

# ~~Lender Narrative – Cost Certification~~

## ~~Supplement~~

### ~~Section 232, New Construction, Substantial Rehabilitation and 232/241(a)~~

Lender Narrative Supplement – Cost Certification  
Section 232 – New Construction, Substantial Rehabilitation and Section 241(a)

U.S. Department of Housing and Urban Development  
Office of Healthcare Programs

OMB Approval No. 9999-9999  
(exp. mm/dd/yyyy)

Public reporting burden for this collection of information is estimated to average 7 hours. 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. Response to this request for information is required in order to receive the benefits to be derived. 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. No confidentiality is assured.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

**Instructions:**

The lender should review the Cost Certification and audited financial statements and complete the following sections of this supplement:

Mortgage Increase Request?	New Construction	Substantial Rehabilitation	232/241(a) and <del>Blended Rate</del>	<del>232/223(f), 232/223(a)(7), 232/223(d), and Fire Sprinkler Loans</del>
No	<del>N/A/N/A – Complete Lender Certification</del>	All Sections	<del>N/A/N/A – Complete Lender Certification</del>	N/A
Yes	All Sections	All Sections	All Sections <del>except section 232</del>	N/A

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- *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. HUD checks the narrative to make sure that all sections are provided. If a major section is not applicable, add “ –

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Not Applicable” to the header and provide a narrative section giving the reason. For instance,

## General Contractor or Subcontractor Cost Certification – Not Applicable

This section is not applicable because there were no required cost certifications for the general contractor or any subcontractors.

The rest of the subsections under the inapplicable section can then be deleted.

- **Additional documents** to be submitted with the Cost Certification are:

- 1) Audited Mortgagor ~~and Operator~~ Financial Statements and Form HUD-92330
- 2) Audited General Contractor and Subcontractor Financial Statements (as applicable) and Form HUD-92331
- ~~3) Lender Certification~~
- ~~4) Form HUD-92023~~
- ~~5) Draft LEAN Section 232 Maximum Insurable Mortgage Letter~~
- ~~6) Invoices that have not been provided to HUD for initial closing or insured advances.~~
- ~~7) Updated third party appraisal and lender narrative appraisal section (in the case of a mortgage increase request that includes a proposed revision to value).~~

~~*\*Note on Supplemental Loans (232/241a): The short form cost certification (Form HUD-2205A) can be used for projects with mortgage amounts under \$1M. The Lender Narrative Cost Certification Supplement will not be required with the HUD-2205A submission.*~~

~~*An additional Income Statement is not required for Supplemental Loans.*~~

Field Code Changed

A--Executive Summary—Cost Certification.....4  
B--Cost Certification Review Team and Signatures .....6  
C--Additional Owner Cost Certified Items .....7  
D--Increased Owner Certified Cost Items .....8  
E--Mortgagor Entity Balance Sheet .....9  
F--Operator Entity Income Statement .....10  
G--General Contractor or Subcontractor Cost Certification.....13  
    Structures Analysis.....14  
    Land Improvement Analysis .....16  
    General Requirements Analysis .....16  
    Summary Table: Contractor Cost Certification Analysis .....17  
    Change Order Analysis.....18  
    General Contractor Incentive Computation .....21  
    Liquidated Damages Analysis .....24  
    Determination of Total Allowable Construction Cost.....26

Field Code Changed

Revision Date 8-3-2011

H--Architect’s Fees—Design, Supervision, Additional Services .....27  
 I--Interest During Construction.....28  
 J--Property Tax Analysis .....29  
 K--Insurance Analysis .....30  
 L--Mortgage Insurance Premium (MIP) Analysis .....31  
 M--FHA Examination Fee and Inspection Fee Analysis .....32  
 N--Title and Recording Fee Analysis.....33  
 O--Non Profit Developer’s Fee.....33  
 P--Initial Financing Fee, Permanent Placement Fee, and Other Financing Expenses .....34  
 Q--Legal, Organizational and Cost Cert Audit Fee .....35  
 R--Mortgagor Other Fee Analysis .....37  
 S--Major Movable Equipment Analysis.....37  
 T—Marketing .....40  
 U—Relocation .....41  
 V--Calculation of Replacement Cost .....43  
 W--Mortgage Determinants.....44  
     Sources & Uses .....44  
     Secondary Sources .....44  
     Conclusion .....45  
     Signatures.....45

**A--Executive Summary—Cost Certification**

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

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**Section of the Act: 232**

<del>New Construction</del>	<del>Substantial Rehabilitation</del>	<del>241(a) Addition</del>	<del>241(a) Equipment Purchase</del>	<del>241(a) Major System Upgrade</del>	<del>(Other/ Specify)</del>

~~New Construction~~     ~~Substantial Rehabilitation~~     ~~Other (Specify)~~  
 ~~New Construction~~     ~~Substantial Rehabilitation~~     ~~Other (Specify)~~  
 241(a) - Addition     241(a) - Equipment Purchase     241(a) Major System Upgrade

**Initial Closing Mortgage Amount:**

**Requested Mortgage Increase Amount:**

(Note: The minimum mortgage increase request is \$100,000.)

