

1
2
3
4
5
6
7

Section III Asset Management

Chapter 1 Asset Management Overview

1.1

Introduction - Overview and Objectives

8
9 ~~Since assuming responsibility for administering the Section 232 residential care facility portfolio from the Office of Multifamily Housing in December 2008, the Office of Healthcare Programs (OHP), and specifically the Office of Residential Care Facilities (ORCF), has instituted changes to improve the servicing and mitigate the risk of Section 232 insured loans. As part of these changes, ORCF strengthened the regulatory agreements and requirements for deposit and control agreements (DACAs) and accounts receivable (AR) financing, and increased scrutiny of Operators' operating processes and financial statements. ORCF has also established requirements for master leases and debt service reserves.~~

10
11
12
13
14
15
16
17
18 The primary responsibilities of the Asset Management and Lender Relations Division of ORCF are to service insured mortgages, monitor risk, and minimize claims. Each Account Executive (AE) works in partnership with the Borrower and Lender to ensure each FHA-insured loan is financially and operationally strong, that each property ~~provides and is maintained in decent, safe, quality place of residence and sanitary condition and in good repair,~~ and that the loan remains viable for the term of the mortgage. ~~The term "Lender" is defined in Section I, Chapter 1.2.C.~~

19
20
21
22
23
24
25 Monitoring of Section 232 assets includes reviewing state inspection surveys, analyzing Borrower FASS submissions and Operator financial submissions, reviewing Physical Assessment Subsystem (PASS) physical inspections, and monitoring Centers for Medicare and Medicaid Service (CMS) ratings.

26
27
28
29
30 ORCF implemented enhanced monitoring oversight and aggressive risk mitigation to further ensure sustainable HUD properties for the life of the mortgage.

31
32
33 All AEs in Asset Management report to a Workload Manager (~~AKA also known as~~ Branch Chief). Each Workload Manager (WLM) holds weekly huddles with their staff to help resolve issues in processing requests or support each team member in their efforts to provide good customer service. All WLMs meet bi-weekly with the Director of Asset Management who oversees the entire Asset Management Program. A complete listing of the AEs, their WLMs, and all contact information is available at the Section 232 Program website.

1.2

Account Executive and Lender Alignment

43

44 To the extent possible, AEs are aligned with specific Lenders. Lenders with significant
 45 portfolios of Section 232 loans have a team assigned to their portfolio, with one person
 46 designated as the Lender Lead. This centralized concept ensures consistent servicing for the
 47 Lender and Borrower, regardless of geographic location for either the property or the AE. The
 48 allocation of a Lender's portfolio is reviewed annually to ensure that Asset Management
 49 continues to provide successful customer service and effective risk management.

50

51

1.3

Team Structure

52

53 ORCF's Asset Management and Lender Relations Division is organized with WLMs leading
 54 teams of AEs. The ~~Turnaround Risk Mitigation Team, (RMT)~~, or the Risk Mitigation Branch,
 55 concentrates on loans that are HUD-held, or in serious financial and/or operational condition.
 56 Moreover, several other WLMs lead teams of AEs that service all other performing loans.

57

58

1.4

Asset Management Branch and Risk Mitigation Branch

59

60 The AEs use multiple tools in the management of the Section 232 portfolio, ~~two of~~ which are
 61 highlighted below:

62

63 ~~A. Annual Macro Analysis Report. This report is compiled from CMS provided Operator
 64 financial data, CMS Star Rating Report and Special Focus Facility Report for Skilled
 65 Nursing Facilities; ORCF internally provided Borrower financial data (audited financial
 66 statements that are required to be electronically submitted by the Borrowers) and physical
 67 condition data from the Integrated Real Estate Management System (iREMS). It rates each
 68 Section 232 project within ORCF's portfolio and provides a baseline to determine if
 69 additional oversight is necessary.~~

70

71 A continuous review of each property in the AE's portfolio based on project activity within a
 72 particular month to proactively analyze and respond to issues. This involves ongoing review of
 73 several critical sources of information which include:

74

75 1. Mortgage Default and Delinquency Report (MDDR). Payment delinquency and
 76 default information on HUD-Insured loans is provided by the Lender to ORCF.

77

78 2. CMS Star Rating Report. This report is drawn from the CMS "Nursing Home Care
 79 Compare" website or a successor designation, which indicates its ratings on a 1
 80 through 5-star rating for Medicare-certified nursing homes nationwide.

- 81
82 3. State Surveys. This report, provided by the State for each nursing home, details the
83 property's annual operational and financial status.
84
85 4. Real Estate Assessment Center (REAC) Inspection results.
86
87 5. Reserve for Replacement (R4R) Requests. If a request is made to suspend or reduce a
88 monthly payment, or to use funds from the account to fund a mortgage payment or
89 operating expenses, the AE will look at the monthly cash flow to determine if
90 additional actions are necessary.
91
92 6. Stop Order from State Agency based on an annual state inspection by the licensing
93 agency.
94
95 7. Borrower's annual audited financials filed with ORCF.
96
97 8. Quarterly financial reports from Operators.
98
99 9. Specific compliance issues for a property identified by ORCF and the Departmental
100 Enforcement Center (DEC).

101
102 10. Information identified in the following forms: *Servicer's Notification to HUD of*
103 *Risks to Healthcare Project (Form HUD-93334-ORCF) and Operator's and/or*
104 *Borrower's Notification to HUD of Threats to Permits and Approvals (Form HUD-*
105 *93335-ORCF). These forms are discussed in greater detail in Section III, Chapter*
106 *3.10 of this Handbook.*
107

108 10.11. Asset Management Group and individual Team Calls where policies are
109 reviewed, and live meeting training is provided on new or revised processes or
110 current ORCF initiatives.
111

112 Communication between the Lender and the AE is critical to ensuring the ongoing viability of
113 the project. Under certain circumstances, special servicing is warranted to the complexities of
114 the situation. In these cases, loans are transferred to the Risk Mitigation Branch for a closer level
115 of attention. Whenever a transfer of a loan occurs, the Lender will be invited to a conference call
116 to discuss the re-assignment of the loan to the Risk Mitigation Branch along with contact
117 information regarding the new AE on that team. Please refer to Asset Management, Chapter 5
118 for more information on the Risk Mitigation Branch.
119
120