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February 23, 2022

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Clarifications on Decision Circuit Financial Tables – COVID Expenses

The June 30, 2021 Email Blast ([here](https://www.hud.gov/sites/dfiles/Housing/documents/JuneEmailBlast06302021.docx)) contained guidance on how to handle COVID-19 expenses when reporting historical financials in applications. ORCF is providing the below additional clarifying guidance for lenders when submitting financial tables in applications.

COVID-19 has impacted facilities differently, and ORCF needs to understand the impact to the project’s financial history, therefore lenders should not deduct COVID-19 expenses and thereby “normalize” the financial history.

While some normalization might be useful in understanding projections in comparison to a facility’s history, any such adjustment needs to appear in separate tables or in the “Optional Reporting Periods” columns shaded in yellow in the Decision Circuit. Applications presenting normalization or adjustment information must include a detailed explanation as to why each expense (full or partial) has been excluded and why it would not be considered an ongoing expense. For example, additional agency staffing needed to cover an outbreak at a facility may be considered a non-recurring; however, use of agency staffing that continues over a longer term due to labor shortages would be considered an ongoing expense, unless there is evidence it is no longer being used.

Note also that the industry has adapted to new ways of operating and ORCF therefore expects to see minimal adjustments to underwritten COVID-19 expenses as a result.

* Historical Financials:
  + Include actual historical financials including any temporary COVID-19 rate, expense, or census changes. Do not include stimulus revenue (e.g., CARES Act, PPP loan proceeds, EIDL, etc.).  Describe and analyze impact to the project’s financial history and trends in the Lender Narrative.
  + Historical Financials prior to the Appraisal date should be presented in the blue columns to the left of the Appraisal Column.
  + Historical Financials after the Appraisal date should be presented in the yellow optional reporting period columns to the right of the Lender’s UW column.
  + Any adjustments to the financial periods, such as removing non-recurring COVID-19 related expenses should be presented in the yellow optional reporting period columns to the right of the Lender’s UW column. Lenders should clearly explain any adjustments being presented in these columns.
* Appraisal Column:
  + Take directly from the appraisal.
  + Assumes a typical market owner.
* Lender’s DSC Column:
  + Assumes actual owner/operator.
  + Assumes No COVID-19 revenue or non-recurring expenses, but assumes actual taxes, Reserve for Replacement, etc.
  + Include increases in ongoing expenses that have resulted from COVID-19 (e.g., additional infection control expenses) and are anticipated to continue.
  + The Lender Underwriting column should be more reflective of historic operations that do not include temporary shifts in revenue and expenses.

**Key Words:** *Expenses, Financial Tables, Normalization*

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Upcoming Changes to Quarterly Operator Reporting

ORCF will be implementing several changes to the process of quarterly Operator financial reporting in the 232 Healthcare Portal.  These changes are as follows:

* 24-hour Batch File Upload Processing window: Once this change is implemented, Lenders will receive a pop-up message indicating the Portal has initially accepted the Batch File Upload Spreadsheet submission.  Within 24 hours, the Portal will send an email informing the Lender that the Portal has run its calculations and the Lender can log on to the Portal to review the data submitted.
* Fix to non-sequential Quarterly reporting: Once this change is implemented, the Portal will accept quarterly submissions out of sequential order and will re-calculate quarterly calculations.  This will address inconsistencies observed between cumulative and quarterly calculations.
* Aged Accounts Receivable (A/R) and Accounts Payable (AP) reporting: The Batch File Upload Spreadsheet will be modified to include separate columns for Accounts Payable and Accounts Receivable data.  Once implemented, Lenders will on a quarterly basis include the following information from Operators:
* Trade Accounts Payable aged greater than 90 days, and
* Patient Accounts Receivable aged greater than 90 days

ORCF anticipates implementing this enhancement for Fiscal Year 2022 for Operators whose Fiscal Years begin on or after January 1st.  ORCF will communicate further procedural guidance regarding these portal upload process adjustments, along with a definitive implementation date, in the near future.

***Keywords:*** *232 Healthcare Portal, Operator Financial Reports, Asset Management*

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FROM THE CLOSING CORNER

Survey Instructions and Borrower’s Certification (HUD-91111-ORCF) Updated to Reflect February 2021 ALTA Survey Standards

The Survey Instructions and Borrower’s Certification (HUD-91111-ORCF) has been updated ([here](https://www.hud.gov/sites/dfiles/OCHCO/documents/91111_orcf.docx?web=1)) to reflect the February 2021 ALTA Survey Standards. Please keep in mind:

1. For surveys contracted for or updated after February 23, 2021, the 2021 ALTA/NSPS survey requirements should be used.  Changes to the February 2021 ALTA Survey Standards can be reflected on the HUD-91111-ORCF, Survey Instructions and Borrower’s Certification, as referenced ([here](https://www.hud.gov/sites/dfiles/OCHCO/documents/91111_orcf.docx?web=1)).

If you have a unique set of circumstances related to the timing of a particular survey, please contact Spencer Ash, Senior Healthcare Account Executive, to discuss the specifics of your transaction.

1. Consistent with HUD Office of Multifamily Housing, ORCF will not generally require Survey Table A, Item 11(a) and 11(b). Table A requirements are generally outlined on the interim/attached HUD-91111-ORCF. Please note, however, that ORCF staff retains the discretion to request Option 11(a) and 11(b) in any specific case where knowledge and due diligence of underground utilities is necessary to underwriting and plan review, e.g., substantial rehabilitation of existing structures, particularly conversion of non-residential structures to residential use.

***Keywords:****Survey, 2021 ALTA/NSPS Survey, HUD-91111-ORCF, Survey Instructions and Borrower’s Certification*

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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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