**HUD’s Lean 232 Program**

**Office of Residential Care Facilities (ORCF)**

**Update as of December 18, 2019**



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**Additions to ORCF Leadership**

Effective November 24, 2019, ORCF has promoted the following individuals to leadership positions:

* Asset Management Deputy Division Director – Rita Dockery
* Production Deputy Division Director – Susan Gosselin
* Operations Manager – Nicole Johnson

***Keyword:*** *ORCF Management Update*

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**Real Estate Assessment Center’s (REAC) National Standards for the Physical Inspection of Real Estate (NSPIRE) Demonstration**

In 2017, Secretary Carson directed a “wholesale reexamination” of HUD’s physical inspection processes.  Subsequently, HUD began to analyze the way inspections were conducted and to better understand areas in which its standards and processes needed to evolve.  As a result of this analysis, HUD’s Real Estate Assessment Center (REAC) began to lay the foundation of a new inspection model based on National Standards for the Physical Inspection of Real Estate (NSPIRE). For the purpose of identifying potential adjustments to standards, protocols, and processes prior to nationwide implementation, REAC has begun a two-year, voluntary Demonstration. The Demonstration will involve a diverse, representative group of stakeholders, including REAC, other HUD offices, Public Housing Authorities, and Property Owners and Agents.

The NSPIRE Demonstration is now in the implementation phase and REAC is seeking properties to participate in the Demonstration.  For residential care facilities, this would include interested owners whose facilities are currently subject to routine recurring REAC inspections.

To learn more about NSPIRE and how to volunteer for the Demonstration, please visit the NSPIRE website ([here](https://www.hud.gov/program_offices/public_indian_housing/reac/nspire)).

***Keywords:*** *REAC*

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**Fiscal Year 2019 Lender Performance**

ORCF values the expertise of Lean lenders and the extensive effort invested in Section 232 submissions, and ORCF continuously strives to improve its thorough and timely processing of such transactions.

One of the many ways ORCF seeks continuous improvement is by providing feedback to lenders on matters that may have created delays. In that regard and consistent with longstanding practice, ORCF recently emailed each active Lean lender feedback on transactions that went to Loan Committee and/or closed during the past fiscal year.

Lenders have recently inquired about how ORCF’s observations about their own submissions compare to observations regarding recent submissions overall. We would note that lender issues creating significant delays were observed in 38% of the transactions that went to Loan Committee and/or closed in FY19. Also, of the categories that ORCF considers, certain topics were more frequently problematic than others, as illustrated below.

Quality Control, Due Diligence and Responsiveness were the most frequently recurring concerns. Below is a brief description of these three categories as a reminder, followed by some examples of comments included in lender feedback in the FY19 emails.

**Quality Control of Package**

*Considers the completeness, internal consistency and general accuracy of information within the application or closing package, conforming to Lean processing. Examples of errors include:*

* Wrong information on project (e.g. wrong beds/units, other data)
* Multiple typographical errors – (e.g. transposed numbers)
* Obsolete, incorrect, incomplete or missing exhibits/other forms
* Lack of up-to-date financials and other data
* Failure to timely address environmental matters

**Due Diligence of Facility’s Performance**

*Considers issues with the lender’s familiarity with and analysis of the full scope of the facility in the lender’s underwriting review. This includes failure to provide a needed explanation in the application with supporting documentation. Examples of errors include:*

* Failure to address ongoing survey/quality of care issues
* Failure to address negative trends in performance or occupancy
* Failure to address ongoing HUD enforcement/compliance issues
* Failure to address pattern of high claims, pending litigation
* Failure to address other pending action impacting risk assessment

**Responsiveness**

*Considers the completeness and timeliness of response by lender to requests from OHP for correction of deficiencies or additional information to complete underwriting review or closing processing.*

**Examples of Comments in FY19 Lender Feedback**

A few examples of concerns raised in recent lender feedback include:

* The application did not provide adequate discussion on eligible debt.
* There were numerous issues not properly addressed in the application, including AR Financing and G&A Expenses.
* There were delays in several requests for information, specifically relating to waiver requests.
* Environmental issues should have been addressed prior to submission of the application, to ensure compliance with the handbook/regulations.
* The Lender adjusted historical expenses and NOI without adequate justification.

ORCF is happy to discuss any matters raised with a lender, and we also welcome constructive feedback about how ORCF processes can continue to be improved.

For more information on specific lender volumes for FY 2019, please see the “Queues, Reports, and Statistics” section on the Section 232 Program Website ([here](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care)).

**Keywords:** *Lender Performance*

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**FROM THE CLOSING CORNER**

**Reminder When Submitting a Closing Package to ORCF**

As a follow-up to the August 28, 2019 LEAN 232 Email Blasts, ORCF is reminding Lenders that ***after******the assigned HUD Attorney has received a “complete” draft closing package, a “complete draft closing package” should be uploaded to the portal.*** After this has been done, a request for the assignment of an ORCF Closer should be sent to the Closer Mailbox at ORCFCloser@hud.gov.  To assist ORCF’s workload management, the request should include any knowncircumstancesthat influence the closing date. The Lender will be notified by email when an ORCF Closer has been assigned.

***Keywords*** *–* *Closings, Closing Package, 232 Healthcare Portal*

**Update - Lender Attorney Portal Access**

The 232 Healthcare Portal now offers a new role that allows for a ***Lender Attorney to be assigned to projects within multiple Lenders’ portfolios***. This role within the portal technology, will allow a Lender Attorney who works with multiple Lenders to be assigned to a single, multiple, or the entire portfolio of multiple lenders, using a single Username. This role is assigned by the Lender Account Managers and Backup Account Managers of a Lender's portfolio and can be given to any Lender Attorney with Portal access.

Instructions are attached, which show Lender Account Managers and Backup Account Managers how to assign the Special Option User role and it explains how Special Option Users can access their newly assigned projects.

If you should have any questions or require additional information regarding this e-mail, please submit a Help Desk Ticket through the 232 Healthcare Portal and title it "SOU".

***Keywords*** *–* *Closings, Lender Attorney, 232 Healthcare Portal, Portfolios, Multiple Lenders*

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**Document Links Included In This Blast**

1. [National Standards for the Physical Inspection of Real Estate (NSPIRE) webpage](https://www.hud.gov/program_offices/public_indian_housing/reac/nspire)
2. [ORCF Queues, Reports, and Statistics](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care)

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Past Lean 232 Updates are [available online](http://portal.hud.gov/hudportal/HUD?src=/federal_housing_administration/healthcare_facilities/residential_care/mail_blast_index).

Have questions about the Lean 232 Program? Please contact LeanThinking@hud.gov.

For more information on the Lean 232 Program, check out: <http://www.hud.gov/healthcare>.

Have your loan servicing colleagues joined our email list? The Email Blasts contain information relevant to them as well. You might suggest they [Join here](http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=Lean%20232%20Updates&list=LEAN-232-UPDATES-L).

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