Application Process

Charles Y. Davis
Asset Management Officer, Office of Insured Health Care Facilities, HUD

William Tan
Director, Division of Facilities and Loans, HRSA, HHS
Process Steps

1. Self assessment
2. Initial contact with HUD or HHS
3. Preliminary HUD assessment
4. Pre-application meeting
5. Application and feasibility study
6. Application review by HUD/HHS
7. HUD decision
8. Insurance commitment
9. Initial closing
10. Construction
11. Final closing
Step 5: Application Development and Feasibility Study

- Consultant prepares study of market need and feasibility
- Hospital project team prepares application and Account Executive answers questions
- Hospital sends application including study to HUD/HHS
Step 5: Application Development and Feasibility Study

• Application Submission
  - Items to be sent to the HUD Regional Office
    - Submit a copy of the HUD – 92013
    - application and inspection fees,
    - Phase I environmental and a
    - Previous Participation Certificate and HUD Form 2530 (submit electronically)
**Step 6: Application Review**

- Completeness review
- Underwriting review (different for CAH) by Account Executive and team (financial, engineering, legal, environmental)
- HUD feasibility consultant performs independent review
- Application fee: 80 basis points
  - 15 with application
  - 15 at loan commitment
  - 50 at initial closing
Step 7: Decision

- Joint HUD/HHS team presents to Program Management Group (underwriting/credit committee)
- PMG recommendations sent to the Director of the Office of Insured Health Care Facilities
- FHA Commissioner makes final decision
Step 8: Insurance Commitment

- FHA Commissioner instructs the OIHC F Director to issue commitment
- Conditioned on hospital agreeing to covenants
- Commitment allows financing to be finalized

Step 9: Initial Closing

- Held at local HUD Field Office
- Proceeds of FHA-insured loan may now be used
**Step 10: Construction**

- HHS Office of Engineering Services monitors construction
- Advances made as project proceeds

**Step 11: Final Closing**

- After construction completed and costs certified
- Final mortgage amount
Common Application Processing Delays
Common Delay #1

1. Banker or client involves the Director in issues that are being addressed at the A/E level.
Common Delay #2

2. Banker or client involves Congressional representatives to influence a favorable review.
Common Delay #3

3. Failure to complete the Application according to the Applicant's guide:

1. If you are not sure ask questions so as not to submit an application that does not address the issues appropriately;

2. Attempts to complete the application in a misleading manner by omission of important details;
Common Delay #3

3. (cont’d):

3. Application incomplete or does not follow the format of information in prescribed order,

4. Inconsistency in numbers; one part of the application will have a number for “xyz”, which does not agree with the same “xyz” in another part of the application. The historical and forecast utilization numbers in the feasibility study, on the financial (FAST) tables and in the interim statements do not match, usually due to two or more different people putting the info together
Common Delay #3

3. (cont’d):

5. Incomplete information, a reference will be made to a “County Tax of $x.” There is no detail of how long it will be available to the hospital, commitments to the hospital from the County, prior years’ money, and other critical information.

6. Incomplete documentation, like missing financial statements, utilization statistics, etc. No support tables giving break out of costs of the individual lines of the 92013.
Common Delay #4

4. The application is not organized or presented in binders.

Requested Format - Three Volumes (binders with tabs):

1. Programmatic
2. Financial
3. Architectural
Common Delay #5

5. Not being kept apprised of interim events or progress.
Common Delay #6

6. An application that clearly does not meet one of the basic criteria (such as loan-to-value) ... that should have been addressed prior to the pre-application meeting.
Common Delay #7

7. Extraordinary delays in response time to questions from OIHCF staff. Not returning telephone calls or emails.
Common Delay #8

8. The applicant wants to update or revise the financial feasibility study and other information after submitting the original application.
Early Commencement of Work (Pre-Commitment)
Pre-Commitment Work

- After submission of an application but prior to a commitment decision
- For unusual, unavoidable circumstances
  - If a hospital is considering it, the AE should be consulted. May be eligible if the application is approved and work complies with specified conditions of HUD
- Hospital must recognize that pre-commitment work approval does not equal application approval
Pre-Commitment Work

- At a minimum, the application shall include:
  - An application form (HUD-92013-HOSP)
  - The application and inspection fees
  - A project description
  - Plans and specifications
  - A certificate of need, if required by the State.
  - Phase I Environmental
Pre-Commitment Work

- Requests shall be accompanied by:
  - Justification of the urgent need to begin construction
  - Plan detailing how the hospital will finance the limited construction if the application is denied
  - Statement acknowledging that financing the pre-commitment work will impose no significant financial hardship on the hospital, in the event the application is denied.
    - The statement shall be accompanied by supporting historical and projected financial data
  - Board Resolution
QUESTIONS?

Please write them down for the upcoming Q&A Session!