

**Lender Narrative –
Operating Loss Loan
Section 232/223(d) - COVID**

**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 15 hour(s). This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which 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.

INSTRUCTIONS:

The narrative is a document critical to the Lean Underwriting process. Each section of the narrative and all questions need to be completed and answered. If the lender's underwriter disagrees and modifies any third-party report conclusions, provide sufficient detail to justify. The narrative should identify the strengths and weaknesses of the transactions and demonstrate how the weaknesses are mitigated by the underwriting.

- **Charts:** The charts contained in this document have been created with versatility in mind; however they will not be able to accommodate all situations. For this reason, you are allowed to alter the charts as the situation demands. Be sure to state how you have altered the charts along with your justification. Include all the information the form calls for. Charts that include blue text indicate names that should be modified by the lender as the situation dictates.
- **Applicability:** If a section is not applicable, state so in that section and provide a reason. Do not delete a section heading that is not applicable. The narrative will be checked to make certain all sections are provided. If a major section is not applicable, add “– Not Applicable” to the heading and provide the reason. For instance:

Parent of the Operator – Not Applicable

This section is not applicable because there is no operator.

The rest of the subsections under the inapplicable section can then be deleted. This instruction page may also be deleted.

- **Format:** In addition to submitting the PDF version of the Lender Narrative to HUD, please also submit an electronic Word version.

Instead of pasting large portions of text from third-party reports into the narrative, it is preferred that the lender simply reference the page number and the report. The focus of this document is for lender conclusions, analyses, and summaries.

Italicized text found between these characters <<EXAMPLE>> is instructional in nature, and may be deleted from the lender's final version. Please use the gray shaded areas (e.g.) for your response. Double click on a check box and then change the default value to mark selection (e.g.).

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Executive Summary

FHA number:	
Project name:	
Project location:	<<street address, city, county, state and zip>>
Lender's name:	
Lender's UW:	UW trainee:
Borrower:	
Operator:	
Parent of operator:	
Management agent:	
License holder:	<input type="checkbox"/> Borrower <input type="checkbox"/> Operator <input type="checkbox"/> Management agent
Section 38 of the Regulatory Agreement shall apply to the following individuals and/or entities (list name(s)):	

Purpose of loan:

COVID-Related Supplemental Loan Pursuant to FY21 Consolidated Appropriations Act

		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

Current insured loan(s):

Original Section of the Act: _____
 FHA number: _____
 Original loan amount: _____
 Current interest rate: _____
 Maturity date: _____
 Original terms (in months): _____
 Principal & interest (monthly): _____
 MIP (monthly): _____
Total P+I+MIP (monthly): _____
 Debt service coverage: _____
 Principal balance: _____
 As of: _____
 Replacement reserve balance: _____

Proposed 223(d) supplemental loan terms

Date facility built: _____
 FHA number: _____
 Proposed loan amount: _____
 Proposed interest rate: _____
 Proposed maturity date: _____
 Proposed term (in months): _____
 Principal & interest (monthly): _____
 MIP (monthly): _____
Total P+I+MIP (monthly): _____

As of:

	TOTAL INSURED MORTGAGES:
	Total combined debt service coverage:

Sensitivity Analysis

<<Provide a Sensitivity Analysis and identify sensitivities that exist. For example, the analysis shall provide the following: >>

If everything else under consideration remains the same (ceteris paribus), then:

- (a) The average rental rate can drop by \$_____ per month and still provide 1.0 debt cover.
- (b) Occupancy rate could decrease by _____% and still provide a 1.0 debt cover.
- (c) Operating expenses could increase _____% per year and still provide a 1.0 debt cover.
- (d) The NOI could drop by \$_____ (_____%) and still provide a 1.0 debt cover.
- (e) Medicaid Rate could decrease by \$_____ (_____%) and still provide a 1.0 debt cover.
- (f) Medicaid Census could decrease by _____% and still provide a 1.0 debt cover.

Explanation of Operating Loss

Key Information

Temporary losses or additional operating expenses incurred or expected to be incurred by the healthcare facility as a result of the impact of the circumstances giving rise to the President’s March 13, 2020 Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID–19) Outbreak

Amount expected to be needed to cover the sum of—

- a) one year of principal, interest and mortgage insurance premiums for the underlying FHA-insured loan(s) and this supplemental loan combined,
- b) one year of monthly deposits to reserve accounts as required by HUD, _____

- c) one year of property taxes and insurance for the healthcare facility, and
- d) transaction costs.

<< Provide narrative explanation of loss, all other forms of assistance received and exhausted, how borrower performed during loss, and how the project has or will be stabilized.