Field Code Changed

**Requested Mortgage Decrease Amount:**

**Key Dates:**

Initial Closing Date: \_\_\_\_\_ HUD Approved Final Trip Report Date: \_\_\_\_\_  
 Revised Contract Completion Date (including HUD approved time change orders): \_\_\_\_\_  
 Mortgagor Cutoff Date: \_\_\_\_\_ Date of Financial Responsibility: \_\_\_\_\_  
 Mortgagor Fiscal Year End (next) Date: \_\_\_\_\_  
 Operator Fiscal Year End (next) Date: \_\_\_\_\_  
 Number of days from Initial Closing to Final Completion: \_\_\_\_\_  
 Number of days from Initial Closing to Cutoff Date: \_\_\_\_\_  
 Beginning Date of Audited Income Statement: \_\_\_\_\_  
 Date Mortgagor Signed Form HUD-92330: \_\_\_\_\_  
 Date of Mortgagor Entity's Third Party CPA Certification: \_\_\_\_\_

Initial Closing Date:	_____
HUD Approved Final Trip Report Date:	_____
Revised Contract Completion Date (including HUD approved time change orders):	_____
Number of days from Initial Closing to Final Completion:	_____
Mortgagor Cutoff Date:	_____
Number of days from Initial Closing to Cutoff Date:	_____
Date of Financial Responsibility: <i>(day after cutoff date):</i>	_____
Mortgagor Fiscal Year End (next) Date:	_____
Operator Fiscal Year End (next) Date:	_____
Beginning Date of Audited Income Statement:	_____
Date Mortgagor Signed Form HUD-92330:	_____
Date of Mortgagor Entity's Third Party CPA Certification:	_____

**Third Party Reports provided:**

Mortgagor's Audit      Conclusion is:  Accepted as is.     Modified by underwriter.  
 General Contractor's Audit      Conclusion is:  Accepted as is.     Modified by underwriter.

Field Code Changed

~~Revision Date 8-3-2011~~

**Waivers Requested or Previously Approved:**

<< Narrative description. Identify status of waivers that affect cost certification. If new waiver request give full explanation of basis for request. .>>

**B--Cost Certification Review Team and Signatures**

Lender's Cost  
Certification Reviewer \_\_\_\_\_  
CPA Reviewer  
(Mortgagor's Cost  
Certification) \_\_\_\_\_  
CPA Reviewer  
(Contractor's Cost  
Certification) \_\_\_\_\_

Field Code Changed

~~Revision Date 8-3-2011~~

**Lender's Cost Certification Reviewer**

(Discuss qualifications)

**CPA Reviewer (Mortgagor's Cost Certification)**

(Discuss qualifications)

**CPA Reviewer (Contractor's Cost Certification)**

(Discuss qualifications)

**SIGNATURES**

	Signed By: (Name)	(Title)	(Signature Date)
Form HUD-92330			
Mortgagor's Audit (CPA)			
Form HUD-92331			
General Contractor's Audit (CPA)			

**C--Additional ~~Owner~~Mortgagor Cost Certified Items** (not included in original underwriting estimates--from Form HUD-92330)

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Revision Date 8-3-2011

(Note: The Balance Sheet date should be as of the mortgagor entity's cost cutoff date.)

**Key Questions**

	<u>Yes</u>	<u>No</u>
1. Are there any long-term liabilities other than the HUD insured mortgage?	_____	_____
2. Are there any intercompany payables/receivables?	_____	_____
3. Are any "to be paid" items on the Form HUD-92330 shown as short term liabilities?	_____	_____
4. Does the mortgage payable differ from the mortgage proceeds advanced as of the cutoff date?	_____	_____
<del>5. Are there any lease assets or liabilities?</del>	_____	_____
<del>6.5. Are there any payables to or receivables from any principals of the mortgagor or operator leases?</del>	_____	_____
7.6. Are there any mortgage and/or impound payments that are not current?	_____	_____

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

**F--Operator Entity Income Statement**

Field Code Changed

Revision Date 8-3-2011

From (date): \_\_\_\_\_

To (date): \_\_\_\_\_

(Note: The Income Statement date should cover the period from the date of initial occupancy—or in the case of substantial rehabilitation the date of initial closing—to the mortgagor entity's ~~cut-off date~~ cost cutoff date. If the lender is unable to determine the answers to any questions below they should contact the third-party CPA for further clarification. If the mortgagor is also the operator this may be the mortgagor entity's income statement.)

