**HUD’s Lean 232 Program**

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

**Update as of June 26, 2019**

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**Posting of Queues to HUD.GOV**

Effective immediately, when queues are posted to HUD.gov we will be combining the Section 223(f) portfolio and non-portfolio queues into one list as internally ORCF utilizes one combined 223(f) queue when making assignments.  While ORCF generally assigns projects out of the queue on a first-in, first-out basis, ORCF continues to process applications with loan amounts of $25M+ internally, so on occasion projects may be assigned to an underwriter slightly out of order based on the availability of ORCF internal underwriters.  Queues will continue to be posted weekly [here](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting/queues).

To the extent possible, the ORCF Appraisal and Environmental Reviews are started while projects are in the queue.  Lenders can check the portal to see the status of these reviews.

If you have questions regarding projects in the queue, please contact [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov).

***Keywords:*** *Application Processing*

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**Decision Circuit Update**

The Decision Circuit is an Excel workbook that is used by ORCF to complete appraisal reviews. It only applies to Section 232/223f refinances and is not used in our new construction programs. It has proven useful for ORCF to share the Decision Circuit with lenders as it indicates, through the use of flags, items that the ORCF review appraiser must address. The Decision Circuit is an internal review document and lenders are not required to use it. In an effort to save time, ORCF accepts Decision Circuits filled out by the lender, thereby giving them the opportunity to proactively comment on the flags. It has been two years (May 12, 2017) since we last made changes to this tool. Our intention is to refrain from making changes for another two years. If we find errors in formulas or formatting we will issue patch notes that will instruct how to correct the problems. The new version of the Decision Circuit can be found online ([here](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting/223f)). ORCF will phase in the new Decision Circuit over the next 3 months, giving the ORCF reviewer the option to use the old version when it has been filled out by the lender.

***Keywords:*** *Decision Circuit, Appraisal Review, Flags*

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**Clarification Regarding Date of Appraisal Waivers**

Handbook 4232.1 REV-1, Chapter 5.3.B states “The effective date of the opinion of value should be the date that the designated appraiser inspected the subject property.” When ORCF approves waivers for this requirement, the waiver is to allow the appraiser to include financial reports in the analysis that are more recent than the site visit. This allows appraisers to consider fresher financial information. The waiver is **NOT** to allow the inspection to be more than 180 days prior to submission. A second waiver would be needed if the inspection date is more than 180 days before application.

***Keywords:*** *Date of Value, Appraisal, Financial Reports, Waivers*

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**Application Processing Protocol for Loans Over $25 Million**

ORCF would like to clarify the application processing protocols for loan amounts over $25 million.  These loans are assigned to ORCF Underwriters, not Contract Underwriters.  A site visit by the ORCF Appraisal Reviewer is also required.  In addition, these loans must be reviewed by the Office of Risk Management prior to being presented to Loan Committee.

***Keywords:*** *Application Processing*

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**Transfer of Construction Management Operations**

After nearly 32 years of service, Michael Peeler, ORCF Construction Manager, will be retiring from HUD, on July 10, 2019.

As a result, on July 1, 2019, Rick Price will be assuming all construction management operations.  Rick is located in HUD’s Portland, Oregon Office, and has extensive previous construction management experience with HUD.

Rick can be reached at [Rick.W.Price@hud.gov](mailto:Rick.W.Price@hud.gov).

Please direct all construction related requests to Rick, including, but not limited to: PreConstruction Conferences, Monthly Site Inspections and Construction Draws, Change Orders, Permissions to Occupy, Escrow Releases, and Retainage Reductions.

***Keywords:*** *Construction Management*

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**Section 232 Borrowers, Operators & Servicing Lenders: Recent Star Rating Changes**

Recently, CMS made changes to its Five-Star Rating System.  As outlined in the CMS Memo to State Survey Agency Directors ([QSO-19-08-NH](https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/SurveyCertificationGenInfo/Policy-and-Memos-to-States-and-Regions-Items/QSO19-08-NH.html)), effective April 2019, CMS ended its freeze on Health Inspection Star Ratings that had been in effect since February 2018.  The CMS Memo also discusses changes made to the Quality Measure and Staffing Domains of the overall Star Rating.  The result is a widespread shift in overall Star Ratings, including almost 500 Section 232 SNFs experiencing an overall drop below three stars.

Although these recent drops in the Star Rating may be the result of circumstances beyond the scope of reporting requirements outlined in the Operator’s Regulatory Agreement, they may still be an early indication of deteriorating conditions at the facility and therefore, the ORCF Account Executive may reach out to Servicing Lenders and/or project participants.

Also, ORCF would like to remind its project participants, and requests its servicing lender partners to remind their clients, of the reporting requirement in the Healthcare Regulatory Agreement – Operator (Form HUD-92466A-ORCF). The Healthcare Regulatory Agreement - Operator requires reporting to HUD and the Lender Servicer when the Operator receives a report, survey, notice, or other correspondence from a governmental entity that asserts certain risks to the project’s Permits and Approvals. Reporting for Licensed Nursing Facilities is only required when a survey has findings higher than a “G” level or any repetitive “G” level or higher findings from prior surveys (a G-level deficiency is where actual harm that is not immediate jeopardy is cited in an isolated incident).

***Keywords:*** *CMS*

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**FROM THE CLOSING CORNER**

**Lender Delegated Non-Critical Repair Escrow Clarification:**

*For* ***Lender Delegated Non-Critical Repair Escrows****, ORCF looks to the Lender to ensure all administration guidelines are in accordance with* ***Handbook 4232.1, Section III, Chapter 3.2.4.H.***

***Please note:****The “Addendum” seen in several submissions recently is not a HUD approved form and HUD will not accept this form with the Non-Critical Repair Escrow submission.*

***Keywords:*** *Lender Delegated Non-Critical Repair Escrows*

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**Document Links Included In This Blast**

1. [Underwriting Queues and Assignments](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting/queues)
2. [Decision Circuit](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting/223f)
3. [CMS Memo to State Survey Agency Directors](https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/SurveyCertificationGenInfo/Policy-and-Memos-to-States-and-Regions-Items/QSO19-08-NH.html)

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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](mailto: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).

We hope that you will want to continue receiving information from HUD. We safeguard our lists and do not rent, sell, or permit the use of our lists by others, at any time, for any reason. If you wish to be taken off this mail list, please [go here](http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=Lean%20232%20Updates&list=LEAN-232-UPDATES-L).