



HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America

Underwriting 101:

Existing Debt

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Jenifer Williams

Chief Underwriter – Healthcare

Berkadia

Jenifer Williams joined Berkadia in 2017 and is Chief Underwriter for their FHA Healthcare group. She is also a founding board member, past President and currently serving on the Healthcare Mortgagee Advisory Council (HMAC). Jenifer is a graduate of Texas A&M University and started her career as a commercial appraiser, specializing in seniors housing and healthcare properties. She transitioned to FHA healthcare underwriting in 2010 and has more than 20 years of experience in the healthcare appraisal and financing space.



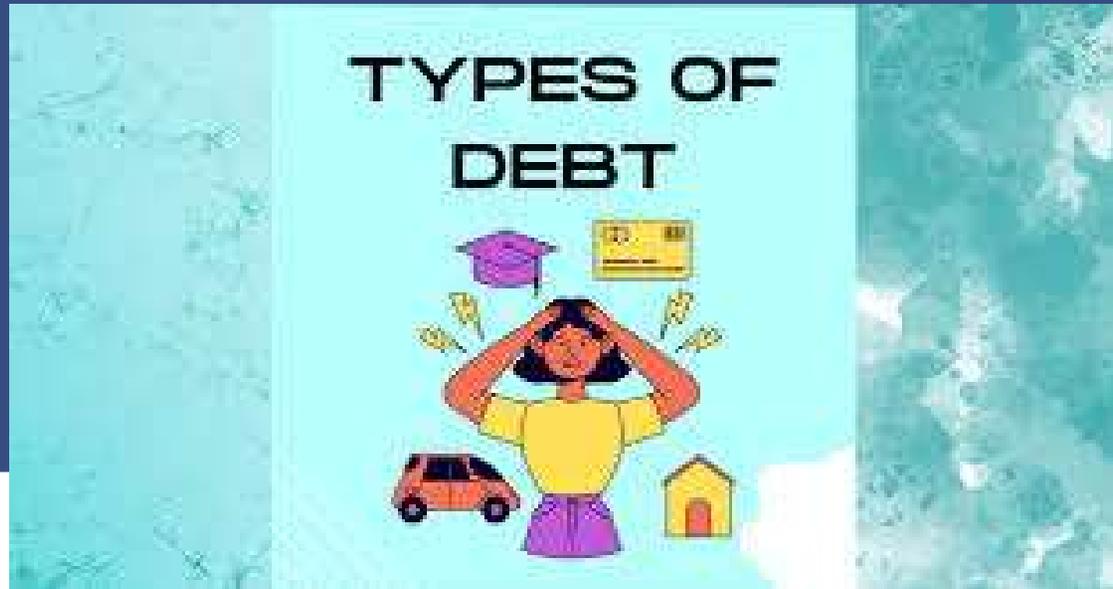
Annisha Zegarski

FHA Co-Chief Underwriter

NewPoint Real Estate Capital

Annisha Zegarski is FHA Co-Chief Underwriter for NewPoint. She has over 22 years of experience in the commercial real estate industry. She is the current Secretary of the Healthcare Mortgagee Advisory Council (HMAC). She joined NewPoint with the acquisition of HHC Finance, which she joined in 2012. She is well versed in Section 223(f), 241(a) and 223(a)(7) transactions for skilled nursing, supportive living and assisted living facilities. She has also assisted in the sizing of many seniors housing transactions. Annisha earned a Bachelor of Business Administration in Finance from Rider University.





Eligible Debt Types

Source: Section II, Chapter 3.13

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A MORTGAGE NOTE

also known as a promissory note, IOU, or simply a note – is a legal document in which a borrower promises to repay a debt that is collateralized by real property, such as a residential or commercial property.



Mortgages

- Loans in which a creditor lends money at interest in exchange for taking title on a property, with the condition that conveyance of title becomes void upon payment of debt.
- Will be recorded debt (i.e. creditor will file a lien on the property)
- Debt must be used for the project that is being underwritten

Value allocation

If the debt is cross-collateralized with other projects, then existing debt must *allocated between* the projects.

Acceptable methods are:

- Amount of allocated debt equals respective % of total market value
- Amount of allocated debt equals respective % of total NOI
- Amount of allocated debt equals respective % of total beds



Allocation of debt based on value

(i) Aggregate outstanding principal balance of the Term Loan	\$13,600,000.00
(ii) Accrued and unpaid interest due through December 31, 2025 on the Term Loan through the Target Payoff Date	\$93,270.80
(iii) Legal Fees	\$1,000.00
(iv) Exit Fee	\$140,800.00
(viii) Total payoff amount (the sum of (i) — (viii) being referred to in this Payoff Letter as the “Payoff Amount”)	\$13,835,070.80

	Project 1	Project 2	Total
Appraised Value	\$ 10,430,000.00	\$ 10,630,000.00	\$ 21,060,000.00
% of Value	49.53%	50.47%	100.00%
Principal	\$ 6,735,422.60	\$ 6,864,577.40	\$ 13,600,000.00
Interest	\$ 46,192.52	\$ 47,078.28	\$ 93,270.80
Fees	\$ 495.25	\$ 504.75	\$ 1,000.00
Exit Fee	\$ 69,731.43	\$ 71,068.57	\$ 140,800.00
Total Debt Allocation	\$ 6,851,841.81	\$ 6,983,228.99	\$ 13,835,070.80



Other Recorded Debt

- Mechanic's liens
- Tax liens & past due assessments
 - assuming they are directly connected to project

Unrecorded Debt

- Partnership or Intercompany debt created for project costs:
 - Renovation and Capital Expenditures
 - Structural repairs
 - Repairs related to natural events (provided they were not covered under an insurance policy)
 - Closing costs



Operator Debt

- Operator must have IOI with real estate owner
- Purchase of furniture, fixtures, and equipment
- Working capital loans for:
 - Lease-up & stabilization costs
 - Temporary operational hardship
- Examples of ineligible operator debt:
 - Costs for accounts receivable credit lines
 - Costs related to acquiring additional bed licenses or certificates of need (CONs)



Reserves Held by Current Lender

- Escrows & reserves for any additional property-related collateral
- Requirements:
 - The source loan must meet eligibility and debt seasoning requirements
 - The release provisions for the funding of the reserve/escrow were predetermined at the time the original loan was made
 - The reserve/escrow was released prior to the HUD application submission



Other Eligible Debt-related Costs

- Accrued interest to a non-IOI party
 - Must be “reasonable” and non-delinquent
- Recording, release, and re-conveyance fees
- Documentation or processing fees
- Prepayment or Program Penalties (of a sum not to exceed 10% of the proposed HUD loan)
 - Associated with the defeasance or yield maintenance of the mortgage
 - Arising from the defeasance of tax-exempt or taxable bonds
 - Related to swaps or other derivatives



3 Important Questions to Determine Eligibility

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1: Does the Debt Meet HUD's Definition of "Project-related"?

