HOSPITAL MORTGAGE INSURANCE PROGRAM

SECTION 242 OF THE NATIONAL HOUSING ACT

DRAFT

APPLICANT'S GUIDE

CRITICAL ACCESS HOSPITALS

OFFICE OF INSURED HEALTH CARE FACILITIES
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APPLICANT'S GUIDE – CRITICAL ACCESS HOSPITALS
HUD SECTION 242 MORTGAGE INSURANCE PROGRAM

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INTRODUCTION

Section 242 of the National Housing Act enables the affordable financing of hospital projects by reducing the cost of capital and significantly enhancing the credit of hospitals that qualify for mortgage insurance. The program improves access to quality health care, reduces the cost of hospital care, supports HUD's community development mission, and contributes revenues to the General Insurance Fund. Currently, hospitals in HUD's Section 242 portfolio range from small rural facilities to some of the nation's top urban teaching hospitals. Through the Section 242 program, lenders may apply for hospital mortgage insurance, supplemental loans, or refinancing.

When reviewing applications for mortgage insurance, HUD's main objectives are to evaluate the need, financial feasibility, and risk of proposed hospital projects. When deciding whether or not to approve a loan, HUD considers a large number of factors, and expects that complete applications to contain sufficient information and supporting data to enable informed decisions.

ABOUT THE OFFICE OF INSURED HEALTH CARE FACILITIES

OIHCF is centralized in HUD Headquarters in Washington, DC, and performs day-to-day program operations with support from Field Offices. Field Offices provide support in underwriting and loan monitoring, provides architectural/engineering services, assign case numbers, review previous participation clearances, perform environmental reviews, and perform loan closings.

The Director of the Office of Insured Health Care Facilities is responsible for overall program management. The Director oversees policy development, loan origination, and asset management.

HIGHLIGHTS OF THIS EDITION OF THE APPLICANT'S GUIDE

This edition of the applicant's guide:

- Is specific to Critical Access Hospitals (CAHs).
- Includes a revised Feasibility Consultant Certification form.
- Includes several changes to the Financial Feasibility Study and FAST tables eliminating unnecessary information and providing for various types of reports.
- Renumbers the "Required Documentation for a Full Application" list and clarifies that an application consists of three distinct binders with specific documentation behind each tab or section.
- Drops the requirement to submit the CoN application. The application will only require the inclusion of a copy of the actual CoN, when applicable.

- Drops the project description from Volume I and instead includes the project description in the Feasibility Study in Volume II.

- Reflects that 2530 previous participation certificates can be filed electronically. A new information sheet was included to identify the individuals/entities that are required to submit a 2530.

- Includes policy clarifying that entities controlled by professionals practicing in the hospital must submit the requisite legal opinion.

- Clarifies that the equipment list included in the application may be limited to broad categories and delineates that in the case of replacement hospitals, the net book value of plant, property and equipment that will be transferred to the new facility must be clearly identified.

- Specifies that an electronic copy of the application should be submitted along with the paper copy.

APPLICATION PROCESS CHECKLIST

This checklist is provided for use in planning and tracking progress during the application review process. It is a scheduling tool for use by:

- The applicant (lender)
- The hospital
- The Department of Housing and Urban Development (HUD), specifically:
    - The account executive (AE), who leads the underwriting review
    - The HUD Division of Architecture and Engineering (DAE), which leads the architectural/engineering review
    - The HUD Office of Insured Health Care Facilities (OIHCF)
    - The HUD Multifamily Hub, which assigns case number, deposits fee, performs previous participation clearance and conducts the environmental review
    - The HUD field attorney assigned to the case

Upon submission of the application to HUD, the applicant (in consultation with the hospital) and the AE (in consultation with the HUD participants) should establish target dates for the steps shown in the checklist. As the review progresses, the AE and the applicant should compare actual progress to the target dates on a biweekly basis and adjust the schedule as necessary. The AE is responsible for keeping OIHCF informed of changes in the date when the AE expects to present the underwriting (Client Service Team) report to the HUD Program Management Group (PMG or credit committee). Use of the checklist helps to keep HUD and the applicant on the "same page" and to avoid omissions, delays, and misunderstandings during the process.

SECTION 242 HOSPITAL MORTGAGE INSURANCE
APPLICATION PROCESS CHECKLIST

HOSPITAL/CONTACT/PHONE: _____

MORTGAGE BANK/CONTACT/PHONE: _____

HUD ACCOUNT EXECUTIVE/PHONE: _____

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
AE and Applicant	Applicant sends application to all parties	If not done already, banker and AE enter target dates into this checklist. Banker gets input from • Hospital AE gets input from • DAE • MF Hub (on enviro) • OIHCF (on feasibility consultant)			
MF Hub	Receipt of application	Assign case #, deposit fee, and schedule environmental review. Informs AE and Applicant of above.			
AE	Receipt of application	Contact MF Hub: get copy of check and verify correct amount. Get project number and notify the project team (including the lender) of the project number Request a completion date for the environmental review			

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
AE	Receipt of application	Conduct completeness review of application	Applicant's Guide Checklist		
OIHCF	Receipt of application	If not done already, initiate task order for consultant review and tell applicant where to send copies of application.			
Applicant		Send 2 copies of application Vols. 1 and 2 to HUD consultant			
Applicant		Electronically request previous participation (2530) clearance	Information on all participants requiring clearance, plus user access to the 2530 system		
AE	Completion of completeness review	Send (in)completeness letter to banker with copies to hospital and HUD HQ. If complete, also copy MF Hub (Housing and OGC) and enter date in MIMI.	Completeness letter template		
Applicant	Incompleteness letter from HUD	Get missing information to HUD			
AE	Complete application	AE and Client Service Team (CST) begin underwriting review in accordance with underwriting guidelines and begin writing their report.	Client Service Team Report Template Library of previous final reports Underwriting guidelines		
AE		Send questions to Applicant based on initial underwriting review.			

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
AE	Identification of any "deal breaker" issues in application	AE and CST surface the issue(s) to supervisor, PMG (if appropriate) and applicant ASAP, before completing review.			
OIHCF		Task order issued to consultant			
Applicant	Receipt of questions	Respond promptly to AE's questions.			
AE, Applicant, Hospital	Site visit scheduled	AE conducts site visit (includes underwriting and DAE reviewers).			
AE & Applicant	HUD consultant site visit scheduled	HUD consultant conducts site visit.			
Multi-Family Hub	Environmental onsite review scheduled	Conduct environmental review, identify any issues that require a Phase 2 or HUD HQ approval, send report to OIHCF and AE.			
AE	HUD consultant's report received	After reviewing report, AE and OIHCF conduct conference call with consultant to compare findings and answer any questions. Include discussion of any special covenants and conditions that may be needed.			
AE & Applicant		Obtain hospital's written acceptance of standard covenants and any special covenants and conditions			

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
OIHCF, AE, OGC, Applicant, Hospital	Legal issues discovered during review	Resolve any legal issues before finalizing underwriting report			
Applicant		Get Guaranteed Maximum Price from hospital, convey to AE.			
DAE		Complete architectural/ engineering review, send report to OIHCF and AE.			
AE & Applicant	Issues raised by AE, environmental, legal, DAE, or consultant review	Modify this schedule to reflect time needed to resolve issues.			
AE		Get underwriting report in "almost final" form including supervisory review.			
Applicant	Varies	Request approval of pre-commitment construction work, if applicable			
AE, DAE, & OIHCF	Request to begin pre-commitment work	AE and DAE review and recommend to PMG. PMG or Director responds			

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
AE	Final approval check off	Send hard copies of approvals to HUD HQ.	CST Report Covenants and conditions approved by hospital Environmental approval DAE final approval HUD Form 92013-HOSP (Revised) OGC approval 2530 clearances		
AE & PMG	PMG presentation set	AE presents to PMG and receives any guidance on further work required or changes to the report.			
AE	Report finalized in accordance with PMG directions	(Required only if report needed changes after first PMG review.) Place on PMG agenda, distribute report in advance.			
PMG	Final report received by PMG	PMG reviews final report and makes recommendation to Director, OIHCF.			
OIHCF	PMG recommendation	Director decides whether to recommend approval to FHA Commissioner. Possible outcomes include: (1) Recommend approval (2) Recommend approval with Conditions (3) Request additional analysis (4) Recommend disapproval			
Hospital	PMG recommendation	If not done already, get Guaranteed Maximum Price and forward to DAE and AE.			

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
OIHCF	Positive Director recommendation	If recommendation is for approval, OIHCF finalizes package including CST report, memorandum to Commissioner recommending approval, and memo for Commissioner to sign directing issuance of commitment letter. A briefing may be held. AE may be asked to provide answers to questions or additional info. OIHCF prepares commitment package.			
OIHCF	Commissioner decision for disapproval	Director sends letter to applicant explaining decision.			
DAE	Issuance of commitment	DAE approval for HUD endorsement.			
OIHCF	Commissioner decision for approval	Director notifies applicant. Director notifies Public Affairs and provides publicity materials.			
OIHCF	Commissioner decision for approval	OIHCF finalizes and issues Commitment Letter to applicant.			
OGC & Applicant	Commitment letter	Applicant and Field Office schedule initial closing.			
Applicant	Commitment letter	If desired, request early construction start.			
OIHCF	Request for early start	Review and act on request.			

ACTION OFFICE	TRIGGER	ACTION	INFORMATION NEEDED TO COMPLETE THIS STEP	TARGET DATE	ACTUAL DATE
Applicant	If bonds are sold	Request for revised commitment at lower interest rate.			
OIHCF	Issuance of commitment	DAE approval for HUD endorsement.			
Applicant	2 weeks before closing	Submission of closing documents to HUD. Submission of first draw to HUD, DAE, and Field Office.			
End Application Process					

REQUIRED DOCUMENTATION FOR A FULL APPLICATION (CAHS)

INTRODUCTION

The following checklist is to be used as a guide for a mortgagee and a critical access hospital to prepare an application for HUD Section 242 mortgage insurance. For an application to be accepted by HUD and for underwriting analysis and architectural/engineering review to begin, all elements of an application must be complete and submitted in good form. The requested information, comprised of programmatic, financial, and architectural/engineering data, will assist the application review team headed by the Account Executive to reach an informed conclusion.

For an application to be reviewed in an efficient timeframe, it is important that the applicant provide the required information in a true, clear and correct fashion. HUD encourages you to stay in close touch with your Account Executive and the review team as you prepare the application package.

Each application should be composed of three volumes (in binders) consisting of the following:

Volume I – Programmatic Documentation
Volume II – Financial Documentation
Volume III – Architectural and Engineering Documentation

This checklist lists the "standard" information that is to be included in each volume of the application package. The information required should be organized in tabs for easy referencing by the review team and follow the organizational structure outlined in this document. From time to time, additional data will be requested based on unique aspects of your application. One electronic copy of each volume is also required.

SECTION 242 PROGRAM CONTACTS:

HUD Office of Insured Health Care Facilities - Headquarters, Washington, DC
Roger Miller, John Whitehead, Charles Davis, or J.B. Nathan
202-708-0599

HUD Office of Insured Health Care Facilities – Field Office, New York, NY
Emilio Pucillo (Division of Architecture and Engineering) 212-542-7855
Steve Wang (regarding other matters) 212-542-7875

REQUIRED DOCUMENTATION CHECKLIST – CRITICAL ACCESS HOSPITALS

PROJECT NAME _____

MORTGAGOR _____

MORTGAGEE _____

VOLUME I – PROGRAMMATIC DOCUMENTATION

TAB	REQUIRED DOCUMENTS	CHECK
1	Project Team Form (see **SUPPLEMENT 1**)	
2	Official Application Forms, including: ❑ HUD Form 92013-HOSP, Application for Hospital Mortgage Insurance (see **SUPPLEMENT 2**) ❑ Summary of Cost Savings – Detail the total interest savings over the life of the loan with Section 242 insurance; the Net Present Value of savings; and the assumed interest rate with and without Section 242 insurance	
3	Addendum to Mortgage Insurance Application – Concerning Delinquency on Federal Debt (see **SUPPLEMENT 3**)	
4	Certification by an Authorized Hospital Official (see **SUPPLEMENT 4**)	
5	For projects located in a Certificate of Need (CON) state, HUD Form 2576HF-Certificate of Need, a copy of the CoN approval (including contingencies, if any). For projects located in a state that does not require a CoN, include a statement that the state does not require a CoN (see **SUPPLEMENT 5**)	
6	HUD Previous Participation Certification. Attach a listing of the names of the principals that must be submitted (see **SUPPLEMENT 6**)	
7	Incorporation ❑ Certificate of Incorporation ❑ By-laws ❑ Certificate of Good Standing	
8	List of trustees and their occupations. For investor owned companies, include a list of shareholders	
9	Corporate resolution authorizing the proposed project and loan amount. Include a statement that the Board of Trustees has reviewed and agrees with the findings of the Study of Financial Feasibility	
10	Non-profit status (include IRS letter of non-profit status, if applicable)	
11	Evidence of Critical Access Hospital designation	
12	Provide the following organizational information:	

TAB	REQUIRED DOCUMENTS	CHECK
	❑ List all Board Officers/Members and Executives ❑ Resumes of the Chief Executive Officer and Chief Financial Officer ❑ List of affiliate entities, if applicable	
13	Management and Strategic Plan – address the specific risks of operating in a small hospital environment, including: ❑ Medical staff recruiting and retention ❑ Reducing out-migration ❑ Maintaining consistent financial performance ❑ Responding to competitive threats, including non-hospital competition such as rehabilitation centers, ambulatory surgery centers, and physician clinics	
14	Assurances – Construction Programs, SF-424D (see **SUPPLEMENT 7**)	
15	Equipment List- Applicants must submit a list of major medical equipment broken out by broad categories, classified as follows: ❑ Total value of equipment to be purchased with other funds ❑ For replacement hospitals, the net book value of property to be transferred to the new building(s), and plans for the existing site ❑ Consolidate the equipment list to broad categories and itemize any pieces of major equipment with costs in excess of $500,000. For each category provide total cost by department Note that the total cost of equipment to be purchased from mortgage proceeds shall equal the amount on HUD Form 92013, and a complete listing of all equipment must be submitted to the account executive no later than two weeks prior to the closing of the loan.	
16	Anti-kickback or Appraisal documentation, if needed (see **SUPPLEMENT 8** and **SUPPLEMENT 9**)	
17	Electronic copy of the application (Volumes I – III)	

VOLUME II – FINANCIAL DOCUMENTATION

TAB	REQUIRED DOCUMENTS	CHECK
1	Last 3 years audited financial statements Prior year's management letter with responses thereto	
2	Last 3 years operating statistics	
3	Current year's operating budget and narrative	
4	Study of Financial Feasibility (see **SUPPLEMENT 10**) ❑ Including CAH Financial and Statistical (FAST) Worksheets for the last three years, through the construction period and two full fiscal years past project completion	
5	Description of Fund Raising Program and Other Sources of Funds (if applicable)	
6	Malpractice Insurance Program ❑ Describe coverage ❑ Statement of adequacy of policy on asserted and unasserted claims for the last completed fiscal year.	
7	Contracts ❑ Description of contracts with medical and financial consultants. Include copy of management contract (if applicable).	
8	Mortgage Reserve Fund (see **SUPPLEMENT 11**) ❑ Draft Mortgage Reserve Fund schedule for the proposed project based on your present best estimates. Please note that this schedule shall reflect the amount used in the Study of Market Need and Financial Feasibility.	
9	Monthly Financial and Statistical Reports ❑ After submission of the application, monthly copies of the hospital's financial and statistical reports are to be submitted to the account executive.	

VOLUME III – ARCHITECTURAL & ENGINEERING DOCUMENTATION

TAB	REQUIRED DOCUMENTS	CHECK
1	Survey plan showing buildings to be mortgaged	
2	Legal description of site	
3	Legal opinion of site owned in fee simple	
4	Site and soil investigation	
5	Architectural narrative with schematics	
6	Space tabulation	
7	Evidence of zoning compliance	
8	Owner architect agreement	
9	Current construction cost breakdown by trade	
10	American Society of Testing Materials Phase I Environmental Site Assessment (see **SUPPLEMENT 12**) ❑ As part of the application, the applicant will submit a Phase I Environmental Site Assessment in accordance with ASTM Standard E1527, Standard Practice for Environmental Site Assessments; Phase 1 Environmental Site Assessment Process which addresses the range of contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and petroleum products. ❑ The applicant must also submit a completed form HUD-4128, Environmental Assessment and Compliance Findings for the Related Laws (see **SUPPLEMENT 13**). This document will be used by the appropriate HUD representative to comply with the National Environmental Policy Act (NEPA) and related laws and authorities.	
11	Flood plain statement (obtain proper insurance, if applicable)	
12	Adequacy of water supply, sewers, utilities	
13	Method of contracting	
14	Phasing of project units	
15	Asbestos – Investigation	
16	State historic preservation approval	

SUPPLEMENT 1 – HOSPITAL PROJECT TEAM INFORMATION

An applicant should submit a Hospital Project Team information list under Tab 1 of Volume I of the application package. This list consists of a comprehensive contact list of all relevant parties related to hospital mortgage insurance application processing. Names, titles, addresses, email addresses, phone numbers, and fax numbers should be provided for all contacts. Relevant parties should include, at a minimum, the following:

- Hospital Team
  - Chairperson of the Board of Directors
  - Chairperson of the Finance Committee
  - Chief Executive Officer
  - Chief Financial Officer
- Financial Feasibility Consultant
- Mortgage Banker
- Architect
- Contractor
- Hospital Counsel
- Related Bond Entities
  - Financing Authority
  - Authority Counsel
  - Bond Counsel
- Government Contacts
  - HUD Field Officer
  - Hub Director
  - HUD Field Counsel
  - HUD OGC Counsel
  - HUD Office of Insured Health Care Facilities Contacts
  - HUD Division of Architecture and Engineering Contacts
- Other Relevant Contacts

A sample document is attached on the following page as a suggested format for your reference.

HOSPITAL PROJECT TEAM INFORMATION

< Hospital Name here>

HOSPITAL TEAM	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Chairperson, Board of Directors**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Chairperson, Finance Committee**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Chief Executive Officer**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Chief Financial Officer**
FINANCIAL FEASIBILITY CONSULTANT	
NAME: TITLE: ADDRESS: PHONE: CELL: FAX:	
MORTGAGE BANKER	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	
ARCHITECT	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	

CONTRACTOR	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	
HOSPITAL COUNSEL	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	
RELATED BOND ENTITIES	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Financing Authority**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Authority Counsel**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Bond Counsel**
GOVERNMENT	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**HUD Field Officer**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**Hub Director**

GOVERNMENT	
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**HUD Field Counsel**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**HUD OGC Counsel**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**<title>, Office of Insured Health Care Facilities**
NAME: TITLE: ADDRESS: EMAIL: PHONE: CELL: FAX:	**<title>, Division of Architecture and Engineering**

SUPPLEMENT 2 – HUD FORM 92013-HOSP
APPLICATION FOR HOSPITAL PROJECT MORTGAGE INSURANCE

INSTRUCTIONS FOR PREPARATION OF HUD FORM 92013-HOSP

A. Indicate whether a Commitment for Insurance of Advances or a Commitment to Insure Upon Completion is desired.

B. Indicate the total number of beds that will be in the proposed hospital when completed.

B.8. A "Proposed" hospital is a completely new project, including complete replacement of an existing hospital. An "Existing" hospital is one that is to be rehabilitated (modernized) including additions thereto.

C.4. Insert the cost of major movable equipment and furnishings.

C.6. Include interest, real estate taxes (if any) and insurance (fire and extended coverage, public liability and other property insurance) during the construction. Do not include any insurance paid for by the contractor and included in the construction contract.