**Key Questions**

	<u>Yes</u>	<u>No</u>
1. Is the Income Statement for the <del>Mortgagor</del> Operator Entity?	_____	_____
2. Are there any facility utility costs included in the construction contract?	_____	_____
3. Are there marketing/promotion costs included in both the mortgagor's Form HUD-92330 and the operator income statement?	_____	_____
4. Are there real estate taxes included in both the mortgagor's Form HUD-92330 and the operator income statement?	_____	_____
5. Are there insurance costs included in both the mortgagor's Form HUD-92330 and the operator income statement?	_____	_____
6. Are there any maintenance costs that may include construction contract latent defects or incomplete work?	_____	_____
7. Is interest, depreciation, or amortization included in the Income Statement?	_____	_____
8. Do management fees exceed the amounts permitted in the Owner/Management Agent's Certification, Form HUD-9839-B?	_____	_____

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

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Field Code Changed

Revision Date 8-3-2011

**Income Statement Analysis**

Income	Cost Certification	Allowed	Disallowed
			\$0
<b>Expenses</b>			
Category	Cost Certification	Allowed	Disallowed
General & Administrative			\$0
Payroll Taxes & Benefits			\$0
Resident Care			\$0
Food Service			\$0
Activities			\$0
Housekeeping/ Laundry			\$0
Plant Operations			\$0
Utilities			\$0
Marketing/ Promotions			\$0
Real Estate Taxes			\$0
Insurance			\$0
Management Fee			\$0
Replacement Reserves			\$0
Other (Identify)			\$0
Other (Identify)			\$0
<b>Total Expense</b>	\$0	\$0	\$0
<b>Net Income</b>	\$0	\$0	\$0

<< Narrative description. Identify justification for allowing or disallowing income and expenses.>>

Field Code Changed

Revision Date 8-3-2011

Windfall Analysis

**LEAN Section 232--Windfall Calculation**

Number of Days in Construction Period	
Trailing Twelve Months Net Operating Income	
Annual Debt Service (Principal and Interest)	
Annual Mortgage Insurance Premium	
Total Underwritten Debt Service	-
<b>Construction Period Net Operating Income</b>	
<hr/>	
Annual Historic Profit	-
Equivalent Period Underwritten Debt Service	-
<b>Construction Period Profit</b>	-
<b>Equivalent Period Historic Profit</b>	-
<b>Windfall</b>	-
<hr/>	

<< Narrative description. Discuss windfall calculation.>>

**G--General Contractor or Subcontractor Cost Certification**

General Contractor Name: \_\_\_\_\_

Subcontractor Name: \_\_\_\_\_

Subcontractor Trade Line Item on HUD-92330-A: \_\_\_\_\_

Field Code Changed

Revision Date 8-3-2011

Date of Certification: \_\_\_\_\_

(Note: A General Contractor's Cost Certification is required when there is a cost plus contract-Form HUD-92442-A or the general contractor had or has an identity of interest with the mortgagor entity. A Subcontractor at any tier, equipment lessor, or material supplier must cost certify where the total for all subcontracts, purchases, and leases is more than five percent of the mortgage and an identity of interest exists or comes into being between such entity and the mortgagor or the contractor, where the contractor must cost certify. Attach additional pages to the narrative as necessary for each subcontractor cost certification.)

**Key Questions**

	<u>Yes</u>	<u>No</u>
1. Is Contractor's Profit included in the cost certification?	_____	_____
2. Does the General Overhead exceed the amount shown on the Form HUD-2328?	_____	_____
3. Are there additional Contractor General Requirement line items not reflected in the Firm Commitment application Cost Analyst review?	_____	_____
4. Are there additional Contractor Other Fee line items not shown on the Form HUD-2328?	_____	_____
5. Does the certified Bond Premium amount exceed the amount shown on the Form HUD-92264?	_____	_____
6. Does the certified Offsite and/or Demolition amount exceed the amount shown on the Form HUD-2328 or Form HUD-92264?	_____	_____
7. Are there miscellaneous costs (labor, materials, other) not shown on the Form HUD-2328?	_____	_____

