**HUD’s Lean 232 Program**

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

**Update as of June 27, 2018**

image001

*June 27, 2018 Contents*

[Updated Firm Application Checklists](#_Toc516671418)

[Environmental and Timing Considerations](#_Toc516671419)

[Refinances via 223(a)(7) of Poorly Performing Loans](#_Toc516671420)

[Previous Participation Exhibits](#_Toc516671421)

[Multiple Project Exhibits](#_Toc516671422)

[Document Links Included In This Blast](#_Toc516671423)

image001

**Updated Firm Application Checklists**

The Firm Application Checklists for all loan types have been updated and are available on the Section 232 Underwriting Guidance website ([here](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting)).  The new checklist versions align exhibits to be consistent across all loan types.  The updated checklists are also in the format for document submission when ORCF starts accepting application submissions through the Healthcare Portal.  Lenders should start using the new versions for any applications not yet submitted.  As a reminder, lenders should always use the most current version of documents available when preparing application packages.

***Keywords:*** *Checklist, Portal*

[Back to top](#_top)

**Environmental and Timing Considerations**

For applications where an existing or proposed HUD-Insured project involves work that exceeds the level of routine maintenance (including construction, demolition, building modifications, site clearing, tree removal, or ground disturbance), HUD must complete an Environmental Review before the work can commence. Depending on the nature of the proposed activities, specific review requirements may apply pertaining to floodplain management, protection of wetlands, historic preservation, endangered species, and other environmental factors. Proposals should consider early submission of environmental factors where early consultation is necessary in order to avoid processing delays.

Note that some State Historic Preservation Offices (SHPOs) and some regional offices of the US Fish and Wildlife may only respond to consultation requests from HUD. Since these consultations can sometimes take months to complete, it is important to get the process started early in these instances. ORCF’s Handbook 4232.1, REV-1, Section II, Chapter 1.4.D.2 describes such instances. Examples include:

* Where proposed ground disturbance or vegetation / tree removal has the potential to impact endangered species, and a consultation with the US Fish Wildlife service may be necessary, early contact with HUD is recommended.
* Whenever a project involves work that exceeds the level of routine maintenance, consultation with the State Historic Preservation Officer (SHPO) is required regardless of the age and location of the property, unless the applicable SHPO has a formalized agreement with HUD that excludes certain types of activities from consultation.
* When a project involves Tribal Consultation, early contact with ORCF is recommended.

Lenders are encouraged to contact ORCF at [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov), during the assembly of their applications, to avoid processing delays due to required consultation periods (sometimes 30 days or longer). Lenders are also encouraged to contact [LeanThinking@hud.gov](mailto:LeanThinking@hud.gov) with any other questions that impact application processing. For projects which already have HUD Mortgage Insurance, and that are also proposing work beyond routine maintenance, early environmental contact with ORCF may also apply, so contact the ORCF Account Executive for your specific project.

For a description of “routine maintenance”, please see: Notice CPD 16-02: Guidance for Categorizing an Activity as Maintenance for Compliance with HUD Environmental Regulations, 24 CFR Parts 50 and 58 ([here](https://www.hudexchange.info/resources/documents/Guidance-Categorizing-Activity-as-Maintenance-Environmental-Regulations-24-CFR-Parts-50-and-58.pdf)).

***Keywords:*** *Environmental Review, Application Processing, Routine Maintenance, Demolition, Construction, Ground Disturbance*

[Back to top](#_top)

**Refinances via 223(a)(7) of Poorly Performing Loans**

An (a)(7) refinance is sometimes a useful tool for improving a property’s performance; it can reduce debt service while also making some funds available for repairs and limited improvements.  However, when this tool is used on a poorly performing property (certainly one with a debt service coverage ratio below 1.10), the tool needs to be part of a larger plan for performance improvement.  That business plan should demonstrate a thorough consideration of the market and set forth specific steps being initiated to increase revenue, improve resident care and control expenses.  The Lender Narrative should detail that plan.  Without an upfront plan and the lender’s initial analysis of how that plan will bring sufficient performance improvement, ORCF is not well positioned to evaluate the risk of the proposed (a)(7).  In such cases, the lender will experience substantial delays as ORCF asks the lender for further data and analysis.

***Keywords:*** *223(a)(7)*

[Back to top](#_top)

**Previous Participation Exhibits**

Recently ORCF has been seeing applications with placeholder pages for Previous Participation exhibits noting the item is in process and will be submitted at a later date.  Please note that not having these exhibits ready to submit results in an incomplete application that is not ready for review and creates delays in processing.  As a reminder, please ensure that all relevant application exhibits are included at application submission.  Incomplete submissions may be placed on hold or be held for assignment to an underwriter until the application is complete and ready to review.

***Keywords:*** *Previous Participation, Application Processing*

[Back to top](#_top)

**Multiple Project Exhibits**

ORCF has also been seeing applications with large files covering information for multiple projects.  For example, we have seen all of the APPS submissions for the principals on multiple projects being submitted in a single large file.  ORCF needs discrete information for each application.  In addition, such combined files are not efficient for reviewers to work with and result in processing delays.  Duplication of these files in multiple applications also uses up limited file storage space, which may result in delays uploading new application submissions.

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

[Back to top](#_top)

**Document Links Included In This Blast**

1. [Section 232 Underwriting Guidance website](https://www.hud.gov/federal_housing_administration/healthcare_facilities/residential_care/underwriting)
2. [Notice CPD 16-02: Guidance for Categorizing an Activity as Maintenance for Compliance with HUD Environmental Regulations, 24 CFR Parts 50 and 58](https://www.hudexchange.info/resources/documents/Guidance-Categorizing-Activity-as-Maintenance-Environmental-Regulations-24-CFR-Parts-50-and-58.pdf)

[Back to top](#_top)

**image001**

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).