In new construction cases, interest is estimated based on one-half the mortgage amount requested for the number of months contemplated in the construction period. In rehabilitation cases, interest is estimated on 2/3rd the mortgage amount requested because of the large initial advance of mortgage proceeds to pay any outstanding indebtedness. If there is no outstanding debt to be paid from mortgage proceeds use 1/2 the mortgage amount as in new construction.

Financing expense (service charge) not to exceed 2% of the mortgage amount may be included to compensate the construction lender for its services during the construction period, plus a 1 1/2% FNMA fee (or placement fee). Do not include any mortgage discount which may be required.

AMPO (Allowance to Make Project Operational) of up to 2% of the mortgagee amount may be included on new nonprofit proposals.

Under Title and Recording Expense, include only the estimated actual cost of the title search and title insurance, surveys, tax stamps and other mortgage and recording fees.

Legal expenses shall include only necessary fees to legal counsel for services in connection with the project and necessary expenses paid by counsel for the account of the mortgagor, through final endorsement. Do not include any items properly belonging under Title and Recording Expense.

Organization expense shall include only reasonable expenses not otherwise classified and which are necessary for the creation of the mortgagor.

Consultant's fee is allowable only for nonprofit hospitals and then only to the extent that it involves work in connection with plans and specifications and the selection and purchase of equipment. Not allowable is the cost of conducting feasibility studies to determine need for construction or modernization of a facility.

Land (Appraised Value) is the as-is value of the land (new construction) or existing hospital (rehabilitation project) as determined by an approved appraiser.

D.4. Enter the lower of the mortgage amount requested (plus Hill-Burton and other grants, if any) or 90% of Item C.10, Total Estimated Replacement Cost of Project.

D.6. Insert amount of permanent loan discount.

D.7. On proprietary proposals insert 2% of the mortgage amount. On proprietary proposals a working capital deposit of 2% of the mortgage amount is required.

Application for Hospital Project Mortgage Insurance

Hospital - Section 242

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB No. 2502-0518 (Exp. 3/31/2008)

Project Name:

Project Number:

Part I — Mortgagor's Application

To: _____ and the Secretary of Housing and Urban Development. The undersigned hereby applies for a loan in the principal amount of $ _____ to be insured under the provisions of Section 242 of the National Housing Act, said loan to be secured by a first mortgage on the property hereinafter described. Insurance of advances during construction ☐ is, ☐ is not desired.

B. Location and Description of Property

1. Street Numbers:	2. Street:				
3. Municipality:	4. County:	5. State:	6. No. of Beds:	7. Type of Project: ☐ Elevator ☐ One Story	8. ☐ Proposed ☐ Existing

C. Estimated Replacement Costs

1. **Total Construction Cost Per Contract(s)**		$
2. **Fees**		
Architect's Fee—Design	$	
Architect's Fee—Supervisory		
Construction Mgmt. Fee		
Other Fees		
Total Fees		$
3. **Other**		
Site Demolition Costs	$	
Other (Identify)		
Total Other		$
4. **Equipment and Furnishings Actual Cost**		$
5. **Total for All Improvements and Equipment**		$
6. **Carrying Charges and Financing**		
Int. mos. @ %		
on $	$	
Taxes		
Insurance		
HUD Mtge. Ins. Prem. %		
HUD Exam. Fee 0.3 %		
HUD Inspec. Fee 0.5 %		
Financing Exp. %		
Placement Fee %		
AMPO %		
Title and Recording		
Total Carrying Charges and Financing		$

7. **Legal & Organization**		
Legal	$	
Organization		
Consultant		
Total Legal & Organization		$
8. **Total Estimated Replacement Cost** (Excl. of Land)		$
9. **Net Book Value on Existing Property, Plant, & Equipment**		$
10. **Total Estimated Replacement Cost of Project**		$

D. Estimated Cash Requirements

1. Total Project Replacement Cost (Excl. of Land)	$
2. Land Indebtedness	
3. **Total**	$
4. **Less** Mortgage Amount (& Grant or Approved Loans, if any)	
5. Cash Required	$
6. Other (Identify)	
7. Other (Identify)	
8. **Total Estimated Cash Requirements**	$

For HUD Use Only

Date Received						
Amount						
Code						
Schedule						
Received by						

form **HUD-92013-HOSP** (10/2001)

E. Sponsors

1. Name of Sponsor or Co-Sponsor: | Telephone Number:

Address:

Name of Sponsor or Co-Sponsor: | Telephone Number:

Address:

2. Relationship between Sponsoring Group and Mortgagor (Existing Connections or Proposed, if Mortgagor has not been formed).

F. Certification

The undersigned, as the principal sponsor(s) of the proposed mortgage, certify(ies) that he/she (they) is (are) familiar with the provisions of the regulations of the Secretary of Housing and Urban Development under the above identified section of the National Housing Act and that to the best of his/her (their) knowledge and belief the mortgagor has complied, or will be able to comply, with all of the requirements thereof which are prerequisite to insurance of the mortgage under such Section.

It is hereby represented by the undersigned that to the best of his/her (their) knowledge and belief no information or data contained herein or attachments listed herein are in any way false or incorrect and that they are truly descriptive of the project or property which is intended as the security for the proposed mortgage and that the proposed construction will not violate zoning ordinances or deed restrictions.

Attest: | Date:

Signature: (Sponsor) | Date:

Part II - Mortgagee's Application

To: The Secretary of Housing and Urban Development:

Pursuant to the provisions of the Section of the National Housing Act identified in the Mortgagor's application and HUD Regulations applicable thereto, application is hereby made for the insurance of a mortgage covering property described in the above application of the Mortgagor. After examination of the application and the proposed security, the undersigned proposed mortgagee considers the project to be desirable and is interested in making the loan in the principal amount of Dollars

($ _____), which will bear interest at _____ percent (_____%),

will require repayment of principal over a period of _____ months and, according to an amortization plan to be agreed upon. Insurance of advances during construction ☐ is, ☐ is not desired.

This application by the undersigned proposed Mortgagee is subject to your commitment, its own final action and the payment of its charges. It is understood that the financing expense in the amount of Dollars

($ _____) is subject to adjustment so that the total will not exceed _____ percent (_____%) of the amount of your commitment.

Discount or placement fee for the mortgage is _____%.

Herewith is check for Dollars

($_____), which is in payment of the application fee required by said HUD Regulations.

Signature: (Proposed Mortgagee) | Name & Title of Officer:

X

Address:

☐ Original Certificate of Need Attached ☐ Original Certificate of Need Previously Furnished

To Be Completed by Each Sponsor and by the General Contractor

Public reporting burden for this collection of information is estimated to average 64 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Applicants are required to complete this form to provide HUD with the necessary data to determine a hospital's eligibility for FHA insurance. HUD will use the information to determine that the applicant meets the requirements and eligibility criteria; underwriting standards; and adequacy of state/or local certifications, approval, or waivers. This collection of information is authorized by Section 242, Sections 223(a)(7), 223(e), 223(f), and 241(a) of 12 U.S.C. 1715z-7. This collection is required to obtain benefits.

Privacy Act Notice. The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

SUPPLEMENT 3 – ADDENDUM TO MORTGAGE INSURANCE APPLICATION

(see next page)

ADDENDUM TO MORTGAGE INSURANCE APPLICATION

Applicant's Name _____

Mailing Address _____

_____

Telephone Number (_____) _____

Using the definitions for delinquent debt described below, are you delinquent on any Federal Debt? NO YES

If the answer is "YES" please provide details, such as agency, amount and type of debt, workout plans, etc.

_____ _____

Applicant name – type and sign Date

Definitions for Delinquent Debt

1. For direct loans, a debt more than 31 days past due on a scheduled payment.

2. For grants, recipients of a "Notice of Grants Cost Disallowance" who have not repaid the disallowed amount or who have not resolved the disallowance.

3. For guaranteed and insured loans, recipients of a loan guaranteed by the Federal Government that the Federal Government has repurchased from a lender because the borrower breached the loan agreement and is in default.

SUPPLEMENT 4 – CERTIFICATION BY AN AUTHORIZED HOSPITAL OFFICIAL

(see next page)

CERTIFICATION BY AN AUTHORIZED HOSPITAL OFFICIAL

I hereby certify that to the best of my knowledge, all of the information contained in this application is true, complete, and accurate, and does not omit any material fact which would render the information false, fictitious, or fraudulent as a result of the omission. I am aware that any false, fraudulent, or fictitious information may, in addition to other remedies available to the Government, subject me to civil penalties under the Program Fraud Civil Remedies Act of 1986.

_____	_____
Attest	Signature
_____	_____
Date	Name
	_____
	Title
	_____
	Deed

SUPPLEMENT 5 – HUD FORM 2576HF
CERTIFICATE OF NEED

(see next page)

Certificate of Need for Health Facility and Assurance of Enforcement of State Standards

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0210 (exp. 05/31/2007)

Public reporting burden for this collection of information is estimated to average 0.20 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The form is completed by FHA Appraisers, Owners, and nonprofit entities for the Department of HUD to evaluate property as security for a long-term insured mortgage. This information is required to obtain benefits. Section 232 of the National Housing Act authorizes mortgage insurance for the development of nursing homes and intermediate care facilities. Provision of this information is required to obtain mortgage insurance benefits.

Privacy Act Statement. The United States Department of Housing and Urban Development (HUD), Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, United States Code, Section 1701 et. seq., and regulations promulgated there under at Title 12, Code of Federal Regulations. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Request. The agency may not collect this information and you are not required to complete this form unless it displays a currently valid OMB control number.

This Certificate covers the following type of facility: (check one) ☐ Hospital ☐ Nursing Home ☐ ICF ☐ Other (specify)

To the Secretary of Housing and Urban Development: In accordance with the provisions of the National Housing Act, as amended, and applicable portions of Titles VI, or XV, or XVI of the Public Health Service Act, this agency (name of agency)

_____

certifies as follows:

1. This facility will provide (types of services) _____ without duplicating such services already adequately provided within the service area and without exceeding present needs for such services in the area.

2. In accordance with the approved State Health Plan and the State CoN requirements or Section 1122 (SSA) requirements, there is a need for (number of beds) _____ to be constructed and / or (number of beds) _____ to be modernized, to be located at (address) _____ in service area (name) _____

3. This HUD Certification of Need for service area stated above in the State of _____ is issued in favor of (name and address of Sponsor) _____ only, for the construction and / or modernization of (name and address of Project) _____

   _____

   only, and is in effect for _____ months from the date of issuance.

4. There are in force in the State (or other political subdivision of the State in which the proposed project will be located) reasonable minimum standards of licensure and methods of operation for this health facility.

5. The prescribed standards of licensure and operation will be applied and enforced with respect to the applicant health facility.

6. Amount of other Federal assistance, if any, $_____ from (name of agency) _____

   _____

7. A copy of the State's approval under its CoN Program shall be attached.

_____	X _____
Date Issued	Signature
_____	_____
Termination Date	Title
_____	_____
Name of Agency	Address and Phone Number of Agency

Clear All

Print

form **HUD-2576-HF** (5/2001)
ref. Handbook 4600.1

SUPPLEMENT 6 – PREVIOUS PARTICIPATION CERTIFICATION

NAMES OF PRINCIPALS

The requirements for filing Previous Participation Certification may be found in 24 C.F.R §200, Subpart H. In accordance with recent policy (§200.217), Previous Participation Certificates are to be filed electronically through the Active Partners Performance System located on HUD's website (http://www.hud.gov/offices/hsg/mfh/apps/appsmfhm.cfm).

List below principals who are required to file a Previous Participation Certificate under the appropriate category. The following definitions are taken from the April 1, 2006 CFR. See the most recent CFR for current requirements.

Excerpts from 24 C.F.R §200.215 Definitions:

(a) **Affiliate.** Any person or business concern that directly or indirectly controls policy of a principal or has the power to do so is an affiliate. Persons and business concerns controlled by the same third party are also affiliates.

(c) **Packager or Consultant.** A person or firm that furnishes or proposes to furnish advisory services in connection with the financing or construction of a project and the related HUD requirements. Such services may include, but are not limited to, the selection and negotiation of contracts with a general contractor, architect, attorney or management agent.

(d) **Participation Control Officer.** (See §200.224)

(e) **Principal.** (1) An individual, joint venture, partnership, corporation, trust, nonprofit association, or any other public or private entity proposing to participate, or participating, in a project as sponsor, owner, prime contractor, Turnkey Developer, management agent, nursing home administrator or operator, packager, or consultant; and architects and attorneys who have any interest in the project other than an arms-length fee arrangement for professional services.

(2) The term principal also includes: (i) Any affiliates of a principal; (ii) if the principal is a partnership, all general partners, and each limited partner having a 25 percent or more interest in the partnership; (iii) if the principal is a public or private corporation or governmental entity; the President, Vice-President, Secretary and Treasurer and any other executive officers who are directly responsible to the Board of Directors, or the equivalent thereof; all the directors; and each stockholder having a 10 percent or more interest.

NAMES OF PRINCIPALS
< HOSPITAL NAME HERE>

SPONSOR/SPONSORS OR OWNERS
OFFICERS (PRESIDENT, VICE PRESIDENT, SECRETARY, TREASURER)
BOARD MEMBERS
EXECUTIVE OFFICERS RESPONSIBLE TO THE BOARD (CEO, CFO, CMO, ETC.)
STOCKHOLDERS WITH MORE THAN A 10% INTEREST

CONTRACTORS (PRIME CONTRACTOR, ARCHITECT, CONSULTANT, MGMT FIRM, ETC.)
OTHERS INCLUDING AFFILIATES

I certify that according to my knowledge the above is a complete and faithful listing of principals as required in accordance with C.F.R. 200 Subpart H – Participation and Compliance Requirements.

_____
Signature

_____
Name

_____
Title

_____
Date

SUPPLEMENT 7
ASSURANCES – CONSTRUCTION PROGRAMS

(see next page)

Assurances — Construction Programs

OMB Approval No. 0348-0042

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Please do not return your completed form to the Office of Management and Budget; send it to the address provided by the sponsoring agency .

Note: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case you will be notified.

As the duly authorized representative of the applicant I certify that the applicant:

1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.

2. Will give the awarding agency, the Comptroller General of the United States, and if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.

3. Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal interest in the title of real property in accordance with awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure nondiscrimination during the useful life of the project.

4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.

5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.

6. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.

7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.

8. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§ 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the nineteen statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).

9. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§ 4801 et seq.) which prohibits the use of lead based paint in construction or rehabilitation of residence structures.

10. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§ 1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794), which prohibit discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 93-255), as amended, relating to non-discrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§ 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. § 3601 et seq.), as amended, relating to non-discrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and (j) the requirements of any other non-discrimination Statute(s) which may apply to the application.

11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.

12. Will comply with the provisions of the Hatch Act (5 U.S.C. §§ 1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

13. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§ 276a and 276a-7), the Copeland Act (40 U.S.C. § 276c and 18 U.S.C. § 874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-333), regarding labor standards for federally assisted construction subagreements.

14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is $10,000 or more.

15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§ 1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. § 7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523); and (h) protection of endangered species under the Endangered Species Act of 1973, as amended, (P.L. 93-205).

16. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§ 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.

17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and preservation of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.).

18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act of 1984.

19. Will comply with all applicable requirements of all other Federal laws, Executive Orders, regulations and policies governing this program.

Signature of Authorized Certifying Official	Title
Applicant Organization	**Date Submitted**

SUPPLEMENT 8 – ANTI-KICKBACK, STARK FRAUD POLICY

FOR HEALTH CARE PROFESSIONAL OWNED/OPERATED PROJECTS:

HUD handbook 4615.1 entitled "Mortgage Insurance for Hospitals," Chapter 1-4(b) Eligible Mortgagors and Sponsors states, among others, that a proposal in which the mortgagor is controlled in any manner by the professionals practicing in the hospital will not be eligible for HUD Section 242 mortgage insurance. This policy has been revised to accommodate applications from mortgagors, which are controlled in any manner by the professionals practicing in the hospital. Current policy is as follows.

Any application for Section 242 Mortgage Insurance that includes any physician-controlled organization to own, operate, or control a hospital will be considered as incomplete without an Advisory Opinion from outside counsel. The counsel must be acceptable to HUD and familiar with and experienced in rendering opinions on Section 1128B[42 U.S.C. 1320a-7b] (Anti-Kickback Statute) and Section 1877[42 U.S.C. 1395] (Stark) of the Social Security Act and on 42 CFR Part 100. The opinion must state that the project will be in compliance with Section 1128B and Section 1877 of the Social Security Act. At any time during the application review process, the Account Executive for good and valid reasons may require that the Applicant obtain an Advisory Opinion from the Office of Inspector General, HHS, that the OIG will not impose sanctions, and an advisory opinion from outside counsel (acceptable to HUD), familiar with and experienced in rendering opinions on Section 1877[42 U.S.C. 1395] (Stark) of the Social Security Act, that the project will be in compliance with Section 1877 of the Social Security Act.

SUPPLEMENT 9 – APPRAISAL PREPARATION GUIDELINES

For the purpose of determining eligibility of a hospital project for mortgage insurance, the Section 242 statute requires that the "replacement cost" be used. The Hospital Mortgage Insurance Program has historically accepted the "net book value" (NBV) of existing property, plant and equipment as a proxy for replacement cost, since in a rising market, the NBV is often lower than the replacement cost, and thus is a conservative approach. For purposes of determining loan-to-value eligibility and calculating the maximum insurable mortgage, HUD will continue to use net book value in most cases for the purpose of establishing the replacement cost of existing property, plant and equipment.

Under certain circumstances HUD will permit a value determined by an appraisal to be used in lieu of net book value, including but not limited to those cases where the NBV is insufficient for the hospital to meet the ninety percent loan-to-value test and the appraised value may exceed the NBV.

IS AN APPRAISAL NEEDED?

An appraisal is **required** if:

- The site/hospital was or will be acquired through non-arms-length sale, regardless of when it was acquired (e.g., a county donates land for a Critical Access Hospital or the property was purchased from a related entity or person).

A request for an appraisal is **considered** if:

- The site/hospital was acquired through an arms-length sale, has been held by the hospital for more than three years, and the applicant believes there has been significant appreciation in the value of the land.

- Because of the age of the building, the extent of depreciation taken or a combination thereof, the net book value is insufficient to support the proposed mortgage amount.

The actual purchase price will be considered to be the value if:

- The site/hospital was acquired within three years prior to the application **and** the acquisition was through an arms-length sale.

WHO CAN OBTAIN THE APPRAISAL?

Once the hospital has determined that an appraisal is required or should be considered, the hospital should contact its lender or investment banker. **The applicant lender or investment banker will engage the appraiser.** An appraisal commissioned by the hospital or its owners will not be accepted. The lender will be held accountable for the quality of the appraisal.

WHO CAN PREPARE THE APPRAISAL?

The lender will seek HUD's approval of the proposed appraiser prior to the engagement of the appraiser. HUD reserves the right to examine the credentials of the appraisers and to reject any individuals or firms it considers to be unqualified.

The appraiser must meet the following minimum qualification requirements:

- Be a Certified General Appraiser under the appraiser certification requirements of the state where the hospital is/will be located;
- Meet all the requirements of the Competency Rule described in Uniform Standards of Professional Appraisal Practice (USPAP);
- Have at least three years of income property appraisal experience and at least two years experience in appraising health care facilities, including hospitals;
- Be currently active and regularly engaged in the appraisal of health care facilities, including hospitals;
- Be knowledgeable concerning current real estate market conditions and trends in the geographic market area where the subject property is located; and
- Be experienced in appraising properties with the complexity and characteristics of the subject property.
- Must not be affiliated with any individual or institution involved in the application other than the Lender. Appraisers who are on the Lender's staff must be independent of the lending, investment, and collection functions of the Lender. The underwriter shall not act as the appraiser.
- Be familiar with HUD guidelines

The appraisal firm and the individual(s) conducting the appraisal must demonstrate to HUD's satisfaction that they meet the qualifications outlined above. Statements of corporate and individual experience should be submitted to HUD for review before the appraiser is engaged and should also be included in the appraisal report.