- HUD's determination of "project-related" is related to two considerations
- 1) whether the debt is actually connected to the project being financed with HUD
- 2) whether the debt included a cash-out (equity recapture) for the sponsor
 - Cash-out is considered to be non-project-related
 - The Section 232 statute prevents refinance of debt that is not project-related, unless it is more than 2 years old. (note that an exception exists for this rule which will be discussed later)

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2: Is the Debt IOI?

- Is there an identity of interest between the lender and the debtor?
 - Common ownership and/or controlling interest between the parties
 - Common minority or non-controlling interests should still be disclosed to HUD, but might not qualify as IOI (per the HUD handbook definition)
- HUD requires a “debt investigation” on all IOI debt (no matter the age of the debt) to determine that it is project-related.

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3: How Old is the Debt?

- Non-IOI debt that is more than 2 years old (from the date of submission) is immediately eligible
- Non-IOI debt that is less than 2 years old (from the date of submission), requires a debt investigation to be conducted to determine that the debt is 100% project-related.
- If the current debt refinanced another piece of debt that was also less than 2 years, then the previous debt must also be confirmed to be 100% project-related
 - Example: The existing debt is a bridge loan that was put in place to refinance another mortgage that also closed less than two years ago.

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Determining if Debt is Project-related

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Related to Purchase or Acquisition

- Documentation Required
 - Purchase agreement and settlement/closing statementOR
 - Lease with purchase option agreement description and settlement/closing statement
- Information Reviewed
 - That all proceeds went to the seller
 - Contributions from related parties to fund the purchase that were the source of subsequent IOI debt put into place





Related to Capital Expenditures or Renovation Projects

- Documentation Required
 - Contractor agreements with a description of the work and paid invoices matching the SOW
 - Paid invoices with description of the work completed
 - Paid invoices combined with original bid information or accounting ledger detail that in totality provides a clear description of the work completed.
 - Note for the total amount spent
- Information Reviewed
 - That the total documented costs matches the debt piece being evaluated and that costs were incurred by a party with an IOI to the borrower.



Working Capital Loans

- Documentation Required
 - Loan agreement and payoff statements
 - For IOI loans, confirmation of funds moving between partner and the borrower/operator entity and accompanying financial statements supporting the chain of events.
- Information Reviewed
 - That the documented funds went to the borrower or operator entity and that supporting information makes it clear that the funds were used for project-related costs.



Loan Documentation Examples

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Example 1: Bridge Loan

Relevant loan info:

- Debt was less than two years old at time of submission
- 100% determined to be eligible because the debt pieces paid off by the bridge loan were all more than two years old and there was no cash-out to borrower.



Documentation Review

[Example](#)

Promissory Note for Bridge Loan

Closing statement for bridge loan

Closing statements for previous debt (not shown here)

Example 1: Bridge Loan (cont..)

Document Review:

Promissory Note for Bridge Loan

- Original Loan Amount
- Loan Date

Evergreen Estates
Loan No.: 471646

PROMISSORY NOTE

US \$11,057,600.00

As of February 27, 2025

FOR VALUE RECEIVED, the undersigned (“**Borrower**”) promises to pay to the order of BERKADIA COMMERCIAL MORTGAGE LLC, a Delaware limited liability company, and its successors and assigns (collectively, “**Lender**”), the principal amount of ELEVEN MILLION FIFTY-SEVEN THOUSAND SIX HUNDRED AND 00/100 DOLLARS (US \$11,057,600.00) (the “**Mortgage Loan**”), together with interest thereon accruing at the Interest Rate on the unpaid principal balance from the date the Mortgage Loan proceeds are disbursed until fully paid in accordance with the terms hereof and of that certain Loan and Security Agreement dated as of the date hereof, by and between Borrower and Lender (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the “**Loan Agreement**”).

1. **Defined Terms.**

Capitalized terms used and not specifically defined in this Promissory Note (this “**Note**”) have the meanings given to such terms in the Loan Agreement.

2. **Repayment.**

Borrower agrees to pay the principal amount of the Mortgage Loan and interest on the principal amount of the Mortgage Loan from time to time outstanding at the Interest Rate or such other rate or rates and at the times specified in the Loan Agreement, together with all other amounts due to Lender under the Loan Documents. The outstanding balance of the Mortgage Loan and all accrued and unpaid interest thereon shall be due and payable on the Maturity Date, together with all other amounts due to Lender under the Loan Documents.

3. **Security.**

Example 1: Bridge Loan (cont..)

Document Review:

Closing Stmt for Bridge Loan

- Closing date
- Borrower Entity
- Lender
- Property Identification



Chicago Title Company

725 S Figueroa St, Suite 200
Los Angeles, CA 90017
Phone: 213-488-4300

Estimated Closing Statement

Closing Date: February 27, 2025
Order Number: FBSC2402987
Escrow Officer: Bobbie Purdy
Borrower: Evergreen Estates Holdings, LLC
Lender: Berkadia Commercial Mortgage LLC
Property: 1300 E King St, Lancaster, PA 17602-3238, Lancaster County

