**HUD’s Lean 232 Program**

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

**Update as of October 13, 2017**

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**processing reserve for replacement (R4R) requests related to florida’s emergency Generator rules**

In response to the emergency generator rules imposed by the Governor of Florida on assisted living facilities ([here](http://www.flgov.com/wp-content/uploads/2017/09/EN_DEA.pdf)) and skilled nursing facilities ([here](https://www.ahca.myflorida.com/Executive/Communications/Press_Releases/pdf/59AER17.pdf)), the Office of Residential Care Facilities (ORCF) has conducted outreach with servicing lenders to ascertain the compliance status for its entire Florida portfolio. The September 28, 2017 Email Blast affirmed that generators and related components are an eligible reserve for replacement item.

Project borrowers are encouraged to contact their servicing lender to develop a plan for achieving compliance with these rules, ensuring all HUD requirements are met in the installation of a generator.

Servicing lenders should work with their ORCF Account Executive to communicate plans for making these improvements, including obtaining a cost estimate and a timeline for the proposed work, and determining how the borrower/operator plans to fund the improvements. If outside sources of funding are being contemplated, lenders should communicate this to their Account Executive as early in the process as possible.

The September 28, 2017 Email Blast affirmed that generators and related components are an eligible reserve for replacement item. The following guidance applies specifically to R4R requests for a Section 232-insured facility in Florida coming into compliance with these rules:

* All R4R release requests for generators, storage tanks and other related components pursuant to complying with this requirement are to be sent to [232R4RRequest@hud.gov](mailto:232R4RRequest@hud.gov), rather than the Portal.  This applies to lenders following the established delegated approval process
* A plan should be established for replenishment of the R4R account over time, if necessary
* If the request will bring the balance of the R4R account below the $1,000 per unit recommended minimum threshold, a waiver may be considered
* The existence or non-existence of a generator on the PCNA will not be a reason on its own to deny a request
* Pursuant to 3.2.2 H.3 of the handbook, advances may be considered for this type of work
* Pursuant to 3.2.2.H.4 of the handbook, requests shall be made no more than one year after the expenditure occurred; complying with the Florida requirement will not be a rationale for waiving this requirement
* Section 3.2.2.H.5 of the handbook has guidance on delegated approval (by lenders). Generators/tanks/component improvements (as long as they meet the requirements of this section) may be processed using the delegated approval process; in these cases, the details of the approved transaction are to be sent to the [232R4RRequest@hud.gov](mailto:232R4RRequest@hud.gov) mailbox rather than through the Portal, per above.

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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).