FINDING A CERTIFIED GENERAL APPRAISER

Should the Lender have difficulty finding a Certified General Appraiser, the Appraisal Subcommittee of the Federal Financial Institutions Examination Council maintains a national registry of Certified General Appraisers who are authorized, under Federal law, to perform appraisals in connection with federally related transactions. The Lender may wish to review this list on the Internet at http://www.asc.gov.

TYPE OF APPRAISAL

Statutes, regulations, and HUD handbooks make various references to the Commissioner's or Secretary's Estimate of Value, Fair Market Value, Estimated Value, or Appraised Value. In general, value determinations for HUD's multifamily programs involve either Market Value or a form of Investment Value. If the market conditions for the subject property are consistent with the requirements of the particular section of the act and other applicable requirements, then the definition of value will be that of Market Value. If the requirements for the assignment cause the appraiser to assume conditions that are atypical of market, then the definition of value will be that of Investment Value.

As a reminder, for its 'Market Value' programs (i.e. Section 232, 223(f), or 207), HUD requires a "complete appraisal" that considers the following:

1. Replacement cost (a.k.a. 'summation')
2. Income approach to value
3. Sales comparables

A complete appraisal arrives at Market Value through a reconciliation of the values determined through these three approaches.

For its '**Replacement Cost**' programs (i.e. **Section 242**) HUD accepts an appraisal that seeks to arrive at the cost to build a replacement for the existing structure on the existing site. This cost estimate is then adjusted to take into account the current condition and obsolescence of the plant and equipment by subtracting actual depreciation. The depreciated value of equipment is also included. The resulting value is the "as is" value. The estimated cost of construction is added to this to arrive at the Investment Value.

Investment Value appraisals still include the three methodologies listed above, but the valuation is based predominantly on the replacement cost subject to limitations created by the other two approaches. The appraisal also includes an opinion of the Market Value upon completion.

QUALITY OF APPRAISAL

The applicant Lender is fully responsible for the selection, approval, and training (if needed) of appraisers who are familiar with HUD reviews and guidelines. Lenders must ensure that each appraiser selected is qualified to appraise or perform market analyses for multifamily properties and hospitals by reviewing their education, quality, and frequency of multifamily and hospital experience, sample appraisals and market studies, professional affiliations, and state licenses or certifications.

Each appraisal must meet the following requirements:

- The appraisal must be procured and paid for by the Lender. The appraisal must identify the United States Department of Housing and Urban Development as an authorized user of the report.

- It must be a limited appraisal prepared in accordance with the applicable requirements contained in USPAP Standards Rule 1 and presented in accordance with the applicable requirements contained in USPAP Standards Rule 2.

- It must adequately describe the geographic area, neighborhood, competing facilities, sales comparables, site and improvements.

- Appraisals of undeveloped sites must establish the value of the land "fully improved" (as opposed to "as is"). A fully improved value assumes that the requisite zoning, street improvements and utilities (water/sewage, electricity, gas and telecommunications) are in place.

- The replacement cost must be supported by the cost approach to value. In cases involving the rehabilitation, modernization and/or expansion of existing facilities, the "as is" value of the existing facility should also take into consideration the income and direct sales comparison approaches to value.

- The depreciated value of moveable equipment that is not part of the real estate only value shall be a separate line item.

- It must have an effective date not more than 120 days before the date of the application for mortgage insurance.

- The use of the Departure Rule is not authorized and this rule was eliminated with the issuance of the 2006 USPAP. The Jurisdictional Exception Rule is not generally applicable in HUD appraisal assignments.

- It must include the appraiser's certification.

The applicant lender will provide an electronic (MS Word or rich text format "rtf") copy and a hard copy of the appraisal with application materials.

SUPPLEMENT 10 – GUIDELINES FOR STUDIES OF FINANCIAL FEASIBILITY FOR CRITICAL ACCESS HOSPITALS

GENERAL POLICY

Section 242 mortgage insurance applications for Critical Access Hospitals (CAHs) must include a Study of Financial Feasibility that forecasts patient demand and financial performance of the hospital. This study is a critical part of an application. (Note: In certain cases, such as refinancing under Section 223(a)(7), a study may not be required or its scope may be limited.) CAHs typically meet HUD's criteria for presumed need, so an assessment of market need is not required unless one is specifically requested by HUD. However, if a hospital's CAH designation is based on a determination of the State Governor instead of the general distance criteria, HUD may request a full Study of Market Need and Financial Feasibility from the hospital.

HUD does not accept the study at face value; instead, the study is used as a starting point for an independent analysis. If the study does not meet the requirements stated in this document, HUD may reject the application on that basis or, if deficiencies are minor, permit the applicant to submit a revised study with the deficiencies corrected.

In most cases, HUD and an independent feasibility consultant will review each application[1] and study. HUD may or may not agree with the study's conclusions. At the completion of the review process, HUD may approve the application or reject it on the basis of need, feasibility, or risk to the Federal Housing Administration (FHA) insurance fund.[2]

This process is followed for applications from hospitals in both CON and non-CON states.

AUTHENTICATION LEVELS OF FEASIBILITY STUDIES

Depending on HUD's assessment of the project, two authentication levels of pre-submission study and review may be required when preparing feasibility studies for CAHs. CAHs are recognized as meeting the need criteria for Section 242, except in limited circumstances. In most cases CAHs are not required to submit an examination level feasibility study, but instead may submit a compilation level feasibility study as outlined below.

The levels are defined as:

1. Compilation (with special procedures), where an independent CPA firm compiles the feasibility study and applies certain agreed-upon procedures to the study; and
2. Examination, where an independent CPA firm (1) prepares the financial forecast; (2) assesses all underlying assumptions to determine that the assumptions provide a reasonable basis for the forecast; and (3) opines on the presentation's conformity with AICPA guidelines for a financial forecast, the reasonableness of the underlying

[1]The independent review may be waived for financially strong hospitals that can be underwritten based upon historical pro forma financial data.
[2]Applications may also be rejected for other reasons, e.g. noncompliance with statutory requirements.

assumptions, and the sufficiency of funds generated. In many cases the CPA firm will also include a statement with respect to need.

The level of authentication required is based on the perceived risk of the hospital as measured by certain financial indicators, and the level of exposure that the application presents as measured by the amount of the mortgage insurance request. Low risk hospitals and applications presenting lower exposure levels will be permitted to present feasibility studies with less third party evaluation of assumptions. This determination is made as part of the preliminary review.

HUD APPROVAL OF CONSULTANTS

An independent accounting firm pre-approved by HUD and that has experience conducting such studies for hospitals must perform the study, following American Institute of Certified Public Accountants (AICPA) guidelines and the guidelines herein.

In most cases, the study must include an opinion letter from a certified public accountant that addresses the ability of the hospital to service the mortgage. It must also include clearly defined assumptions about demand, impact on other providers, hospital utilization, costs, revenues, and a detailed financial forecast.

Please note that a consultant should not be engaged to prepare these studies until *after* HUD has performed a preliminary review of the hospital to determine if it meets the basic program eligibility requirements, has conducted a pre-application meeting with the potential applicant, and has approved the proposed consultant.

HUD approval of the CPA firm will be based on a review of how well consultants' proposals indicate that they will meet the minimum standards listed below. The proposed mortgagee should send proposals to:

U. S. Department of Housing and Urban Development
Office of Insured Health Care Facilities - Room 9224
451 Seventh Street SW
Washington, DC 20410
Attn: Bill Grego or J.B. Nathan
Joseph_B._Nathan@hud.gov
William_J._Grego@hud.gov

HUD will respond to the mortgagee, indicating that the consultant does or does not meet the following minimum standards:

1. The consultant must certify that the study will be prepared in accordance with this document and the principles established by the American Institute of Certified Public Accountants, as published in, among others, the *Guide for Prospective Financial Information*;

2. The study must assess, on a market-wide basis, the impact of the proposed hospital on,

and its relationship to, other health care facilities and services, the percentage of excess beds, demographic projections, alternative health care delivery systems, and the reimbursement structure of the hospital;

3. The consultant must demonstrate that it has recent experience with the preparation of a study that meets the standards in (a) and (b) above ("recent experience" defined as the preparation of a study for a hospital with a report date not more than three years prior to the date of the consultant's proposal to perform this study);

4. The consultant must demonstrate that it presently has the resources and capacity (e.g., experienced personnel and information systems) that would enable it to conduct the study in accordance with the standards in this paragraph and as further amplified herein;

5. The consultant must demonstrate that it is independent from the hospital in accordance with the standards of independence as set forth by the American Institute of Certified Public Accountants (AICPA), the State Board of Accountancy, and Generally Accepted Governmental Auditing Standards (Yellow Book requirements). The consultant must attach a list of any non-audit services provided by the firm, members of the firm, or related parties, either directly or indirectly to the hospital.

6. There can be no identity of interest between the proposed consultant and the proposed mortgagor or mortgagee. Identity of interest is defined as follows:

   The consultant firm or any principal or partner within the firm shall have no pecuniary or personal interest in the project or with any director, officer, principal, or person who is more than a 10% shareholder of the proposed mortgagor, the mortgagee, or any other party in the loan transaction. The firm or any principal or partner of the firm may not serve as a director, officer, partner, or employee of the proposed mortgagor or the mortgagee. The consultant firm shall not represent an investing lender or investor in the proposed mortgagor, any bridge lender in the loan transaction, or any lender with commitment to purchase the loan.

   Pecuniary or personal interest does not include an interest that is the same as any member of the general public would have.

AREAS OF EXPECTED FOCUS

HUD expects critical circumstances or concerns involving the project and/or hospital to be highlighted and studied in depth beyond the standard scope within the feasibility study. Assumptions, justifications, and changes in revenues, expenses, and marginal returns should be clearly explained. The following factors must receive extensive analysis within the report:

1. New or expanded services critical to a hospital's financial viability. If a hospital's future financial viability and/or ability to service the insured loan relies on revenues for new or expanded services being developed, the feasibility assessment for these services should

involve a higher degree of scrutiny (and independence in projecting utilization levels and financial results).

2. Negative financial and/or utilization trends. If negative financial and/or utilization trends during the last three years suggest uncertainty for maintaining profitable operations or a viable market base, they shall be addressed with detailed analyses of the specific factors involved.

3. Inherent risks for the financial stability and security of CAHs that are not revealed by financial ratios. Such risks include: small population bases from which patients are drawn, rural service areas with limited economic diversification, reliance on small medical staffs, out-migration to larger hospitals, narrower ranges of services, and volatility in admissions and outpatient procedure volumes.

4. Variances from trend lines and/or demographic projections. When trend lines differ from the assumptions used to project utilization levels or financial results, detailed analyses shall be provided justifying the forecast assumptions.

5. Establishment of new hospital. The financial forecast for a new hospital may have considerably more issues than a study for an existing enterprise inasmuch as the former does not have utilization and financial history, existing goodwill, or "brand name" with the community. Further, a new hospital has the added challenge of having to recruit a medical staff and other healthcare professionals.

   In addition, the study shall carefully examine assumptions related to the "ramp up" period with an emphasis of the pre-opening period and costs and the adequacy of working capital in the early going. HUD has noted that the ramp-up assumptions have been "optimistic" rather than "realistic." The study shall include a discussion of the basis for the "ramp up" assumptions.

CONTENT OF STUDY

The following outline provides the basic structure and content of a Financial Feasibility Study required by HUD for Section 242 mortgage insurance. A comprehensive study would be composed of seven sections omitting Section 5, the Demonstration of Market Need:

1. Accountant's Report
2. Historic and Forecast Financial Statements
3. General Information
4. Summary of Significant Demand Assumptions
5. Demonstration of Market Need (not required)
6. Summary of Significant Financial Assumptions & Accounting Policies
7. Other Information that Feasibility Consultant Deems Appropriate
8. Completed CAH FAST Tables and Other Exhibits

This document outlines in detail the minimum content of each report section, if required, and outlines the basic considerations that should be investigated during the preparation of a report. This document shall be followed as a basic guide for the preparation of a complete and acceptable study along with AICPA guidelines.

SECTION 1 – ACCOUNTANT'S REPORT

This report should be consistent with the latest edition of the *AICPA Guide for Prospective Financial Information* and these guidelines as amplified from time to time.

A. Accountant's Report – Specifications for Authentication Levels
   1. In compilation reports, the CPA will not opine but will report on the results of special procedures only.
   2. Examination reports require a certified CPA letter that includes a statement addressing the ability of the hospital to service the mortgage.

SECTION 2 – HISTORIC AND FORECAST FINANCIAL STATEMENTS

Financial statements and associated ratios should be specifically for the organizations whose property will be mortgaged. As such, consolidated financial statements are inappropriate in most cases. However, if the proposed mortgagor has activities, assets, or liabilities that are not a part of the mortgage and consolidated financial statements are presented, supplemental information distinguishing the financial position, operation, and cash flows of the proposed mortgagor/ mortgaged entity from non-mortgagor entities shall be provided.

Balance sheets, income statements, and cash flows shall be presented for the mortgagor/ mortgaged entity. Any consolidated entities' and non-mortgagor's activities shall be separated out in a schedule subjected to audit procedures. This schedule shall contain historical and forecasted combined balance sheets, statements of revenues and expenses, and statements of cash flows reconciled to the consolidated financial statements and the list of affiliates mentioned in section D.2 in Section 3. **(Two sets of historical and forecasted financial statements will be required in order to conform to Generally Accepted Accounting Principles.)**

All financial thresholds and ratios are to be calculated or determined after excluding non-mortgagor items unless specifically instructed by HUD. (See your account executive for further clarification). Any accounts and/or costs associated with a bond issuance that are not eligible to be included in the HUD insured mortgage are non-project accounts/costs. However, bond issuance costs that will be passed through to the mortgagor are to be included in the calculations for operating income. Any costs related to bond issuances that are passed through to the mortgagor shall be clearly shown including but not limited to penalties for delay of final endorsement, maintenance fees, filing fees, etc.

Historical information should report data from the last three years. Forecast information should project figures through the construction period plus two complete fiscal years beyond project completion. Mortgage Reserve Fund should be a separate line item.

A. Historical and Forecast Statements of Operations and Changes in Net Assets
B. Historical and Forecast Balance Sheet
C. Historical and Forecast Statements of Cash Flows

SECTION 3 – GENERAL INFORMATION

A. General Description of the Hospital and its Affiliations and Collaborations
   1. Brief history of the hospital and proposed project.
   2. Description of organization structure (e.g., non-profit/501(c)(3) tax-exempt, for-profit, etc.).
   3. Overview of the services offered in the hospital (including inpatient, outpatient and long-term care services).
   4. Description of the hospital's governance structure.

B. Project Description
   1. Project scope and components
   2. Project site
   3. Project benefits
   4. Effect of project on utilization, operating expenses, services, et al (details will be given in the appropriate section)
   5. Changes to the utilization patterns in the service area and market share as a result of the project.
   6. Project costs
   7. Construction expenses (left side costs from HUD Form 92013-HOSP, lines 1-5)
   8. Timeframes for completing the project, including forecasted start and completion dates
   9. The hospital's licensed and staffed bed capacity by type of bed (i.e. Medical/Surgical, SNF, etc.) before, during and after the project
   10. Define what will happen with old buildings and property if this project moves patient care from one building and/or property to another

C. Financing Plan
   1. Statement of Sources and Uses of Funds for the project. Sources should clearly show mortgage amount and required cash contribution by the mortgagor. Uses should group expense in the same classifications as the HUD Form 92013-HOSP.
   2. List all project costs/financing expenses not shown on the HUD Form 92013-HOSP.
   3. Source(s) of hospital's cash requirement and timing for receipt of such cash.
   4. Purpose and amount of any required letters of credit (LOC) and collateral for LOCs.
   5. Date of initial closing and date that permanent financing begins to amortize.
   6. Time period (start and stop date) during which capitalized interest will be required.
   7. Interest rate for capitalized interest and interest rate on the HUD insured mortgage loan (include Mortgage Insurance Premium (MIP) if passed through to Mortgagor and include a statement that the rate includes or does not include the MIP).
   8. A description of the overall related bond transaction and costs shall be included in a separate standalone paragraph. [Note – funds and costs associated with a separate but related bond financing such as special reserve funds for the bonds, or funds for

negative arbitrage, should not be shown on the balance sheet after initial endorsement. They should be included in financing expenses not shown on HUD Form 92013.] However, if the hospital will be required to pay any of these costs from project accounts, such costs should be clearly stated including any potential penalties. Any non-asset bonds and other issuance obligations shall be clearly listed.

D. Organizational Relationships
   1. Explain which organization(s)' financial performance and accounts are included in the financial forecast (this should correspond to the mortgagor).
   2. If applicable, list and describe all affiliated organizations (including all subsidiaries, parent organizations/holding companies, and joint ventures) and describe the basis/nature of affiliation and legal relationship (with hospital) of each affiliate. Include an organization chart clearly showing the linkages with all subsidiary, parent, and/or related organizations and clearly show what is included in the mortgage and what is excluded from the mortgage.
   3. If applicable, summarize anticipated cash outflows or inflows to/from related entities included in the forecast.

E. Service Area Definition and Patient Origin
   1. A description of the primary and secondary service areas, the Patient Origin Study data used to determined primary and secondary service areas, their location, and identification by zip codes and map.
   2. A historical (most recent census data and current year estimate) and forecast summary of the primary and secondary service area populations by zip code. Population data shall also be broken out by age group (0-17,18-44,45-64,65 and over) and for females 15-44.

F. Socioeconomic Characteristics of the Service Areas
   1. List the top 5 employers in the Hospital's primary and secondary service areas with the total number employed. This information may be obtained from the State or Regional Industrial Management Council or Chamber of Commerce.
   2. A narrative and chart displaying the historical and current unemployment information for the County, Metropolitan Statistical Area, State, and United States. This information is usually obtained from the U.S. Bureau of Labor Statistics.
   3. A narrative and chart displaying Median Household Income for the service areas and, for comparison, by surrounding Counties, the State, and the United States. This may be obtained from the National Planning Data Corporation.
   4. Description of the impact of the proposed project on the local economy (i.e. permanent jobs and construction jobs created, economic and social spin-off).

SECTION 4 – SUMMARY OF SIGNIFICANT DEMAND ASSUMPTIONS

Note: In situations where management's assumptions differ from industry norms or trendlines, detailed explanation and justification for the variance is required.

A. General Methodology

1. This section shall begin with a brief statement describing how demand or patient utilization was forecast, discussing factors such as historical utilization patterns; length of stay; patient origin; population trends; hospital use rates; market share; capital facilities plans for the hospital and other area health care providers; and current trends and activities of competitors, health care providers, and insurers which may affect the hospital.
2. Highlight information that will be used to establish financial feasibility when compiling the demographic and utilization information in the following sections. When possible, place information in table format and include state medians.
3. Include short tables comparing historical and forecast projections in most of the following sections as appropriate.

B. Market Assessment of Other Health Care Providers within the Service Area

1. List other area hospitals, their proximity to the Hospital and their percent of market share in the Hospital's service area if greater than 5 percent. Obtainable from several sources including the State Hospital Association.
2. Summarize the services provided by and the number of licensed/staffed beds of competitor hospitals. State the extent that medical staff members may be shared.
3. State source(s) of data.

