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# Section III Asset Management

## Chapter 1 Asset Management Overview

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### 1.1

### Introduction - Overview and Objectives

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9 The primary responsibilities of the Asset Management and Lender Relations Division of ORCF  
10 are to service insured mortgages, monitor risk, and minimize claims. Each Account Executive  
11 (AE) works in partnership with the Borrower and Lender to ensure each FHA-insured loan is  
12 financially and operationally strong, that each property is maintained in a decent, safe, and  
13 sanitary condition and in good repair, and that the loan remains viable for the term of the  
14 mortgage. The term “Lender” is defined in Section I, Chapter 1.2.C.

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16 Monitoring of Section 232 assets includes reviewing state inspection surveys, analyzing  
17 Borrower FASS submissions and Operator financial submissions, reviewing Physical  
18 Assessment Subsystem (PASS) physical inspections, and monitoring Centers for Medicare and  
19 Medicaid Service (CMS) ratings.

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21 ORCF implemented enhanced monitoring oversight and aggressive risk mitigation to further  
22 ensure sustainable HUD properties for the life of the mortgage.

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24 All AEs in Asset Management report to a Workload Manager (also known as Branch Chief).  
25 Each Workload Manager (WLM) holds weekly huddles with their staff to help resolve issues in  
26 processing requests or support each team member in their efforts to provide good customer  
27 service. All WLMs meet bi-weekly with the Director of Asset Management who oversees the  
28 entire Asset Management Program. A complete listing of the AEs, their WLMs, and all contact  
29 information is available at the Section 232 Program website.  
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### 1.2

### Account Executive and Lender Alignment

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32 To the extent possible, AEs are aligned with specific Lenders. Lenders with significant  
33 portfolios of Section 232 loans have a team assigned to their portfolio, with one person  
34 designated as the Lender Lead. This centralized concept ensures consistent servicing for the  
35 Lender and Borrower, regardless of geographic location for either the property or the AE. The  
36 allocation of a Lender’s portfolio is reviewed annually to ensure that Asset Management  
37 continues to provide successful customer service and effective risk management.

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## **1.3 Team Structure**

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41 ORCF's Asset Management and Lender Relations Division is organized with WLMs leading  
42 teams of AEs. The Risk Mitigation Team (RMT), or the Risk Mitigation Branch, concentrates  
43 on loans that are HUD-held or in serious financial and/or operational condition. Moreover,  
44 several other WLMs lead teams of AEs that service all other performing loans.  
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## **1.4 Asset Management Branch and Risk Mitigation Branch**

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48 The AEs use multiple tools in the management of the Section 232 portfolio, which are  
49 highlighted below:  
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51 A continuous review of each property in the AE's portfolio based on project activity within a  
52 particular month to proactively analyze and respond to issues. This involves ongoing review of  
53 several critical sources of information which include:  
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- 55 1. Mortgage Default and Delinquency Report (MDDR). Payment delinquency and  
56 default information on HUD-Insured loans is provided by the Lender to ORCF.  
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- 58 2. CMS Star Rating Report. This report is drawn from the CMS "Care Compare"  
59 website or a successor designation, which indicates its ratings on a 1 through 5-star  
60 rating for Medicare-certified nursing homes nationwide.  
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- 62 3. State Surveys. This report, provided by the State for each nursing home, details the  
63 property's annual operational and financial status.  
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- 65 4. Real Estate Assessment Center (REAC) Inspection results.  
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- 67 5. Reserve for Replacement (R4R) Requests. If a request is made to suspend or reduce a  
68 monthly payment, or to use funds from the account to fund a mortgage payment or  
69 operating expenses, the AE will look at the monthly cash flow to determine if  
70 additional actions are necessary.  
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- 72 6. Stop Order from State Agency based on an annual state inspection by the licensing  
73 agency.  
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- 75 7. Borrower's annual audited financials filed with ORCF.  
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- 77 8. Quarterly financial reports from Operators.  
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9. Specific compliance issues for a property identified by ORCF and the Departmental Enforcement Center (DEC).
10. Information identified in the following forms: *Servicer's Notification to HUD of Risks to Healthcare Project* (Form HUD-93334-ORCF) and *Operator's and/or Borrower's Notification to HUD of Threats to Permits and Approvals* (Form HUD-93335-ORCF). These forms are discussed in greater detail in Section III, Chapter 3.10 of this Handbook.
11. Asset Management Group and individual Team Calls where policies are reviewed, and live meeting training is provided on new or revised processes or current ORCF initiatives.

Communication between the Lender and the AE is critical to ensuring the ongoing viability of the project. Under certain circumstances, special servicing is warranted to the complexities of the situation. In these cases, loans are transferred to the Risk Mitigation Branch for a closer level of attention. Whenever a transfer of a loan occurs, the Lender will be invited to a conference call to discuss the re-assignment of the loan to the Risk Mitigation Branch along with contact information regarding the new AE on that team. Please refer to Asset Management, Chapter 5 for more information on the Risk Mitigation Branch.