	Borrower	
	Debit	Credit
New and Existing Encumbrances		
Principal Amount of New Loan		11,057,600.00
New Loan Charges		
Total Deposits		55,000.00
Tax Escrow to Berkadia Commercial Mortgage LLC	93,536.15	
Insurance Escrow to Berkadia Commercial Mortgage LLC 2 months Property Only	5,884.48	
Repair Reserve to Berkadia Commercial Mortgage LLC	63,156.25	
Prepaid Interest to Berkadia Commercial Mortgage LLC	4,959.95	
Origination Fee to Berkadia Commercial Mortgage LLC	110,576.00	
New Loan Set Up Fee to Berkadia Commercial Mortgage LLC	500.00	
Non Refundable Application Fee to Berkadia Commercial Mortgage LLC	10,000.00	
Lexis Nexis Search Fees to Berkadia Commercial Mortgage LLC	1,249.18	
Appraisal Report to Berkadia Commercial Mortgage LLC	6,500.00	
Engineering Report to Berkadia Commercial Mortgage LLC	5,250.00	
Environmental Report to Berkadia Commercial Mortgage LLC	2,750.00	
HEROS to Berkadia Commercial Mortgage LLC	2,500.00	
Radon Testing to Berkadia Commercial Mortgage LLC	9,240.00	
Zoning Report to Berkadia Commercial Mortgage LLC	1,000.00	
Out of Pocket Site Inspection Cost to Berkadia Commercial Mortgage LLC	118.72	
Insurance Review Fee to Berkadia Commercial Mortgage LLC	3,500.00	
HUD Application Fee to Berkadia Commercial Mortgage LLC	900.00	
Title / Settlement Charges		
Loan Policy Premium to Chicago Title Insurance Company Coverage: \$11,057,600.00	24,989.43	
TIRBOP 300 - Mortgage Survey Exception to Chicago Title Insurance Company	100.00	
Corporate Lien Certificate to Chicago Title Insurance Company	35.00	
Tax/Water & Sewer Certificate to Chicago Title Company	110.00	
Escrow Fee to Chicago Title Company	4,500.00	
FedEx Fee to Chicago Title Company	50.00	

Example 1: Bridge Loan (cont..)

Document Review:

Closing Stmt for Bridge Loan

- Payoff of previous debt (2 pieces)
- Proceeds to borrower (\$21,603) confirmed to be refund of prepaid costs

Dates Previous Debt was put into place (not shown in this example)

- Confirmed to be more than 2 ago

Estimated Closing Statement

	Borrower	
	Debit	Credit
Recording Charges		
Recording Fees - Estimate to Chicago Title Company	600.00	
Miscellaneous Charges		
Legal Fees to Bradley Arant Boult Cummings LLP	23,000.00	
Legal Fees to Hughes Arrell LLP	32,192.00	
Legal Fees to Saul Ewing LLP	4,950.00	
Survey to Commercial Due Diligence Services	3,300.00	
Insurance to Propel Insurance	90,887.59	
Payoffs		
Payoff First Mortgage to Capital One / Mid Cap		8,534,661.51
Principal (Term Loan A)	7,500,000.00	
Principal (Term Loan B)	1,250,000.00	
Interest to 2/28/25	55,025.80	
Exit Fee	37,000.00	
Estimated Legal Fees	5,000.00	
Contingency Reserve	4,000.00	
Less Escrows & Reserves	-316,364.29	
Total Payoff	8,534,661.51	
Payoff Second Mortgage to Titan Realty Investors, LLC		2,050,000.00
Loan Payoff	2,050,000.00	
Total Payoff	2,050,000.00	
Subtotals	11,112,600.00	11,112,600.00
Balance Due TO Borrower	21,603.74	
Totals	11,112,600.00	11,112,600.00

BORROWER

Evergreen Estates Holdings, LLC

BY: 
Kevin Kaseff

Example 2: Project Related Debt

- Relevant loan info:
 - Debt was less than two years old at time of submission
 - 100% determined to be eligible because loan was used for following:
 - Payoff of existing HUD loan
 - Construction of a new wing for the project



Documentation Review

- [Example](#)
- Promissory Note
- Closing statement for existing debt
 - Showing payoff of existing HUD loan
 - Showing undisbursed funds to borrower for construction costs

Example 2: Project Related Debt (cont...)

Document Review:

Promissory Note

- Loan amount
- Date of Loan

PROMISSORY NOTE

\$14,000,000.00

Tulsa, Oklahoma
April 27, 2022

FOR VALUE RECEIVED, the undersigned (the "Borrower") promises to pay to the order of BOKF, NA dba BOK FINANCIAL or registered assigns (the "Lender"), in accordance with the terms of the Loan Agreement (as hereinafter defined), the principal sum of FOURTEEN MILLION AND NO/100 DOLLARS (\$14,000,000.00), or so much thereof as has been advanced hereunder and remains unpaid, together with interest thereon at the rate or rates provided for in the Loan Agreement.

Capitalized terms used herein and not otherwise defined have the meanings assigned to them in that certain Loan Agreement of even date herewith (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "Loan Agreement"), among the Borrower, the Corporate Guarantor party thereto and the Lender.

Interest only under this Note shall be due and payable monthly in accordance with Section 2.05 of the Loan Agreement. The unpaid principal balance of this Note, together with all unpaid interest accrued hereon, shall be due and payable in full on the Maturity Date.

All payments under this Note shall be applied first to unpaid accrued interest and then to outstanding principal. Interest shall be computed on the basis of a year of 360 days but assessed for the actual number of days elapsed.

Upon the occurrence of any Event of Default specified in Section 8.01(f) of the Loan Agreement, the entire unpaid principal and accrued and unpaid interest hereunder and all other outstanding indebtedness evidenced hereby will become immediately due and payable, without notice or demand. If any other Event of Default specified in the Loan Agreement shall occur, the Lender may, at its option, without notice or demand, declare the entire unpaid principal and accrued and unpaid interest hereunder and all other outstanding indebtedness evidenced hereby to be immediately due and payable, whereupon the same shall become forthwith due and payable. Upon default in the payment of any amount of interest payable hereunder, such interest shall, to the full extent permitted by law, bear interest at the same rate as principal.

This Note is made, executed and delivered pursuant to the Loan Agreement and is the "Note" described and defined therein. The Loan Agreement, among other things, contains provisions concerning acceleration of the maturity hereof upon the events, terms and conditions therein specified, and prepayment.

Example 2: Project Related Debt (cont...)