C. Historic and Forecasted Inpatient and Outpatient Utilization within the Service Area

1. Include a general statement identifying the major factors that are affecting overall patient utilization. This statement will also include a description of the major initiatives that the hospital is taking that will affect the assumptions in section E. It is essential that all statements concerning utilization reference and include historical, current, and forecast data on patient origin, out-migration, and market share for both the subject hospital and competitors in its service area.
2. Inpatient Utilization. List and discuss the factors affecting inpatient activity including population growth, use rates, market share, managed care, and average length of stay. The final product is a series of charts depicting inpatient historical (last 3 years) and forecast utilization statistics by total and major service areas supported by other information in this section.
3. Outpatient Utilization. List and discuss the factors affecting outpatient activity including population growth, use rates, market share, and managed care for services such as Emergency Room, Ambulatory Surgery, Clinic, etc. The final product is a series of charts depicting outpatient historical (last 3 years) and forecast utilization statistics by total and major service areas and supported by other information in this section.

D. Market Share by Service

1. Use both narrative and charts to show historical trends (last 3 years) for total hospital discharges and a breakdown for all major services showing the market share of the hospital and its competitors in the primary and secondary service areas. This information is obtainable from several sources including the State Hospital Association.

2. Use both narrative and charts to show competitor utilization statistics with comparisons to the hospital in inpatient areas such as Discharges, Average Length of Stay, Percent Occupancy, Patient Days, Average Daily Census, Available Beds.
3. If increases in market share are forecasted, use tables and/or descriptions to describe the origins of the increased admissions, which hospitals are likely to lose market share as a result, management's estimate of anticipated competitor reaction to the loss of market share, and how the hospital plans to respond.
4. State the sources of all data.
5. Provide justification for forecasted increases in market share, including narration or charts showing sources of increased market share.

E. Hospital Use Rates

1. Provide narrative and charts depicting use rate for the primary and secondary service areas. Use rate measures total hospital discharges from the service area population and is expressed in discharges per 1,000 population.
2. The historical and projected use rates should be provided for each major service (e.g. medical/surgical, obstetrics, etc.) broken down by primary and secondary service area and by fee for service patients, Medicare/Medicaid managed care patients, and total patients. Historical (last 3 years) comparative use rates should be displayed through charts for the defined service area, city or county if appropriate, the state, and the nation.
3. In a chart, present historical and projected use rates for outpatient activities in areas such as the Emergency Room, Ambulatory Surgery, Clinic Visits, etc.

F. Hospital's Medical Staff

1. Analyze the medical staff including their admissions patterns, age, and specialties. Also describe their support for the hospital and the project.
2. Provide a chart of the top admitters showing physician specialty, age, number of admissions and hospital relationship (i.e., employee or private practice).
3. Provide a similar chart of top physicians in terms of contribution to the hospital if marginal contribution information is provided by the hospital's information system.
4. Discuss physician shortages by specialty, the hospital's physician recruiting plan and how effective the hospital has been in recruiting new physicians.
5. Provide the average age of the hospital's medical staff and the average age of active staff members in each specialty.
6. Provide narrative and a summary chart of historical recruitment and turnover of physicians.
7. If a physician group or groups are significant in terms of admissions or outpatient care, show this information with a chart and narration.

G. Physician Questionnaire Results

If physician survey results are available, discuss survey findings in terms of physicians' attitudes and perspectives regarding the hospital and the proposed project. Find out if there are any plans for opening/transferring services to ambulatory centers.

SECTION 5 – DEMONSTRATION OF MARKET NEED

This section is typically not required for Critical Access Hospitals.

SECTION 6 – SUMMARY OF SIGNIFICANT FINANCIAL ASSUMPTIONS & ACCOUNTING POLICIES

A. Summary of Significant Accounting Policies

B. Net Patient Service Revenue
   1. Provide an overview of the various systems under which the hospital receives patient revenues and explain reimbursement (specifically, if Medicaid expenses are cost-based reimbursed).

C. Historical and Forecast Payor Mix - Revenues from Inpatient Services
   1. Provide net revenues by payor for last 3 historical years and all forecasted years. Explain the effects of cost-based reimbursement on projected revenues (what percentage of additional costs will be affected, etc.).
   2. Provide revenue by payor for each new or expanded service.
   3. Explain reasons for forecasted changes in payor mix, if any, and provide supporting data and analysis for the proposed change.

D. Historical and Forecast Payor Mix - Revenues from Outpatient Services
   1. Provide net revenues by payor for last 5 historical years and all forecasted years
   2. Separately identify all payers that provided more than 10% of the hospital's inpatient revenues
   3. Provide revenue by payor mix for each new or expanded service
   4. Explain reasons for forecasted changes in payor mix and provide supporting data and analysis for the proposed change.

E. Historical and Forecast Reimbursement Methodologies
   1. Provide detail and support for net revenue projections by payor. The description, background and information on the history and forecast for each payor should be detailed enough to understand changes in payor revenues after accounting for any changes in utilization. If cost-based reimbursed, so state. Information showing case mix intensity is required for all payers using case payment methodologies.
   2. Isolate and describe all revenues received from special payment pools (developed pursuant to a hospital "tax" for charity care, etc; or funded via legislation through appropriations; or by any other method).

F. Project Initiatives
   1. Identify all project initiatives that will be consolidated or made more efficient, quantify corresponding savings to be achieved, and provide corresponding assumptions (and the basis for assumptions).
   2. State the objective methodology(ies) employed to justify major changes to expense or revenue forecasts from historical patterns.

G. Other Operating Revenue
   1. Major sources of other operating revenue should be separately identified
   2. Revenues received from affiliates should be separately identified (and associated with a corresponding operating expense)
   3. Include a table showing historical and forecast non-operating revenues.
   4. State significant assumptions.

H. Non-operating Revenue
   1. Major sources of non-operating revenue (including affiliates) should be separately identified
   2. Note - Income from investments, unrestricted contributions, interest income, gains from the sale of assets, non-operating revenues, and extraordinary gains are excluded from operating revenue.
   3. Include a table showing historical and forecast revenues.
   4. State significant assumptions.

I. Operating Expenses
   1. Salaries and Wages
      a. Clearly identify the number of full-time equivalents for each year (excluding contracted services). Show salaried physicians separate from the rest of the hospital staff. If the hospital operates nursing home beds or other long-term care services, these FTE's should also be shown separately from staff for acute care services.
      b. Explain all major initiatives (and the corresponding impact for each initiative) for any staffing reductions.
      c. Calculate FTE's per adjusted occupied bed and compare to industry and area norms.
      d. State significant assumptions.

   2. Fringe Benefits
      a. Explain historical performance and forecast assumptions, including changes, if any.
      b. State objective methodology employed to test the reasonableness of the changes, if any.
      c. Include a table showing historical and forecast information.

   3. Contractor Services
      a. List all services that are contracted, the annual amounts paid for each contracted service, and the estimated FTE's used by the contractor in providing the service.
      b. Include a table showing historical and forecast information by major groupings.
      c. State significant assumptions.

   4. Supplies and Other Expenses
      a. Itemize "Other Expenses."
      b. Separately identify operating leases.
      c. State objective methodology employed to test the reasonableness of changes, if any.

d. Include a table showing historical and forecast information by major groupings.
e. State significant assumptions.

5. Insurance Expense
    a. Itemize all insurance expenses
    b. Include a table showing historical and forecast information by major groupings.
    c. State significant assumptions.

6. Interest Expense
    a. Segregate interest expenses on the HUD insured mortgage from other interest expenses related to leases, etc.
    b. State if Mortgage Insurance Premiums are included in interest expense (or where they are classified if not in interest expense)
    c. Identify and quantify any other potential financing costs that may be passed through to the mortgagor as a result of a related bond issuance (if they are not classified as interest expenses, state how they are classified and included in the forecast).
    d. <u>Identify and quantify any additional financing costs that the mortgagor may incur as a result of a delay in final endorsement.</u> Additional costs with a net effect in excess of 20 basis points will most likely require inclusion as a sensitivity analysis in subsection G (contact the Account Executive).

7. Depreciation and Amortization Expense
    a. Show the depreciation guidelines used by the hospital

8. Provision for Doubtful Accounts/Bad Debt Expense
    a. Explain historical performance and forecast assumptions
    b. Include a table showing bad debt and charity care as a percent of patient revenue.

J. <u>Balance Sheet Assumptions</u>
1. Explain historical performance and forecast assumptions for each of the following:
    a. Accounts Receivable
    b. Other Receivables
    c. Inventories
    d. Prepaid Expenses
    e. Other Assets (break out all assets greater than $100,000)
    f. Due from Third Party Payors (break down by payor)
    g. Pension Fund
    h. Malpractice Insurance Fund, if self-insured (also, *assess the adequacy* of the hospital's insurance reserves)
    i. Assets Limited as to Use
    j. Accounts Payable and Accrued Liabilities
    k. Accrued Payroll and Vacation Benefits

l. Due to Third Party Payors (break down by payor)
m. Estimated Malpractice Payable, if self-insured

2. State the objective methodology employed to test the reasonableness of major forecast changes, if any.

K. Capital Expenditures
1. Summarize capital expenditures in recent years (break out by capital equipment, renovation, maintenance, new construction, and capital leases)
2. Explain how capital expenditure projections were derived (i.e., how the hospital develops its capital needs program, etc.). Break out by capital equipment, renovation, maintenance and new construction.

L. Sensitivity Analyses
1. Five percent reduction in inpatient discharges (from the forecasted volume).
2. Medicare reimbursement rate of 95% of reasonable costs.
3. All proposed changes to the reimbursement system for any payor class. Any legislation affecting the organization that has been passed but not yet put in place should be defined and analyzed to indicate consequences for the hospital.
4. Other sensitivity analyses, as deemed appropriate by the hospital or the consultant. (Key question: What other key factor could have a significant impact on the hospital's achievement of the forecast results?)

SECTION 7 – OTHER INFORMATION THAT FEASIBILITY CONSULTANT DEEMS APPROPRIATE

APPENDIX

A. Completed CAH FAST Tables (see Attachment 5)
B. Other Tables and/or Exhibits

ATTACHMENT 1
FEASIBILITY STUDY TRIAGE GUIDELINES

CRITERIA USED TO DETERMINE THE TYPE OF STUDY

Generally, feasibility studies require the same basic content with supporting worksheets, regardless of the level of review required. However, if there is a presumption of need for the hospital (as in the case of most Critical Access Hospitals), the Market Need component of the study is not required.

The following are some of the key factors that the Client Service Team (CST) will consider in determining the authentication level that is required.

1. Critical Access Hospitals (CAH) designation. CAHs are recognized as meeting the need criteria for Section 242, except in limited circumstances. In most cases CAHs are not required to submit an examination level feasibility study, but instead may submit a compilation level feasibility study as outlined in CAH guidelines. However, if a hospital's CAH designation is based on a determination of the State Governor instead of the general distance criteria, HUD may request a full Study of Market Need and Financial Feasibility from the hospital.

2. Existing Section 242 hospitals. In most cases, hospitals already in the HUD portfolio applying for supplemental loans under Section 241 are recognized as already meeting HUD's requirement for need.

3. Exposure assessment grid. The CST will consider where a hospital falls within the exposure assessment grid (see Table 2) to determine the type of study needed.

DETERMINING THE APPROPRIATE REVIEW LEVEL

As part of the preliminary assessment, the Customer Service Team (CST) performs an assessment of the confidence level and the type of study that is required. Table 1 contains Feasibility Study Triage Guidelines. The CST assesses the credit risk of an applicant by computing all financial indicators listed in the guidelines. The CST also assesses financial exposure to HUD by determining the amount of mortgage insurance that will be requested by the applicant. If an applicant meets the credit risk and financial exposure requirements for less than an examination level study, then the application is considered for the indicated alternative level of study.

The CST determines whether there are any other circumstances or concerns that would override the permissibility of a compilation report. In making this determination, the following factors, at a minimum, are considered:

1. Whether new or expanded services are being developed as part of the project and the reliance on revenues from these services for future financial viability. In general, the feasibility assessment for new and expanded services that are critical to the hospital's viability should involve a higher degree of scrutiny (and independence in feasibility projections).

2. Financial and utilization trends of the applicant during the last three years are examined for negative trends which suggest uncertainty for maintaining profitable operations or viable market base. These should be addressed by requiring a higher level of feasibility study preparation.

3. Competition in the hospital's service area.

While some of the information needed to assess the above issues might be included with the applicant's preliminary assessment package, the CST should make every effort to obtain all of the necessary information in order to adequately assess each of these factors, brief the Portfolio Asset Manager, and obtain concurrence from the Portfolio Asset Manager, Deputy Director, or Director before notifying the Lender. Notification to the Lender should occur at the pre-application meeting or as soon as is practicable thereafter.

TABLE 1
FINANCIAL RISK ASSESSMENT

INDICATOR	LOW RISK APPLICANT	MEDIUM RISK APPLICANT	HIGHER RISK APPLICANT
Operating Margin (OM)	OM ≥ 3.00%	0.00% < OM < 3.00%	OM ≤ 0
Current Ratio (CR)	CR ≥ 1.75	1.25 < CR < 1.75	CR ≤ 1.25
Days in Accounts Receivable (DAR)	DAR ≤ 55	55 < DAR < 75	DAR ≥ 75
Enhanced Days Cash on Hand (EDCOH)	EDCOH ≥ 35	15 < EDCOH < 35	EDCOH ≤ 15
Average Payment Period (APP)	APP ≤ 60	75 < APP < 60	APP ≥ 75
Equity Financing Ratio (EFR)	EFR ≥ .30	.20 < EFR < .30	EFR ≤ .20
Debt Service Coverage-Historic Pro Forma (DSC-HPF)	DSC-HPF ≥ 2.00	1.00 < DSC-HPF < 2.00	DSC-HPF < 1.00
Long-Term Cap Debt to Capitalization (LTDC)	LTDC ≤ .35	.35 < LTDC < .70	LTDC ≥ .70
Debt Service as % of Operating Revenue (DS%OR)	DS%OR ≤ .03	.03 < DS%OR < .055	DS%OR ≥ .055

TABLE 2
EXPOSURE ASSESSMENT GRID

TRIAGE RESULTS	LOAN DESCRIPTION	AUTHENTICATION LEVEL (AT HUD'S DISCRETION)
Low Risk	Mortgage Request ≤ $30 million	Compilation* Level
	Mortgage Request > $30 million	Examination Level
Medium Risk	Mortgage Request ≤ $20 million	Compilation* or Exam Level
	Mortgage Request > $20 million	Examination Level
Higher Risk	All other Mortgage Requests	Examination Level

*With Agreed-upon Procedures (see Attachment 4)

ATTACHMENT 2
FEASIBILITY STUDY CONTENT REQUIREMENTS

REQUIREMENTS	TYPE OF REPORT	
	STUDY OF MARKET NEED & FINANCIAL FEASIBILITY	STUDY OF FINANCIAL FEASIBILITY ONLY
SECTION 1		
Signed and Dated Opinion or Compilation Accountant's Report	Y	**Y** Opinion addressing need not required
SECTION 2		
Historic and Forecasted Financial Statements	Y	**Y**
SECTION 3		
General Information	Y	**Y**
General Description of the Hospital and the Surrounding Health Care Market	Y	**Y**
Project Description	Y	**Y**
Financing Plan	Y	**Y**
Organizational Relationships	Y	**Y**
Service Area Definition and Patient Origin	Y	**Y**
Population of the Service Areas	Y	**Y**
Socioeconomic Characteristics of the Service Areas	Y	**Y**
SECTION 4		
General Methodology	Y	**Y**
Market Assessment of Other Health Care Providers within the Service Area	Y	**Y**
Historic & Forecast of Inpatient and Outpatient Utilization within the Service Area	Y	**Y**
Market Share by Service	Y	**Y**
Hospital Use Rates	Y	**Y**
Hospital's Medical Staff	Y	**Y**
Physician Questionnaire Results	Y	**Y**
SECTION 5		
Market Need	Y	**N**
SECTION 6		
Summary of Significant Accounting Policies	Y	**Y**
Net Patient Service Revenue	Y	**Y**

REQUIREMENTS	TYPE OF REPORT	
	STUDY OF MARKET NEED & FINANCIAL FEASIBILITY	STUDY OF FINANCIAL FEASIBILITY ONLY
Historical and Forecasted Payor Mix - Revenues from Inpatient Services	Y	Y
Historical and Forecasted Payor Mix - Revenues from Outpatient Services	Y	Y
Historical and Forecasted Reimbursement Methodologies - Inpatient Services	Y	Y
Project Initiatives	Y	Y
Other Operating Revenue	Y	Y
Non-operating Revenue	Y	Y
Operating Expenses		
Salaries and Wages	Y	Y
Fringe Benefits	Y	Y
Contractor Services	Y	Y
Supplies and Other Expenses	Y	Y
Insurance Expense	Y	Y
Interest Expense	Y	Y
Depreciation and Amortization Expense	Y	Y
Provision for Doubtful Accounts/Bad Debt Expense	Y	Y
Balance Sheet Assumptions	Y	Y
Capital Expenditures	Y	Y
Sensitivity Analyses	Y	Y
SECTION 7		
Other Information	Y	Y
APPENDIX		
FAST-Tables	Y	Y

Y = Yes
N = No

ATTACHMENT 3
DEFINITIONS OF RATIO CALCULATIONS

LIQUIDITY RATIOS	
Current Ratio:	Current Assets / Current Liabilities
Cash Ratio:	Cash + Temporary Investments / Current Liabilities
Days in Accounts Receivable:	Net Accounts Receivable / (Net Patient Revenue/365)
Average Payment Period:	Total Current Liabilities / [(Total Operating Exp. - Depreciation Exp. - Bad Debt Exp.)/365]
Days Cash on Hand:	Cash + Temporary Investments / [(Total Operating Exp. - Depreciation Exp. - Bad Debt Exp.)/365]
Enhanced Days Cash on Hand:	Cash + Temporary Investments + Qualified Liquid Investments / [(Total Operating Exp. - Depreciation Exp. - Bad Debt Exp.)/365]
Working Capital to Total Assets:	Total Current Assets - Total Current Liabilities / Total Assets
CAPITAL STRUCTURE RATIOS	
Debt Service Coverage:	Net Income + Depreciation Expense + Interest Expense / Current Portion of L-T Debt (prior yr.) + Inter. Exp.
Debt Service Coverage (historic pro forma):	Net Income + Depreciation Expense + Interest Expense / Principal + Interest (on all proposed debt, including leases)
Long-Term Debt to Capitalization:	Total Long-Term Liabilities / Total Long-Term Liabilities + Unrest Fund Balance
Equity Financing:	Equity (less assets excluded from Mortgage) / Total Assets (less assets excluded from the Mortgage)
Long-Term Debt to Capital Assets:	Long-Term Debt / Net Fixed Assets
Capital Debt to Capital Assets:	Capital Debt / Net Fixed Assets
Cash Flow/Total Debt:	Net Income + Depreciation + Amortization Expense / Total Liabilities
Debt Service as % of Operating Revenue:	Current Portion of Long-Term Debt (prior yr) + Interest Expense / Total Operating Revenues

PROFITABILITY RATIOS	
Total Margin:	$\frac{\text{Net Income}}{\text{Total Operating Revenue + Non-operating Revenue}}$
Operating Margin:	$\frac{\text{Total Operating Revenue - Total Operating Expenses}}{\text{Total Operating Revenue}}$
Return on Equity:	$\frac{\text{Net Income}}{\text{Average Fund Balance}}$
FINANCIAL STRENGTH	
FSI:	$\frac{\text{(Total Margin - 4.0)}}{4.0} + \frac{\text{(Enhanced Days Cash on Hand*** – 50]}}{50} + \frac{\text{(50\% - Debt Financing Percent)}}{50\%} + \frac{\text{(9.0 - Average Age of Plant)}}{9.0}$
Debt Financing Percent:	$\frac{\text{(Long Term Debt including current portion)}}{\text{(Long Term Debt including current portion + Equity)}}$

* Equity is defined as: Equity for for-profit entities, Total Net Assets for not-for-profit entities, and Total Net Assets for governmental entities.

