

Appraisal Topics

The Good, The Bad, & The Ugly

Moderator: Scott Thurman, Greystone

Panelist: Ernest Benjamin, Walker & Dunlop

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Panelist: T J Griffith, OHC Advisors



Decision Circuit 2.0

New and Improved

Decision Circuit - to be used with all 232/223f applications

<- Flags - Explained in DC tab

A

Project Name	
Project Street Address	
City	
State	Select from ▼
FHA Number	
Lender (Firm)	
Lender (UW Name)	
Date of Submission to HUD	
Appraisal Firm	
Appraiser Name	
Appraisal Date of Valuation	
Appraisal Date of Inspection	



B

Year Built	
Star Rating	hyperlink
Investment Grade	Select from ▼
Mortgage Interest Rate	
Mortgage Ins. Premium (MIP)	0.65% hyperlink
Mortgage Term (in months)	
Appraised Value	
Mortgage Amount	
Appraisal's Effective Gross Income	\$0
Appraisal's Expenses and Reserves	\$0
Appraiser NOI	\$0

0.0 years

Value needed to support Mortgage Amount at 80% LTV	\$0
NOI needed at implied cap rate to support UW value	\$0
Cap Rate Implied by Appraiser's NOI/Value	0.00%

C

Undepreciated Cost New with Land	
Building Square Footage	
Proposed Repairs Total	

Overall Value per Bed	\$0
Value per Square Foot	
Annual Mortgage Payment with MIP	

Sensitivity Analysis - Assuming everything else under consideration remains the same, a 1.0 DSCR will be maintained until:



Decision Circuit 2.0

- Committed to making minimal changes
 - Some error correcting
 - Patch Notes through HMAC & Appraisal Group
 - Phase in Timeline (2 more months)
 - Not a requirement
 - Flexibility for Lender on History tab
- Cannot substitute Decision Circuit for Lender Narrative Appraisal Section

BAD
&
Ugly

GOOD



Corporate/Management Fee Adjustments

- Ownership Salaries/Life Insurance/Autos, etc.
- Regional Corp. Allocations
- Third Party Back Office (when no Mgmt Agent)

The Good

Yes



- Office Employees
- Administrator
- Medical Director
- Advertising
- MDS Employees

The Bad

No



- Accounting Fees
- Professional Fees
- Purchased Services
- IT

The Ugly

Maybe



Reasonableness Test: Needs to reflect market and not result in a below market management fee or expenses.



Quality Incentive Reimbursement

- Each State is unique
- Provide thorough explanation / analysis
 - Income & Expense Requirements
 - Program Stability (i.e., permanent, temporary, pilot)



Quality Incentive Reimbursement

Value

- How market participants value incentive payments

DSCR

- NOI without incentive income but including any incentive expenses

Historic NOI

- Reflect actual reimbursement and expense (including incentive income and expense)

NOTE that this guidance does not change the guidance on treatment of UPL income as noted in the June 24, 2015 Email Blast.



Quarterly Medicaid Rates

- How are these looked at by
 - Appraiser
 - Lender
 - HUD?
- Income/Expense Translation
- Buyer typically anticipates boost in CMI scores.
- Mix of Quality and Cost for systems
- Comparability
- Trailing 4 quarters (seasonal)
- Much more complicated!



Re-Focus: Common Deficiencies

- Missing Proposed Competitors
- Appropriateness of Comparable Data
- More thorough discussion of modifications and issues
- Consistency between all third party reports (e.g., Repairs to be done, Environmental Repairs)
- Consolidate comments
- Smart High Performing Appraisers (Good)
- Expense comp confidentiality not an issue



State Risk Focus

- IL – Medicaid Rate bump

The Good



- Is Pennsylvania thinking of lowering their Medicaid rate?