Document Review:

Closing Statement

- Property Address
- Borrower entity and address
- Undisbursed Loan Proceeds
- Existing mortgage payoff



First American Title Insurance Company
National Commercial Services
 920 Fifth Avenue, Suite 1200 • Seattle, WA 98104
 Office Phone: (206)615-3150 Office Fax:

Borrower's Estimated Settlement Statement

File No: NCS-1120624-WA1
 Escrow Officer: Rachel Norambuena/RN
 Estimated Settlement Date: 04/29/2022
 Disbursement Date:

Property:
 707 228th Street Southwest, Bothell, WA 98021

Borrower:
 Tethys Bothell LLC
 2540 Camino Diablo, Suite 200, Walnut Creek, CA 94597

Lender:
 BOKF, NA dba BOK Financial
 6242 E 41st St, Tulsa, OK 74136

Description	Borrower Charge	Borrower Credit
New Loan(s)		
Lender: BOKF, NA dba BOK Financial		
Loan Amount		14,000,000.00
Commitment Fee	140,000.00	
Appraisal Fee	6,750.00	
Phase 1 ESA/PCA/Asbestos O&M/Review Fee	4,799.00	
Flood Cert.	12.00	
Undisbursed Loan Proceeds	8,289,952.55	
Payoff Loan(s)		
Lender: Berkadia Commercial Mortgage, LLC		
Principal Balance	5,091,216.20	
Interest Due 4/1/22 thru 4/30/22	18,413.23	
Prepayment Premium 7%	356,385.13	
Custodial & Administrative Expenses	300.00	
Title/Escrow Charges		
Closing-Escrow Fee \$3,100.00 Sales Tax: \$317.75 to First American Title Insurance Company National Commercial Services	3,417.75	
Policy-Extended ALTA 2006 Lender's \$6,795.00 Sales Tax: \$696.49 to First American Title Insurance Company National Commercial Services	7,491.49	
Endorsement (L) ALTA 18 \$150.00 Sales Tax: \$15.38 to First American Title Insurance Company National Commercial Services	165.38	
Estimated Recording Fees	1,350.00	
Disbursements Paid		
Miscellaneous Disbursement		
Lender Legal Fees to Conner & Winters, LLP	33,943.50	
Property Tax Check		

Example 3: CapEx Debt

Schedule of Debt to Refinance				
Lender	Identity of Interest with Borrower (Yes or No)	Date Originated	Originated Amount	Pay-off Amount
Private Loan-Lakeshore Managers, LLC	Yes	June 10, 2022	\$15,000,000.00	\$15,000,000.00
Capital Expenditures	Yes	2022 through 2025	\$2,445,044.64	\$2,445,044.64
Total:			\$17,445,044.64	\$17,445,044.64
Total to be refinanced with this transaction:				\$17,445,044.64



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Relevant Debt Details

- Debt piece 1- Related-party (IOI) for \$15M
 - More than 2-years old, but still must be confirmed to be project-related due to IOI
 - Related to acquisition of the facility
- Debt piece 2- Related-party (IOI) for \$2.45M
 - Put in place for HUD loan to facilitate reimbursement of capital expenditures since acquisition

Example 3: CapEx Debt (cont)

Capital Expenditures						
Item#	Invoice #	Contractor	Repair Description	Invoice Amount	Check #/Routing Number	Date Paid
1	22-1088	Belso Design & Build	Renovation to lobby, 1st floor corridor, dining room, 4 restrooms, Memory Care corridor, restrooms and dayroom, theater room, ice cream parlor, 2nd floor corridor, dayroom, restrooms, beauty salon, bingo room, 3rd floor corridor, restroom, and billiard room.	\$ 2,143,469.32	Payment was included with various invoices, see attached GL	Payment was included with various invoices, see attached GL for various Dates
2	Contract	Belso Design & Build	Renovation of Memory Care Resident Restrooms includes shower valve w/handheld, shower surround with grab bars, sheetrock on walls, ceiling tile, painting, spot lights, doors and levers, wall tiles, floor tiles, sinks, faucets, toilets, metal toilet paper dispensers, medicine cabinets, and grab bars.	\$ 186,500.00	Payment was included with various invoices, see attached GL	Payment was included with various invoices, see attached GL for various Dates
3	82260	L.C.D. Elevator Repair Inc.	Elevator Upgrades including new doors and state of the art, GAL MOVFR operator.	\$ 12,220.31	Payment was included with various invoices, see attached GL	Payment was included with various invoices, see attached GL for various Dates
Total Capital Expenditures:				\$ 2,445,044.64		

Table includes 11 lines but was too large to fit on the screen. 3 lines remain as an example

Documentation Review

- Invoices – need to show what is being done, cost, date, etc
- Fill out a spreadsheet showing the invoice number and corresponding check # / wire #
- Confirm that these were related to upgrades at the facility, not routine maintenance
- Legal will draft a Note for the amount of the capex to be provided at submission

Example 4: Debt w/ Cash-out

- Relevant loan info:
 - Debt was less than two years old at time of submission
 - Documentation: Promissory note for bridge loan, dated less than 2 years prior to submission
 - Included a cash-out to borrower
 - Documentation: Settlement statement for bridge
 - Debt would be ineligible for HUD submission (* we will return to this example)

Lake City Title 426 SW Commerce Drive, Ste 145 Lake City, FL 32025 (386) 758-1880		ALTA Buyer's Settlement Statement	
--	--	-----------------------------------	--

File #:	2021-4495	Property	297 SW County Road 300	Settlement Date	05/13/2021
Prepared:	05/13/2021	Buyer	Mayo, FL 32066	Disbursement Date	05/13/2021
Escrow Officer:	Rob Stewart	Seller	Oakridge Property Company, LLC		
		Lender	BOKF, NA		

Description	Buyer	
	Debit	Credit
Primary Charges & Credits		
Loan Amount		\$3,206,413.00
Prorations/Adjustments		
Payoff to Madison County Community Bank	\$1,442,614.26	
Loan Charges		
Commitment Fee to BOKF, NA	\$32,064.13	
Appraisal Review Fee	\$750.00	
Counsel to the Lender to Conner & Winters	\$13,455.26	
Environmental Review	\$400.00	
Flood Determination	\$12.00	
Government Recording and Transfer Charges		
Recording Fees	\$293.50	
---Deed: \$18.50		
---Mortgage: \$163.00		
---Subordination Agreement: \$112.00		
Documentary Stamp Tax (State Security Instrument Taxes) to Lafayette County Clerk of Court	\$11,222.75	
Intangible Tax (State Security Instrument Taxes) to Lafayette County Clerk of Court	\$6,412.83	
Title Charges		
Title - eRecording Fee to Simplifile	\$13.75	
Title - Lender's Endorsement Total to Westcor Land Title Insurance Company	\$1,602.50	
Title - Lender's Title Policy to Westcor Land Title Insurance Company	\$10,591.25	
Title - Search & Exam to Lake City Title	\$300.00	
Title - Settlement or Closing Fee to Lake City Title	\$495.00	
Title - Butler Act Rebate to Lake City Title		\$3,278.62
Title - Owner's Title Policy to Westcor Land Title Insurance Company	\$4,683.75	
Miscellaneous Charges		
Survey Fee, Plot Plan to J Sherman Frier & Associates	\$750.00	
Subtotals	Debit	Credit
Due to Buyer	\$1,525,660.98	\$3,209,691.62
Totals	\$3,209,691.62	\$3,209,691.62



Difficulty Level: Advanced

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Example 5: It's A Doozy!