** Net Income is defined as: Net Income for for-profit entities; Excess of Revenues over Expenses for not-for-profit entities; and Excess of Revenues over Expenses before Capital Grants, Contributions, and Additions to Permanent Endowment for governmental entities.

*** For calculating the FSI, the Enhanced Days Cash on Hand calculation includes Hospital-Held Qualified Non-Liquid Investments in its numerator

ATTACHMENT 4

AGREED-UPON PROCEDURES FOR FINANCIAL FORECASTS

1. Obtain a list of management's significant assumptions providing the basis for preparation of the forecast.

2. Obtain management's representations that the assumptions underlying the forecast have a reasonable basis for purposes of an analysis of projected operations and that management developed the assumptions based upon their general knowledge of, and expectations for, the industry and their specific knowledge of, and plans for, the hospital assuming the construction and/or renovation project.

3. Consider whether any significant assumption contradicts or is inconsistent with another.

4. Consider whether any of the statistical projections contradicts or is inconsistent with the financial and statistical data in the application.

5. Compare significant underlying assumptions to historical trends and consider whether the assumptions are consistent with these trends.

6. Test the forecast for mathematical accuracy and test the computations made in translating the assumptions into projected amounts.

7. Read the audited financial statements for the previous three fiscal years and the most recent interim financial statements for the current fiscal year, and ensure the accounting principles used in the forecast are the same as those used in the preparation of those audited and interim financial statements.

ATTACHMENT 5

CRITICAL ACCESS HOSPITAL FINANCIAL AND STATISTICAL TABLES (CAH FAST TABLES)

[Tables can be downloaded in Excel format at www.fha.gov/hospitals: ***CAH FAST Tables.xls***]

[NAME OF HOSPITAL]

Inpatient Statistics

[YR1] - [YR7]

ITEMS	HISTORICAL			INTERIM		FORECAST			
						DURING CONSTRUCTION		COMPLETION	
	[YR1]	[YR2]	[YR3]	As of [MM]	Annualized	[YR4]	[YR5]	[YR6]	[YR7]
Total Licensed Beds (same as Hospital License)									
Medical/Surgical/Swing									
OB/GYN									
SNF/ Long-term care									
Other (specify)									
Total, Adult & Pediatric	-	-	-	-	-	-	-	-	-
Newborn									
GRAND TOTAL	-	-	-	-	-	-	-	-	-
Beds In Service									
Medical/Surgical/Swing									
OB/GYN									
SNF/ Long-term care									
Other (specify)									
Total, Adult & Pediatric	-	-	-	-	-	-	-	-	-
Newborn									
GRAND TOTAL	-	-	-	-	-	-	-	-	-
Discharges									
Medical/Surgical									
Swing									
OB/GYN									
SNF/ Long-term care									
Other (specify)									
Total, Adult & Pediatric	-	-	-	-	-	-	-	-	-
Newborn									
GRAND TOTAL	-	-	-	-	-	-	-	-	-
Patient Days									
Medical/Surgical									
Swing									
OB/GYN									
SNF/ Long-term care									
Other (specify)									
Total, Adult & Pediatric	-	-	-	-	-	-	-	-	-
Newborn									
GRAND TOTAL	-	-	-	-	-	-	-	-	-
Average Length of Stay									
Medical/Surgical									
Swing									
OB/GYN									
SNF/ Long-term care									
Other (specify)									
Total, Adult & Pediatric	-	-	-	-	-	-	-	-	-
Newborn									
GRAND TOTAL	-	-	-	-	-	-	-	-	-

(1) Data is requested for the prior three years (Historical), the current year (Interim), the year(s) of construction, and two full years after completion of construction (Forecasted).
(2) If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.
(3) Replace [YRX] with Actual Year (ex. 2005)

CAH FAST - 1

[NAME OF HOSPITAL]
Selected Other Statistics
[YR1] - [YR7]

ITEMS	HISTORICAL			INTERIM		FORECAST			
						DURING CONSTRUCTION		COMPLETION	
	[YR1]	[YR2]	[YR3]	As of [MM]	Annualized	[YR4]	[YR5]	[YR6]	[YR7]
Case Mix Index									
Outpatient Surgeries									
Clinic Visits									
Emergency Room Visits									
Other (specify)									
Other (specify)									

(1) Data is requested for the prior three years (Historical), the current year (Interim), the year(s) of construction, and two full years after completion of construction (Forecasted).
(2) If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.

CAH FAST - 2

[NAME OF HOSPITAL]
Source of Payment
[YR1] - [YR7]

ITEMS	HISTORICAL			INTERIM		FORECAST			
						DURING CONSTRUCTION		COMPLETION	
	[YR1]	[YR2]	[YR3]	As of [MM]	Annualized	[YR4]	[YR5]	[YR6]	[YR7]
Inpatient Discharges									
Medicare									
Medicaid									
Commercial									
Self Pay									
Other (Specify)									
TOTAL DISCHARGES	-	-	-	-	-	-	-	-	-
Inpatient Days									
Medicare									
Medicaid									
Commercial									
Self Pay									
Other (Specify)									
TOTAL DAYS	-	-	-	-	-	-	-	-	-

(1) Data is requested for the prior five years (Historical), the current year (Interim), the year(s) of construction, and two full years after completion of construction (Forecasted).
(2) If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.

CAH FAST - 3(A)

[NAME OF HOSPITAL]
Inpatient Service Revenue
[YR1] - [YR7]

PAYORS	HISTORICAL						INTERIM		FORECAST							
									DURING CONSTRUCTION				COMPLETION			
	[YR1]		[YR2]		[YR3]		As of [MM]		[YR4]		[YR5]		[YR6]		[YR7]	
	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)	Base Rate per Disch. ($)	Net Revenue ($)
Medicare																
Medicaid																
Commercial																
Self Pay																
Other (Specify)																
TOTAL INPATIENT REVENUE (3)		-		-		-		-		-		-		-		-

(1) Data is requested for the prior three years (Historical), the current year (Interim), the year(s) of construction, and two full years after completion of construction (Forecasted).
(2) If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.
(3) This amount shall equal to the Financial Forecast's inpatient revenue for the projected years.

CAH FAST - 3(B)

[NAME OF HOSPITAL]
Outpatient Service Revenue
[YR1] - [YR7]

ITEMS	HISTORICAL									INTERIM			FORECASTED											
													DURING CONSTRUCTION						COMPLETION					
	[YR1]			[YR2]			[YR3]			As of [MM]			[YR4]			[YR5]			[YR6]			[YR7]		
	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.	Visits	Avg Rates	Net Rev.
Clinic Visits																								
Emergency Room Visits																								
Ambulatory Surgery																								
Other (specify)																								
Other (specify)																								
TOTAL OUTPATIENT (3)			-			-			-			-			-			-			-			-

(1) Data is requested for the prior three years (Historical), the current year (Interim), the year(s) of construction, and two full years after completion of construction (Forecasted).
(2) If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.
(3) This amount shall equal to the Financial Feasibility Outpatient Revenue for the forecasted years.

CAH FAST - 4

[NAME OF HOSPITAL]
Full Time Equivalent Personnel
[YR1] - [YR7]

ITEMS	HISTORICAL			INTERIM	FORECAST			
					DURING CONSTRUCTION		COMPLETION	
	[YR1]	[YR2]	[YR3]	As of [MM]	[YR4]	[YR5]	[YR6]	[YR7]
Total FTEs								
Adjusted Average Daily Census								
(Tot. Pat. Days * (Total Pat. Rev./Tot. Inpat. Rev.)/365								
FTEs per Adjusted Occupied Bed								
(FTEs/Adj. Avg. Daily Census)								
Adjusted Discharges								
Tot. Disch. * (Tot. Pat. Rev./Tot. Inpat. Rev.)								
FTE s per 100 Adjusted Discharges (CMI Adjusted)								
((FTEs/Adj. Disch.) * 100)/Tot. CMI)								
Medical Staff								
Active								
Associate								
Medical Staff Average Age								

(1) Data is requested for the prior five years (Historical), the current year (Interim), the year(s) of construction, and two full years after completion of construction (Forecasted).
(2) If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.

CAH FAST - 5

[NAME OF HOSPITAL]
Aging of Accounts Receivable - Latest Audited & Interim as of [MM] [YR]

LATEST AUDITED						
PAYORS	TOTAL ($)	0-60 DAYS ($)	61-120 DAYS ($)	121-180 DAYS ($)	181-360 DAYS ($)	Over 360 DAYS ($)
Medicare						
Medicaid						
Commercial						
Self Pay						
Other (Specify)						
TOTAL	-	-	-	-	-	-
AS OF [MM] 31, [YR]						
PAYORS	TOTAL ($)	0-60 DAYS ($)	61-120 DAYS ($)	121-180 DAYS ($)	181-360 DAYS ($)	Over 360 DAYS ($)
Medicare						
Medicaid						
Commercial						
Self Pay						
Other (Specify)						
TOTAL	-	-	-	-	-	-

If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.

CAH FAST - 6

[NAME OF HOSPITAL]

Aging of Accounts Payable - Latest Audited December 31, [YR] & Latest Interim as of [MM] [YR]

AUDITED DECEMBER 31, [YR]							
	TOTAL ($)	30 DAYS ($)	31-60 ($)	61-90 ($)	91-120 ($)	121-365 ($)	>365 ($)
TOTAL							

INTERIM AS OF [MM] [YR]							
	TOTAL ($)	30 DAYS ($)	31-60 ($)	61-90 ($)	91-120 ($)	121-365 ($)	>365 ($)
TOTAL AS OF [MM] [YR]							

TOP 10 CREDITORS AND AMOUNTS OUTSTANDING		
AS OF [YEAR]	CREDITOR	AMOUNT
	TOTAL	$ -

If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.

CAH FAST - 7

[NAME OF HOSPITAL]
Land, Building and Equipment
As of [DATE]

VALUES AS OF MOST RECENT AUDITED								
List Separately: Land Bldg., Land Improvements and Fixed Equipment	Tax Lot or Street Address	Date Built/ Purchased	Cost	Accumulated Depreciation	Net	Leased/ Owned	HUD Project Proceeds to be Used for Purchase/Renovation on the Property (Y/N)	To be included in Proposed Insured Mortgage (Y/N)
Land & Land Improvements:								
LAND TOTAL			$ -	$ -	$ -			
Building & Leasehold Improvements:								
BUILDING & IMPROVEMENTS TOTAL			$ -	$ -	$ -			
Equipment:								
EQUIPMENT TOTAL			$ -	$ -	$ -			
GRAND TOTAL			$ -	$ -	$ -			

If the above data is available elsewhere in substantially the same form, you may submit such schedule therefore.

CAH FAST - 8

[NAME OF HOSPITAL]
Ratio Analysis
[YR1] - [YR7]

ITEMS	HISTORICAL									INTERIM	FORECAST			
											CONSTRUCTION		COMPLETION	
	[YR1]			[YR2]			[YR3]			[MM]	[YR4]	[YR5]	[YR6]	[YR7]
	Ratio	Nat.* or Req. Ratio	Var.	Ratio	Nat.* or Req. Ratio	Var.	Ratio	Nat.* or Req. Ratio	Var.		Ratio	Ratio	Ratio	Ratio
Liquidity Ratios														
Current Ratio														
Cash Ratio														
Days in Receivables (Net)														
Average Payment Period														
Days Cash on Hand														
Capital Structure														
Debt Serv. Coverage														
Equity Financing														
Cap Debt/Cap Ass.														
Profitability														
Total Margin														
Operating Margin														
Return on Assets														
Return on Equity														

CAH FAST - 9(A)

[NAME OF HOSPITAL]
Financial Performance and Underwriting Guidelines [YR1] - [YR7]
Fiscal Year Ending [MM YR]

ITEMS	HISTORICAL			INTERIM		FORECAST				OUTCOME*
						CONSTRUCTION		COMPLETION		
	[YR1]	[YR2]	[YR3]	As of [MM]	Annualized	[YR4]	[YR5]	[YR6]	[YR7]	
Net Patient Service Revenue (000s)										
Total Operating Revenue (000s)										
Total Operating Expenses (000s)										
Gain/(Loss) from Operations (000s)										
Non Operating Revenue (000s)										
Net Income (Loss) (000s)										
Operating Margin										
Debt Service Coverage										
Current Ratio										
Working Cap/Total Assets										
Equity Financing Ratio										
Days in A/R (net)										
Days Cash on Hand										
Days Cash on Hand including Highly Liquid Assets										
Average Payment Period										

* Outcome based on 3-year actual average

CAH FAST - 9(B)

[NAME OF HOSPITAL]
Utilization Trends [YR1] - [YR7]

ITEMS	HISTORICAL			FORECAST			
				CONSTRUCTION		COMPLETION	
	[YR1]	[YR2]	[YR3]	[YR4]	[YR5]	[YR6]	[YR7]
Acute Discharges							
Acute Patient Days							
Licensed Beds							
Staffed Beds							
Acute Average Length of Stay							
Total Overall Occupancy (beds in service only)							
Acute Average Daily Census							
Outpatient Surgery Cases							
Births							
ER Visits							
Clinic Visits							

CAH FAST - 9(C)

[NAME OF HOSPITAL]
Economic and Community Benefits Model
Summary Data

ITEMS	HISTORICAL	FORECAST
	MOST RECENT HISTORICAL YEAR	TWO YEARS AFTER PROJECT COMPLETION
Total Operating Revenues[1]		
Salary, Wages, and Benefits Expense[2]		
Total FTEs of the mortgagor		
Total Construction length (in months)		

[1] Total operating revenues should not include a reduction for bad debt expense. If net patient revenues have been adjusted for bad debt expense, add back the amount of bad debt reduction.

[2] Not including professional/physician/medical fees or other purchased services.

CAH FAST - 10

SUPPLEMENT 11 – MORTGAGE RESERVE FUND (CAH)

The Mortgage Reserve Fund (MRF) is a reserve fund to provide monies in a client's financial emergency to cure or prevent a default, engage a consultant, or implement a turnaround plan. Required fund balances of the MRF are tied directly to the debt service payments for the FHA insured mortgage. The MRF will be established as a trust fund with a commercial bank or trust company.

The MRF will be constructed to achieve a balance equal to 12 months and 24 months of FHA insured mortgage debt service at 5 and 10 years, respectively, from the commencement of amortization. During the first five years, there are equal annual contributions that when coupled with investment income reach 12 months of debt service payments. During the next five years, there is a second series of equal annual contributions that when coupled with investment income reach 24 months of debt service, the required fund balance. Over the following five years, the fund is allowed to build. Starting in the 16th year, the fund will be phased out by having yearly withdrawals that, when added to a level annual amount from operations, will equal the annual principal repayment.

The MRF agreement is provided for your information on the following pages. Contact your account executive to obtain a mortgage reserve fund schedule.

MORTGAGE RESERVE FUND AGREEMENT

This MORTGAGE RESERVE FUND AGREEMENT (this "**Agreement**") to provide reserve funds, entered into as of this ___ day of _____2007, between **[Name of Hospital]** whose address is **[Street, City, State, Zip]**, (hereinafter referred to as "**Mortgagor**"), and the **UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** ("**HUD").**

The terms of this Agreement are based on that certain Regulatory Agreement of even date herewith between Mortgagor and HUD requiring the establishment of reserve funds and are as follows:

1. Mortgagor shall establish a Mortgage Reserve Fund ("**MRF**") as a trust fund with the Mortgagee (defined below) or a banking institution acceptable to HUD (the **"Trustee**") in accordance with the attached MRF schedule dated **[Month, Day, Year]** (the "**MRF Schedule**"). The trust account shall contain the following wording: "The Mortgage Reserve Fund for **[Name of Hospital]** in Trust for the Department of Housing and Urban Development." In addition, the MRF Trust Fund Agreement (the **"MRF Trust Fund Agreement"**) shall be entered into by Mortgagor, the Trustee, and HUD, and shall reference this Agreement and shall specifically include the following requirements:

    a. The MRF Trust Fund Agreement shall not permit cancellation or termination nor may monies and securities in the MRF be transferred to another account or entity without the prior written consent of HUD.

    b. In the event of a deterioration in performance of Mortgagor, monies and securities held under the MRF Trust Fund Agreement may be directed by HUD to supplement or fully satisfy the payment of a management consultant(s) to prevent a default with respect to the Mortgage Loan (as defined in the MRF Trust Fund Agreement) or to implement a turnaround plan with respect to the Mortgagor.

    c. In the event Mortgagor is unable to make a payment on that certain **[Mortgage][Deed of Trust]** Note of even date herewith (the "**Note"**), given by Mortgagor, payable to **[Name of Mortgagee]** (the **"Mortgagee"**) and insured by HUD, HUD is authorized to instruct the Mortgagee to order the Trustee to withdraw funds from the MRF to be applied to the payment due on the Note in order to prevent or cure a financial default on the Note. In addition, in the event of a default in the terms of the Mortgage that secured the Note (the **"Mortgage"**), pursuant to which the Mortgage and the Note have been assigned to HUD, HUD may apply or authorize the application of the balance in the MRF as a recovery against insurance benefits paid by HUD.

    d. HUD shall be a signatory to the MRF Trust Fund Agreement.

    e. The Trustee for the MRF Trust fund Agreement will notify HUD, Mortgagee, and Mortgagor within 30 days of the close of each fiscal year of Mortgagor if the MRF is not in compliance with the MRF Schedule. Valuation of the MRF shall be at market.

f. Mortgagor shall make no withdrawals that reduce the MRF balance below the amount shown in the MRF Schedule without prior approval of HUD.

2. At Initial Endorsement of the Note by HUD, Mortgagor shall place the MRF in the trust. The terms of both the MRF and the MRF Trust Fund Agreement shall be approved by HUD. Such trust shall be held by the Mortgagee or a banking institution acceptable to HUD.

3. Funding of the MRF shall begin in accordance with the MRF Schedule. Deposits to the MRF shall be made monthly on a pro rata basis (including any agreed upon arrearage) in order to achieve the fiscal year-end balances reflected in the MRF Schedule.

4. If the MRF fund balance is less than the required amount at the end of any fiscal year, because the actual interest earned on the MRF is less than that projected in the MRF Schedule or because of market fluctuations in the value of the investments, Mortgagor shall bring the fund balance current within 60 days of the end of the fiscal year by not withdrawing investment income and, if needed, by making a supplemental contribution to the MRF.

5. Monies deposited by Mortgagor to the credit of the MRF account must be invested in: 1) interest bearing securities insured by an Agency of the United States Government or in direct obligations of the United States Government, or in obligations for which the principal and interest are guaranteed by the United States Government, or instruments of United States Government agencies such as the Federal Home Loan Bank or the Federal Farm Credit Bank, or (2) mutual funds that invest solely in U. S. Treasury obligations or short term securities that are fully insured or guaranteed by the U. S. Government or its agencies.

6. The weighted average maturity of all securities held directly by the Trustee or by a bond or money market fund shall be ten years or less.

7. All revisions to the MRF Schedule shall be approved by HUD.

_____	_____
(Signature of Authorized Official for HUD)	(Signature of Authorized Official for Mortgagor)

Attachment: MRF Schedule

SUPPLEMENT 12 – ENVIRONMENTAL COMPLIANCE GUIDELINES

24 CFR §50.3 (g) provides, in part, that applicants for HUD assistance shall be advised of environmental requirements.

Prior to receiving a Commitment, environmental clearance of the following must be obtained:

1. A Phase I Environmental Site Assessment (Phase I Report); and
2. A Phase II Report, if deemed necessary by Phase I Report; and
3. A Mock Department of Housing and Urban Development Form 4128 Environmental Assessment and Compliance Findings for the Related Laws (HUD-4128) to be completed by the applicant and submitted with the application for HUD mortgage, a copy of which shall be submitted to the HUD area office; and
4. A HUD-4128 completed by HUD; and
5. An Environmental Impact Statement, if deemed necessary by HUD-4128.