Note 1: The reference of “temporary losses or additional expenses” means the combined effect of incurred or expected temporary reductions in revenue (for example, reductions associated with reduced census) and incurred or expected increases in operating expenses (for example, additional staffing or supplies expense) associated with COVID. Overall, however, this criterion speaks to an operating loss to the extent incurred or expected to be incurred as a result of the circumstances giving rise to the Proclamation.

Note 2: The amount of debt service “expected to be needed” is to be determined as the incremental amount that, in light of other resources, is expected to be needed to cover these listed items. Although NOI may be insufficient to fully make these payments over the course of a year, some projected NOI may be available and will be considered.

>>

Lender Loan Committee

Date of loan committee: _____

<<Provide brief narrative summary of loan committee, including: information provided; any pertinent requirements/conditions of the loan committee to gain the committee’s recommendation.>>

Program Eligibility

Check all applicable qualifiers to confirm eligibility:

- Existing loan is currently HUD-insured and is not HUD-held.
- The facility was financially sound immediately prior to the Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak.
- An allowable loss has been or is expected to be experienced and is evidenced by certified financials.
- Sustaining occupancy has been attained or may be projected.
- The mortgagee-of-record for the current HUD-insured loan has assented, in writing, to this supplemental loan.

- The competence and responsibility of the operator and/or management agent has been established to the satisfaction of the lender.
- Current borrower entity owned project during loss period.

Waivers

<<Identify and discuss any waivers received or requested.>>

Special Underwriting Considerations

Key Questions

	Yes	No
1. Was an underwriter trainee involved in underwriting this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is a mortgage broker involved in this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
3.		
4. Are there any surplus cash notes or other obligations of the mortgagor other than the HUD-insured mortgage?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there any professional liability insurance issues that require special consideration?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any special escrows or reserves proposed for this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there any other issues that require special or atypical underwriting consideration?	<input type="checkbox"/>	<input type="checkbox"/>

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

Risk Factors

Key Questions

	Yes	No
1. Is the borrower entity behind on its mortgage payments?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the borrower, the operator, or any of their affiliates renamed or reformulated companies, filed for or emerged from bankruptcy within the last five (5) years?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the operator, parent company, affiliates or subsidiaries the subject of an ongoing investigation or judicial or administrative action involving any Federal, State, municipal and/or other regulatory authority, which could have a detrimental impact on the operator’s financial condition or may jeopardize the operator’s license and or its provider agreements?	<input type="checkbox"/>	<input type="checkbox"/>

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

Other Risk Factors Identified by Lender

Additionally, the lender has identified the following risk factors:

<<Provide discussion on other risk factors identified by the lender and how they are mitigated.>>

Strengths

<<Provide discussion of the strengths of the transaction.>>

Underwriting Team

Lender

Name: _____
Underwriter: _____
Underwriter trainee: _____
Lender #: _____

Lender’s Underwriter

<<Brief description of qualifications. >>

Underwriter Trainee (if applicable)

<<Brief description of qualifications.>>

Identities-of-Interest

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. Are there any identity-of-interest issues involving the underwriting lender, the existing lender or note holders, or the mortgage broker?	<input type="checkbox"/>	<input type="checkbox"/>

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

Historical Operations

Key Data	20XX	20XX	20XX	T-12	Lender's DSC	e.g. Trailing 9	e.g. Adjusted	e.g. Stress Test
Effective Gross Income								
Expenses Sub-total								
Real Estate (Property) Taxes								
Management Fees								
Replacement Reserves								
Total Expenses								
Net Operating Income								
Debt Service Coverage Ratio								
Occupancy								
Potential # Res Days	-	-	-	-	-	-	-	
Actual # Res Days	-	-	-	-	-	-	-	

Census Mix History

Source	20XX	20XX	20XX	T-12	Lender (for DSCR)	e.g. Trailing 9	e.g. Adjusted	e.g. Stress Test
Private-pay	0.0%	0.0%	0.0%	0.0%	0.0%			
Medicare	0.0%	0.0%	0.0%	0.0%	0.0%			
Medicaid	0.0%	0.0%	0.0%	0.0%	0.0%			
Veterans Admin (VA)	0.0%	0.0%	0.0%	0.0%	0.0%			
HMO / Insurance	0.0%	0.0%	0.0%	0.0%	0.0%			
0	0.0%	0.0%	0.0%	0.0%	0.0%			
Totals	0.0%	0.0%	0.0%	0.0%	0.0%			

<<Provide narrative discussion of historical information. Include three full years of data plus any partial years as available.