Relevant loan info:

- HUD (f) refinance of existing HUD loan
- Existing debt stack
 - HUD mortgage
 - Surplus cash note
 - 3 IOI Operator Partnership Notes
- Debt confirmed to be 100% project-related and immediately eligible

Schedule of Debt to Refinance

Lender	Identity of Interest with Borrower (Yes or No)	Date Originated	Originated Amount	Pay-off Amount
Berkadia Commercial Mortgage, LLC	No	2/28/2003	\$4,665,000.00	\$2,145,497.34
Wachusett Ventures, LLC	Yes	2/28/2025	\$700,000.00	\$700,000.00
Joel E. Kirchick	Yes	1/31/2025	\$220,000.00	\$220,000.00
Raymond A. Dennehy, III	Yes	1/31/2025	\$420,000.00	\$420,000.00
Wachusett Ventures, LLC	Yes	1/31/2025	\$680,364.00	\$680,364.00
Total:			\$6,685,000.00	\$4,165,861.34
Total to be refinanced with this transaction:				\$4,165,861.34

Example 5: Debt Piece 1

- Existing HUD loan originated in 2003
- Current HUD borrower entity is Beechwood SNF PropCo, LLC
- Debt Piece 1 Review
 - Debt meets debt-seasoning rule
 - Mortgage note confirmed to be subject property
 - Question: Why is the borrowing entity not our HUD borrower?
 - Answer: The facility was recently purchased and the buyer (our HUD borrower) assumed the existing HUD loan

FHA FORM 4106-D
(CORPORATE)
Rev. January 1965

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MORTGAGE NOTE

\$4,665,000.00

Hartford, Connecticut
February 28, 2003

FOR VALUE RECEIVED, the undersigned promises to pay to GMAC Commercial Mortgage Corporation, a Corporation organized and existing under the laws of the State of California, or order, the principal sum of Four Million Six Hundred Sixty-Five Thousand and 00/100 Dollars (\$4,665,000.00) with interest from date at the rate of Five and Eighty-Five Hundreths per centum (5.85%) per annum on the unpaid balance until paid. The said principal and interest shall be payable in monthly installments as follows:

Signed and sealed the day and year first above written.

[CORPORATE SEAL] ☐
☐
☐
☐
☐
☐
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VICTORIAN MANAGEMENT, INC.

ATTEST: _____ By: William E. White
Secretary William E. White, President

THIS IS TO CERTIFY that this is the Note described in, and secured by a Mortgage of even date herewith, and in the same principal amount as herein stated, on real estate situated in the City of New London, County of New London, State of Connecticut.

Asher Ali Saeed
Commissioner of the Superior Court of
Notary Public: **ASKER A. SAEEED**

Dated: February 28, 2003

Example 5: Debt Piece 2

- HUD Surplus Cash Loan originated in 2025 (\$700,000)
- Lender is the owner of the borrowing entity
- IOI debt less than 2 years old (must be confirmed to be project-related)
- Question: How can this debt be confirmed to be project-related?
- Answer: It was put in place at the time of the facility purchase and is likely related to the acquisition (a review of the settlement statement for the purchase is needed)

Surplus Cash Note
Section 232

U.S. Department of Housing
and Urban Development
Office of Residential
Care Facilities

OMB Approval No. 2502-0605
(exp. 01/31/2026)

Public reporting burden for this collection of information is estimated to average 0.5 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. The information is being collected to obtain the supportive documentation that must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived from the National Housing Act Section 232 Healthcare Facility Insurance Program. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

Warning: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

Project Name: **Beechwood Manor**
FHA Project No: **017-43092**

FOR VALUE RECEIVED, **Beechwood SNF PROPCO, LLC**, a **limited liability company** organized and existing under the laws of **Connecticut** (“Maker”) promises to pay to **Wachusett Ventures, LLC**, a **limited liability company** organized and existing under the laws of **Massachusetts** (“Payee”) the sum of **Seven Hundred Thousand and No/100 Dollars (\$700,000.00)**, payable at **c/o Wachusett Healthcare, [REDACTED] 01541** with interest on any remaining balance of principal at **Fifteen and No/100ths percent (15.00%)** per annum payable **quarterly**, commencing **May 1, 2025**, and thereafter on the first day of **the first month of each succeeding quarter** until the entire indebtedness has been paid. Any interest not so paid shall not create any default in the terms of this Surplus Cash Note, but shall accrue and be payable in full on the maturity date hereof. In any event, the balance of principal, if any remaining unpaid, plus accrued interest, shall be due and payable on **October 1, 2034** (the “Maturity Date”). (The definition of any capitalized term or word used herein but

Example 5: Debt Piece 3

- Loan made to IOI operating entity from a partner (\$200,000)
- IOI debt less than 2 years old (must be confirmed to be project-related)
- Question: How can this debt be confirmed to be project-related?
- Answer: It was put in place at the time of the facility purchase and is likely related to the acquisition (a review of the settlement statement for the purchase is needed)

PROMISSORY NOTE

\$ 220,000

31 January 2025

FOR VALUE RECEIVED, **Beechwood SNF OPCO, LLC**, a Massachusetts limited liability company with a mailing address of 153 COAL KILN ROAD, Princeton, MA 01541 (the "Borrower"), promises to pay to the order of **Joel E. Kirchick**, an individual with a mailing address of [REDACTED] [REDACTED] (the "Lender"), on the terms set forth herein, the principal sum of Two Hundred Twenty Thousand Dollars (\$ 220,000), plus interest at a rate of 15% per annum, with interest-only payable quarterly, commencing 31 January 2025, and thereafter on the first day of the first month of each succeeding quarter until the entire indebtedness has been paid. Any interest not so paid shall not create any default in the terms of this Note, but shall accrue and be payable in full on the maturity date hereof. In any event, the balance of principal, if any remaining unpaid, plus accrued interest, shall be due and payable on October 1, 2034 (the "Maturity Date"). Interest shall be calculated on the basis of a three hundred sixty (360) day year counting the actual number of days elapsed. Both principal and interest are payable in lawful money of the United States of America to the Lender in immediately available funds. Interest shall compound annually. Principal may be prepaid without penalty at any time, provided that such prepayment of principal does not breach or violate any other contractual or legal obligation of the Borrower. Any prepaid amounts shall be first applied to past-due interest payments, if any, and then to the outstanding principal balance.