PHASE I ENVIRONMENTAL SITE ASSESSMENT

The Phase I Report is performed by a qualified professional, selected by the applicant, in conformance with the scope and limitations of American Society of Testing Materials (ASTM) practices. The Phase I Report must be submitted with the application. An applicant may consider initiating the Phase I Report process as early as possible in order to identify any issues that could delay or impede the receipt of a HUD Commitment.

The HUD Property Assessor, Geologist, and/or other environmental professionals will conduct a thorough evaluation of the proposed site, surrounding area, and address other possible environmental concerns.

The Phase I Report will conclude with a finding of evidence or the absence of evidence of recognized environmental conditions in connection with the proposed hospital site.

If the Phase I Report results in a finding of **no** evidence of recognized environmental conditions, then the requirements of Phase I have been met. It should be noted that review of the HUD Form 4128 may be performed concurrently with the review of the submitted application.

If the Phase I Report results in finding of evidence of a recognized environmental condition, then the applicant must conduct a Phase II Evaluation.

A Phase II Evaluation must address the environmental conditions identified in the Phase I Report and a cost estimate and methodology for correcting the environmental issues must be submitted.

The Phase II Evaluation will either report that the condition has been remedied or will be incorporated into the hospital project.

Note that a Phase II Evaluation must be conducted and completed indicating that compliance has or will be met before the Final HUD Report can be completed and a Recommendation can be made.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FORM 4128: ENVIRONMENTAL ASSESSMENT AND COMPLIANCE FINDINGS FOR THE RELATED LAWS

In order to facilitate the application review process, the applicant shall complete a Mock HUD-4128 form. A Mock HUD-4128 is a standard HUD-4128 form that is to be completed by the applicant for the purposes of providing the HUD appraiser with a reference guide for the completion of the official HUD-4128. The Mock HUD-4128 will serve as an early identification aid for the applicant to identify any potential environmental concerns. Upon completion, this form must be sent, as soon as possible, to the applicant's local HUD office.

Once received in the HUD office, the applicant's completed HUD-4128 form will be forwarded to an appraiser. The HUD appraiser will be responsible for conducting the HUD-4128 review.

The HUD appraiser will be completing a HUD-4128 form identical to the form completed by the applicant. As a reference, the HUD appraiser will use various tools including but not limited to the applicant's completed Mock HUD-4128 and Field Notes Checklists.

Upon HUD's completion of the HUD-4128, the HUD appraiser will make a determination of either a Finding of No Significant Impact (FONSI) or a Finding of Significant Impact.

If the HUD appraiser issues a FONSI, the HUD-4128 will be certified and the application will receive HUD-4128 clearance.

If the HUD appraiser finds that significant environmental impacts exist, an Environmental Impact Statement (EIS) must be completed.

24 CFR §50.42 identifies the following cases when an EIS is required:

1. If the proposal is determined to have a significant impact on the human environment; or

2. a) If the proposal would provide a site or sites for hospitals containing a total of 2,500 or more beds; or

   b) If the proposal would remove, demolish, convert, or substantially rehabilitate 2,500 or more existing housing units, or which would result in the construction or installation of 2,500 or more housing units, or which would provide site for 2,500 or more housing units; or

3. When the environmental concerns of one or more Federal authorities will be affected by the proposal, the cumulative impact of all such effects should be assessed to determine whether an EIS is required. Where all of the affected authorities provide alternative procedures for resolution, those procedures should be used in lieu of an EIS.

If an EIS is required, a designated HUD official will complete the EIS. The EIS will result in one of the following three scenarios:

1. The HUD official will identify mitigating actions that, if performed, can alter the significance of the environmental impacts; or

    - *Note: If scenario 1 occurs, the hospital may be required to perform these mitigating actions in order for the HUD official to find that the value of completing the projects outweighs the, now mitigated, environmental impacts. If all other areas of the application have been completed and cleared, the application may be submitted for final review.*

2. The HUD official will find that the value of completing the project outweighs the environmental impacts; or

    - *Note: If scenario 2 occurs, if all other areas of the application have been completed and cleared, the application may be submitted for final review.*

3. The HUD official will find that the environmental impacts outweigh the value of completing the project.

    - *Note: If scenario 3 occurs, the application process is halted.*

Once the above steps have been fully executed, the environmental segment of the Hospital Mortgage Insurance Program Application will be complete.

SUPPLEMENT 13 – HUD FORM 4128
ENVIRONMENTAL ASSESSMENT AND COMPLIANCE FINDINGS

(see next page)

Environmental Assessment and Compliance Findings for the Related Laws

U.S. Department of Housing and Urban Development

1. Project Number
HUD Program
2. Date Received

RMS: HI-00487R

Findings and Recommendations are to be prepared **after** the environmental analysis is completed. Complete items 1 through 15 as appropriate for all projects. For projects requiring an environmental assessment, also complete Parts A and B. For projects categorically excluded under 24 CFR 50.20, complete Part A. Attach notes and source documentation that support the findings.

3. Project Name and Location (Street, City, County, State)

4. Applicant Name and Address (Street, City, State, Zip Code), and Phone

5. ☐ Multifamily ☐ Elderly ☐ Other
If Other, explain.

6. Number of
_____ Dwelling Units _____ Buildings
_____ Stories _____ Acres

7. Displacement ☐ No ☐ Yes
If Yes, explain.

8. ☐ New Construction ☐ Rehabilitation ☐ Other
(if Other, explain)

9. Has an environmental report (Federal, State, or local) been used in completing this form? ☐ No ☐ Yes

If Yes, identify:_____

10. Planning Findings. Is the project in compliance or conformance with the following plans?

Local Zoning	☐ Yes	☐ No	☐ Not Applicable
Coastal Zone	☐ Yes	☐ No	☐ Not Applicable
Air Quality (SIP)	☐ Yes	☐ No	☐ Not Applicable

Explain any "No" answer:_____

Are there any unresolved conflicts concerning the use of the site?

☐ No ☐ Yes (explain):_____

11. Environmental Finding (check one)
☐ Categorical exclusion is made in accordance with § 50.20 or
☐ Environmental Assessment and a **Finding of No Significant Impact** (FONSI) is made in accordance with § 50.33 or
☐ Environmental Assessment and a **Finding of Significant Impact** is made, and an Environmental Impact Statement is required in accordance with §§ 50.33(d) and 50.41.

☐ Project is recommended for approval (List any conditions and requirements) ☐ Project is recommended for rejection (State reasons)

12. Preparer (signature)	Date	13. Supervisor (signature)	Date

14. Comments by Environmental Clearance Officer (ECO)
(required for projects over 200 lots/units)

ECO (signature)	Date
X	

15. Comments (if any) by HUD Approving Official

HUD Approving Official (signature)	Date
X	

Part A. Compliance Findings for §50.4 Related Laws and Authorities

§ 50.4 Laws and Authorities	Project is in Compliance Yes	Project is in Compliance No	Source Documentation and Requirements for Approval
16. Coastal Barrier Resources			
17. Floodplain Management (24 CFR Part 55)			
18. Historic Preservation (36 CFR Part 800)			
19. Noise Abatement (24 CFR Part 51 Subpart B)			
20. Hazardous Operations (24 CFR Part 51 Subpart C)			
21. Airport Hazards (24 CFR Part 51 Subpart D)			
22. Protection of Wetlands (E. O. 11990)			
23. Toxic Chemicals & Radioactive Materials(§ 50.3(i))			
24. Other § 50.4 authorities (e.g., endangered species, sole source aquifers, farmlands protection, flood, insurance, environmental justice)			

Part B. Environmental/Program Factors

Factors	Anticipated Impact/Deficiencies None	Anticipated Impact/Deficiencies Minor	Anticipated Impact/Deficiencies Major	Source Documentation and Requirements for Approval
25 Unique Natural Features and Areas				
26. Site Suitability, Access, and Compatibility with Surrounding Development				
27. Soil Stability, Erosion, and Drainage				
28. Nuisances and Hazards (natural and built)				
29. Water Supply / Sanitary Sewers				
30. Solid Waste Disposal				
31. Schools, Parks, Recreation, and Social Services				
32. Emergency Health Care, Fire and Police Services				
33. Commercial / Retail and Transportation				
34. Other				

Sample Field Notes Checklist

Project Number	HUD Program
Project Name:	
Location (street, city, county/State, & zip code)	

Number of Dwelling Units	Project site is in a location described as
	☐ Central city ☐ Suburban ☐ Infill urban development
☐ New construction ☐ Rehabilitation	☐ In developing rural area ☐ In undeveloped area

Note to Reader: An Environmental Assessment (EA) is a concise public document that a Federal agency must prepare in order to comply with the National Environmental Policy Act (NEPA) and the related Federal environmental laws and authorities. The EA must support decision making process and provide a clear rationale, justification, and documentation for ratings assigned.

Instructions

It is recommended that this checklist be used by HUD staff who prepare the Environmental Assessment (EA; form HUD-4128). It will constitute full documentation for many factors on the EA, and partial documentation for others. It will avoid narrative reports and expedite the environmental review process. This checklist, which is a slightly revised version of Appendix C of Handbook 1390.2, should be used pending revision of Handbook 1390.2.

The number for each checksheet topic is the number that appears on form HUD-4128. Also, each checklist title/heading is followed by a reference to where the topic appears in the current Handbook 1390.2.

Before the site visit, review the Phase I and all background information submitted with the application (if applicable). During the site visit, the preparers of form HUD-4128 are to: (i) answer all relevant questions on this checklist; (ii) use the spaces provided for comments to include supplemental information as well as to record any recommended mitigation measures or requirements for project approval; (iii) key your answers to the relevant questions (using additional sheets of paper to provide more detailed information); and (iv) use the spaces provided for source documentation to cite the information source used (e.g., title of a technical report, map, or special study; site inspection/field observation; name and location of the qualified data source(s) that provided the information, for example, the local planning agency, the local housing and/or community development agency, the State environmental protection agency, the State Historic Preservation Officer, or other qualified data source.)

Preparers are to obtain and use, as appropriate, any environmental report (Federal, State, or local) that may have already been prepared for the property or area in which the property is located.

Several different types of maps will be useful in completing the review, such as the project plan or plot map, a location map showing major features and facilities in the vicinity, the USGS topographic map and FEMA flood map for the site area, and zoning/land use maps. ***Many of the conditions can and should be recorded directly on the project plan.*** Distances to major features and facilities (e.g., schools and fire stations) and a description of the surrounding area are examples. The plan can then be referenced as "source documentation" on form HUD-4128.

9. Environmental Report

List the Federal, State, or local agencies contacted to obtain their existing environmental reports and other data for the HUD environmental review for the proposed project.

List the major reports obtained. (attach the report(s) or otherwise list the title, author, publication date)

10. Planning Findings

Is the project in compliance or conformance with the local zoning?

☐ Yes ☐ No ☐ Not Applicable If No or Not Applicable, explain.

Is the project located within a coastal management zone (CZM)?

☐ Yes ☐ No ☐ Not Applicable

If your answer is Yes, the State Coastal Zone Management (CZM) Agency must make a finding that the project is consistent with the approved State CZM program.

Is the State's finding attached to this checksheet?

☐ Yes ☐ No

Is the project in compliance with the air quality State Implementation Plan (SIP)?

☐ Yes ☐ No ☐ Not Applicable

Comments:

Source documentation:

Are there any unresolved conflicts concerning the use of the site?
☐ Yes ☐ No If your answer is Yes, briefly explain:

16. Coastal Barrier Resources
Is the project located within a coastal barrier designated on a current FEMA flood map or Department of Interior coastal barrier resources map?
☐ Yes ☐ No If your answer is Yes, the law prohibits Federal funding of projects in designated coastal barriers.

17. Flood Management (24 CFR Part 55) (see CF 3 and 4 of Handbook 1390.2)
Is the project located within a floodplain designated on a current FEMA flood map?
☐ Yes ☐ No Identify FEMA flood map used to make this finding:
Community Name and Number: _____
Map Panel Number and Date of Map Panel: _____
If your answer is Yes, use § 55.12 and the floodplain management decisionmaking process (§ 55.20) to comply with 24 CFR Part 55.
Comments:

Source documentation: (attach § 55.20 analysis)

18. Historic Preservation (see CF 2 of Handbook 1390.2)
Has the SHPO been notified of the project and requested to provide comments?
☐ Yes ☐ No
Is the property listed on or eligible for listing on the National Register of Historic Places?
☐ Yes ☐ No
Is the property located within or directly adjacent to an historic district?
☐ Yes ☐ No
Does the property's area of potential effects include an historic district or property?
☐ Yes ☐ No
If your answer is Yes to any of the above questions, consult with the State Historic Preservation Officer (SHPO) and comply with 36 CFR part 800.
Has the SHPO been or is being advised of HUD's finding?
☐ Yes ☐ No
Comments:

Source documentation:

19. Noise Abatement (see CF 1 of Handbook 1390.2)
Is the project located near a major noise source, i.e., civil airports (within 5 miles), military airfields (15 miles), major highways or busy roads (within 1000 feet), or railroads (within 3000 feet)?
☐ Yes ☐ No If your answer is Yes, comply with 24 CFR 51, Subpart B which requires a noise assessment for proposed new construction. Use adopted DNL contours if the noise source is an airport.
Comments:

Source documentation: (attach NAG worksheets)

20. Hazardous Industrial Operations (see CF 5 of Handbook 1390.2)

Are industrial facilities handling explosive or fire-prone materials such as liquid propane, gasoline or other storage tanks adjacent to or visible from the project site?

☐ Yes ☐ No If your answer is Yes, use HUD Hazards Guide and comply with 24 CFR Part 51, Subpart C.

Comments:

Source documentation: (attach ASD worksheets)

21. Airport Hazards (see CF 5 of Handbook 1390.2)

Is the project within 3,000 feet from the end of a runway at a civil airport?

☐ Yes ☐ No

Is the project within 2-1/2 miles from the end of a runway at a military airfield?

☐ Yes ☐ No If your answer is Yes to either of the above questions, comply with 24 CFR Part 51, Subpart D.

Comments:

Source documentation:

22. Protection of Wetlands (E.O. 11990) (see CF 3 and 4 of Handbook 1390.2)

Are there drainage ways, streams, rivers, or coastlines on or near the site?

☐ Yes ☐ No

Are there ponds, marshes, bogs, swamps or other wetlands on or near the site?

☐ Yes ☐ No

For projects proposing new construction and/or filling, the following applies:

Is the project located within a wetland designated on a National Wetlands Inventory map of the Department of the Interior (DOI)?

☐ Yes ☐ No If your answer is Yes, E.O. 11990, Protection of Wetlands, discourages Federal funding of new construction or filling in wetlands and compliance is required with the wetlands decisionmaking process (§ 55.20 of 24 CFR Part 55. Use proposed Part 55 published in the Federal Register on January 1, 1990 for wetland procedures).

Comments:

Source documentation: (attach § 55.20 analysis for new construction and/or filling)

23. Toxic Chemicals and Radioactive Materials (see CF 5 of Handbook 1390.2)

Has a Phase I (ASTM) Report been submitted and reviewed?

☐ Yes ☐ No If your answer is No, is a Phase I (ASTM) report needed?

☐ Yes ☐ No

Are there issues that require a special/specific Phase II report before completing the environmental assessment?

☐ Yes ☐ No

Is the project site near an industry disposing of chemicals or hazardous wastes?

☐ Yes ☐ No

Is the site listed on an EPA Superfund National Priorities or CERCLA, or equivalent State list?

☐ Yes ☐ No

Is the site located within 3,000 feet of a toxic or solid waste landfill site?

☐ Yes ☐ No

Does the site have an underground storage tank?

☐ Yes ☐ No

If your answer is Yes to any of the above questions, use current techniques by qualified professionals to undertake investigations determined necessary and comply with § 50.3(i).

Are there any unresolved concerns that could lead to HUD being determined to be a Potential Responsible Party (PRP)?

☐ Yes ☐ No

Comments:

Source documentation: (attach Phase I (ASTM) Report)

24. Other

a. Endangered Species (see EF 3.4 of Handbook 1390.2)

Has the Department of Interior list of Endangered Species and Critical Habitats been reviewed?

☐ Yes ☐ No

Is the project likely to affect any listed or proposed endangered or threatened species or critical habitats?

☐ Yes ☐ No If your answer is Yes, compliance is required with Section 7 of the Endangered Species Act, which mandates consultation with the Fish and Wildlife Service in order to preserve the species.

Comments:

Source documentation

b. Sole Source aquifers

Will the proposed project affect a sole source or other aquifer?

☐ Yes ☐ No

Comments

Source documentation

c. Farmlands Protection (see EF 3.3 of Handbook 1390.2)

If the site or area is presently being farmed, does the project conform with the Farmland Protection Policy Act and HUD policy memo?

☐ Yes ☐ No If your answer is Yes, compliance is required with 7 CFR Part 658, Department of Agriculture regulations implementing the Act.

Comments:

Source documentation:

d. Flood Insurance

Is the building located or to be located within a Special Flood Hazard Area identified on a current Flood Insurance Rate Map (FIRM)?

☐ Yes ☐ No If your answer is Yes, flood insurance protection is required for buildings located or to be located within a Special Flood Hazard Area as a condition of approval of the project. In addition, compliance with § 55.12 and the floodplain management decisionmaking process (§ 55.20) is required (refer to item #17 above). Document the map used to determine Special Flood Hazard Area in above item #17 pertaining to community name and number, map panel number and date of map panel.

e. Environmental Justice

Is the project located in a predominantly minority and low-income neighborhood?

☐ Yes ☐ No

Does the project site or neighborhood suffer from disproportionately adverse environmental effects on minority and low-income populations relative to the community-at-large?

☐ Yes ☐ No If your answer is Yes, compliance is required with E.O. 12898, Federal Actions to Address Environmental Justice.

Comments:

Source documentation:

25. Unique Natural Features and Areas (see EF 3.2 of Handbook 1390.2)

Is the site near natural features (i.e., bluffs or cliffs) or near public or private scenic areas?

☐ Yes ☐ No

Are other natural resources visible on site or in vicinity? Will any such resources be adversely affected or will they adversely affect the project?

