

Addendum to Underwriting Narrative – Principal of the Borrower

Section 232/223(a)7, 223(d), 241(a)

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

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions

Privacy Act Notice: 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 mandatory to receive the mortgage insurance benefits to be derived from the National Housing Act Section 232 Healthcare Facility Insurance Program. No confidentiality is assured.

This addendum is applicable to Section 223(a)(7), Section 223(d), or Section 241(a) loans when there has been a change, or a change is proposed, in the principal ownership of the borrower entity. The addendum must be provided for each new or existing principal that has not been previously approved by HUD.

Principal of the Borrower – <<PRINCIPAL NAME>>

<<Provide this section for each principal of the borrower>>

Key Questions

	Yes	No
1. According to the application exhibits, is or has the principal been delinquent on any Federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
2. According to the application exhibits, is or has the principal been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
3. According to the application exhibits, has the principal ever filed bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
4. According to the application exhibits, are there judgments recorded against the principal?	<input type="checkbox"/>	<input type="checkbox"/>
5. According to the application exhibits, are there any unsatisfied tax liens against the principal?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please briefly address below.

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

Organization (not applicable to individuals)

<<If the principal is an entity, provide the following:>>

State of Organization: _____

Date Formed: _____

Termination Date: _____

<<Provide Organization Chart and Narrative, as applicable.>>

Experience / Qualifications

<<Narrative description of principal’s experience and qualifications: Discussion should highlight direct experience and involvement in other HUD transactions. This section should clearly demonstrate that the principal has sufficient expertise from which to draw to successfully own the facility.>>

Credit History

Report Date: _____ <<within 60 days of submission>>

Firm: _____ <<Dunn & Bradstreet required for business entities>>

Score: _____

Key Questions

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

If you answer “yes” to any of the above questions, please briefly address below.

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

Other Business Concerns/232 Applications

Key Questions

	Yes	No
1. Does the principal 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"/>	<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"/>	<input type="checkbox"/>
2. Does the operator identify any other Section 232 loans on Part VII and Attachment 2 of their certification?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “yes” to any of the above questions, please briefly address below.

<<For each “yes” answer above, provide a narrative discussion regarding the topic. 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 underwriter reviewed Dunn and Bradstreet credit reports for XX other business concerns identified by XXXX. {discuss each report}. No reports indicated derogatory information that would prohibit XXXXX participation in this loan transaction.

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 required by HUD Notice H 01-03 are required.>>

Financial Statements

<<If borrower has sufficient financial strength, no review of a principal’s financials is required. If a review of the principal’s financials is required to support approval of the loan, provide an analysis similar to the one provided for a borrower.>>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “XXXXX has demonstrated an acceptable credit history and sufficient experience owning and operating this and other facilities. The underwriter recommends this principal as an acceptable participant in this transaction.”>>