This Note shall be in default upon the occurrence of any of the following:

- (a) Failure to pay all amounts in full as of the Maturity Date; or
- (b) Initiation of bankruptcy, reorganization, or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors against the Borrower and, if instituted against it, shall be consented to or shall not be dismissed within one hundred twenty (120) days after being instituted; or
- (c) An order, judgment or decree declaring Borrower to be bankrupt or insolvent shall be entered and shall not be vacated, set aside or stayed within sixty (60) days after the entry thereof.

If this Note is in default, the remaining principal balance plus accrued interest on the Note shall become immediately due and payable.

Example 5: Debt Piece 4

- Loan made to IOI operating entity from a partner (\$420,000)
- IOI debt less than 2 years old (must be confirmed to be project-related)
- Question: How can this debt be confirmed to be project-related?
- Answer: It was put in place at the time of the facility purchase and is likely related to the acquisition (a review of the settlement statement for the purchase is needed)

PROMISSORY NOTE

\$ 420,000

31 January 2025

FOR VALUE RECEIVED, **Beechwood SNF OPCO, LLC**, a Massachusetts limited liability company with a mailing address of 153 COAL KILN ROAD, Princeton, MA 01541 (the "Borrower"), promises to pay to the order of **Raymond A. Dennehy, III**, an individual with a mailing address of [REDACTED] (the "Lender"), on the terms set forth herein, the principal sum of Four Hundred Twenty Thousand Dollars (\$ 420,000), plus interest at a rate of 15% per annum, with interest-only payable quarterly, commencing 31 January 2025, and thereafter on the first day of the first month of each succeeding quarter until the entire indebtedness has been paid. Any interest not so paid shall not create any default in the terms of this Note, but shall accrue and be payable in full on the maturity date hereof. In any event, the balance of principal, if any remaining unpaid, plus accrued interest, shall be due and payable on October 1, 2034 (the "Maturity Date"). Interest shall be calculated on the basis of a three hundred sixty (360) day year counting the actual number of days elapsed. Both principal and interest are payable in lawful money of the United States of America to the Lender in immediately available funds. Interest shall compound annually. Principal may be prepaid without penalty at any time, provided that such prepayment of principal does not breach or violate any other contractual or legal obligation of the Borrower. Any prepaid amounts shall be first applied to past-due interest payments, if any, and then to the outstanding principal balance.

This Note shall be in default upon the occurrence of any of the following:

- (a) Failure to pay all amounts in full as of the Maturity Date; or
- (b) Initiation of bankruptcy, reorganization, or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors against the Borrower and, if instituted against it, shall be consented to or shall not be dismissed within one hundred twenty (120) days after being instituted; or
- (c) An order, judgment or decree declaring Borrower to be bankrupt or insolvent shall be entered and shall not be vacated, set aside or stayed within sixty (60) days after the entry thereof.

If this Note is in default, the remaining principal balance plus accrued interest on the Note shall become immediately due and payable.

Example 5: Debt Piece 5

- Loan made to IOI operating entity from a partner (\$680,364)
- IOI debt less than 2 years old (must be confirmed to be project-related)
- Question: How can this debt be confirmed to be project-related?
- Answer: It was put in place at the time of the facility purchase and is likely related to the acquisition (a review of the settlement statement for the purchase is needed)

PROMISSORY NOTE

\$ 680,364

31 January 2025

FOR VALUE RECEIVED, Beechwood SNF OPCO, LLC, a Massachusetts limited liability company with a mailing address of 153 COAL KILN ROAD, Princeton, MA 01541 (the “Borrower”), promises to **pay to the order of Wachusett Ventures, LLC,** a Massachusetts limited liability company with a mailing address of [REDACTED] (the “Lender”), on the terms set forth herein, the principal sum of Six Hundred Eighty Thousand and Three Hundred and sixty four Dollars (\$ 680,364), plus interest at a rate of 15% per annum, with interest-only payable quarterly, commencing 31 January 2025, and thereafter on the first day of the first month of each succeeding quarter until the entire indebtedness has been paid. Any interest not so paid shall not create any default in the terms of this Note, but shall accrue and be payable in full on the maturity date hereof. In any event, the balance of principal, if any remaining unpaid, plus accrued interest, shall be due and payable on October 1, 2034 (the “Maturity Date”). Interest shall be calculated on the basis of a three hundred sixty (360) day year counting the actual number of days elapsed. Both principal and interest are payable in lawful money of the United States of America to the Lender in immediately available funds. Interest shall compound annually. Principal may be prepaid without penalty at any time, provided that such prepayment of principal does not breach or violate any other contractual or legal obligation of the Borrower. Any prepaid amounts shall be first applied to past-due interest payments, if any, and then to the outstanding principal balance.

This Note shall be in default upon the occurrence of any of the following:

- (a) Failure to pay all amounts in full as of the Maturity Date; or
- (b) Initiation of bankruptcy, reorganization, or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors against the Borrower and, if instituted against it, shall be consented to or shall not be dismissed within one hundred twenty (120) days after being instituted; or
- (c) An order, judgment or decree declaring Borrower to be bankrupt or insolvent shall be entered and shall not be vacated, set aside or stayed within sixty (60) days after the entry thereof.

If this Note is in default, the remaining principal balance plus accrued interest on the Note shall become immediately due and payable.