Address any significant fluctuations/anomalies in the historical data. Comment on any expenses that were reimbursable, such as a provider tax, and how they were incorporated into the historical table.

Address adjustments made to historical data for one-time expenditures, capital expenditures, etc.

Provide narrative discussion of any COVID related revenue and expense items.>>

The lender has reviewed the facility operations and determined that it meets the statutory requirement that the facility was financially sound immediately prior to the Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak, as:

1. The operations demonstrate a debt service coverage ratio (DSCR) over the twelve months ending February 29, 2020 of at least 1.0.; and
2. The project’s mortgage payments have not been delinquent for more than 30 days at any point during the six months prior to the Proclamation.

<<Discuss any unique additional circumstances that may clearly establish that the facility was financially sound immediately prior to the Proclamation. Additionally, if other evidence indicates that the facility was not financially sound immediately prior to 3/13/20, the lender will need to adequately address those matters to establish eligibility.>>

Borrower

Name: _____
 State of organization: _____
 Date formed: _____
 Termination date: _____
 Fiscal year-end date: _____

Key Questions

	Yes	No
1. Does the borrower currently own any assets other than the property or participate in any other businesses?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is or has the borrower been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is or has the borrower been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the borrower ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there judgments recorded against the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have any principals of the borrower changed or are any such changes proposed that have not been approved by HUD?	<input type="checkbox"/>	<input type="checkbox"/>

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. If there has been a change in a Principal of the Borrower that has not been approved by HUD, the Lender must contact the assigned ORCF Account Executive to complete the appropriate form HUD-92266-ORCF, Lender Narrative, Change of Participant document for HUD approval. **Changes of Participants will not be considered under this transaction type and must be approved prior to application submission.**>>

Organization

<<Provide organization chart and Executed Certificate of No Change with Organizational Documents. At a minimum, all principals of the borrower must be identified.>>

Operator

Name: _____
State of organization: _____
Date formed: _____
Termination date: _____

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the operator currently own or operate any assets other than the subject property or participate in any other businesses? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Has there been a change in the operator that has not been approved by HUD, or is such a change proposed? | <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. If there has been a change in the Operator that has not been approved by HUD, the Lender must contact the assigned ORCF Account Executive to complete the appropriate form HUD-92266A-ORCF, Lender Narrative, Change of Operator document for HUD approval. **Changes of Participants will not be considered under this transaction type and must be approved prior to application submission.**>>

Organization

<<Provide an organization chart and Executed Certificate of No Change with Organizational Documents. At a minimum, all borrower principals must be identified.>>

Management Agent

Name: _____
Relation to borrower: <<owner managed/IOI entity/independent/other>> _____

Management Agreement (as applicable)

Date of agreement: _____
Agreement expires: _____

Management fee: _____

Key Questions

- | | | |
|---|--------------------------|--------------------------|
| | Yes | No |
| 1. Has there been a change in the management agent or management agreement that has not been approved by HUD? | <input type="checkbox"/> | <input type="checkbox"/> |

<< *If there has been a change in the Management Agent that has not been approved by HUD, the Lender must contact the assigned ORCF Account Executive to complete the appropriate form HUD-92266B-ORCF, Lender Narrative, Change of Management Agent document for HUD approval. **Changes of Management Agent will not be considered under this transaction type and must be approved prior to application submission.***>>

Accounts Receivable (A/R) Financing

Key Questions

- | | | |
|---|--------------------------|--------------------------|
| | Yes | No |
| 1. Does the subject project have Accounts Receivable (AR) financing that has not been approved by HUD, or is a change proposed? | <input type="checkbox"/> | <input type="checkbox"/> |

<<If yes, the Lender must contact the assigned ORCF Account Executive to complete the appropriate form HUD-90031-ORCF, Lender Narrative, Accounts Receivable financing document for HUD approval. **Changes of A/R Financing will not be considered under this transaction type and must be approved prior to application submission.**>>

Facility

Subject's State Surveys

The application includes the following state surveys issued on the following dates over the last three (3) years of operations: (State when the survey was conducted and when the project was found in compliance.)

3 Years of Survey Inspections

Date of survey/inspection	Date state issued letter approving POC

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do the state surveys identify any instances of actual harm and/or immediate jeopardy (during last 3 year period)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do prior surveys (during last 3 year period) contribute to a pattern of findings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there currently any open findings? | <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: **General Review and Findings:** Provide narrative description of review. For example: “The {date} state survey inspection letter indicates that there were X deficiencies. The deficiencies constitute a pattern of findings, or repetitive findings from survey to survey, resulting in repeat deficiencies and civil money penalties of \$XXX...”>>

Risk Management Program

Program Guidance: See Risk Management Program grid on the Section 232 program website for additional guidance. Note that the below tier descriptions are general descriptions and HUD retains discretion to require additional risk management measures, as warranted, on a case by case basis.

