

**Escrow Agreement
For Operating ~~Deficit~~Deficits**
00/00/00)

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

OMB Approval No. 0000-0000
(Exp.

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This ~~Agreement~~ESCROW AGREEMENT FOR OPERATING DEFICITS made this _____ day of _____, 20____,____, by and between _____, ~~(Lender;)~~, whose principal address is _____, and _____, ~~Maker;~~(Borrower), whose principal address is _____, ~~and if applicable,~~ _____ (Depository Institution), whose principal address is _____,] (Agreement), in connection with HUD Project No. _____, located in the City/County of _____, State of _____, which Project [has been, is being, or will be-] [constructed, rehabilitated, purchased or refinanced] from the proceeds of a Loan insured by HUD and made by Lender ~~to~~ _____, ~~Borrower~~. (The definition of any capitalized term or word used herein can be found in this Escrow Agreement for Operating ~~Deficit~~Deficits, the Regulatory Agreement between Borrower and HUD, ~~the Note~~, and/or the Security Instrument.)

RECITALS:

- A. HUD has issued a firm commitment to insure said Loan pursuant to § _____ of the National Housing Act, as amended, and Program Obligations, on which mortgage insurance ~~Maker~~Borrower is relying for financing of the Project, ~~and~~.
- B. The HUD firm commitment is conditioned upon assurance that additional funds be made available for Project purposes, primarily for the absorption of any ~~deficit~~deficits resulting from the operation of the Project during the initial period of occupancy;.

AGREEMENT:

~~Maker~~In consideration of the mutual promises and undertakings contained herein, and for the purpose of inducing the Lender hereby understand to make and HUD to insure said Loan, the parties acknowledge and agree as follows:

- 1. ~~Maker has deposited with Lender or~~ _____,

Previous editions are obsolete; Replaces form HUD-92476-A (01/03)	<u>Escrow Agreement for Operating Deficit</u> <u>Escrow Deficits</u>	HUD-92476a-M (Rev. 00/06)
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Depository (acceptable to Lender), \$ _____, receipt of which is acknowledged by Lender or Depository, to be held and disbursed by Lender or Depository as hereinafter set out, said deposit (**Escrow**) being [*specify one*]:

(a) _____ cash, or

(b) _____ an unconditional irrevocable letter of credit issued to Depository by a banking institution,

~~2. The Escrow shall be held subject to disbursement at the direction of HUD for a period of _____ months following final endorsement. At or before initial endorsement of the Note plus any additional period by which the beginning of amortization of the Loan may be deferred (**Escrow Period**) by HUD for mortgage insurance, in accordance with Program Obligations Borrower shall deposit, or has caused to be deposited with Lender or subject to the control and order of Lender with a depository institution satisfactory to Lender, the sum of \$ _____ (**Escrow**). If the Project is insured pursuant to § 223(f) of the National Housing Act, and if Program Obligations so require, the amount of the Escrow shall include a debt service reserve in the amount \$ _____, equal to four (4) months principal, interest, and mortgage insurance premium (**Debt Service Reserve**).~~

~~2. It is agreed that the Lender at all times shall control the Escrow, and that the funds in the Escrow may be released or allocated for the purposes indicated in this Agreement and for no other purpose without the prior written approval of HUD. The Escrow shall take the form of [*specify as applicable*]:~~

_____ cash, and/or

_____ one or more unconditional, irrevocable letter(s) of credit issued to Lender by a banking institution, attached hereto as Exhibit "A". The rating of the issuing banking institution and the duration of such letter(s) of credit shall comply with Program Obligations.

~~3. Disbursements from the Escrow may be authorized monthly by with written HUD approval to meet any ~~cash deficit~~ **Cash Deficit** in the operation of the Project for the period immediately following substantial completion of construction. In determining the amount of any such cash deficit, Borrower's payments for amortization and deposits in the Reserve for Replacement shall be considered as time frame set forth in the following paragraph. The term "**Cash Deficit**" means the shortfall between Rents and Reasonable Operating Expenses. ~~Depreciation, officers' salaries, and management fees paid to Borrower, Maker, Principals or their nominees shall not be considered as Reasonable Operating Expenses.~~~~

3. The

4. ~~Any unused balance remaining in the Escrow shall will be subject to immediate application to the Indebtedness if an Event of Default thereunder occurs released at any time prior to the expiration of the Escrow Period.~~

4. ~~IT IS UNDERSTOOD AND AGREED that Lender's request and returned to Borrower at the expiration of the Escrow Period, later of twelve (12) months after final endorsement or at such earlier date as HUD, in its sole discretion, determines when the Project has demonstrated to HUD's satisfaction that the Project has achieved Sustaining six (6) consecutive months of Break-Even Occupancy and adequate revenue, any balance of the Escrow remaining on deposit shall; except unused funds in the Escrow attributable to the Debt Service Reserve, if applicable, will be returned to Maker, without interest. Sustaining released once the Project has achieved six (6) consecutive months of Break-Even Occupancy. Break-Even Occupancy is defined as (i) achievement of the occupancy percentage and project net operating 1.0 debt service coverage, based on all sources of Project income used in the final underwriting and approval of the Loan (as shown on the final HUD-92264); and (ii) maintenance of the underwritten occupancy percentage and project net operating including ancillary income for ten (10) of the previous twelve (12) months.~~

5. ~~The Escrow, when in the form of cash, shall be held by Lender or a depository institution satisfactory to the Lender and in accordance with Program Obligations, in an account that is fully insured by the United States of America. Lender may, at any time, for any reason or no reason purposes of this Agreement, draw upon any letter of credit included in the Deposit Escrow and convert the same to cash, which cash shall then be held and disbursed as part of the Deposit pursuant to the terms of this Agreement. Any interest earned on the Escrow shall accrue to the relevant account of Borrower.~~

~~The 6. The Escrow shall, at HUD's direction, be subject to immediate application to the Indebtedness in the Event of Default by Borrower under the Security Instrument at any time.~~

Each signatory below hereby certifies that each of their statements and representations contained in this Agreement and all their supporting documentation thereto are true, accurate, and complete. This Agreement has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the Loan, and may be relied upon by HUD as a true statement of the facts contained therein.

IN WITNESS WHEREOF, the parties have duly executed this Escrow Agreement for Operating Deficit/Deficits as of the day and year first above written.

MAKER: _____ LENDER:

BORROWER: _____ LENDER:

By _____

By _____

Name and Title

Name and Title

DEPOSITORY INSTITUTION:

By _____

Name and Title

Attachment: Exhibit "A"

Warning:

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

EXHIBIT "A"

Form of Letter of Credit

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