

COOPER VALUATION GROUP

HUD LEAN SEMINAR – PHILADELPHIA - MARCH 2013

We attended the HUD Lean Training seminar in March 2013 that was held in the Philadelphia Marriott Downtown. The HUD Lean program offers mortgage insurance for assisted living and skilled nursing facilities. The seminar panel and attendees included HUD staff, HUD lenders, appraisers & market analysts, capital needs assessors, lawyers, etc.

The following are highlights from the seminar:

1. The **mission** of the HUD Lean program is to enable more affordable financing of *needed* healthcare facilities – at no cost to the taxpayer.
2. HUD Lean program remains “**net positive**” – meaning that the fees paid to HUD are currently outpacing claims to the FHA insurance fund. New claim rates are less than 2% in both the 232 and 242 programs. Demand remains high - application volume is increasing and so is closing volume.
3. Recent efforts to reduce the **queue** have been successful. Total average processing times: 223(f) = 165 days; A(7) = 140 days.
4. HUD Lean continues to prefer some **NOI history** at/near underwritten levels. **New construction** and **sub-rehab** deals pose the greatest threat to HUD as there is no past NOI history.
5. **Special Focus Facilities** (SFF; CMS star ratings) are non-starters and are just not likely to get a commitment. Higher escrows are not considered adequate mitigation for care issues.
6. If **existing debt** is at least 2 years old at time of processing, it is eligible. If less than 2 years, lender must determine that there was no “**cash out**” to mortgagor or principals.
7. HUD plans to soon issue a **new 232 Guidebook** for the Lean program – which will replace the Scope of Work for both Appraisal and Market Study.
8. The former Risk Assessment Worksheet has been replaced with HUD’s “**decision circuit**”, which is essentially HUD’s internal workload management tool.
9. In the Appraisal break-out session, HUD staff provided feedback on their internal underwriting concerns. Possible “flags” creating concern in **Appraisals**: downward trend in NOIs; no local comps; Q mix departures.



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✚ The **Cooper Valuation Group** is a commercial real estate appraisal and market analysis firm in the Chicago area specializing in healthcare and senior housing properties.