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

**Structures Analysis**

Field Code Changed

Revision Date 8-3-2011

Structures Trade Item	Original Underwriting Estimate (HUD-2328)	Certified Cost (HUD-92230-A)	Variance%	Allowed	Disallowed
Concrete			#DIV/0!		\$0
Masonry			#DIV/0!		\$0
Metals			#DIV/0!		\$0
Rough Carpentry			#DIV/0!		\$0
Finish Carpentry			#DIV/0!		\$0
Waterproofing			#DIV/0!		\$0
Insulation			#DIV/0!		\$0
Roofing			#DIV/0!		\$0
Sheet Metal			#DIV/0!		\$0
Doors			#DIV/0!		\$0
Windows			#DIV/0!		\$0
Glass			#DIV/0!		\$0
Lath and Plaster			#DIV/0!		\$0
Drywall			#DIV/0!		\$0
Tile Work			#DIV/0!		\$0
Acoustical			#DIV/0!		\$0
Wood Flooring			#DIV/0!		\$0
Resilient Flooring			#DIV/0!		\$0
Painting and Decorating			#DIV/0!		\$0
Specialties			#DIV/0!		\$0
Special Equipment			#DIV/0!		\$0
Cabinets			#DIV/0!		\$0
Appliances			#DIV/0!		\$0
Blinds, Shades, Artwork			#DIV/0!		\$0
Carpets			#DIV/0!		\$0
Special Construction			#DIV/0!		\$0
Elevators			#DIV/0!		\$0
Plumbing, Hot Water			#DIV/0!		\$0
Heat, Ventilation			#DIV/0!		\$0
Air Conditioning			#DIV/0!		\$0
Electrical			#DIV/0!		\$0
Accessory Structures			#DIV/0!		\$0
<b>Total Structures</b>	\$0	\$0	#DIV/0!	\$0	\$0

Field Code Changed

Revision Date 8-3-2011

<< Narrative description. Identify justification for allowing or disallowing trade items. Variances above 10% between original underwriting and certified amount should be explained.>>

**Land Improvement Analysis**

Land Improvements Trade Item	Original Underwriting Estimate (HUD-2328)	Certified Cost (HUD-92230-A)	Variance (%)	Allowed	Disallowed
Earth Work			#DIV/0!		\$0
Site Utilities			#DIV/0!		\$0
Roads and Walks			#DIV/0!		\$0
Site Improvements			#DIV/0!		\$0
Lawns and Planting			#DIV/0!		\$0
Unusual Site Conditions			#DIV/0!		\$0
<b>Total Land Improvements</b>	\$0	\$0	#DIV/0!	\$0	\$0

<< Narrative description. Identify justification for allowing or disallowing trade items. Variances above 10% between original underwriting and certified amount should be explained.>>

**General Requirements Analysis**

General Requirements Account	Original Underwriting Estimate (HUD-2328)	Certified Cost (HUD-92230-A)	Variance (%)	Allowed	Disallowed
Supervision			#DIV/0!		\$0
Field Engineering			#DIV/0!		\$0
Field Office Expense			#DIV/0!		\$0
Temporary Facilities			#DIV/0!		\$0
Temporary Utilities			#DIV/0!		\$0
Cleaning and Rubbish Removal			#DIV/0!		\$0
Watchmen Wages			#DIV/0!		\$0
<b>Total General Requirements</b>	\$0	\$0	#DIV/0!	\$0	\$0

<< Narrative description. Identify justification for allowing or disallowing items. Variances above 10% between original underwriting and certified amount should be explained.>>

Field Code Changed

Revision Date 8-3-2011

**Summary Table: Contractor Cost Certification Analysis**

Trade Item or Account	Original Underwriting Estimate (HUD-2328)	Certified Cost (HUD-92230-A)	Allowed	Disallowed
Total Structures				\$0
Total Land Improvements				\$0
General Requirements				\$0
General Overhead				\$0
Miscellaneous (specify)				\$0
Bond Premium				\$0
Contractor Other Fees				\$0
<b>General Contractor Total (not including profit, incentive or liquidated damages)</b>				\$0

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### Time Change Orders

HUD Change Order Number	Time Change Order Description (from ___ to ___)	HUD Approved # of Days
<b>Total Number of Days</b>		0
<b>+ Initial Closing Contract Complete Date</b>		
<b>= Revised Contract Completion Date</b>		0

## General Contractor Incentive Computation

Construction period, section H, line 19, HUD-92264-HCF: \_\_\_\_\_ Months  
Period for prorating interest, taxes, insurance: \_\_\_\_\_ Months  
Period for prorating mortgage insurance premium: \_\_\_\_\_ Months  
**Incentive Percentage** (Form HUD-92443): \_\_\_\_\_ Percent

### Step 1: Soft Cost Computations

*(Note: all HUD-92264-HCF references are to Section H-). The Allocation for Savings Computation is calculated as follows: (92264 Construction Period divided by Cost Certification Proration Period) x Line Item. This calculation is needed because the cost certification period includes an additional zero to sixty days after construction is complete—and that additional period is beyond the control of the general contractor.*