Risk Management Tier General Descriptions:

Tier 1 Baseline: For most assisted living and low-risk skilled nursing projects with no more than one incident of actual harm/immediate jeopardy in the past three years. In these instances, the risk management program may be administered internally or by a third party provided the party administering the program is qualified.

Tier 2 Elevated Risk: Higher risk projects with two more incidents of actual harm/immediate jeopardy within the past three years. In these instances the risk management program should be administered by a third party.

(Note both Tier and Internal/External)

<input type="checkbox"/> Tier 1 Baseline	<input type="checkbox"/> Internally Administered Risk Management Program
<input type="checkbox"/> Tier 2 Elevated Risk	<input type="checkbox"/> External 3 rd Party Administered Risk Management Program

Compliance

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. <u>State Inspection:</u> Are there currently any open findings of “G” or higher resulting from State survey inspections? If yes, include the State survey inspection in the firm application and explain below. | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|--|--------------------------|--------------------------|
| 2. <u>Medicare star rating</u> : Is the project currently rated 1 or 2 stars? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. <u>REAC inspection</u> : Are there currently outstanding repairs resulting from the last REAC inspection? <i>(In the space below, summarize the most recent REAC Inspection Summary Report, HUD-93332-ORCF Certification of Exigent Health & Safety (EH&S) Issues, and HUD-93333-ORCF Borrower's Certification of Physical Condition Compliance.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the license not cover the correct number of units? | | |

If you answered "yes" to any of the above questions, please discuss any open findings or issues, and their resolutions.

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: _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the facility part of a master lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there proposed changes to the current operating lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Has the lender recommended any special conditions concerning the lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 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.>>

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 underwriter 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	\$
h	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 underwriter 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.”>>

Insurance

Professional Liability Insurance Coverage (PLI)

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

Name(s) of Insured: _____

Insurance company: _____

Rating: _____

Rater: _____

Insurance company is licensed
in the United States:

Yes No

Statute of limitations: _____

Current coverage:

Per occurrence: _____

Aggregate: _____

Deductible: _____

Policy Basis:

Per occurrence Claims made

Current Expiration: _____

Retroactive Date: _____

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the insurance policy cover multiple properties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the loss history indicate any professional liability claims over \$35,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the loss history or potential claims certification indicate any uncovered claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. 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"/> |
| 5. Are there any PLI issues that require special consideration? | <input type="checkbox"/> | <input type="checkbox"/> |

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

*Example: **1. Multiple properties:** The underwriter notes that the professional liability policy is a ‘blanket’ policy covering XXX facilities, including the subject...{address potential impact of other facilities on the subject’s coverage}*

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 borrower’s professional and general liability insurance was analyzed in accordance with Handbook 4232.1, Section II Production, Chapter 14 and Appendix 14.1.). The property has XX current potential (threatened) insurance claims at this time as reflected on the certification provided by the borrower. It is {lender’s} opinion that the

information provided above and in the application sufficiently demonstrates that the existing professional liability coverage meets HUD’s requirements and that the risk from professional liability issues is sufficiently addressed. No modifications to the current coverage are recommended.”>>

Mortgage Loan Determinants

Overview

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

Requested amount:	\$
Amount based on 100% of the operating loss, lesser of:	
1) temporary losses or additional operating expenses:	\$
2) one year of debt service:	\$

The proposed mortgage is \$ and is constrained by .

Mortgage Term

The underwriter concluded to a mortgage term of months, which is coterminous with the current first mortgage.

Type of Financing

The type of financing available to the mortgagor upon issuance of the commitment will likely be in the form of GNMA-backed securities.

Other Forms of Assistance

The borrower has certified that they have exhausted all other forms of assistance to date. In addition, they have identified all forms and amounts of COVID-related assistance (i) received since March 13, 2020 and/or (ii) reasonably anticipated to be received. If the Borrower and Operator are separate entities with an identity of interest or the Borrower is forgoing Operator receipts, deferring Operator receipts or lending funds to the operator in order to help operationally sustain a COVID-impacted facility, then the Operator must also provide such a certification.

<<Provide a discussion of the following:

- Identify all forms of Federal or other assistance considered.
- Explanation of any sources considered but not pursued.
- Identify which sources were pursued and the result.>>

The lender certifies that the amount of the loan requested is after all other realized or reasonably anticipated assistance (including reimbursements, loans, or other payments from other Federal sources) are taken into account and have been exhausted.

