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August 27, 2021

In This Update

* [Mortgagee Letter 2021-20 Published Extending Temporary Revisions to Underwriting Standard Processes for Third-Party and Lender Site Inspections](#_Toc78983615)
* [Minimum Debt Service Coverage – 223(f)](#_Toc78983616)
* [Recent Medicaid Rate Increases - Financial Tables and Net Operating Income](#_Toc78983617)
* [FROM THE CLOSING CORNER](#_Toc78983618)
* [Section 223(d)-COVID (Operating Loss Loan Program) – Documents Now Available on the Section 232 Program Website](#_Toc78983619)

Mortgagee Letter 2021-20 Published Extending Temporary Revisions to Underwriting Standard Processes for Third-Party and Lender Site Inspections

The Office of Residential Care Facilities (ORCF) published Mortgagee Letter 2021-20 ([here](https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-20hsgml.pdf)) on August 27, 2021, extending from July 31 to December 31, 2021, the temporary revisions to underwriting standard processes for third-party and Lender site inspections as a result of the COVID-19 National Emergency previously detailed in ML 2020-15.

***Keywords:*** *COVID-19*

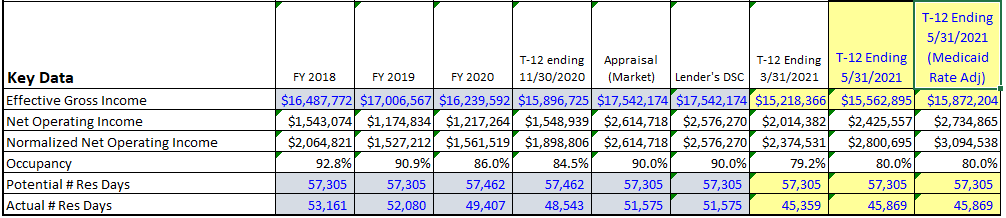
Minimum Debt Service Coverage – 223(f)

As a reminder, the minimum debt service coverage ratio for the 223(f) program is 1.45, including the Mortgage Insurance Premium (MIP) (Handbook 4232.1 REV-1, Section II, Chapter 3.2), and Lender must meet that minimum for the underwritten Lender’s Net Operating Income (NOI) and Trailing-12 periods (Handbook 4232.1 REV-1, Section II, Chapter 2.9.N). The Lender must use the project-specific expense for underwritten reserve for replacement, taxes and management fee in determining the NOI used in the calculation for these periods (Handbook 4232.1 REV-1, Section II, Chapter 2.9.N). Transactions must meet at least this minimum in order to be presented to Loan Committee or come off Temporary Hold and be placed back into the underwriting queue.

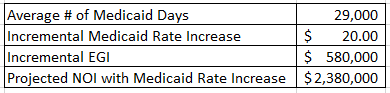
***Keywords:*** *223(f), Debt Service Coverage (DSCR), Net Operating Income (NOI), T-12*

Recent Medicaid Rate Increases - Financial Tables and Net Operating Income

ORCF will consider additional analysis of recent Medicaid rate increases relative to underwritten NOI when it reflects a standard, ongoing rate increase. Lenders may present this additional analysis in the yellow UW Columns when submitting financial tables on applications by showing a Medicaid rate adjusted column applying the new Medicaid rate to the most recent T-12 period. Alternatively, lenders can provide an analysis that shows the calculation of the additional revenue the new Medicaid rate will contribute to the underwritten NOI. Note that the analysis should not apply the new Medicaid rate to the full historic three-year period. For example:



Or



***Keywords:*** *Financial Tables, Net Operating Income (NOI)*

[Back to top](#_top)

FROM THE CLOSING CORNER

Section 223(d)-COVID (Operating Loss Loan Program) – Documents Now Available on the Section 232 Program Website

The OGC Checklist for the Section 223(d)-COVID program has been finalized and is now available on the Section 232(d) loan website ([here](https://urldefense.com/v3/__https:/www.hud.gov/sites/dfiles/Housing/documents/OGC_Clsing_Cklst_COVID.docx?web=1__;!!PoWaflF1wM8F24I!N05UjwPg06xITX53iSZZot5TfO6GvFKjS2f7rRoje2SjUsbHczamggg02UTVDGdi9OHp$)).  For more information on this program, please check out the Section 232 Program website ([here](https://urldefense.com/v3/__https:/www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting/223d__;!!PoWaflF1wM8F24I!N05UjwPg06xITX53iSZZot5TfO6GvFKjS2f7rRoje2SjUsbHczamggg02UTVDLw03dlL$))

*Keywords:  223(d), Operating Loss Loan*

[Back to top](#_top)

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| Past Lean 232 Updates are [available online](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMDEsInVyaSI6ImJwMjpjbGljayIsImJ1bGxldGluX2lkIjoiMjAyMTAxMDQuMzI3OTIyMzEiLCJ1cmwiOiJodHRwczovL3d3dy5odWQuZ292L2ZlZGVyYWxfaG91c2luZ19hZG1pbmlzdHJhdGlvbi9oZWFsdGhjYXJlX2ZhY2lsaXRpZXMvcmVzaWRlbnRpYWxfY2FyZS9tYWlsX2JsYXN0X2luZGV4P3V0bV9tZWRpdW09ZW1haWwmdXRtX3NvdXJjZT1nb3ZkZWxpdmVyeSJ9.wD_kyOelsVj0O18oGZ6vB1qZQYtIH2lojk5kd633DYc/s/1356292409/br/92636915983-l).  Have questions about the Lean 232 Program? Please contact [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov).  For more information on the Lean 232 Program, check out: [http://www.hud.gov/healthcare](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMDIsInVyaSI6ImJwMjpjbGljayIsImJ1bGxldGluX2lkIjoiMjAyMTAxMDQuMzI3OTIyMzEiLCJ1cmwiOiJodHRwOi8vd3d3Lmh1ZC5nb3YvaGVhbHRoY2FyZT91dG1fbWVkaXVtPWVtYWlsJnV0bV9zb3VyY2U9Z292ZGVsaXZlcnkifQ.1u0SLtDtXsU62834yVCK0A042fLMrX4ZfmVsijRPzQI/s/1356292409/br/92636915983-l).    Stay Connected with the Office of Housing and the Federal Housing Administration: |
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