The Bad



- Older TX SNFs
- UPL/IGT
- PLI Challenges

The Ugly

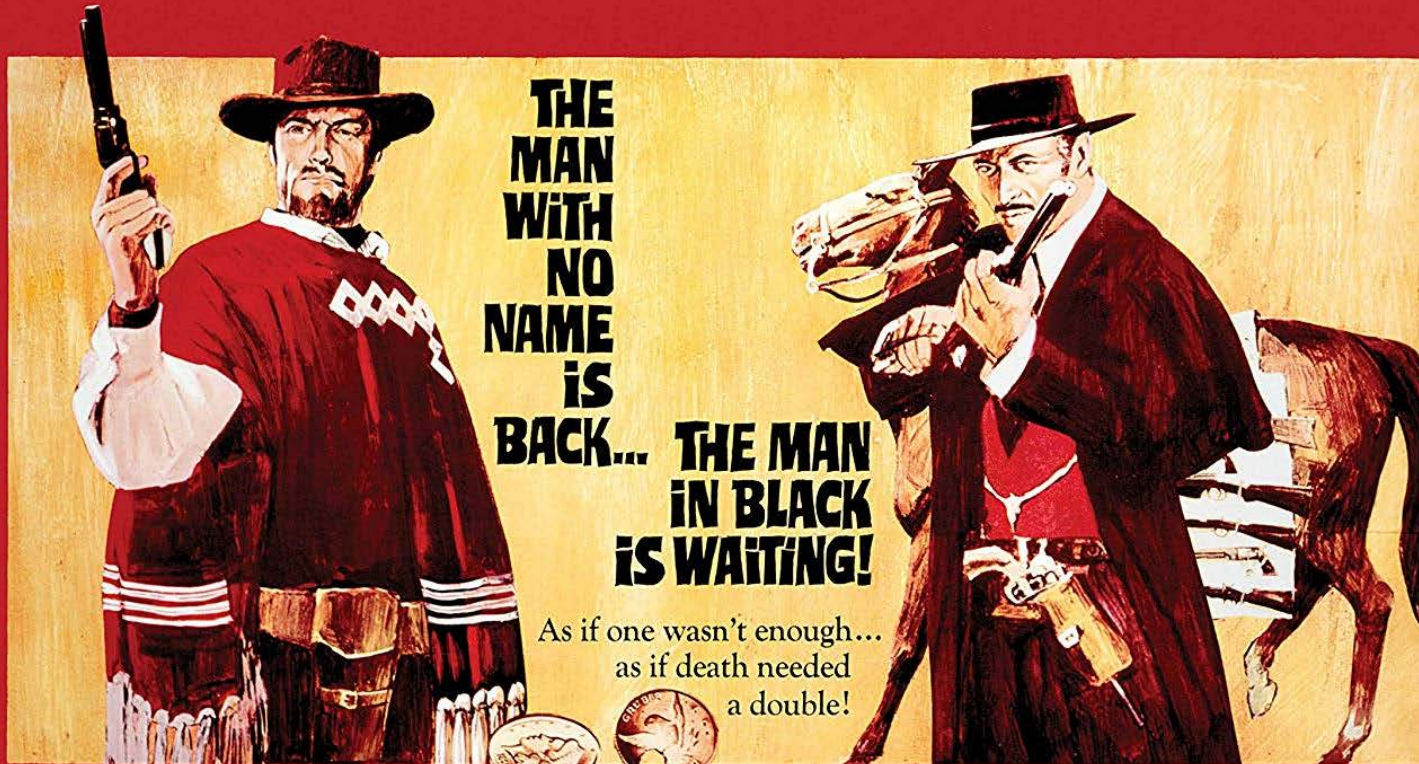


Hot Topics

- Stabilized Values for 223(f) v. New Construction
- Updating Financials for Appraisal
- Discounted Cash Flows
- Non-IOI Owner-Operator
How should HUD value?
Purchase Option?
- Star Ratings vs. Value?



Preview



A FEW DOLLARS MORE

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We show you
How to get
A Few Dollars More
Out of your
appraisals!

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Appraisal Topics

