



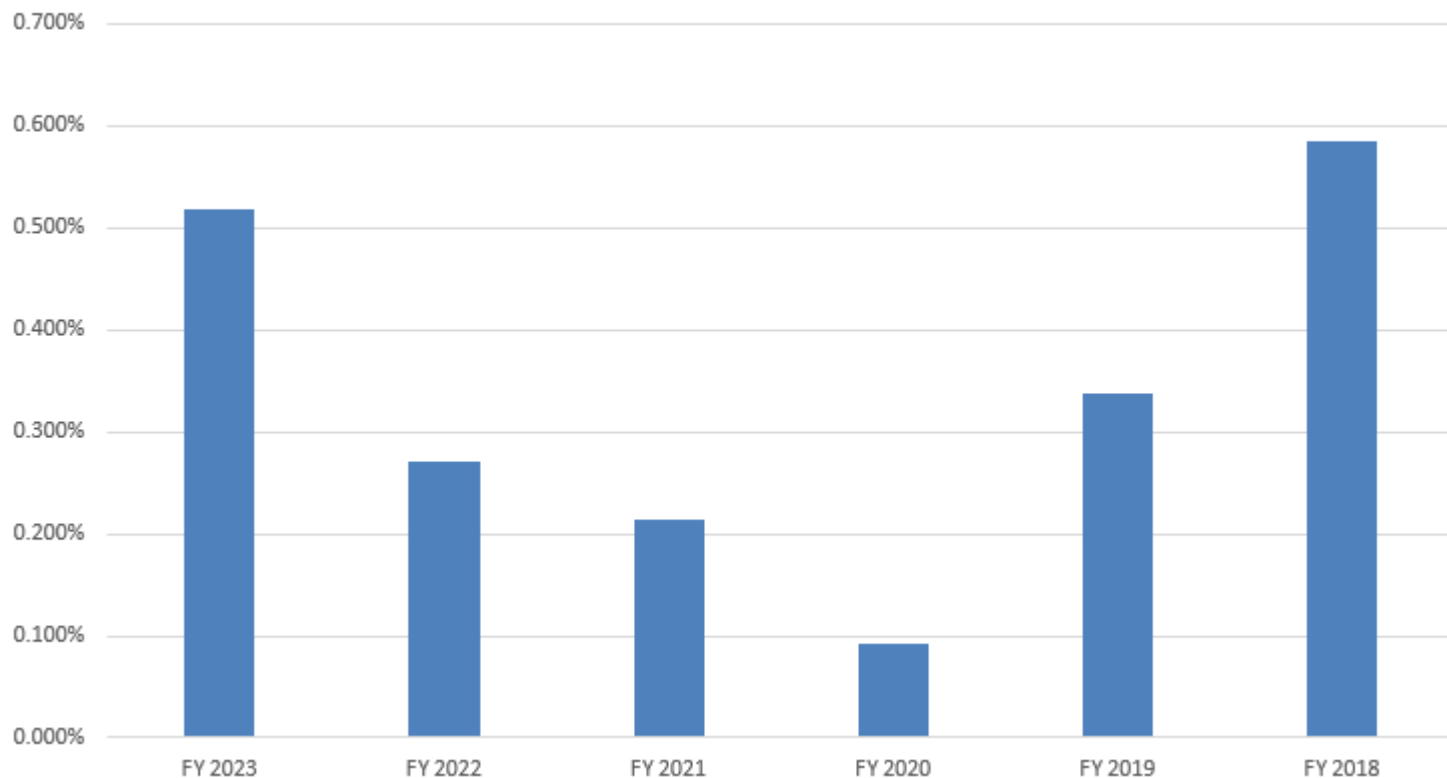
Lean on Me - HUD Asset Management Updates

