XX					
20XX					
20XX					

Turn over rate:	
Name of underwriter who conducted site inspection and lease audit:	
# units inspected:	

Brief narrative description of inspection and audit

6. Project Capital Needs Assessment (PCNA)

Units Inspected:		Date of report:	

Replacement Reserves Analysis:

Existing R4R Balance	**$**	$ xxxx (per unit)
Initial Deposit	**$**	$ xxxx pupa
Annual Deposit	**$**	$ xxxx pupa

	N/A	Yes	No	Comments
Does the PCNA and the lender's statement of resources and needs addresses the reserve needs for the term of the proposed mortgage?				*[Comment.]*
If escalating deposits are anticipated are the increased deposits attainable?				*[Comment]*
Are the R4R balance anticipated to stay positive throughout the life of the loan?				[*If no comment, particularly if negative balances are projected.*]

[*Insert analysis on Reserve for Replacement account and discuss any underwriting changes recommended by the underwriter or lender. Comment on issues that weren't included or didn't fit in the above checklist.*]

Questions/Statements about the PCNA Assessment (PCNA)	**N/A**	**Yes**	**No**	**Comments**
Did the scope of the inspection consist of a visual evaluation of the project site, building exteriors, roof, interior common areas, all mechanical rooms, and a sampling of resident units?				[*Comment as appropriate.*]
Was an opinion of the overall condition of the subject property provided?				[*Comment as appropriate.*]
Was the report prepared in accordance with the PCNA Statement of Work for the Section 223(f) program?				[*Comment as appropriate.*]
Does the PCNA report include expected repair, component replacement, major maintenance and related inflation adjustments for the lesser of 20 years or the remaining life of the mortgage plus 2 years (the estimate period)?				[*Comment as appropriate.*]
Was the number of units inspected at the project adequate to formulate an accurate estimate of condition and estimate of repair and replacement?				[*Comment as appropriate.*]
No replacement reserve funds are planned to fund any of the required or proposed repairs.				[*Comment as appropriate.*]
All repairs discussed and outlined in the application will not require drawings and/or specifications or such drawings and specifications are sufficiently detailed to provide for efficient construction management.				[*Comment as appropriate.*]

All repairs proposed will not involve tenant displacement or otherwise create vacancy issues requiring an operating deficit.				[*Comment as appropriate.*]
No specialty reports were required.				[*Comment as appropriate.*]
The Lender agreed with the Need's Assessor's repair conclusions. The Needs Assessor's repair conclusions have been justified to the satisfaction of the Lender.				[*Comment as appropriate.*]
Does the report address accessibility for persons with disabilities if required by regulation and/or program, or for properties built after March 13, 1991?				[*Comment as appropriate.*]
The report did not identify any Fair Housing Act violations (multifamily buildings first occupied after March 13, 1991) and therefore no repairs resulting from Fair Housing Act violations have been identified.				[*Comment as appropriate.*]
Is the project in compliance with Section 504 of the Rehabilitation Act of 1973 and 24 CFR Part 8 define accessibility requirements for all programs or activities receiving Federal financial assistance and/or Federally assisted multifamily housing, whether or not the project is or ever was subject to an insured mortgage.				[*Comment as appropriate.*]
Is the project in compliance with the Americans with Disabilities Act (ADA) requiring accessibility to public accommodations and commercial facilities, including any portions of multifamily properties which provide for such facilities?				[*Comment as appropriate.*]
Does the PCNA report indicate a minimum reserve for replacement deposit of $250 or higher per unit per year?				[*If no, explain the need for a lower RFR reserve.*]
Does the project contain Lead Based Paint (24 CFR Part 35) or Asbestos (40 CFR Part 61)?				*[If yes, explain how the hazards will be removed, encapsulated or eliminated.*]
Does the Fire/smoke detection, alarm and communication system comply with Life Safety Code, NFPA 101?				[*If no, explain.*] [*Smoke detectors must be installed in all bedrooms and outside each sleeping area in the immediate vicinity of all bedrooms, and on all levels of dwelling unit including basements. Installation of smoke detectors is a critical repair*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

Critical repairs
[Provide a brief summary of the required critical repairs and costs. If none, state none.]

Non-Critical Repairs
[Provide a brief summary of the required non-critical repairs and costs. HUD doesn't recognize "Borrower elective repairs" – they're either Critical or Non-critical. If none, state none.][Non-Critical Repairs should include bids for anticipated repair items greater than $25,000].