Field Code Changed

Revision Date 8-3-2011

Step #	Cost Description	Source Document	Estimated Cost During Construction Period	Allocation for Savings Computation
1.(a)(1)	Interest	HUD-92264-HCF, Line 20		
1.(a)(2)	Taxes	HUD-92264-HCF, Line 21		
1.(a)(3)	Insurance	HUD-92264-HCF, Line 22		
1.(a)(4)	Mortgage Insurance Premium	HUD-92264-HCF, Line 23		
1.(a)	Subtotal - HUD's Estimated Soft Costs	Calculate		\$0
1.(b)(1)	Interest	Allowed Amount, Section I		
1.(b)(2)	Taxes	Allowed Amount, Section J		
1.(b)(3)	Insurance	Allowed Amount, Section K		
1.(b)(4)	Mortgage Insurance Premium	Allowed Amount, Section L		
1.(b)	Subtotal - HUD's Approved Mortgagor Certified Soft Costs	Calculate		\$0
1.(c)	Total Soft Costs: Subtract 1.(b) from 1.(a). If 1.(b) exceeds 1.(a) enter 0	Calculate		\$0

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Step 2: Construction Cost

Step #	Cost Description	Source Document (all 92264 references are to Section H)	Estimated Cost During Construction Period
2.(a)(1)	Land Improvements	HUD-92264-HCF, Line 3	
2.(a)(2)	Total Structures	HUD-92264-HCF, Line 8	
2.(a)(3)	General Requirements	HUD-92264-HCF, Line 9	
2.(a)(4)	Builder's Profit	HUD-92264-HCF, Line 11	
2.(a)(5)	General Overhead	HUD-92264-HCF, Line 10	
2.(a)(6)	Bond Premium	HUD-92264-HCF, Line 14	
2.(a)(7)	Builder's Other Fees	HUD-2328, Line 49	
2.(a)(8)	Subtotal	Calculate	\$0
2.(a)(9)	Cash Upset Price	Article 3(a) Construction Contract	
2.(a)(10)	Lesser of 2.(a)(8) and 2.(a)(9)	Calculate	\$0
2.(b)	HUD Approved Total Change Order Increased or Decreased Costs	Add totals from necessity and betterment change order tables	
2.(c)	2.(a)(10) + 2.(b)	Calculate	\$0
			Calculation for Completing Savings Computation
2.(d)	HUD Approved Cost of Construction (including Builder's Profit without adjustments for liquidated damages or incentive)	Calculate	
2.(e)	If 2.(c) exceeds 2.(d) enter difference. If 2.(d) exceeds 2.(c) enter 0	Calculate	\$0
3.(a)	Enter the sum of Step 1.(c) and 2.(e)	Calculate	
3.(b)	Multiply 3.(a) by Incentive Percentage	Calculate	

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## Liquidated Damages Analysis

(Note: For Cost Plus Contracts estimated liquidated damages are not applicable.)

Estimated Damages Calculation	
Revised Contract Completion Date	
Minus HUD Approved Final Trip Report Date	
Days	0
Daily Liquidated Damages (Article 2C. - Construction Contract Lump Sum)	
Estimated Damages	\$0

Actual Damages Calculation (the portion for the actual liquidated damages computation is the actual HUD approved construction time in days divided by the number of days in the construction period--up to the mortgagor's *cost* cutoff date--times the applicable soft cost.)

Actual Damages Calculation	
HUD approved construction time (days):	
Estimated construction period to cutoff date (days):	
Allocation for computation, Column (1) (below):	#DIV/0!

Field Code Changed

Revision Date 8-3-2011

Cost Description	Source Document	Allowable Mortgagor's Certified Cost	(1) Allocated Amount for Actual Liquidated Damages Calculation	Source Document	(2) Original Underwriting Estimate	(3) = (1) - (2) Actual Liquidated Damages
Interest	HUD-92331-A, Line 3			HUD-92264-HCF, Line 20		\$0
Taxes	HUD-92331-A, Line 4			HUD-92264-HCF, Line 21		\$0
Insurance	HUD-92331-A, Line 5			HUD-92264-HCF, Line 22		\$0
Mortgage Insurance Premium	HUD-92331-A, Line 6			HUD-92264-HCF, Line 23		\$0
Loan Extension Fees	HUD-92331-A, Line 11d					\$0
Total Actual Liquidated Damages	HUD-92331-A, Line 3 Allowed					\$0

**Lesser of Estimated or Actual Damages:** \$ \_\_\_\_\_

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**Determination of Total Allowable Construction Cost**

1a: Mortgagor Certified Amount	
1b: Allowable Contractor's Cost Certification Amount	
1c: Original Contract Amount	
Plus: HUD Approved Necessity Change Orders	
Plus: Incentive <i>(for projects completed prior to HUD approved completion date)</i>	
Less: Liquidated Damages	
1c: Subtotal: Adjusted Upset Amount	\$0
1d: Lesser of 1a, 1b, or 1c = <b>Total Allowable Construction Cost</b>	\$0

Certified Construction Amount—HUD 92330, Line 1 Total	Allowable Construction Amount (above calculation)	Disallowed Construction Amount
\$	\$	\$

