



Policy, Risk Analysis and Lender Relations Division

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Waivers

- Reduction of waiver requests since publication of Handbook 4232.1 and recent REV-1.
- Waiver requests should be submitted:
 - Using *Request for Waiver of Housing Directive (form HUD-2-ORCF)*,
 - At the time of the application, and
 - **NOT** at closing or a few days before closing.
- Property insurance requirements (Production, Chapter 14) waivers should include some kind of risk analysis to demonstrate the lender has:
 - Engaged their insurance agent(s),
 - Clearly stated the risk and possible financial impact to HUD, and
 - Determined the waiver would be in HUD's best interest.

LEAN THINKING and PROGRAM Q & A: Section 232 Pre-Submission Resources

- Q & A Bank and how it is maintained
- How Lean Thinking works
- How your question gets reviewed
- How to use Lean Thinking effectively

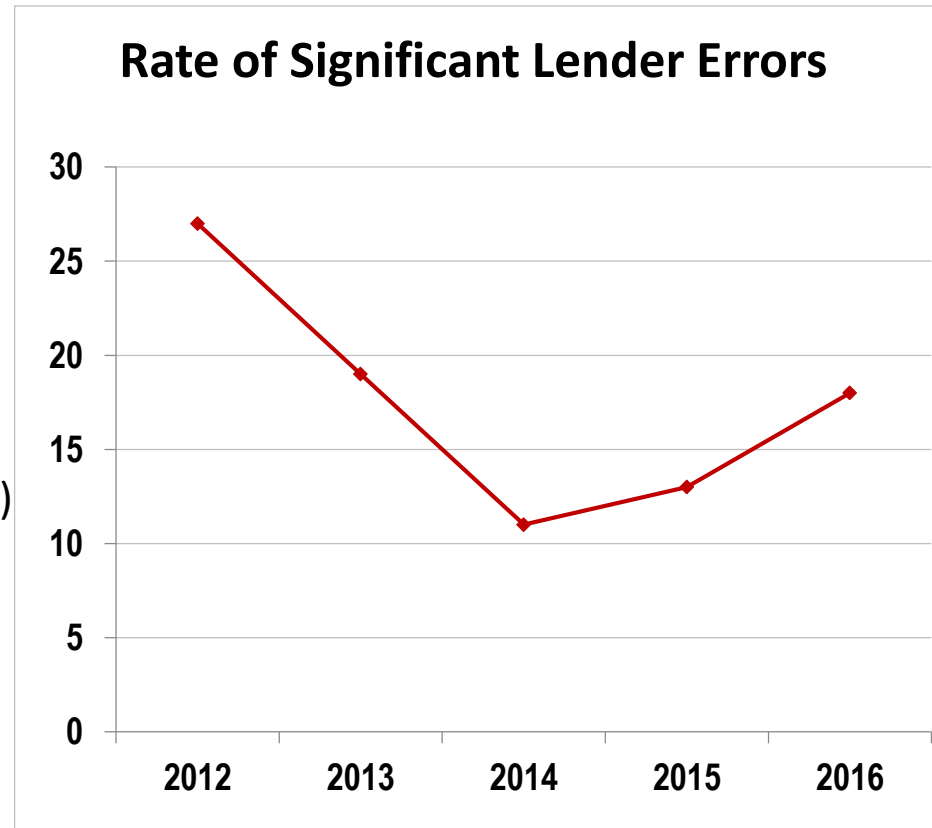
Lender Performance

- ORCF collects data points both during underwriting and Closing.
- Categories include:
 - Mathematical Calculations to Support Underwriting
 - Quality Control of Package
 - Responsiveness
 - Due Diligence of Facility's Performance
 - Programmatic and Legal Issues
 - Third Party Technical Reports/Lender Assessment of Physical Asset

LENDER PERFORMANCE METRICS

Uptick in Significant Underwriting Issues

- **Implemented FY 2012**
- **Measures Six Metrics (2016)**
 - Mathematical Calculations (10 apps)
 - Quality Control (23 apps)
 - Lender Responsiveness (19 apps)
 - Due Diligence (14 apps)
 - Program/Legal Requirements (13 apps)
 - Third Party Reports (17 apps)
- **Errors**
 - 27% Error Rate in 2012
 - 11% Error Rate in 2014
 - 18% Error Rate in 2016



State Risk Monitoring

- ORCF Production uses internal tool to analyze potential state regulatory and funding risks
- Tool prompts further action when facility characteristics & state funding and regulatory environment point to potential heightened risks
- When state risk factors are triggered, ORCF UW determines if issues are addressed or reaches out to Lender for response
- Lender conducts due diligence and responds
 - ORCF accepts responses and/or mitigants, OR
 - Engages Lender to mitigate

Areas of Risk

- **Funding:**

- State Budgetary Constraints: Very high Medicaid Census or Sensitivity to moderate reductions in Medicaid, especially in states with pending or rate reductions
- Medicaid Reimbursement Delays: States with pattern of history of payment delays

- **Eligibility & Compliance:**

- HCBS Settings Final Rule (Medicaid Waivers, HCBS State Plan Option): SNF/ALFs with significant Medicaid for non-SNF portion or very high non-SNF Medicaid Census

- **Threats to Occupancy:**

- Rebalancing toward Home- and Community-Based Settings (i.e. Money Follows the Person, etc.):
 - Projects with high MI/DD population
 - SNFs with high non-elderly, physically disabled population or SNFs in states rebalancing toward HCBS
- Implementation of the Olmstead Decision: Projects with high MI/DD population in states with settlement agreements or pending cases

Questions to Consider

- **Funding:**

- State Budgetary Constraints: demonstrate owner/operator plan for working through changes or demonstrate financial capacity to withstand future reductions
- Medicaid Reimbursement Delays: require Accounts Receivable Financing or demonstrate history of timely payments and/or capacity for handling payment delays

- **Eligibility & Compliance:**

- HCBS Settings Final Rule (Medicaid Waivers, HCBS State Plan Option): demonstrate likelihood of compliance or ability to operate with Medicaid (non-SNF)

- **Threats to Occupancy:**

- Rebalancing toward Home- and Community-Based Settings (i.e. Money Follows the Person, etc.): demonstrate stability of state's Medicaid funding for MI/DD and/or facility's ability to serve other resident types or payors
- Implementation of the Olmstead Decision: demonstrate facility's ability to serve other types of residents

What's Next

- Updated State Risk Summary Grid
 - Provide Lenders with specific Risk Mitigation to Consider
- State Risk Checklist Item (Firm Applications)
 - Encourage Mitigation of State Risk in initial firm submissions
- State Risk Criteria as potential revisions to Lender Narratives (PRA process)