☐ Yes ☐ No

Comments:

26. Site Suitability, Access, and Compatibility with Surrounding Development (see EF 1.1 and 1.3 of Handbook 1390.2)

Has the site has been used as a dump, sanitary landfill or mine waste disposal area? ☐ Yes ☐ No

Is there paved access to the site? ☐ Yes ☐ No

Are there other unusual conditions on site? ☐ Yes ☐ No

Is there indication of:	Yes	No		Yes	No
distressed vegetation	☐	☐	oil/chemical spills	☐	☐
waste material/containers	☐	☐	abandoned machinery, cars, refrigerators, etc.	☐	☐
soil staining, pools of liquid	☐	☐	transformers, fill/vent pipes, pipelines, drainage structures	☐	☐
loose/empty drums, barrels	☐	☐			

Is the project compatible with surrounding area in terms of:

	Yes	No		Yes	No
Land use	☐	☐	Building type (low/high-rise)	☐	☐
Height, bulk, mass	☐	☐	Building density	☐	☐

Will the project be unduly influenced by:

	Yes	No		Yes	No
Building deterioration	☐	☐	Transition of land uses	☐	☐
Postponed maintenance	☐	☐	Incompatible land uses	☐	☐
Obsolete public facilities	☐	☐	Inadequate off-street parking	☐	☐

Are there air pollution generators nearby which would adversely affect the site:

	Yes	No		Yes	No
Heavy industry	☐	☐	Large parking facilities (1000 or more cars)	☐	☐
Incinerators	☐	☐	Heavy travelled highway (6 or more lanes)	☐	☐
Power generating plants	☐	☐	Oil refineries	☐	☐
Cement plants	☐	☐	Other(specify)	☐	☐

Comments:

Source documentation:

27. Soil Stability, Erosion, and Drainage (see EF 1.2 of Handbook 1390.2)

Slopes: ☐ Not Applicable ☐ Steep ☐ Moderate ☐ Slight

	Yes	No	
Is there evidence of slope erosion or unstable slope conditions on or near the site?	☐	☐	
Is there evidence of ground subsidence, high water table, or other unusual conditions on the site?	☐	☐	
Is there any visible evidence of soil problems (foundations cracking or settling, basement flooding, etc.) in the neighborhood of the site?	☐	☐	
Have soil studies or borings been made for the project site or the area?	☐	☐	☐ Unknown
Do the soil studies or borings indicate marginal or unsatisfactory soil conditions?	☐	☐	
Is there indication of cross-lot runoff, swales, drainage flows on the property?	☐	☐	
Are there visual indications of filled ground?	☐	☐	
If your answer is Yes, was a 79(g) report/analysis submitted?	☐	☐	
Are there active rills and gullies on site?	☐	☐	
If the site is not to be served by a municipal waste water disposal system, has a report of the soil conditions suitable for on-site septic systems been submitted?	☐	☐	☐ N.A.
Is a soils report (other than structural) needed?	☐	☐	
Are structural borings or a dynamic soil analysis/geological study needed?	☐	☐	

Comments:

Source documentation:

28. Nuisances and Hazards (see EF 1.3 and 1.4 of Handbook 1390.2)

Will the project be affected by natural hazards:

	Yes	No		Yes	No
Faults, fracture	☐	☐	Fire hazard materials	☐	☐
Cliffs, bluffs, crevices	☐	☐	Wind/sand storm concerns	☐	☐
Slope-failures from rains	☐	☐	Poisonous plants, insects, animals	☐	☐
Unprotected water bodies	☐	☐	Hazardous terrain features	☐	☐

Will the project be affected by built hazards and nuisances:

	Yes	No		Yes	No
Hazardous street	☐	☐	Inadequate screened drainage catchments	☐	☐
Dangerous intersection	☐	☐	Hazards in vacant lots	☐	☐
Through traffic	☐	☐	Chemical tank-car terminals	☐	☐
Inadequate separation of pedestrian/vehicle traffic	☐	☐	Other hazardous chemical storage	☐	☐
Children's play areas located next to freeway or other high traffic way	☐	☐	High-pressure gas or liquid petroleum transmission lines on site	☐	☐
Inadequate street lighting	☐	☐	Overhead transmission lines	☐	☐
Quarries or other excavations	☐	☐	Hazardous cargo transportation routes	☐	☐
Dumps/sanitary landfills or mining	☐	☐	Oil or gas wells	☐	☐
Railroad crossing	☐	☐	Industrial operations	☐	☐

Will the project be affected by nuisances:

	Yes	No	Yes	No	
Gas, smoke, fumes	☐	☐	Unsightly land uses	☐	☐
Odors	☐	☐	Front-lawn parking	☐	☐
Vibration	☐	☐	Abandoned vehicle	☐	☐
Glare from parking area	☐	☐	Vermin infestation	☐	☐
Vacant/boarded-up buildings	☐	☐	Industrial nuisances	☐	☐
	☐	☐	Other (specify)	☐	☐

Comments:

Source documentation:

29. Water, Supply, Sanitary Sewers, and Solid Waste Disposal (see EF 2.1, 2.2, and 2.4 of Handbook 1390.2)

Is the site served by an adequate and acceptable:

water supply

☐ Yes ☐ No ☐ Municipal ☐ Private

sanitary sewers and waste water disposal systems

☐ Yes ☐ No ☐ Municipal ☐ Private

trash collection and solid waste disposal

☐ Yes ☐ No ☐ Municipal ☐ Private

If the water supply is non-municipal, has an acceptable "system" been approved by appropriate authorities and agencies?

☐ Yes ☐ No

If the sanitary sewers and waste water disposal systems are non-municipal, has an acceptable "system" been approved by appropriate authorities and agencies?

☐ Yes ☐ No

Comments:

Source documentation:

31. Schools, Parks, Recreation, and Social Services (see U/EF 4, 5, and 6 of Handbook 1390.2)

Will the local school system have the capability to service the potential school age children from the project?

☐ Yes ☐ No

Are parks and play spaces available on site or nearby?

☐ Yes ☐ No

Will social services be available on site or nearby for residents of the proposed project?

☐ Yes ☐ No

Comments:

Source documentation:

32. Emergency Health Care, Fire and Police Services (see U/EF 7, 8, and 9 of Handbook 1390.2)

Are emergency health care providers located within reasonable proximity to the proposed project?

☐ Yes ☐ No Approximate response time: _____

Are police services located within reasonable proximity to the proposed project?

☐ Yes ☐ No Approximate response time: _____

Is fire fighting protection ☐ municipal ☐ volunteer adequate and equipped to service the project?

☐ Yes ☐ No Approximate/estimated response time:_____

Comments:

Source documentation:

33. Commercial/Retail and Transportation (see U/EF 10 and 11 of Handbook 1390.2)

Are commercial/retail shopping services nearby?

☐ Yes ☐ No

Is the project accessible to employment, shopping and services by

☐ public transportation or ☐ private vehicle?

Is adequate public transportation available from the project to these facilities?

☐ Yes ☐ No

Are the approaches to the project convenient, safe and attractive?

☐ Yes ☐ No

11. Conditions and Requirements for Approval

Are mitigation measures required?

☐ Yes ☐ No

If your answer is Yes, list and describe:

Brief Description of the Project:

Field Inspection on (date) _____ By (signature) _____

SUPPLEMENT 14 – CONSULTANT CERTIFICATION FORM

(see next page)

CERTIFICATION BY CONSULTANT PROPOSING TO CONDUCT A STUDY OF MARKET NEED AND FEASIBILITY IN CONJUNCTION WITH AN APPLICATION FOR SECTION 242 HOSPITAL MORTGAGE INSURANCE

This certification is to accompany the consultant's proposal submitted to HUD for approval of credentials.

Hospital Name and Location _____

a. Our firm will prepare a study in accordance with Section 242 Guidelines for Studies of Market Need and Financial Feasibility[1] and the principles established by the American Institute of Certified Public Accountants (AICPA), as published in, among others, the AICPA Guide for Prospective Financial Information.

b. Our firm will prepare a study that assesses[2] on a market-wide basis (but is not limited to) the following: the impact of the proposed project on, and its relationship to, other health care facilities and services; the percentage of excess beds; demographic projections; alternative health care delivery systems; and the reimbursement structure of the hospital.

c. Our firm has recent experience preparing financial forecasts for hospitals in accordance with AICPA guidelines and (b) above. Recent experience is defined as the preparation of a study for a hospital dated within three years prior to the date of the consultant's proposal to perform this study (particulars, including dates of performance, are included herewith).

d. Our firm presently has the resources and capacity (i.e. experienced personnel and information systems) that would enable it to conduct the study in accordance with the standards in this certification and as further amplified in the Section 242 Guidelines (particulars are included herewith).

e. Our firm is independent from the hospital in accordance with the standards of independence as set forth by the AICPA, the State Board of Accountancy, and Generally Accepted Governmental Auditing Standards (Yellow Book requirements). *Please attach a list of any non-audit services provided by your firm, or members of your firm, or related parties, either directly or indirectly to the hospital or for which your firm or any member of your firm receives revenue either directly or indirectly from the hospital.*

f. There is no identity of interest between our firm and the proposed mortgagor. No identity of interest is defined as follows: The consultant firm or any principal or partner within the firm shall have no pecuniary or personal interest in the project or with any director, officer, principal, or person who is more than a 10% shareholder of the proposed mortgagor, the mortgagee, or any other party in the loan transaction. The firm or any principal or partner of the firm may not serve as a director, officer, partner, or employee of the proposed mortgagor or the mortgagee. The consultant firm shall not represent an investing lender or investor in the proposed mortgagor, any bridge lender in the loan transaction, or any lender with commitment to purchase the loan. Pecuniary or personal interest does not include an interest that is the same as any member of the general public would have.

Consulting Firm Name and Location: _____

Certified by (signature, title, date): _____

Rev. July 2008

[1] Or, if applicable, the Section 242 Guidelines for Studies of Financial Feasibility for Critical Access Hospitals.
[2] In accordance with the Applicant's Guide and type of report as determined by HUD.

SUPPLEMENT 15 – HUD REGULATORY AGREEMENT – NOT FOR-PROFIT

Section 242 Nonprofit Hospitals

Project No.

Mortgagee

Amount of Mortgage Note **Dated as of**

Mortgage Recorded: State **County** **Date**

This agreement entered into as of this _____, between _____, whose address is _____ hereinafter called Mortgagor, and the undersigned Secretary of Housing and Urban Development (hereinafter referred to as Secretary).

In consideration of the endorsement for insurance by the Secretary of the above described Note or in consideration of the consent of the Secretary to the transfer of the mortgaged property, and in order to comply with the requirements of the National Housing Act and the Regulations adopted by the Secretary pursuant thereto, the Mortgagor agrees for itself, its successors and assigns, and any owner of the mortgaged property, that in connection with the mortgaged property and the project operated thereon and so long as the Contract of Mortgage Insurance continues in effect, and during such further period of time as the Secretary and his successors shall be the holder or reinsurer of the Mortgage:

(1) It shall promptly make all payments due under the Note and Mortgage, and shall hold the Secretary harmless under his Contract of Mortgage Insurance.

(2) *~~(a) It will establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the Mortgagee or in a safe and responsible depository designated by the Mortgagee, concurrently with the beginning of payments toward amortization of the principal of the Mortgage insured or held by the Secretary of an amount equal to $_____ per month unless a different date or amount is approved in writing by the Secretary. Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the Mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements, and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Secretary. In the event of a default in the terms of the mortgage, pursuant to which the loan has been accelerated, the Secretary may apply or authorize the application of the balance in such fund tot he amount due on the mortgage debt as accelerated.~~

~~(b) Where Mortgagor is acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Mortgagor acquires such project, and payment hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved in writing by the Secretary.~~

* This section is not applicable to §242 nonprofit hospitals and should be deleted.

(3) The real property covered by the mortgage and this agreement is described in Schedule A attached hereto.

(4) It shall not without the prior written approval of the Secretary:

(a) Transfer, dispose of or encumber any of the mortgaged property. Any such transfer, shall be only to a person or persons or corporation satisfactory to and approved by the Secretary, who shall, by legal and valid instrument in writing, to be recorded or filed in the same recording office in which conveyances of the property covered by the mortgage are required to be filed or recorded, duly assume all obligations under this agreement and under the insured Note and Mortgage;

(b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, and shall not disburse or pay out any funds except for usual operating expenses and necessary repairs;

(c) Remodel, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;

(d) Pay any compensation or make any distribution of income or other assets to any of its officers, directors or stockholders;

(e) Enter into any contract or contracts for supervisory or managerial services;

(f) Use, or permit the use of, the mortgaged property for any purpose other than the operation of a ~~(nonprofit group practice facility)~~ (nonprofit hospital).*

(5) **~~The Mortgagor agrees to deposit in a residual receipts fund any residual receipts realized from the operation of the mortgaged property. No distribution from such fund shall be made without the prior written approval of the Secretary. No distribution from such fund, which the party receiving such distribution is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds.~~

(6) It shall maintain the mortgaged premises, accommodations, and the grounds and equipment appurtenant thereto, in good and substantial repair and condition, PROVIDED THAT, in the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the insured mortgage.

(7) Mortgagor shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors; or permit an adjudication in bankruptcy, the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse actions set aside within 45 days.

---

* Delete inapplicable phrase.

** This section is not applicable to §242 nonprofit hospitals and should be deleted.

(8) It shall immediately satisfy or release any mechanic's lien, attachment, judgment, lien, or any other lien which attaches to the mortgaged property or any personal property used in the operation of the project, and shall dismiss or have dismissed or vacated any receivership or petition in bankruptcy or assignment for benefit of creditors, creditors bill or insolvency proceedings involving the project or the mortgaged property.

(9) (a) If the Mortgagor has any business or activity other than the project and operation of the mortgaged property, it shall maintain all income and other funds of the project segregated from any other funds of the Mortgagor and segregated from any funds of any other corporation or person. Income and other funds of the project shall be expended only for the purposes of the project and in connection with the mortgaged property.

(b) Mortgagor shall provide for the management of the project in a manner satisfactory to the Secretary. Any management contract entered into by the mortgagor involving the project shall contain a provision that it shall be subject to termination without penalty and with or without cause, upon written request by the Secretary addressed to the Mortgagor and the management agent. Upon receipt of such request the Mortgagor shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Secretary for continuing proper management of the project.

(c) It shall make no payment for services, supplies, or materials unless such services are actually rendered for the project or such supplies or materials are delivered to the project and are reasonably necessary for its operation. Payments for such services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

(d) The mortgaged property, equipment, buildings plans, office apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall be subject to examination and inspection at any reasonable time by the Secretary or his duly authorized agents; the Mortgagor shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Secretary or his duly authorized agents.

(e) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Secretary.

(f) Within 60 days following the end of each fiscal year the Secretary shall be furnished with a complete annual financial report based upon an examination of the books and records of mortgagor prepared in accordance with the requirements of the Secretary, certified to and by an officer of the Mortgagor and, when required by the Secretary, prepared and certified by a Certified Public Accountant, or other person acceptable to the Secretary.

(g) At the request of the Secretary, his agents, employees, or attorneys, the Mortgagor shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage

and any other information with respect to the Mortgagor or the mortgaged property and of the project which may be requested.

(h) All receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this agreement for expenses of the project. Funds of the project shall be immediately deposited in the project bank account and failing to do so in violation of this Agreement such funds shall be deemed to be held in trust. Property of the project received in violation of this Agreement shall be immediately delivered to the project and failing to do so, such property shall be deemed to be held in trust.

(i) Mortgagor or its lessee shall at all times, if required by the laws of the jurisdiction, maintain in full force and effect a license to operate the project from the state and/or other licensing authority. Mortgagor shall not lease all or part of the project except on terms approved by the Secretary.

(10) *~~The Mortgagor shall make its project and services, if any, available to eligible occupants at charges approved in writing by the Secretary. Such charges shall be subject to annual review by the Secretary. If the Secretary determines in his review that some adjustment (either upward or downward) of charges is required, the Mortgagor shall immediately comply with such requirements.~~

(11) **~~(a) The Mortgagor shall be required to suitably equip the project for group practice operations: Mortgagor agrees to perform all obligations of any chattel mortgages, conditional sale, lease or lease purchase agreement, or other type of financing arrangement designed to acquire equipment for the project. Any plan for the acquisition of equipment (other than outright purchase) must be approved in writing by the mortgagee and the Secretary and shall contain provision extending to the mortgagee, its successors or assigns, the option to assume such financing (or leasing) obligations of the Mortgagor upon default; further, such financing (or leasing) arrangement shall require the vendor-lessor to furnish written notice of default to the mortgagee and the Secretary before exercising any of its rights or remedies.~~

~~(b) The Mortgagor shall execute and record a chattel mortgage in favor of the mortgagee covering the Mortgagor's interest in all equipment used for the group operation except for such equipment as the Secretary may exempt from such coverage. Said chattel mortgage shall provide that a default in the terms of the Note and Mortgage upon the realty shall also constitute a default thereunder.~~

(12) Mortgagor will comply with the provisions of any Federal, State or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (P.L. 88-352, 42 U.S.C. 2000d-1), Title VIII of the Civil Rights Act of 1968 (P.L. 90-284, 42 U.S.C. 3601), and Executive Order 11063 (27 F.R. 11527), and all requirements imposed by or pursuant to the regulations of the Department of Housing and Urban Development (24 CFR) issued pursuant to Title VI, Title VIII, or Executive Order 11063.

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* This section is not applicable to §242 nonprofit hospitals and should be deleted.

** Delete this portion of the first sentence of this section where project is §242 nonprofit hospital.

(13) Upon a violation of any of the above provisions of this Agreement by Mortgagor, the Secretary may give written notice, thereof, to Mortgagor, by registered or certified mail, addressed to the address stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Secretary, be designated by the mortgagor as its legal business address. If such violation is not corrected to the satisfaction of the Secretary within 30 days after the date of such notice is mailed or within such further time as the Secretary determines is necessary to correct the violation, without further notice the Secretary may declare a default under this Agreement effective on the date of such declaration and upon such default the Secretary may:

(1) (a) If the Secretary holds the note – declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage.

(b) If said note is not held by the Secretary – notify the holder of the note of such default and request holder to declare a default under the note and mortgage, and the holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Secretary as provided in the Regulations.

(2) Collect all rents and charges in connection with the operation of the project and use such collections to pay the Mortgagor's obligations under this Agreement and under the note and mortgage, and the necessary expenses of preserving the property and operating the project.

(3) Take possession of the project, bring any action necessary to enforce any rights of the Mortgagor growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Secretary in his discretion determines that the Mortgagor is again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage.

(4) Apply to any court, State or Federal, for specific performance of this Agreement, for any injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the property in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Secretary arising from a default under any of the terms of this agreement would be irreparable and the amount of damage would be difficult to ascertain.

(14) ~~As security for the payment due under this Agreement to the Reserve Fund for Replacements, and~~ [*] To secure the Secretary because of his liability under the endorsement of the Note for insurance, and as security for the obligations under this Agreement, the Mortgagor respectively assigns, pledges and mortgages to the Secretary its rights to the income and charges of whatever sort which it may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents or project income in the mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Mortgagor to collect

[*] Delete this portion of the first sentence of this section where project is §242 nonprofit hospital.

and retain under the provisions of this Agreement such profits, income, and charges, but upon default this permission is terminated.

(15) As used in this Agreement the term:

(a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", and any other security for the Note identified herein, and endorsed for insurance or held by the Secretary;

(b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;

(c) "Mortgaged Property" includes all property, real, personal, or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Secretary;

(d) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said property;

(e) "Distribution" means any withdrawal or taking of cash or other assets of the project other than for mortgage payments or for payments of reasonable expenses incident to its construction operation and maintenance;

(f) "Default" means a default declared by the Secretary when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Secretary after written notice;

(g) "Residual Receipts" means any cash remaining after:

(1) The payment of:

(i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Secretary of Housing and Urban Development;

(ii) All amounts required to be deposited in ~~the reserve fund for replacements~~ the Mortgage Reserve Fund created under the Mortgage Reserve Fund Agreement dated of even date herewith between the parties hereto or any other fund required by the Secretary;

(iii) All obligations of the project other than the mortgage insured or held by the Secretary unless funds for payment are set aside or deferment of payment has been approved by the Secretary; and

(2) The segregation of:

(i) An amount equal to the aggregate of all special funds required to be maintained by the project;

(ii) All tenant security deposits held;

(h) ~~"Group practice facility" means an establishment designed for operation primarily by a medical or dental group which provides preventive, diagnostic, and treatment service to ambulatory patients under professional supervision of persons licensed to practice dentistry, medicine, or optometry;~~

(i) "Hospital" means a facility –

(1) Which provides community services for inpatient medical care of the sick or injured;

(2) Where not more than 50 percent of the total patient days during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

(3) Which is owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure to the benefit of any private shareholder or individual.

(16) The Secretary shall not be liable for any of his acts hereunder except for flagrant misfeasance.