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## H--Architect's Fees—Design, Supervision, Additional Services

Design Architect \_\_\_\_\_  
Supervisory Architect \_\_\_\_\_

### Additional Consultants/Engineers Providing Architectural Services

Landscape Architect \_\_\_\_\_  
Structural Engineer \_\_\_\_\_  
Mechanical Engineer \_\_\_\_\_  
Plumbing Engineer \_\_\_\_\_  
Electrical Engineer \_\_\_\_\_  
Interior Designer \_\_\_\_\_  
(Other—identify) \_\_\_\_\_

### Key Questions

- |   | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| 1. Is there an identity of interest between any of the architects/engineers and other participants (mortgagor, operator, general contractor, design architect, etc.)? | _____      | _____     |
| 2. Were there any costs for services provided by the architects or engineers that were not included in Line 2a, 2b and 2c of the Form HUD-92330?                      | _____      | _____     |

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

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Revision Date 8-3-2011

Cost Description	Original Underwriting Estimate	Form HUD-92330 Line Item #	Certified Cost	Lender's Underwriter Allowed	Lender's Underwriter Disallowed
Architect's Design Fee					\$0
Architect's Supervision Fee					\$0
Architect's Additional Services					\$0
<b>Total Architect's Fees</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<< Narrative description. Identify justification for allowing or disallowing architect's fees. Architect's Additional Services should be explained.>>

### I--Interest During Construction

(Allowable interest should be the amount accrued on the HUD insured loan.)

Original Underwriting Estimate	Certified Interest Per HUD-92330	Allowable Interest	Disallowed Interest
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing interest.>>

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## J--Property Tax Analysis

(The construction period is defined as the period from initial closing to the mortgagor cutoff date. The construction period is \_\_\_\_\_ days.)

	(1)		(2)	(3)	(4) = (3)/(2)	(5) = (1) x (4)
Name of Tax Jurisdiction	Invoice Amount	Invoice from (date1) to (date2)	Number of days covered by invoice	Number of days in construction period covered by invoice	Percent of invoice applicable to construction period	Allowable portion of invoice
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
<b>Total</b>					#DIV/0!	#DIV/0!

Original Underwriting Estimate	Certified Property Taxes Per HUD-92330	Allowable Property Taxes (calculated above)	Disallowed Property Taxes
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing property taxes.>>

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Revision Date 8-3-2011

**K--Insurance Analysis** (Property, ~~Fidelity Bond~~, ~~Flood Insurance~~, Liability, Builder's Risk Insurance if not paid by General Contractor)

(The construction period is defined as the period from initial closing to the mortgagor cutoff date. The construction period is \_\_\_\_\_ days.)

Type of Insurance/ Name of Insurance Company	(1) Invoice Amount	Invoice from (date1) to (date2)	(2) Number of days covered by invoice	(3) Number of days in construction period covered by invoice	(4) = (3)/(2) Percent of invoice applicable to construction period	(5) = (1) x (4) Allowable portion of invoice
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
<b>Total</b>					#DIV/0!	#DIV/0!

Original Underwriting Estimate	Certified Insurance Per HUD-92330	Allowable Insurance (calculated above)	Disallowed Insurance
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing insurance.>>

Field Code Changed

Revision Date 8-3-2011

## L--Mortgage Insurance Premium (MIP) Analysis

(The construction period is defined as the period from initial closing to the mortgagor cutoff date. The actual construction period is \_\_\_\_\_ days.)

Estimated Mortgage Insurance Premium (HUD-92264 HCF, Line 23):	\$
Divided by the number of days in the estimated construction period (HUD-92264-HCF, Line 19) - converted from months to days:	
= Mortgage Insurance Premium per day	\$
Times the number of days in the actual construction period = allowable amount of:	\$

Original Underwriting Estimate	Certified MIP Per HUD-92330	Allowable MIP (calculated above)	Disallowed MIP
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing MIP.>>

Field Code Changed

Revision Date 8-3-2011

## M--FHA Examination Fee and Inspection Fee Analysis

(Fees paid to reopen an expired or terminated commitment are not allowable costs.)

### Exam Fee

Original Underwriting Estimate	Certified Exam Fee Per HUD-92330	Allowable Exam Fee	Disallowed Exam Fee
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing exam fee.>>

### Inspection Fee

Original Underwriting Estimate	Certified Inspection Fee Per HUD-92330	Allowable Inspection Fee	Disallowed Inspection Fee
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing inspection fee.>>

Field Code Changed

## N--Title and Recording Fee Analysis

(Title search and policy, recording fees at initial endorsement, mortgage, transfer and stamp taxes, survey recording fees, title updates during construction, final title policy and recording charges, and legal fees associated with these items are allowable costs.)