Completion and Inspection of Repairs
[Refer to the repair list, which will be attached to Exhibit C of the firm commitment. It should clearly describe the location of the repairs and what is required. The description must be sufficiently detailed so that an experienced person can perform the work and that an experienced inspector can inspect with minimal additional direction or consultation. For non-critical repairs completed after endorsement, the HUD-Form-92464, Request for Approval of Escrow Funds, will be provided to the inspector for reimbursement of escrowed funds.]

Questions about Cost Issues	**N/A**	**Yes**	**No**	**Comments**
Is the Property Insurance Schedule included and completed correctly?				[*If no, comment.*]
Is the Lender's cost analyst determination of the "as new" replacement cost consistent with the appraisal conclusion?				[*If no, comment.*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist.*]

7. Environmental

Name of Phase 1 Environmental Inspector:		Environmental Firm:	
Phone #:		E-mail address:	
Effective Date of Phase 1:		Date of report:	
Date of Phase 2:	*[Insert date or N/A]*	Date of any previous Env. Studies done on the site:	
NFIP Map Panel #:		Date of MAP:	
Flood Zone Designation: NFIP flood insurance:	*[Insert date or N/A]*		[*Comment as appropriate.*]
Asbestos Lead Base Paint Radon Zone 1 or 2 O & M Plan:	*[Insert date or N/A]*	Survey completed: Inspection completed: Test Date:	[*Comment as appropriate.*]
Historic Preservation SHPO letter sent: SHPO response:	*[Insert date or N/A]*		[*Comment as appropriate.*]

Questions/Statements about the Environmental Analysis	**N/A**	**Yes**	**No**	**Comments**
If applicable, was the information and activities requested by the HUD Program Center supporting the 5-step process for the 100-year flood plain completed?				[*Comment as appropriate.*]
Has the Environmental Report (MAP Guide Section 9.5) been completed?				[*Comment as appropriate.*]
Does the Phase I ESA conform to ASTME 1527-05?				[*Comment as appropriate.*]
Was the effective date of the Phase 1 ESA within 180 days of the firm application submission?				[*Comment as appropriate.*]
Did the Phase I EDA incorporate a Vapor Encroachment Screen report that is in compliance with ASTME 2600-10?				[*Comment as appropriate.*]
Did the Phase I ESA determine there were Recognized Environmental Conditions?				[*Comment as appropriate.*]
If applicable, has the Phase II ESA been completed?				[*Comment as appropriate.*]
If applicable has a Remediation Plan and LSTF authority approval of the plan been submitted?				[*Comment as appropriate.*]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*.]

8. Management Agent / Management Plan

Questions	N/A	Yes	No	Comments
Does the proposed management agent's past experience and current performance demonstrate their ability to lease up the property, and comply with HUD reporting and regulatory agreement requirements?				[*If no, explain*.]
Is the Management Agent's history free of problems with HUD previous participation?				[*If no, provide explanation.*]
Does the Management Plan address staffing for the project and is the proposed staff adequate and appropriate given the scope of the project?				[*If no, explain.]*
Is the HUD-9839, 9832, and if applicable the Management Agreement, complete and consistent with HUD requirements (including fidelity bond / employee dishonest coverage)?				[*If no, explain*.]
Is the Sample Lease consistent with HUD requirements?				[*If no, provide explanation*.]
Is the proposed Property Insurance provider and coverage amount acceptable?				[*If no, provide explanation*.]

[*Insert discussion/comments that weren't included or didn't fit in the above checklist*. *Comment on the company overview and related experience of the management agent, any identity of interest issues and management entity profile.]*

