Real Estate Assessment Center (REAC)
Physical Inspections

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Asset Management

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Global Considerations

• Longstanding requirement for Insured projects to have physical inspection by REAC.
  – Same process/software used for Public Housing and MF projects used for 232’s
Global Considerations
(continued)

• Accountability rule in 2012 removed requirement to inspect Section 232 nursing homes (NH’s):
  – Reason: NH’s heavily regulated and inspected by CMS/States
  – ORCF can still choose to require an inspection.
  – ORCF chose to continue to inspect NH’s with previous scores of below 60.
    • NH’s continue to be inspected until last score is 60 or above
Who Schedules Inspection

• Lenders, and performed by REAC contractors:
  – No previous inspection
  – Previous inspection scores of 60 and above.
  – Single, non-consecutive 31-59 on previous score (1 year)
    • If previous inspection done after 8/1/17 (5/1/18 Email Blast)
    • AE’s reaching out to lenders on these

• HUD, and performed by REAC staff:
  – Previous score of less than 31
  – 2 consecutive 31-59 scores
  – Single, non-consecutive 31-59 with unacceptable borrower cert.
How Do Lenders/REAC Know Which Projects are Subject to REAC Inspections?

• Spreadsheet posted on HUD.GOV:
  – This lists all SNF’s as not requiring a REAC inspection – although 61 SNF’s are still receiving inspections.
  – Type of majority of units determines SNF (nursing home) designation
Please see column "P", which lists which projects are subject to future routine REAC inspections. All projects that are coded in our system as a "Skilled Nursing Facility" or "Intermediate Care Facility" are indicated with a “NO”. If you believe our coding for a particular project is incorrect, please contact the project’s Account Executive. Please note, projects containing more than one type of facility are coded as the predominant (based on # of beds) facility type. Please also note that if the previous REAC inspection on a facility was below a 60, HUD will require a re-inspection regardless of the type of facility (until a score of 60 or above is obtained).

<table>
<thead>
<tr>
<th>Property ID</th>
<th>FHA Number</th>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Subject to Routine REAC Inspections?</th>
<th>Subject to New Insurance Requirements?</th>
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<tbody>
<tr>
<td>8000414168</td>
<td>07443089</td>
<td>3801 Grand Board and Care</td>
<td>DES MOINES</td>
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<td>8002187761</td>
<td>2122110</td>
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<td>SANTA CRUZ</td>
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<td>8002329310</td>
<td>0122251</td>
<td>80th Street Residences</td>
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<td>8002399510</td>
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<td>8002161480</td>
<td>11443157</td>
<td>Aaron Manor Rehab &amp; Long Term Care Facility</td>
<td>Fairport</td>
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<td>8000359789</td>
<td>05422002</td>
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<td>8002429420</td>
<td>04322113</td>
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<td>8002429440</td>
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<td>8002345690</td>
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<td>8002345710</td>
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<td>Abbington of Powell</td>
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</table>
Logistics of REAC Physical Inspections

• After the inspection, the inspector leaves a ticket with the project owner of Exigent Health & Safety items (EH&S) to be addressed within 72 hours:
  – Some inspections do not have EH&S items.
  – The EH&S items called for do not reflect any modification due to database adjustments (e.g., egress deficiencies will still be called for)
• The inspector submits the report to REAC.
• REAC reviews, submits report, and releases the EH&S portion of the report to iREMS (if applicable).
• REAC reviews the submitted report from the inspector (making database adjustments as necessary) before or after release of report.
General Information

• REAC scores range from 1 to 100 (100 being best)
• A REAC score below 60 is considered a failed score.
• Referral to Department Enforcement Center (DEC):
  – Memorandum of Understanding (REAC, DEC, OHP), being revised.
  – Below 31: automatic referral
  – 2\textsuperscript{nd} consecutive below-60: elective DEC referral
• On all below-60’s a 100% survey of the property is required of the owner.
ORCF Process for REAC Physical Follow-up

• Below 31’s:
  – Follow-up via Rapid Response Team members
  – Developing revised site inspection (by ORCF) protocol
  – Concentrate on ensuring participants understand appeal/TDBA requests and timelines

• 31 to 100 Scores:
  – Follow-up by Account Executive
Proactively Preparing Property for Inspection

• REAC RESOURCES for the Borrower:
  Helpful information for the borrower to have before the inspection: Preparing for REAC Inspection

• Helpful information if the property needs to request a database adjustment after the inspection: Technical Review and Database Adjustments (TRDBA)
Appeals of REAC Physical Inspection Scores

• Two types of appeal:
  – Technical Review: (due 30 days from release of report)
    • Building data errors – wrong building inspected
    • Unit count errors: total # of units in scoring incorrect
    • Non-Existent Deficiency Errors – deficiency didn’t exist at time of inspection
  – Database Adjustment (DBA) (due 45 days from release)
    • Local Conditions and Exceptions: difference with codes (e.g. egress)
    • Ownership Issues: portions not owned inspected
    • Adverse Conditions Beyond Owner control: natural disaster, etc.
    • Modernization work in progress
Pre-Technical Database Adjustment

• A TDBA that remains with property (e.g., window egress).

• Although not reflected in inspector’s report, REAC should be adjusting score to reflect prior to report release.

• If not reflected in score, please contact Account Executive and we’ll address with REAC.
Future State of Pre-Database Adjustments Per Lender Dialogue on 6/19/18

• OHP obtain list of projects with DBA’s
• OHP AE’s work with lenders to address any projects that should have DBA’s that don’t
  – OHP to work with REAC on logistics of obtaining DBA’s on projects that need them.
  – OHP to communicate the logistics of obtaining DBA’s on any projects that should have DBA’s that don’t
• OHP to revise standard work to address Pre-DBA’s in initial Asset Management conference call with lender and borrower.