Original Underwriting Estimate	Certified Title and Recording Per HUD-92330	Allowable Title and Recording Fee	Disallowed Title and Recording Fee
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing title and recording..>>

## O--Non Profit Developer's Fee

(For non-profits this fee may include reduction of the estimated closing costs of the project, staff salaries, working capital deposits, relocation expenses, operating deficit escrows, financing fees above the allowable portion included in the replacement cost, environmental studies, and housing consultant services whether in-house or third-party.)

Original Underwriting Estimate	Certified Non Profit Developer's Fee Per HUD-92330	Allowable Non Profit Developer's Fee Per HUD-92330	Disallowed Non Profit Developer's Fee Per HUD-92330
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing developer's fee..>>

Field Code Changed

Revision Date 8-3-2011

### **P--Initial Financing Fee, Permanent Placement Fee, and Other Approved Financing Expenses**

*(These should be reflected in the Mortgagee's Certification at Initial Closing and should include lender's legal fees. Do not allow the total of these fees and expenses to exceed 3.5% for non-bond financing and 5.5% for bond financing.)*

Original Underwriting Estimate	Certified Initial Financing Fee Per HUD-92330	Allowable Initial Financing Fee	Disallowed Initial Financing Fee
\$	\$	\$	\$

Original Underwriting Estimate	Certified Permanent Placement Fee Per HUD-92330	Allowable Permanent Placement Fee	Disallowed Permanent Placement Fee
\$	\$	\$	\$

Original Underwriting Estimate	Certified Other Approved Financing Expenses Per HUD-92330	Allowable Other Approved Financing Expenses	Disallowed Other Approved Financing Expenses
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing financing fees.>>

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### Q--Legal, Organizational and Cost Cert Audit Fee

*(Legal fees may not include lender legal fees. These should be included in the financing fee. Any increases in these fees above original underwriting must be supported by invoices, must not be associated with the cost of acquiring the land, zoning, creating tax shelters and trusts, and cannot be allowed if the lender is requesting a mortgage increase.)*

Lender's Attorney \_\_\_\_\_  
Mortgagor's Attorney \_\_\_\_\_  
Other Atty. (identify) \_\_\_\_\_  
Other Atty. (identify) \_\_\_\_\_

Original Underwriting Estimate—Legal Fees	Certified Cost--Legal Fees	Allowed Legal Fees	Disallowed Legal Fees
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing legal fees.>>

Field Code Changed

Revision Date 8-3-2011

*(Organizational fees include third party reports, such as architectural reviews, environmental reviews, and appraisals, and may include a Clerk of the Works. Costs to create mortgagor or operator books and records should be included as organizational fees and not be included in the cost certification audit fee.)*

Original Underwriting Estimate-- Organizational Fees	Certified Cost— Organizational Fees	Allowed Organizational Fees	Disallowed Organizational Fees
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing organizational fees.>>

Original Underwriting Estimate—Cost Cert Audit Fee	Certified Cost—Cost Cert Audit Fee	Allowed Cost Cert Audit Fee	Disallowed Cost Cert Audit Fee
\$	\$	\$	\$

<< Narrative description. Identify justification for allowing or disallowing cost certification audit fees.>>

Field Code Changed

### R--Mortgagor Other Fee Analysis

Cost Description/ Vendor	Original Underwriting Estimate	Form HUD-92330 Line Item #	Certified Cost	Allowed	Disallowed
					\$0
					\$0
					\$0
					\$0
					\$0
					\$0
					\$0
					\$0
<b>Total</b>			\$0	\$0	\$0

<< Narrative description. Identify basis for costs, reasons not included in original firm commitment application underwriting, justification for allowing or disallowing additional costs.>>

### S--Major Movable Equipment Analysis

**Key Questions**

- |   |            |           |
|---|------------|-----------|
|   | <u>Yes</u> | <u>No</u> |
| 1. Are any major movables currently leased?   | _____      | _____     |
| 2. Where beds are included in the Major Movables list is the number of beds less than the underwritten bed count? | _____      | _____     |

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

~~If the original underwriting did not break down major movables by categories then this chart is optional.~~

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Revision Date 8-3-2011

Major Movable Category	Original Underwriting Estimate	Certified Cost	Variance (%)	Allowed	Disallowed
Resident Rooms (Beds, Furnishings, etc.)	\$0	\$0	#DIV/0!		\$0
Kitchen Equipment			#DIV/0!		\$0
Office/ Computers/ Employee Areas			#DIV/0!		\$0
Maintenance Areas			#DIV/0!		\$0
Medical/ Therapy Equipment/ Furnishings			#DIV/0!		\$0
<b>Total</b>	\$0	\$0	#DIV/0!	\$0	\$0