9. Legal / Other Issues

Questions/Statements	N/A	Yes	No	Comments
There are no identified title issues.				[*Comment on existence and status of any liens, encroachments, easements, deed restrictions, exceptions to Schedule B of the title report.]*
Does the application include a Pro Forma title commitment or Preliminary Title Policy?				[*Provide timeframe for receipt of title commitment*.]
Does the application include an ALTA/ACSM Land Title Survey and Surveyor's Report (HUD 92457)?				[*Comment on the date of the Survey/Surveyor's Report, currency, or request to submit at the next stage of processing.]*
Are the organizational documents acceptable (and if applicable, have a term extending at least 10 years beyond the proposed maturity date of the loan)?				[*Comment on whether the HUD required provisions are contained in the organizational documents*.]
Is the Mortgagor entity licensed to do business in the jurisdiction where the property is located?				[*If no, explain*.]
There is no identity of interests between any parties to the transaction or all identity of interest issues have been fully disclosed and discussed.				[*Comment*.]
There is no pending litigation involving the mortgagor, its principals or the project.				[*If no, explain*.]
Is site properly zoned for its current use?				*[If no, explain.][If it is an existing structure with a legal nonconforming use, comment on whether or not project may be rebuilt as it currently stands, if destroyed in the future.]*

10. Mortgage Credit

[The Mortgage Credit Binder contains private sensitive information and is separately bound.]

Provide an organizational chart outlining percentage of ownership for Mortgagor and all Principals of the Mortgagor. Verify that the underwriter has reviewed the organizational documents of the mortgagor entity and has found them to be acceptable.

Proposed Mortgagor's Name:	
State or Organization:	
Date Formed:	
Termination Date:	
Type Entity (Ltd., GP, LLC, NP or other):	*Delete non-applicable*

Narrative description of Mortgagor – Discuss the Mortgagor's experience and qualifications **–** For example, "The mortgagor entity is a single asset entity that was established in (date) to develop and own the subject property. It has owned the property since its inception…" Discuss the history of the borrower's equity investment in the property. Describe the experience of each of the principals in the mortgagor entity.

[*The following chart is a summary of what documents are included in the mortgage credit binder. Insert a "Yes" or "No" in each box as applicable.]*

Participant / Role	**Resume**	**Financial Statements**	**Schedule of REO and Business Debt**	**2013-SUPP**	**APPS / 2530**	**Credit Report**	**VOD**	**Trade References**
Single Asset Mortgagor Entity								
Principals 1 of the Mortgagor Entity [list each one on a separate line]								
Principal 2								
Principal 3								
Principal 4								
Management Agent								
Other								

[*Detail dates/time periods, and whether audited or not, for each entry Financial Statement noted above.*]

List of proposed signators for the Regulatory Agreement, Section #50. 1. 2.

Credit Reports

For each of the principals previously listed, a credit analysis is required. Credit reports for individuals must be Residential Mortgage Credit Reports (RMCR).

Entity or Person	Name of Credit Bureau	Type Report	Date: __/__/__/

Questions/Statements for Mortgagor and/or Principals	N/A	Yes	No	Comments
The single asset mortgagor entity been established.				[*If to be established comment on status of organization documents and expected timing of establishment.*]
If a non-profit entity, has applicable portions of the HUD form 3433 been completed?				[*If no, explain*.]
Has the HUD 2530 Previous Participation clearance or APPS been submitted for the mortgagor and all required principals?				[*If no, explain*.]
Is the payoff of recorded existing indebtedness reported?				[*If yes, attachments need to be in accordance with Appendix 8C of the MAP Guide.*]
Are all required credit reports current within the last 30 days of application?				[*If no, update credit report*.]
Are all credit reports free of any derogatory information? Free of outstanding federal debt? Free of outstanding significant judgments?				[*If no, explain any derogatory credit information.*]
Explanation from mortgagor and/or principals was verified and found acceptable?				[*If no reasons why*.]
Was information contained in the credit reports is acceptable?				[*If no reasons why.*]
Written responses from the trade references were acceptable?				[*If no reasons why.*]
Were all answers to the questions included on the 2013 acceptable?				[*Explain any "no" answers.*]
Has the borrower identified and listed the individuals/entities who will sign the non-recourse disclosure contained in HUD's Regulatory Agreement				[*If no, convey to borrower the individual/entities must be disclosed prior to Initial Endorsement.*]

#50? (optional)				

Provide the following financial data on the Mortgagor that will be providing the funds for eligible costs outside of the proposed transaction, (e.g. projected project's financial requirements for closing).

Mortgagor:

Form 92004-F, Verification of Deposit, (VOD), was sent to the following:
1.
2.
3.
4.