(17) This instrument shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns, and all owners of the mortgaged property, so long as the contract of mortgage insurance continues in effect, and during such further time as the Secretary shall be the owner or reinsurer of the Mortgage.

(18) The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

(19) Mortgagor warrants that it has not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supercede any other requirements in conflict therewith.

(20) Exhibit "A" is attached hereto and made a part hereof.

SIGNATURE PAGE TO REGULATORY AGREEMENT

_____, a _____
not-for-profit corporation

By:_____

Its:

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, before me the undersigned, a Notary Public in and for said state, personally appeared _____, personally known to me, or proved to me on the basis of satisfactory evidence, to be the person who executed the within instrument as the _____ of _____., a _____ not-for-profit corporation, the corporation that executed the within instrument, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

_____
Notary Public

SECRETARY OF HOUSING AND URBAN DEVELOPMENT ACTING BY AND THROUGH THE FEDERAL HOUSING COMMISSIONER

By:_____

Its:_____

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, before me the undersigned, a Notary Public in and for said state, personally appeared _____, personally known to me, or proved to me on the basis of satisfactory evidence, to be the person who executed the within instrument as the _____ of the SECRETARY OF HOUSING AND URBAN DEVELOPMENT ACTING BY AND THROUGH THE FEDERAL HOUSING COMMISSIONER, the corporation that executed the within instrument, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

_____
Notary Public

SUPPLEMENT 16 – HUD REGULATORY AGREEMENT – FOR-PROFIT

The following HUD Form 92466 Regulatory Agreement for Multifamily Housing Projects is used as the basis for regulatory agreements drawn for Section 242 for-profit hospitals. Before signature, the form is modified to refer to Section 242 and verbiage not applicable to hospital projects is redacted, per the following instructions:

Page 3.

1. Beneath the title after "232" insert "and 242."
2. In paragraph 1, change "paragraph 17" to read "paragraph 18."
3. In the parenthetical sentence between paragraphs 3 and 4 after "Section 232" insert "and Section 242."

Page 4.

1. In paragraph 5, line 3, after "or 232" insert "or 242."
2. In paragraph 6, subparagraph (h), first line, delete word "nursing" and insert "hospital."

Page 5.

1. In paragraph 9, subparagraph (h) after "Section 232" insert "or Section 242."
2. In paragraph 9, subparagraph (h), item 1, delete "nursing home" and insert "hospital."
3. In paragraph 9, subparagraph (h), item 2, delete "nursing home" and insert "hospital."
4. In paragraph 9, delete subparagraph (i).
5. In paragraph 9, subparagraph (h), delete "(h)" and insert "10" making that item paragraph 10.
6. On pages 5 and 6 progressively renumber paragraphs 10 thru 17 to read 11 thru 18.

Page 6.

1. In paragraph 13, subparagraph (e), fourth line, delete word "housing" and insert "hospital facilities."
2. In paragraph 13, add a new subparagraph (l) to read: "'Hospital' means a facility which provides community service for inpatient medical care of the sick or injured (including obstetrical care) not more than 50 percentum of the patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis."
3. (See page 5 Instruction No. 6 regarding renumbering of paragraphs 10 thru 17 to become paragraphs 11-18.)

Regulatory Agreement
Multifamily Housing Projects

Instructions to Closing Attorney

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

Under Sections 207, 220, 221(d)(4), 231 and 232, Except Nonprofits

1. Form of Mortgagor

a. Corporate Mortgagor - any form of Corporate Charter may be used which:
(1) contains nothing inconsistent with the Regulatory Agreement,
(2) gives the corporation powers necessary to operate the project and execute the note and mortgage, and
(3) specifically authorizes the execution of the regulatory Agreement.

Suggested charter provisions to accomplish the above purposes are attached.

b. Partnership Mortgagor - Unless all general partners execute the Regulatory Agreement, a copy of the partnership agreement should be furnished and should be furnished and should be examined to determine that it contains nothing inconsistent with the Regulatory Agreement. It should further contain a provision substantially as follows:

"The partnership is authorized to execute a note and mortgage in order to secure a loan to be insured by the Secretary of Housing and Urban Development and to execute a Regulatory Agreement and other documents required by the Secretary in connection with such loan. Any incoming general partner shall as a condition of receiving an interest in the partnership agree to be bound by the note, mortgage, and Regulatory Agreement and other documents required in connection with the FHA insured loan to the same extent and on the same terms as the other general partners. Upon any dissolution, no title or right to possession and control of the project, and no right to collect the rents therefrom shall pass to any person who is not bound by the Regulatory Agreement in a manner satisfactory to the Secretary.

c. Trust - any Trust Agreement before it is finally accepted generally should:
(1) Give the trustee the powers necessary to execute the note and mortgage;
(2) specifically authorize the execution of the Regulatory Agreement;
(3) contain nothing inconsistent with the Regulatory Agreement;
(4) prohibit the transfer of beneficial interest prior to completion of the project without the prior written consent of the Secretary and prohibit the transfer of such interest subsequent to completion of the project unless the new beneficiary assumes and agrees to be bound by the Regulatory Agreement; and
(5) require that the Secretary be advised ten (10) days prior to any proposed transfers of beneficial interests.

2. The Section of the National Housing Act under which the mortgage was originally endorsed for insurance or the fact that the mortgage originally was a Secretary-held purchase money mortgage shall be set out in the heading of the Agreement under the item "mortgage."

3. The names of all mortgagors including all beneficiaries of any trust shall be set out in the first unnumbered paragraph of the Agreement in the place for listing the names of the parties. Where any such person is signing the Agreement as trustee or in some other representative capacity, this fact shall be clearly set out both in this first paragraph and in an identical manner at the end of the Agreement where such person signs. The name of the person signing in a representative capacity should also be set out in his individual capacity in Paragraph 17. For example: a party may be designated, "Mr. Jones, as trustee of Sara Jones Trust," be listed in paragraph 17 as "Mr. Jones, individually," and sign the Agreement as "Mr. Jones, trustee of the Sara Jones Trust." This would make the Sara Jones Trust responsible for carrying out the provisions of the Regulatory Agreement, but Mr. Jones would be responsible individually only for his own acts.

4. In all cases involving the issuance of a commitment to insure there shall be added to the mortgage a provision substantially as follows:

"The Regulatory Agreement of even date herewith entered into between the Mortgagors (Grantors) herein and the Secretary of Housing and Urban Development which is being recorded simultaneously herewith, is incorporated in and made a part of this mortgage (deed of trust). Upon default under the Regulatory Agreement and upon request by the Secretary, the Mortgagee, at its option, may declare this mortgage (deed of trust) in default and may declare the whole of the indebtedness secured hereby to be due and payable."

If the mortgage is already on record, it should be modified to incorporate the Regulatory Agreement. Ordinarily this may be done by a separate Modification Agreement executed by the mortgagor and mortgagee.

5. The Regulatory Agreement shall be executed by the Mortgagor and Secretary and recorded at the expense of the Mortgagor prior to endorsement for insurance, prior to consent to a conveyance in existing insured mortgage cases, or prior to the conveyance to a purchaser in sales cases.

6. Since the requirements for execution vary from state to state, space is left at the end of the printed form for proper execution. Generally, acknowledgment by each party will be required and the form of acknowledgment used in the mortgage or deed of trust would be acceptable.

7. If the mortgage is insured pursuant to Section 232, Par. 4 of the Regulatory Agreement shall be stricken and the deletion appropriately approved by the parties.

8. The Agreement is to be executed in the name of the Secretary by the Field Office Manager.

9. A **legal description** of the property shall be attached.

10. Whenever this Agreement is executed by a person not liable for the payment of the note and mortgage, such person shall be listed in Paragraph 17. If all persons executing this Agreement are so liable, the word "none" should be inserted in Paragraph 17 or Paragraph 17 should be stricken in its entirety.

11. In the event the project is to be insured under section 232, and the owner is to lease the project, the lessee shall execute FHA Form No. 2466-nhl.

12. The dollar amount to be inserted in the first paragraph of 2(a) is 1/12 the annual Reserve for Replacements recited in the commitment.

Corporate Charter Provisions

Article Purposes

The purpose for which the corporation is formed and the business to be carried on and the objectives to be effected by it are:

Section 1. (a) To create a private corporation to construct or to acquire a housing project or projects, and to operate the same; (b) to enable the financing of the construction of such rental housing with the assistance of mortgage insurance under the National Housing Act; (c) to enter into, perform, and carry out contracts of any kind necessary to, or in connection with, or incidental to, the accomplishment of the purposes of the corporation, including, expressly, any contract or contracts with the Secretary of Housing and Urban Development which may be desirable or necessary to comply with the requirements of the National Housing Act, as amended, and the Regulations of the Secretary thereunder, relating to the regulation or restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operation; (d) to any acquire any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary for the construction and operation of such project; and (e) to borrow money, and to issue evidence of indebtedness, and to secure the same by mortgage, deed of trust, pledge, or other lien, in furtherance of any or all of the objects of its business in connection with said project.

Article Powers

Section 1. The corporation shall have the power to do and perform all things whatsoever set out in Section 1 of Article _____ Purposes above, and necessary or incidental to the accomplishments of said purposes.

Section 2. The corporation, specifically and particularly, shall have the power and authority to enter into a Regulatory Agreement setting out the requirements of the Secretary of Housing and Urban Development.

Regulatory Agreement for Multifamily Housing Projects

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

Under Sections 207, 220, 221(d)(4), 231 and 232, Except Nonprofits

Project Number			Mortgagee	
Amount of Mortgage Note			Date	
Mortgage Recorded	State Book	County Page	Date	Originally endorsed for insurance under Section

This Agreement entered into this _____ day of _____ , 20 _____ between _____ whose address is _____

_____

_____

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Secretary of Housing and Urban Development and his successors (hereinafter referred to as Secretary).

In consideration of the endorsement for insurance by the Secretary of the above described note or in consideration of the consent of the Secretary to the transfer of the mortgaged property or the sale and conveyance of the mortgaged property by the Secretary, and in order to comply with the requirements of the National Housing Act, as amended, and the Regulations adopted by the Secretary pursuant thereto, Owners agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Secretary shall be the owner, holder or reinsurer of the mortgage, or during any time the Secretary is obligated to insure a mortgage on the mortgage property:

1. Owners, except as limited by paragraph 17 hereof, assume and agree to make promptly all payments due under the note and mortgage.

2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Secretary of an amount equal to $ _____ per month unless a different date or amount is approved in writing by the Secretary.

Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Secretary. In the event that the owner is unable to make a mortgage note payment on the due date and that payment cannot be made prior to the due day of the next such installment or when the mortgagee has agreed to forgo making an election to assign the mortgage to the Secretary based on a monetary default, or to withdraw an election already made, the Secretary is authorized to instruct the mortgagee to withdraw funds from the reserve fund for replacements to be applied to the mortgage payment in order to prevent or cure the default. In addition, in the event of a default in the terms of the mortgage, pursuant to which the loan has been accelerated, the Secretary may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.

(b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved in writing by the Secretary.

3. Real property covered by the mortgage and this agreement is described in Schedule A attached hereto.

(This paragraph 4 is not applicable to cases insured under Section 232.)

4. (a) Owners shall make dwelling accommodation and services of the project available to occupants at charges not exceeding those established in accordance with a rental schedule approved in writing by the Secretary, for any project subject to regulation of rent by the Secretary. Accommodations shall not be rented for a period of less than thirty (30) days, or, unless the mortgage is insured under Section 231, for more than three years. Commercial facilities shall be rented for such use and upon such terms as approved by the Secretary. Subleasing of dwelling accommodations, except for subleases of single dwelling accommodations by the tenant thereof, shall be prohibited without prior written approval of Owners and the Secretary and any lease shall so provide. Upon discovery of any unapproved sublease, Owners shall immediately demand cancellation and notify the Secretary thereof.

(b) Upon prior written approval by the Secretary, Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owners or others to such tenant upon his request, in addition to the facilities and services included in the approved rental schedule. Approval of charges for facilities and services is not required for any project not subject to regulation of rent by the Secretary.

(c) For any project subject to regulation of rent by the Secretary, the Secretary will at any time entertain a written request for a rent increase properly supported by substantiating evidence and within a reasonable time shall:

(i) Approve a rental schedule that is necessary to compensate for any net increase, occurring since the last approved rental schedule, in taxes (other than income taxes) and operating and maintenance cost over which Owners have no effective control or;

(ii) Deny the increase stating the reasons therefor.

5. (a) If the mortgage is originally a Secretary-held purchase money mortgage, or is originally endorsed for insurance under any Section other than Sections 231 or 232 and is not designed primarily for occupancy by elderly persons, Owners shall not in selecting tenants discriminate against any person or persons by reason of the fact that there are children in the family.

(b) If the mortgage is originally endorsed for insurance under Section 221, Owners shall in selecting tenants give to displaced persons or families an absolute preference or priority of occupancy which shall be accomplished as follows:

(1) For a period of sixty (60) days from the date of original offering, unless a shorter period of time is approved in writing by the Secretary, all units shall be held for such preferred applicants, after which time any remaining unrented units may be rented to non-preferred applicants;

(2) Thereafter, and on a continuing basis, such preferred applicants shall be given preference over nonpreferred applicants in their placement on a waiting list to be maintained by the Owners; and

(3) Through such further provisions agreed to in writing by the parties.

(c) Without the prior written approval of the Secretary not more than 25% of the number of units in a project insured under Section 231 shall be occupied by persons other than elderly persons.

(d) All advertising or efforts to rent a project insured under Section 231 shall reflect a bona fide effort of the Owners to obtain occupancy by elderly persons.

6. Owners shall not without the prior written approval of the Secretary:

(a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property.

(b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash, except for reasonable operating expenses and necessary repairs.

(c) Convey, assign, or transfer any beneficial interest in any trust holding title to the property, or the interest of any general partner in a partnership owning the property, or any right to manage or receive the rents and profits from the mortgaged property.

(d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project.

(e) Make, or receive and retain, any distribution of assets or any income of any kind of the project except surplus cash and except on the following conditions:

(1) All distributions shall be made only as of and after the end of a semiannual or annual fiscal period, and only as permitted by the law of the applicable jurisdiction;

(2) No distribution shall be made from borrowed funds, prior to the completion of the project or when there is any default under this Agreement or under the note or mortgage;

(3) Any distribution of any funds of the project, which the party receiving such funds is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds; and

(4) There shall have been compliance with all outstanding notices of requirements for proper maintenance of the project.

(f) Engage, except for natural persons, in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project.

(g) Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any funds collected as security deposits shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account.

(h) Permit the use of the dwelling accommodations or nursing facilities of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Secretary.

7. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the mortgage.

8. Owners shall not file any petition in bankruptcy or for a receiver or in insolvency or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy or the taking possession of the mortgaged property or any part thereof by a receiver or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale, and fail to have such adverse actions set aside within forty-five (45) days.

9. (a) Any management contract entered into by Owners or any of them involving the project shall contain a provision that, in the event of default hereunder, it shall be subject to termination without penalty upon written request by the Secretary. Upon such request Owners shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Secretary for continuing proper management of the project.

(b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

(c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Secretary or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Secretary or his duly authorized agents.

(d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Secretary.

(e) Within sixty (60) days following the end of each fiscal year the Secretary shall be furnished with a complete annual financial report based upon an examination of the books and records of mortgagor prepared in accordance with the requirements of the Secretary, prepared and certified to by an officer or responsible Owner and, when required by the Secretary, prepared and certified by a Certified Public Accountant, or other person acceptable to the Secretary.

(f) At request of the Secretary, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to income, assets, liabilities, contracts, operation, and condition of the property ad the status of the insured mortgage.

(g) All rents and other receipts of the project shall be deposited in the name of the project in a financial institution, whose deposits are insured by an agency of the Federal Government. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project or for distributions of surplus cash as permitted by paragraph 6(e) above. Any Owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any Owner receiving property of the project in violation of this Agreement shall hold such funds in trust. At such time as the Owners shall have lost control and/or possession of the project, all funds held in trust shall be delivered to the mortgagee to the extent that the mortgage indebtedness has not been satisfied.

(h) If the mortgage is insured under Section 232:

(1) The Owners or lessees shall at all times maintain in full force and effect from the state or other licensing authority such license as may be required to operate the project as a nursing home and shall not lease all or part of the project except on terms approved by the Secretary.

(2) The Owners shall suitably equip the project for nursing home operations.

(3) The Owners shall execute a Security Agreement and Financing Statement (or other form of chattel lien) upon all items of equipment, except as the Secretary may exempt, which are not incorporated as security for the insured mortgage. The Security Agreement and Financing Statement shall constitute a first lien upon such equipment and shall run in favor of the mortgagee as additional security for the insured mortgage.

(i) If the mortgage is insured under Section 231, Owners or lessees shall at all times maintain in full force and effect from the state or other licensing authority such license as may be required to operate the project as housing for the elderly.

10. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, religion or creed, sex, or national origin, including Title VIII of the Civil Rights Act of 1968 (Public Law 90-284; 82 Stat. 73), as amended, Executive Order 11063, and all requirements imposed by or pursuant to the regulations of the Department of Housing and Urban Development implementing these authorities (including 24 CFR Parts 100, 107 and 110, and Subparts I and M of Part 200).

11. Upon a violation of any of the above provisions of this Agreement by Owners, the Secretary may give written notice thereof, to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Secretary, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Secretary within thirty (30) days after the date such notice is mailed or within such further time as the Secretary determines is necessary to correct the violation, without further notice the Secretary may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Secretary may:

(a) (i) If the Secretary holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;

(ii) If said note is not held by the Secretary - notify the holder of the note of such default and request holder to declare a default under the not and mortgage, and holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Secretary as provided in the Regulations;

(b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the Owners' obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project.

(c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Secretary in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage.

(d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Secretary arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

12. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Secretary because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Secretary their rights to the rents, profits, income and charges of whatsoever sort which they may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.

13. As used in this Agreement the term:

(a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", "Security Instrument", and any other security for the note identified herein, and endorsed for insurance or held by the Secretary;

(b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;

(c) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors, heirs and assigns;

(d) "Mortgaged Property" includes all property, real, personal or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Secretary;

(e) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is providing housing and other activities as are incidental thereto;

(f) "Surplus Cash" means any cash remaining after:

(1) the payment of:

(i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Secretary;

(ii) All amounts required to be deposited in the reserve fund for replacements;

(iii) All obligations of the project other than the insured mortgage unless funds for payment are set aside or deferment of payment has been approved by the Secretary; and

(2) the segregation of:

(i) An amount equal to the aggregate of all special funds required to be maintained by the project; and

(ii) All tenant security deposits held.

(g) "Distribution" means any withdrawal or taking of cash or any assets of the project, including the segregation of cash or assets for subsequent withdrawal within the limitations of Paragraph 6(e) hereof, and excluding payment for reasonable expenses incident to the operation and maintenance of the project.

(h) "Default" means a default declared by the Secretary when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Secretary after written notice;

(i) "Section" refers to a Section of the National Housing Act, as amended.

(j) "Displaced persons or families" shall mean a family or families, or a person, displaced from an urban renewal area, or as the result of government action, or as a result of a major disaster as determined by the President pursuant to the Disaster Relief Act of 1970.

(k) "Elderly person" means any person, married or single, who is sixty-two years of age or over.

14. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Secretary and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Secretary shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.

15. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

16. The invalidity of any clause, part or provisions of this Agreement shall not affect the validity or the remaining portions thereof.

17. The following Owners:

Do not assume personal liability for payments due under the note and mortgage, or for the payments to the reserve for replacements, or for matters not under their control, provided that said Owners shall remain liable under this Agreement only with respect to the matters hereinafter stated; namely:

(a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and

(b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

(To be executed with formalities for recording a deed to real estate.)