Example 5: Debt Investigation Status

Debt Classification	Lender	Amount	Eligibility Status
HUD Mortgage	Berkadia	\$2.145M	Eligible, if paper trail for loan assumption is clear
Surplus Cash Note	Partner (Wachusett Ventures)	\$700,000	Eligible, if confirmed to be acquisition-related
Operator Debt	Partner (Joel Kirchick)	\$220,000	Eligible, if confirmed to be acquisition-related
Operator Debt	Partner (Raymond Dennehy)	\$420,000	Eligible, if confirmed to be acquisition-related
Operator Debt	Partner (Wachusett Ventures)	\$680,364	Eligible, if confirmed to be acquisition-related

Example 5: Purchase Settlement Stmt Review

- Excerpt from 1st page of settlement stmt
- Items of Note
 - Property confirmed to be our HUD project
 - Previous ownership structured in an OpCo/PropCo format, similar to current ownership
 - Seller PropCo is Victorian Management, Inc. (which was the mortgagor on the HUD note that was assumed) and Buyer PropCo is our HUD borrower
 - Eligibility of HUD note is confirmed
 - Seller OpCo is Health Care Visions, Inc. and Buyer OpCo is Beechwood SNF OpCo, LLC (our HUD operator)

Goldman, Gruder Woods, LLC
 200 Connecticut Avenue
 Norwalk, CT 06854
 Tel. (203) 899 8900 Fax (203) 899 8915

SETTLEMENT STATEMENT

Real Estate

Buyer	Beechwood SNF PropCo LLC
Seller	Victorian Management, Inc.
Property	31 Vauxhall Street, New London, Connecticut

Assets

Buyer	Beechwood SNF OpCo LLC
Seller	Health Care Visions Inc.
Property	Business Assets and Licensed Operations, Nursing Care Facility known as Beechwood Rehabilitation & Nursing Center

Dates

Closing Date	February 28, 2025
Effective Date	March 1, 2025 at 12:00 a.m.

18043-002

BUYER AND SELLER CLOSING ADJUSTMENTS

Credit to Buyer	Due to Seller	
	Victorian Mgmt	Health Care Visions

Example 5: Purchase Settlement Stmt Review (cont)

- Excerpt from 1st page of settlement stmt
- Items of Note
 - Purchase Price of \$3,965,000 (not including costs related to the purchase which are also eligible)
 - FF&E and business value owned by OpCo
 - Surplus Cash for \$700,000 confirmed to be related to purchase
 - Assumption of HUD loan confirmed

BUYER AND SELLER CLOSING ADJUSTMENTS			
	Credit to Buyer	Due to Seller	
		Victorian Mgmt	Health Care Visions
Purchase Price			
• 31 Vauxhall Street	\$3,197,000.00	\$3,197,000.00	
• Reserves (Replacement)	271,512.81	\$271,512.81	
• Personal Prop & Fixtures	250,000.00		\$250,000.00
• Intangible Property	246,487.19		\$246,487.19
	<u>3,965,000.00</u>		
Deposit	\$50,000.00	(\$50,000.00)	
Surplus Cash Note Wachusett Ventures LLC to Victorian Management, Inc.	\$700,000.00	(\$700,000.00)	
Mortgage Loan Assumption			
• Principal Balance	\$2,237,088.59	(\$2,237,088.59)	
• Interest: Paid by Seller to 1/31/2025			
To be paid by Buyer: 2/1/2025 - 3/1/2025	\$7,140.04		
Adjustment: 2/1/2025 - 3/1/2025			
28 days @ \$255.001 per day	\$7,140.03	(\$7,140.03)	
• Reserves held by Lender & inherited by Buyer			
• Tax		\$19,353.07	
• Insurance		\$49,841.04	
• MIP		\$10,424.30	
• Replacement (\$271,512.81) -included in Purchase Price			

Example 5: Debt Investigation Update

Debt Classification	Lender	Amount	Eligibility Status
HUD Mortgage	Berkadia	\$2.145M	Confirmed Eligible
Surplus Cash Note	Partner (Wachusett Ventures)	\$700,000	Confirmed Eligible
Operator Debt	Partner (Joel Kirchick)	\$220,000	Pending
Operator Debt	Partner (Raymond Dennehy)	\$420,000	Pending
Operator Debt	Partner (Wachusett Ventures)	\$680,364	Pending

**IF MY CALCULATIONS
ARE CORRECT**



**WE WILL GO EXACTLY ONE
HOUR INTO THE FUTURE TONIGHT**

Example 5: Purchase Settlement Stmt Review (part 2)

- Additional analysis of settlement statement shows additional eligible acquisition costs of \$417,902.60
- Total acquisition cost is \$4,382,902.60
- Lender further analyzed settlement statement and financial records to confirm contributions of the partners towards closing costs (not shown as that was “Difficulty Level: Expert” analysis).

	Amount
Total Cost	\$4,382,902
HUD assumption	(\$2,237,089)
<u>Surplus Cash Note</u>	<u>(\$700,000)</u>
Subtotal: Remaining Eligible Acquisition Cost	\$1,445,813
Operator Note 1	(\$220,000)
Operator Note 2	(\$420,000)
<u>Operator Note 3</u>	<u>(\$680,364)</u>
Subtotal: Remaining Eligible Acquisition Cost	\$125,449



Example 5: Debt Investigation Update

Debt Classification	Lender	Amount	Eligibility Status
HUD Mortgage	Berkadia	\$2.145M	Confirmed Eligible
Surplus Cash Note	Partner (Wachusett Ventures)	\$700,000	Confirmed Eligible
Operator Debt	Partner (Joel Kirchick)	\$220,000	Confirmed Eligible
Operator Debt	Partner (Raymond Dennehy)	\$420,000	Confirmed Eligible
Operator Debt	Partner (Wachusett Ventures)	\$680,364	Confirmed Eligible



Now that you are feeling comfortable identifying & documenting eligible debt...

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America



It's time for an eligibility twist!

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America



Introducing: The Debt Seasoning Exception Rule

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Debt Seasoning Exception Rule Summary

% of Existing Debt Used for Project Purposes	Requested FHA Loan Amount <60% LTV	Requested FHA Loan Amount 60% - 70% LTV	Requested FHA Loan Amount > 70% LTV
> 50%	Application may be submitted within 2 years	Application may be submitted within 2 years	2 year seasoning applies
<= 50%	Application may be submitted within 2 years	2 year seasoning applies	2 year seasoning applies

- Debt that is less than two years old and contained a cash-out, can be eligible if certain parameters are met for:
 - The amount of cash-out
 - The LTV of the requested HUD loan
- This is where having a good understanding of confirming and documenting project-related costs comes into play

Debt Seasoning Exception Rule (cont...)

% of Existing Debt Used for Project Purposes	Requested FHA Loan Amount <60% LTV	Requested FHA Loan Amount 60% - 70% LTV	Requested FHA Loan Amount > 70% LTV
> 50%	Application may be submitted within 2 years	Application may be submitted within 2 years	2 year seasoning applies
<= 50%	Application may be submitted within 2 years	2 year seasoning applies	2 year seasoning applies

- Steps for confirming compliance with the rule:
 - 1) Conduct a debt investigation on all pieces of existing debt to be refinanced
 - 2) Confirm \$ amounts of all documented project-related debt and all non-project-related debt (i.e. cash-out or otherwise unable to be confirmed as project-related)
 - 3) Calculate % of total existing debt that is project-related and determine the relevant LTV limit based on that calculation
 - 4) Assemble all supporting debt investigation documentation utilized to be included in Section 8 of the HUD submission.
- Note: this rule also has a 3-year stabilized operations requirement that is beyond the scope of this 101 training, but will be discussed in the Underwriting Hot Topics panel.