[*Add additional rows as needed. Comment on the responses from the institutions listed, e.g. that the mortgagor or principal maintained what type of account and average balance?*]

Institution	Checking	Savings	Money Market	Certificate of Deposit	Other	Average Balance
1.	☐	☐	☐	☐	☐	$
2.	☐	☐	☐	☐	☐	$
3.	☐	☐	☐	☐	☐	$
4.	☐	☐	☐	☐	☐	$
5.	☐	☐	☐	☐	☐	$
6.	☐	☐	☐	☐	☐	$

Describe "Other"

Questions	N/A	Yes	No	Comments
Do the current balances of the listed accounts support the cash balances reported in the mortgagor's most recent financial statement?				[*If no, explain*]

Financial Analysis of Mortgagor

Questions	N/A	Yes	No	Comments
If applicable, has the Mortgagor's				*Personal financial statements must contain all*

personal financial statement been submitted?				*information requested in the HUD 92413. If married, must be signed by the spouse of the principal.*]
Is the financial statement signed and certified?				[*Financial statements from the principal must be certified.*]
Have the last 3 years financial statements, including all required schedules and interim financials been submitted?				[*If no, explain*]
If any financial statements omitted was a statement of explanation provided by the Mortgagor?				[*If no, explain*]
Has the Mortgagor provided a property financial statement that was reviewed by an independent third party Certified Public Accountant (CPA) that includes actual copies of the insurance and property tax bills? The CPA review is applicable to the most recent complete year of the financial statement.				*[If no, has the Hub Director granted a waiver of this requirement for acquisitions?]*

The analysis of the proposed mortgagor's past three (3) years financial statements in accordance with existing guidance is as follows**:**

Balance Sheet:

	Year:___/___/___	**Year:___/___/____**	**Year:___/___/____**
Current Assets:	$	$	$
Other Assets:	$	$	$
Total Assets:	**$**	**$**	**$**
Current Liabilities:	$	$	$
Other Liabilities:	$	$	$
Total Liabilities:	**$**	**$**	**$**

The analysis of the mortgagor's current financial statement should be in accordance with the MAP Guide and FAQ and in the following format:

Balance Sheet Year to Date__/__/____

IF:

Assets		**Liabilities**	
Total Current Assets:	(a) $_____	Total Current Liabilities:	(b) $_____
Total Other Assets:	(c) $_____	Total Other Liabilities:	(d) $_____
Total Assets:	**(e) $_____**	**Total Liabilities:**	**(f) $_____**

If the mortgagor is a non-profit entity, remove restricted assets which cannot be utilized in determining available working capital.

THEN:

Working Capital		**Net Worth**	
Current Assets: (a)	$_____	Total Assets: (e)	$_____
Current Liabilities: (b)	($_____)	Total Liabilities: ((f)	($_____)
Working Capital:	$_____	**Net Worth:**	$_____

The mortgagor's current Working Capital and Net Worth are:

Working Capital	Net Worth
$	$

Questions	N/A	Yes	No	Comments
Is the mortgagor's financial status acceptable?				[*If no explain*]

Provide the following financial data on the Principal that will be providing the funds for eligible costs outside of the proposed transaction, (e.g. projected project's financial requirements for closing).

Principal:

Form 92004-F, Verification of Deposit, (VOD), was sent to the following:
1.
2.
3.
4.

[*Add additional rows as needed. Comment on the responses from the institutions listed, e.g. that the mortgagor or principal maintained what type of account and average balance?*]

Institution	Checking	Savings	Money Market	Certificate of Deposit	Other	Average Balance
1.	☐	☐	☐	☐	☐	$
2.	☐	☐	☐	☐	☐	$
3.	☐	☐	☐	☐	☐	$
4.	☐	☐	☐	☐	☐	$
5.	☐	☐	☐	☐	☐	$
6.	☐	☐	☐	☐	☐	$

Describe "Other"

Questions	N/A	Yes	No	Comments
Do the current balances of the listed accounts support the cash balances reported in the principal's most recent financial statement?				[*If no, explain*]

Financial Analysis of Principal:

Use the following format to perform a financial analysis of the mortgagor entities and/or corporate and partnership principals. Remove related party notes accounts/ notes receivable.

