



Asset Management Update

Hot Topics

- OIG Audits
- REAC Physical Inspections
- CMS early notification to HUD of extremely poor survey results
- Section 232 Forms: Renewal and New
 - Many Asset Management Docs
 - Mandatory use
 - Two public comment periods
 - Email Blast

Capital Improvements

- Remodeling, adding to, subtracting from, reconstructing, or demolishing portions of the mortgaged project (HB Section 3.4.4).
- Remodeling = definition of Sub. Rehab. in Production Section 2.6 B
- Environmental required by CFR on all situations where scope of repairs is considered capital improvement – Phase I? See checklist
- Sample/optional documents posted on HUD.GOV

Average Monthly Default* Data

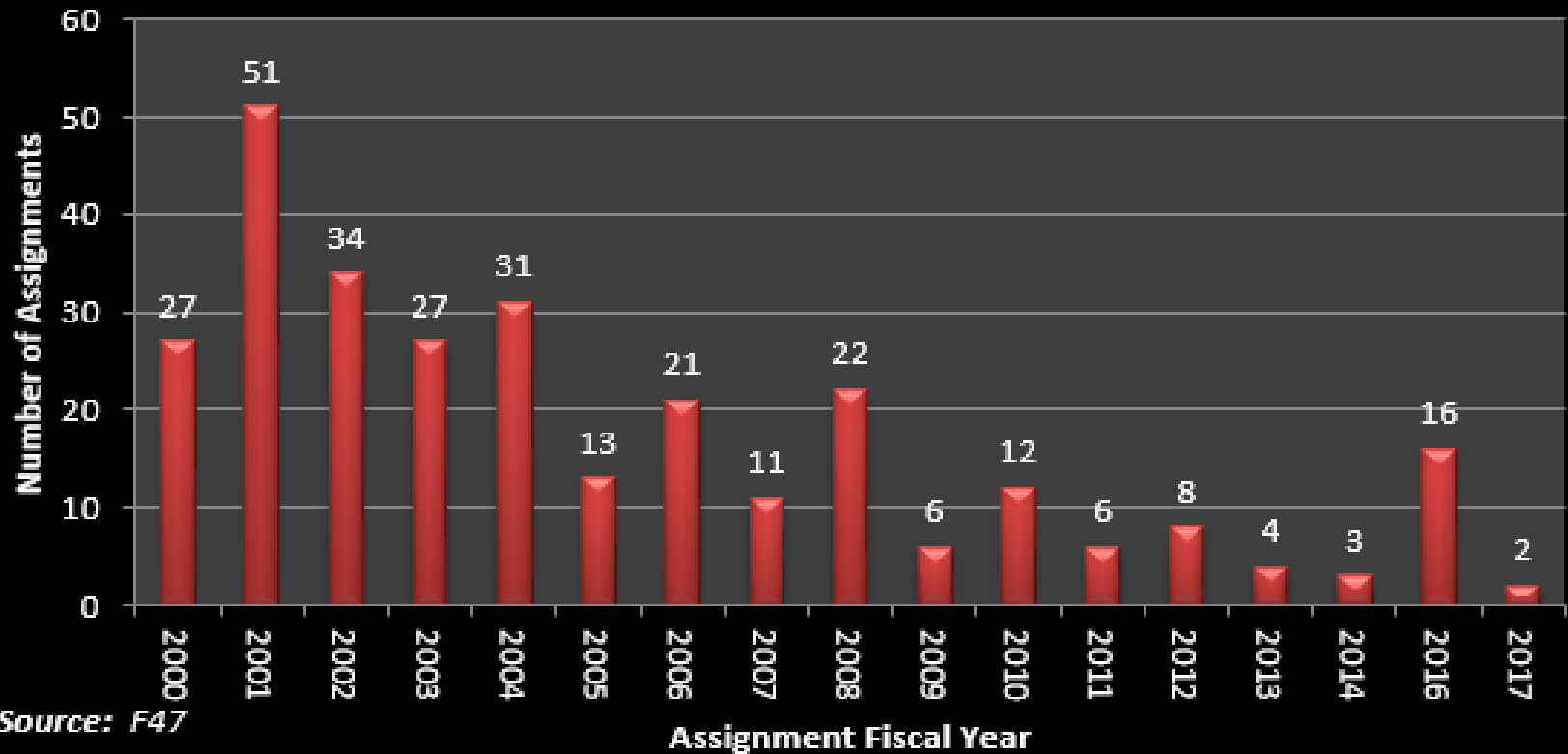
Fiscal Year	UPB in Default (60+ days)	Default Rate
2012	\$302 Million	1.65%
2013	\$285 Million	1.45%
2014	\$326 Million	1.51%
2015	\$384 Million	1.63%
2016	\$347 Million	1.40%
2017 FYTD	\$348 Million	1.37%