Returning to Example 4: Debt w/ Cash-out

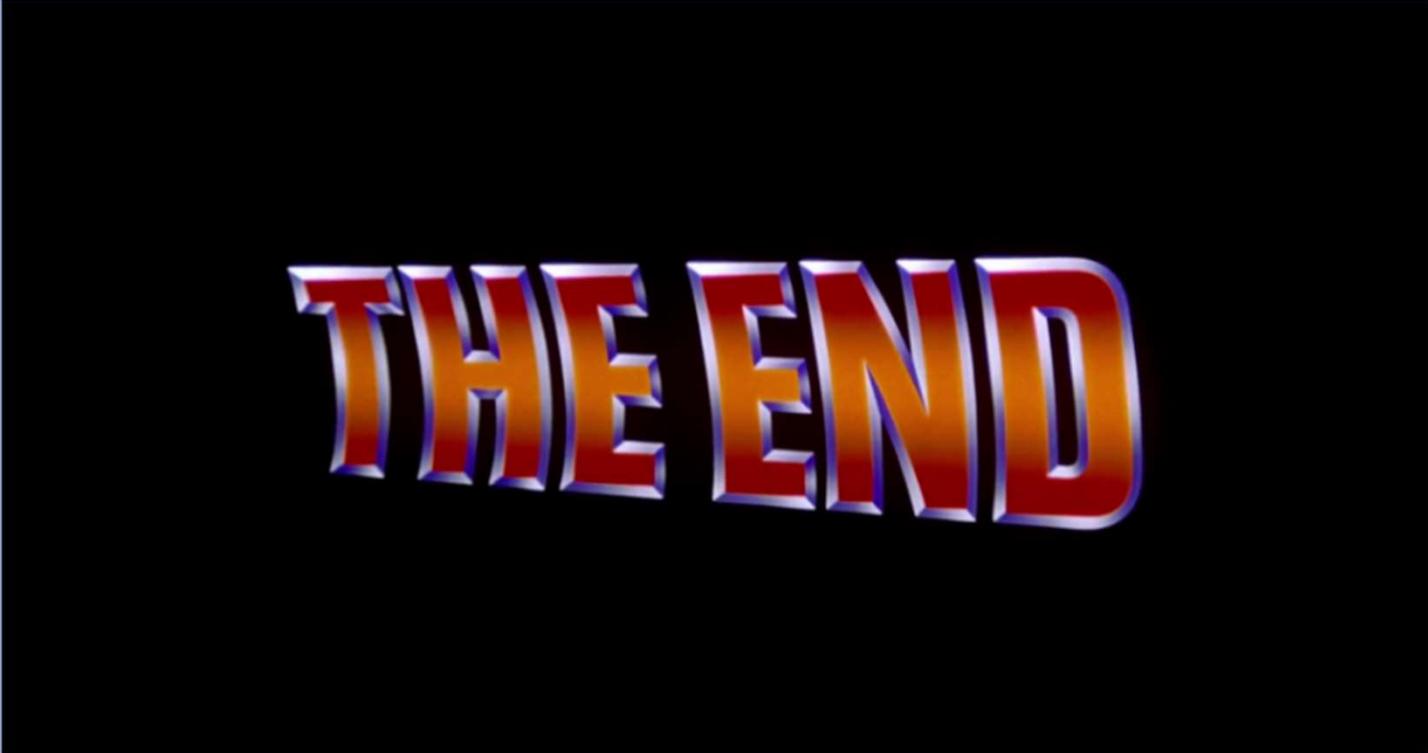
		% of Total
Total Bridge Loan	\$3,206,413	
Less Cash-Out Portion	(\$1,442,614)	45%
Confirmed Project-related	\$1,763,799	55%

Conclusion: Because the % of project-related debt is over 50%, the total debt is immediately eligible as long as the LTV of the HUD loan is less than 60%.

Lake City Title 426 SW Commerce Drive, Ste 145 Lake City, FL 32025 (386) 758-1880		ALTA Buyer's Settlement Statement	
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File #:	2021-4495	Property	297 SW County Road 300	Settlement Date	05/13/2021
Prepared:	05/13/2021	Buyer	Mayo, FL 32066	Disbursement Date	05/13/2021
Escrow Officer:	Rob Stewart	Seller	Oakridge Property Company, LLC		
		Lender	BOKF, NA		

Description	Buyer	
	Debit	Credit
Primary Charges & Credits		
Loan Amount		\$3,206,413.00
Prorations/Adjustments		
Payoff to Madison County Community Bank	\$1,442,614.26	
Loan Charges		
Commitment Fee to BOKF, NA	\$32,064.13	
Appraisal Review Fee	\$750.00	
Counsel to the Lender to Conner & Winters	\$13,455.26	
Environmental Review	\$400.00	
Flood Determination	\$12.00	
Government Recording and Transfer Charges		
Recording Fees	\$293.50	
---Deed: \$18.50		
---Mortgage: \$163.00		
---Subordination Agreement: \$112.00		
Documentary Stamp Tax (State Security Instrument Taxes) to Lafayette County Clerk of Court	\$11,222.75	
Intangible Tax (State Security Instrument Taxes) to Lafayette County Clerk of Court	\$6,412.83	
Title Charges		
Title - eRecording Fee to Simplifile	\$13.75	
Title - Lender's Endorsement Total to Westcor Land Title Insurance Company	\$1,602.50	
Title - Lender's Title Policy to Westcor Land Title Insurance Company	\$10,591.25	
Title - Search & Exam to Lake City Title	\$300.00	
Title - Settlement or Closing Fee to Lake City Title	\$495.00	
Title - Butler Act Rebate to Lake City Title		\$3,278.62
Title - Owner's Title Policy to Westcor Land Title Insurance Company	\$4,683.75	
Miscellaneous Charges		
Survey Fee, Plot Plan to J Sherman Frier & Associates	\$750.00	
Subtotals	Debit	Credit
Due to Buyer	\$1,525,660.98	\$3,209,691.62
Totals	\$3,209,691.62	\$3,209,691.62



THE END

Any Questions?