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| **Initial Operating Deficit (IOD) Checklist**  Section 232 |  | **U.S. Department of Housing and Urban Development**  Office of Residential Care Facilities |

**Warning:** Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

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| **Project Name:** |
| **Project Number:** |
| **Applicant Name:** |

An **Initial Operating Deficit (IOD)** analysis is required on all firm applications where new units are being added or when occupancy performance assumptions used in underwriting are not presently being achieved. An escrow will be required when any period of deficit operations is identified.

Upon initiation of New Unit Lease Up (NULU) project monitoring, Lenders instruct Borrowers on how to complete and submit the IOD/Lease-up Tracking Worksheet on a monthly basis. The Lender will review and promptly submit to ORCF via the Section 232 Healthcare Portal using this Checklist.

ORCF must approve all releases from the IOD escrow; disbursements may be authorized each month to meet cash deficits in the operation of a project commencing upon the issuance of a Certificate of Occupancy, immediately following substantial completion of construction. For more information, please refer to the *Section 232 Handbook 4232.1, Section III Asset Management, Chapter 3.2.7 Initial Operating Deficit (IOD) Escrow.*

ORCF and the Lender must review performance data to assess the overall health of the project. The IOD Tracking Sheet provides a trended summary of monthly occupancy, revenue. and expenses. Additionally, ORCF may also require that periodic financial statements (e.g., Balance Sheet, Statements of Profit/Loss, Cash Flows, Retained Earnings, Computation of Surplus Cash, Accounts Payable and Accounts Receivable Aging Analysis, and Proforma Budget) and/or HUD Monthly Accounting Reports (MARs) be submitted. For more information, please refer to *Section 232 Handbook 4232.1, Section III Asset Management, Chapter 3.1.3 Asset Management Functions after Initial Closing.*

**SUBMISSION REQUIREMENTS:**

* Lender shall transmit the checklist documents via the HUD Healthcare Portal (link [here](https://www.hud232portal.com/)), and one (1) additional hard copy of the documents to the designated HUD attorney. In the Portal, select *Asset Management > Project Request Form*. Fill out the information and from the *Project Action Request Type*, select the applicable type of transaction being submitted.
* It is **critical** that you name each file according to the naming convention provided in the checklist **highlighted in green.** These highlighted numbers are important codes that “guide” the Portal system to recognize the type of transaction submitted, section number of the checklist, and the identity of the document. Therefore, appropriate file names for this submission package would include **99901-a\_Lender’s Narrative [OR] 99901-a\_LendersNarrative [OR] 99901-a\_LNarrative.** In all three examples, the critically important portion of the file name is the five-digit number, dash, letter, and underscore that have been highlighted in green on the checklist. Do not use the following characters in your file names: Less than: (<), Greater than: (>), Colon: (:), Double quote: ("), Forward slash: (/), Backslash: (\), Vertical bar or pipe: (|), Question mark: (?), Asterisk: (\*).

| **No.** | **Item** | **Incl.** | **N/A** |
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|  | **92001-a\_**Copy of the completed **Initial Operating Deficit (IOD) Checklist** |  |  |
|  | **92002-a\_**Initial Operating Deficit Escrow Calculation (Form HUD-91128-ORCF) |  |  |
|  | **92003-a\_**Request for Approval of Advance-Release of Escrow Funds (Form HUD-92464-ORCF) |  |  |
|  | **92004-a\_**Operating Reports *(as applicable)*  When requested, please provide the Balance Sheet, Statements of Profit/Loss, Cash Flows, Retained Earnings, Computation of Surplus Cash, AP and AR Aging Analysis, and Proforma Budget. Whenever possible, these reports should be consolidated into a single document before submission. |  |  |