<< Narrative description. Identify basis for costs, reasons not included in original firm commitment application underwriting, justification for allowing or disallowing additional costs. Variances above 10% between underwriting and certified amount should be explained.>>

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Revision Date 8-3-2011

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Revision Date 8-3-2011

## T—Marketing

*(Marketing costs are for rent for space used for marketing, salaries and benefits of marketing staff, promotional services and advertising, marketing consultants, and marketing supplies. Additional marketing costs above the original marketing estimate may be eligible costs for purposes of a mortgage increase if all invoices are provided and the costs are fully explained and justified below.)*

Original Underwriting Estimate--Marketing	Certified Cost—Marketing	Allowed Marketing	Disallowed Marketing
\$	\$	\$	\$

<< Narrative description and detailed explanation for costs above original estimate. Identify basis for costs, reasons not included in original firm commitment application underwriting, justification for allowing or disallowing additional costs.>>

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## U—Relocation

*(Additional relocation costs above the original estimate may be eligible costs for purposes of a mortgage increase if all invoices are provided and the costs are fully explained and justified below. However, increased overhead or allocated costs from identity of interest entities are not eligible for consideration for a mortgage increase.)*

Original Underwriting Estimate--Relocation	Certified Cost—Relocation	Allowed Relocation	Disallowed Relocation
\$	\$	\$	\$

<< Narrative description and detailed explanation for costs above original estimate. Identify basis for costs, reasons not included in original firm commitment application underwriting, justification for allowing or disallowing additional costs. The explanation

Field Code Changed

~~Revision Date 8-3-2011~~

should identify the number of individuals relocated (compared to original estimate) and cost per relocation (compared to original estimate).>>

Field Code Changed

### V--Calculation of Replacement Cost

Allowed Construction Cost				
Allowed Architect Fees				
Allowed Interest				
Allowed Property Taxes				
Allowed Insurance				
Allowed MIP				
Allowed FHA Exam Fee				
Allowed FHA Inspection Fee				
Allowed Title and Recording				
Allowed AMPO/ Non Profit Developer's Fee				
Allowed Financing Fees				
Allowed Legal				
Allowed Organizational				
Allowed Cost Cert Audit Fee				
Allowed Mortgagor Other Fees				
Allowed Major Movables				
Allowed Marketing				
Allowed Relocation				
<b>(1) Subtotal</b>	\$0	\$0	\$0	\$0
(2) + Betterment Change Orders				
(3) - Applicable Net Income During Construction (=Windfall)				
(4) - Grants/ Loans Applicable to Replacement Cost				
<b>Total Development Cost</b>	\$0	\$0	\$0	\$0
<b>Land*</b>				
<b>Total Replacement Cost</b>	\$0	\$0	\$0	\$0

Field Code Changed

Revision Date 8-3-2011

\*(Land is the Commissioner's estimated Value of Land "As Is" from the original underwriting—Section J.14 of the Form HUD-92264—adjusted for change orders that reduced the value of the land during the construction period-). The Applicable Net Income During Construction is determined by the Windfall calculation discussed in the email blast of \_\_\_\_\_.)

## W--Mortgage Determinants

### Overview

The mortgage criteria based on actual allowed costs are summarized as follows:

Criteria	Firm Commitment Application	Cost Certification Amount
Fair Market Value:	\$	\$
Replacement Cost:	\$	\$
Debt Service:	\$	\$
Requested Amount:	\$	\$

The Mortgage Amount is \$ \_\_\_\_\_

(Note: If the new Mortgage Amount is less than the Firm Commitment Mortgage Amount the difference will be ~~either~~ an additional deposit in the reserve for replacement account or may be a mortgage reduction ~~at if requested by the lender's option~~ lender.)

Additional Deposit To Reserve for Replacement Account

\$ \_\_\_\_\_ )

~~Requested Mortgage Reduction~~ \$ \_\_\_\_\_ )

## Sources & Uses

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

## Secondary Sources

<<List and discuss all secondary sources, including terms and conditions of each. Secondary sources include Surplus Cash Notes, Grants/Loans, Tax Credits, and the like. Demonstrate compliance with HUD limits on private sources. Remember that Criterion 11 is applicable to mortgage sizing.>>

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Revision Date 8-3-2011

## Conclusion

<<Cost certification supplement conclusion and recommendation. In the case of a mortgage increase or decrease request indicate the new mortgage amount, the revised principal and interest payment, and ~~additional~~revised application fees and mortgage insurance premiums to be paid to HUD or refunded to the lender at closing. In the case of a mortgage increase discuss the new debt service coverage, loan to value ratio, impact on operator lease payments.>>

## Signatures

Lender: \_\_\_\_\_  
HUD Mortgagee Number: \_\_\_\_\_

This report was prepared by: \_\_\_\_\_ Date \_\_\_\_\_ This report was reviewed by: \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
<<Name>>  
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