Criterion J: Operating Loss Limit

The operating loss amount is \$ _____ based on the lesser of:

- (1) The temporary losses or additional operating expenses incurred or expected to be incurred by the healthcare facility as a result of the impact of the circumstances giving rise to the President's March 13, 2020 Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak; or
- (2) The amount expected to be needed to cover the sum of—
- a) one year of principal, interest and mortgage insurance premiums for the underlying FHA-insured loan(s) and this supplemental loan combined,
 - b) one year of monthly deposits to reserve accounts as required by HUD,
 - c) one year of property taxes and insurance for the healthcare facility, and
 - d) transaction costs.

The loss was determined in accordance with HUD requirements as certified by the Borrower. The lender's underwriter has reviewed the information certified by the Borrower and finds no reason to modify its conclusion.

Conclusion

The proposed supplemental mortgage is constrained by the operating loss. The underwritten debt service coverage for HUD-insured mortgages is _____, which is _____ % of the estimated net operating income for debt service and MIP payments. The debt coverage of the insured loans is _____ against the trailing 12-months; _____ against the trailing _____ -months; and _____ against the borrower's budget.

Sources & Uses – Copied From HUD 92264a-ORCF

<<Provide a statement of Sources and Uses of actual estimated cost at closing. Include all eligible and ineligible costs.>>

Circumstances that May Require Additional Information

In addition to the information required in this narrative, depending upon the facility for which mortgage insurance is to be provided, the mortgagor, operator, management agent and such other parties involved in the operation of the facility, current economic conditions, or other factors or conditions as identified by HUD, HUD may require additional information from the lender to accurately determine the strengths and weaknesses of the transaction. If additional information is required, the questions will be included in an appendix that accompanies the narrative.

Special Commitment Conditions

<<List any recommended special conditions. If none, state "None.">>

- 1.
- 2.

Conclusion

<<Provide narrative conclusion and recommendation.>>

Signatures

Lender hereby certifies that the statements and representations of fact contained in this instrument and all documents submitted and executed by lender in connection with this transaction are, to the best of lender's knowledge, true, accurate, and complete. This instrument has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the loan and may be relied upon by HUD as a true statement of the facts contained therein.

Lender: _____

HUD Mortgagee/Lender No.: _____

This report was prepared by: Date

This report was reviewed by: Date

<<*Name*>>
<<*Title*>>
<<*Phone*>>
<<*Email*>>

<<*Name*>>
<<*Title*>>
<<*Phone*>>
<<*Email*>>

This report was reviewed and the Date
site inspected by:

<<*Name*>>
<<*Title*>>
<<*Phone*>>
<<*Email*>>

Lender Narrative Appendix – COVID-19 Assistance Certification

FHA Number:

Project Name:

Circumstances that May Require Additional Information

As noted in the Lender Narrative forms, in addition to the information required in the narrative, depending upon the facility for which mortgage insurance is to be provided, the mortgagor, operator, management agent and such other parties involved in the operation of the facility, current economic conditions, or other factors or conditions as identified by HUD, HUD may require additional information from the lender to accurately determine the strengths and weaknesses of the transaction. If additional information is required, the questions will be included in an appendix that accompanies the narrative.

The Borrower, and Operator as applicable, must provide an exhibit to the application with **CERTIFIED responses to the following questions:**

1. Has the owner/operator applied for and/or received financial support from resources available during the national emergency (examples include, but are not limited to, SBA Economic Injury Disaster Loan (“EIDL”), SBA Paycheck Protection Program (“PPP”), Medicare Accelerated and Advanced Payment Program, CARES Act Stimulus funds, business interruption insurance)? Please discuss program and amounts applied for and/or received.
2. Has any financial support received to date been exhausted? If not, please discuss the remaining amounts available, or any funds still anticipated to be received.
3. Has the owner/operator NOT applied for and/or NOT been eligible for certain financial support from resources available during the national emergency? Please discuss any programs NOT applied for and/or NOT eligible for.

The historical and projected financial information submitted herewith pertaining to [Name of Project] takes into account all forms of assistance realized or reasonably anticipated. This includes without limitation reimbursements, loans or other payments from Federal Sources.

I, the undersigned, HEREBY CERTIFY that the figures and statements attached hereto submitted by me for the purpose of obtaining mortgage insurance under Section 223(d) of the National Housing Act are true and give a correct showing of _____ [Entity Name] financial position as of date of the financial statement.

Executed this _____ day of _____, 20_____.

By: _____

Signature

(Printed Name & Title)

This instrument has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring a loan, and may be relied upon by HUD as a true statement of the facts contained herein.