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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>UPB in Default (60+ days)</th>
<th>Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$302 Million</td>
<td>1.65%</td>
</tr>
<tr>
<td>2013</td>
<td>$285 Million</td>
<td>1.45%</td>
</tr>
<tr>
<td>2014</td>
<td>$326 Million</td>
<td>1.51%</td>
</tr>
<tr>
<td>2015</td>
<td>$384 Million</td>
<td>1.63%</td>
</tr>
<tr>
<td>2016</td>
<td>$347 Million</td>
<td>1.40%</td>
</tr>
<tr>
<td>2017 FYTD</td>
<td>$348 Million</td>
<td>1.37%</td>
</tr>
</tbody>
</table>

* 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