Questions	N/A	Yes	No	Comments
Is the principal's financial status acceptable?				[*If no, explain*]
Do operating/income statements indicate a positive operating history?				[*If no, explain*]
Do the financial statement schedules indicate aging accounts and notes receivable are being collected?				[*If no, explain*]
Do the financial statement schedules indicate aging account and notes are paid timely?				[*If no, explain*]
Do the financial statement schedules indicate listed securities are properly valued?				[*If no, explain*]
Do the financial statement schedules indicate any pledged assets?				[*If no, explain*]

The analysis of the principal's past three (3) years financial statements in accordance with existing guidance is as follows**:**

Balance Sheet:

	Year:___/___/___	**Year:___/___/____**	**Year:___/___/____**
Current Assets:	$	$	$
Other Assets:	$	$	$
Total Assets:	**$**	**$**	**$**
Current Liabilities:	$	$	$
Other Liabilities:	$	$	$

Total Liabilities:	**$**	**$**	**$**

The analysis of the principal's financial statements should be in accordance with the MAP Guide and FAQ and in the following format:

Balance Sheet Year-to-Date__/__/____

IF:

Assets		**Liabilities**	
Total Current Assets:	(a) $_____	Total Current Liabilities:	(b) $_____
Total Other Assets:	(c) $_____	Total Other Liabilities:	(d) $_____
Total Assets:	**(e) $_____**	**Total Liabilities:**	**(f) $_____**

THEN:

Working Capital		**Net Worth**	
Current Assets: (a)	$_____	Total Assets: (e)	$_____
Current Liabilities: (b)	($_____)	Total Liabilities: ((f)	($_____)
Working Capital:	$_____	**Net Worth:**	$_____

The principal's current Working Capital and Net Worth are:

Working Capital	**Net Worth**
$	$

Operating Statement

Revenues:			
Less Expenses:			
Add Depreciation:			
Net Income:			

List those entities for which a schedule of REO and a schedule of maturing debt has been analyzed and provided.

1.	
2.	
3.	
4.	
5.	
6.	
7.	

Questions	N/A	Yes	No	Comments
Was a schedule of REO attached to the balance sheets or otherwise provided for all required principals?				[*If no, explain*]
Do balance sheets for all principals, in addition to other relevant schedules, contain a Schedule of Real Estate Owned, and a Schedule of Mortgage Debt?				[*If no, explain*]
Does the various properties' net operating income, outstanding indebtedness, valuation estimates etc., support the likelihood of successfully refinancing projects with maturing balloon debt, assuming current capital markets conditions and the current availability of alternative long term financing sources?				[*If no, explain*]
Does the financing plan address any shortfall or anticipated lack of available credit?				[*If no, explain*]
Is there maturing debt in the next 5 years on any of the REO assets of which principals have control?				[*If yes, explain*]
If yes, is the financing plan detailed and acceptable?				[*If no, explain*]

[*Provide a Narrative description of the above items. Address the creditworthiness of all principals, the financial position and contingent liabilities, particularly all mortgage debt with near or intermediate term balloon payments (i.e. within the next 5 years). Reconcile the data, and come to a conclusion as to the principals' and Borrower's creditworthiness. Particular attention should be given to principals with a history or anticipated incidence of adverse credit actions including (but not limited to) bankruptcies, foreclosures, or a pattern of renegotiating debt.*]

Recommendation

Questions	N/A	Yes	No	Comments
Is the combined Net Worth and Working Capital of the proposed mortgagor and principals acceptable?				[*If no, explain*]
Does the mortgagor and principals have sufficient funds to meet the cash requirement?				[*If no, how will they meet this requirement?*]

Management Agent Credit Information (if applicable)

Question	N/A	Yes	No	Comments
Does the Management Agent's history show				*[If yes, explain.]*

problems with HUD previous participation?				
The Management Agent's credit history shows no judgments, bankruptcies, pending lawsuits, defaulted federal debt or other credit problems.				[*If agent has past credit issues, explain and provide proof of satisfaction*.]
If an Identity of Interest Management Agent, was a business credit report obtained and it free of material credit problems?				[*If no, explain.*]

Additional Comments:

13. Underwriting Conclusion / Special Conditions to Firm Commitment

Insurable Mortgage

The maximum insurable mortgage is controlled by which criterion?	
The HUD-92264-A indicates a maximum insurable mortgage of:	$
Estimated cash requirement:	$
Terms of GNMA lock-out provisions (optional)	

Recommendations and any Special Conditions to the Firm Commitment:

14. Addenda

A. Organization Chart
B. Draft HUD-2 forms if waivers requested
C. Any other applicable documentation