* Default = 60+ days delinquent

Section 232 Assignments

(Number of Assignments)

(Data as of 5/1/2017)

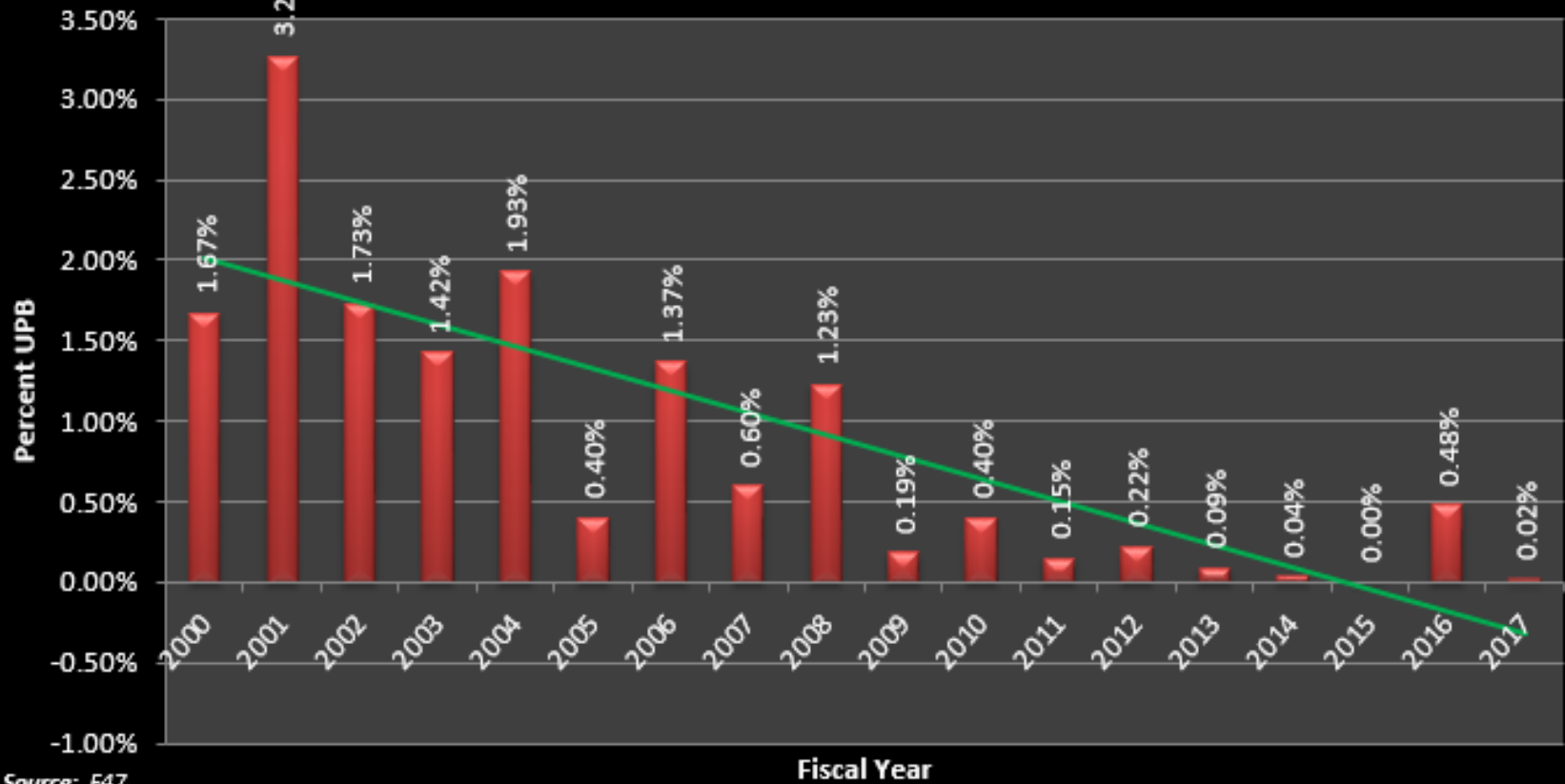


Source: F47

Section 232 Assignments

(Percent of UPB)

(Data as of 5/1/2017)



Source: F47

Causes of Section 232 Claims

- Operator: # 1 Cause
 - Financial – ability to adjust to changes/wherewithal
 - Care/surveys
 - Disputes amongst partners/fraud
- Initiatives to move residents to community
 - 1/3 of claims since 2012
 - Texas (8); Illinois; Indiana
- Market or other state initiatives
- “Reimbursement” Rates

Specific States and Risk

- Illinois
 - Continued delays in Medicaid payments
 - Managed Care
 - 60% of Illinois Medicaid recipients
- Connecticut
 - Rightsizing and certain areas deemed overbedded by state