November 14, 2023

Today's Panelists

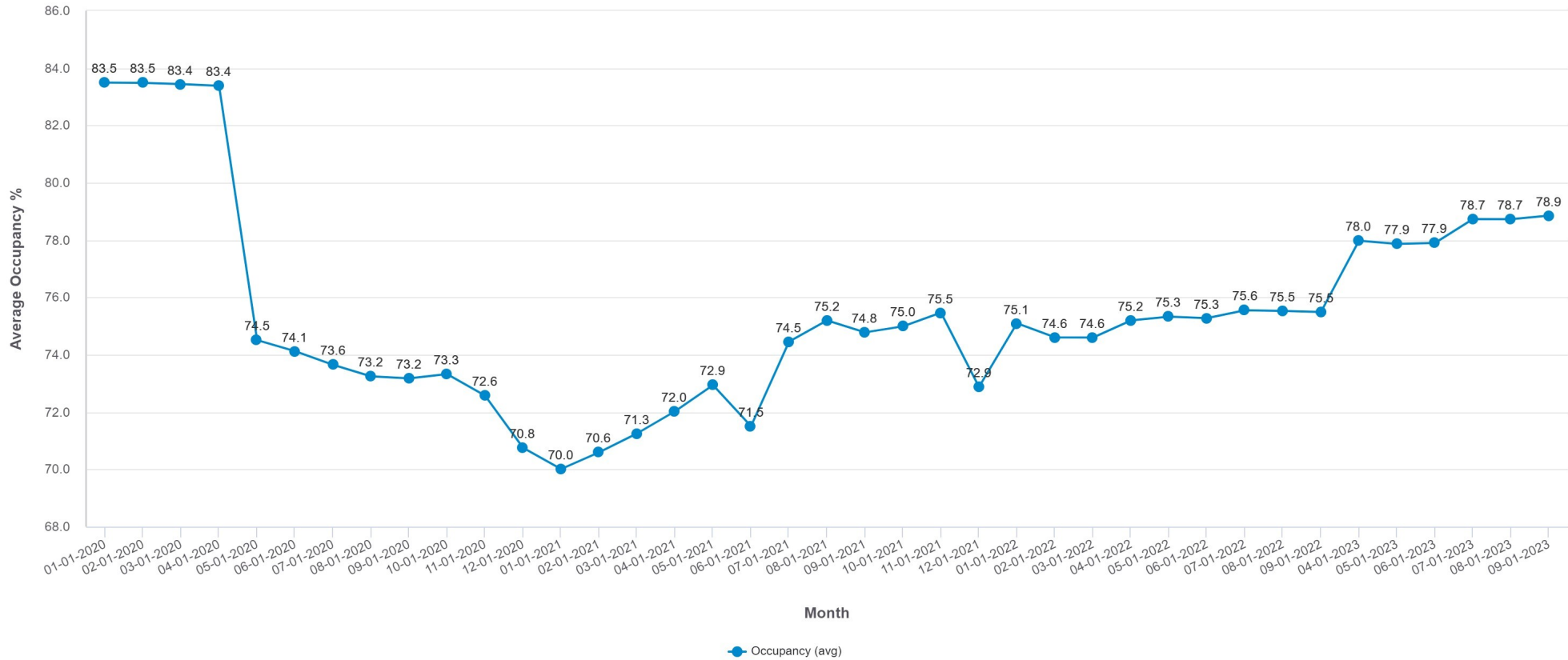
- Philip Head
 - Director, HUD ORCF Asset Management
- Angela Collier
 - Deputy Director, HUD ORCF Asset Management
- Jeremy Robitaille
 - Risk Mitigation Supervisory Account Executive, HUD ORCF AM
- Debi Martin
 - Senior Vice President, Asset Management, Greystone
- John Galeros
 - AVP, FHA Asset Management, Walker & Dunlop
- Melissa Cipriano
 - Vice President, FHA Asset Management, Capital One
- **Moderator:** Dale Becker
 - Director, FHA/USDA Asset Management, Lument

Claim Rate (as % of portfolio UPB)



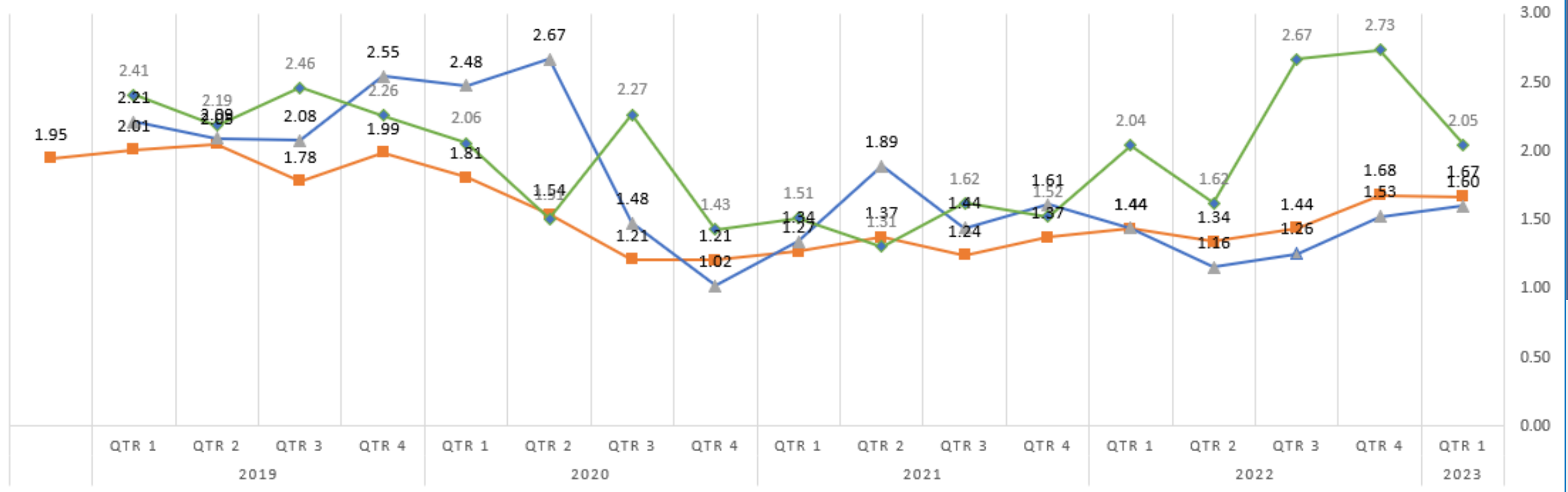
232 Net Claims Rate Since FY 2018

Occupancy % by Month - HUD



SNF Occupancy Rates Starting Pre-Pandemic

BOARD & CARE ALF AND SNF AVERAGE DSCR



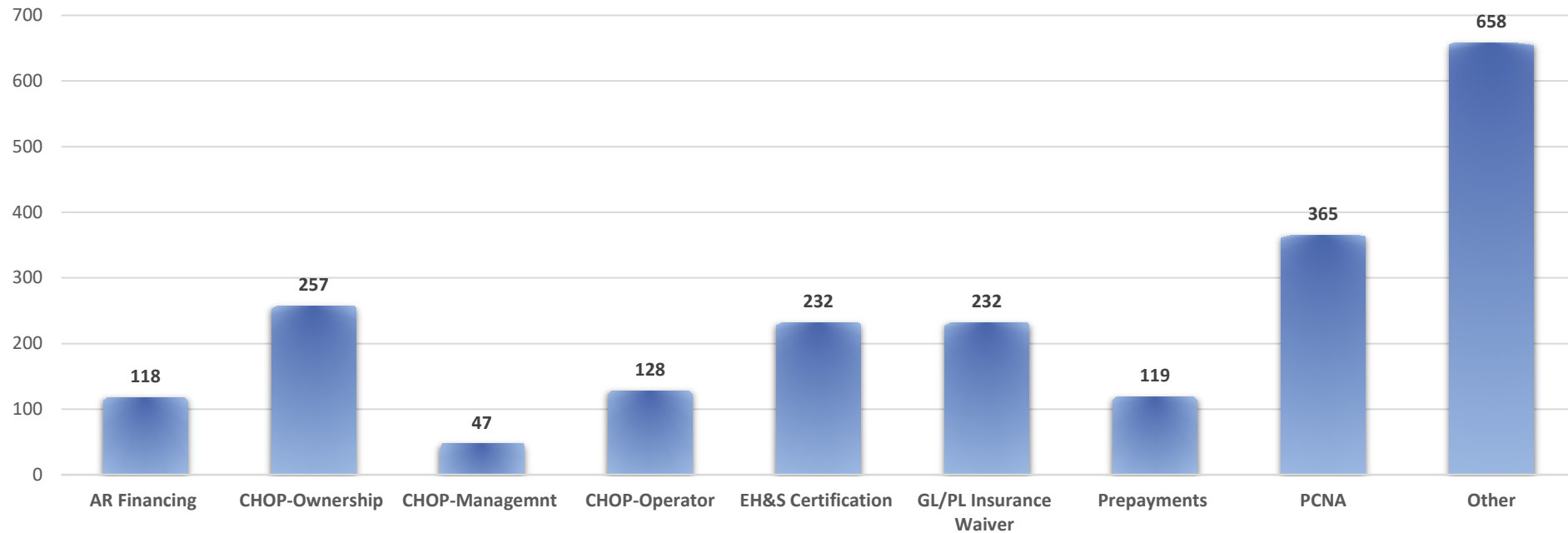
Portfolio DSCR Averages

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Asset Management Transactions

Most Processed Transactions FY23





Lean on Me - Lender Asset Management Updates

November 14, 2023

Lender Updates – Lument

- Active Section 232 Portfolio: 776 loans
- DSCR by Care Type:

Quarter	Average SNF DSCR	Average MC DSCR	Average CCRC DSCR	Average AL/MC DSCR	Average 100% AL DSCR	Average AL >50% DSCR	Average AL/IL DSCR	Average HC Portfolio DSCR
2023 Q1	2.14	2.12	1.18	1.59	2.08	1.84	1.34	1.91
2023 Q2	2.05	1.96	1.34	1.68	2.05	1.96	1.36	1.89

- 60+ day defaults: 15
- Claims:
 - 2020: 0
 - 2021: 2 (both vacant/non-operational)
 - 2022: 4 (2 vacant/non-operational)
 - 2023: 2 (1 vacant/non-operational)
- Facility Closures Since COVID: 7 (3 with current loans)

Lender Updates – Lument

- Biggest Challenges:
 - Insurance
 - Excessive premium increases -> waivers
 - Wind/Named Storm Coverage
 - Overall insurance compliance challenges
 - Waivers
 - Force-Place Coverage
 - Medicaid Rates / Medicaid Reimbursement Timing
 - Reimbursement rates still significantly lagging costs in many states
 - Deals with Pre-COVID Market Studies
 - Post-Closing Transactions
 - Significant uptick in volume due to rate/credit environment
 - Lender time investment on post-closing transactions

Lender Updates – Greystone

Debi Martin, Senior Vice President, FHA Asset Management, Greystone



HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Rolling Stones & Nursing Homes

An Analysis of Skilled Nursing and
Assisted Living Industry Trends



HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

John Galeros

Assistant Vice President

Walker & Dunlop

JGaleros@WalkerDunlop.com

Set List

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Greatest Hits – Portfolio Trends

Economic Climate

Ten Years After – The PCNA

I Can Be Your Hero – Opportunities for HUD Asset Management

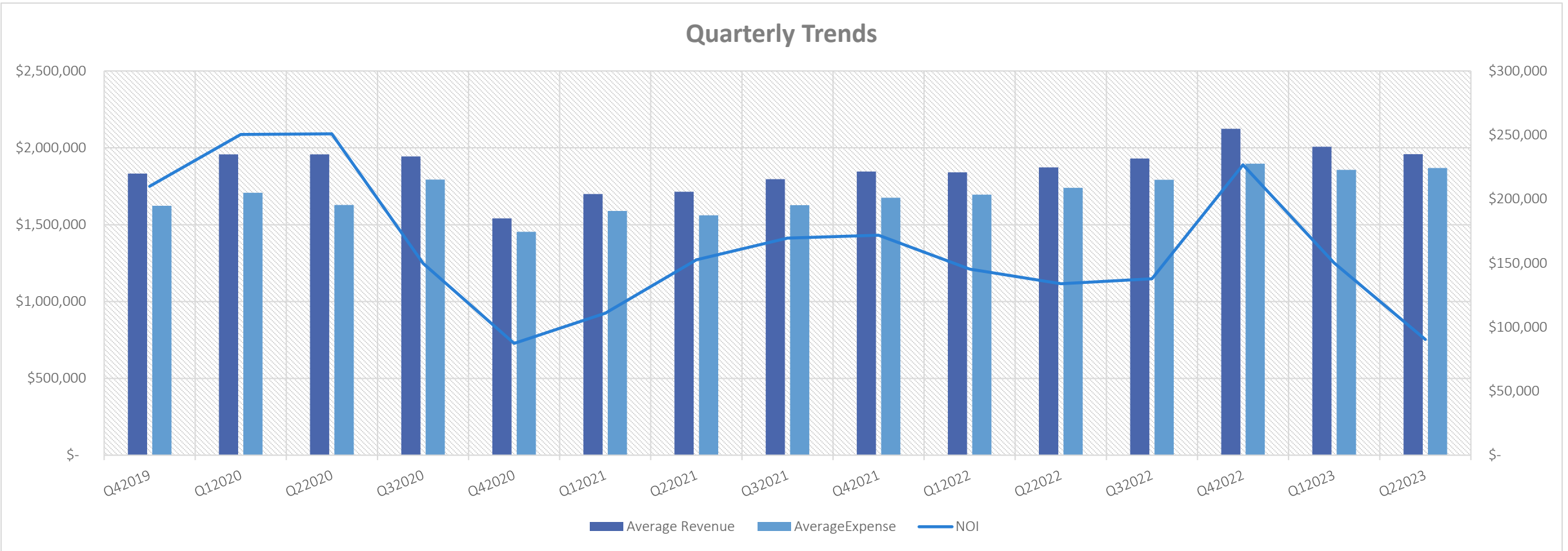
Let's Stay Together – The Lender, Borrowers, and ORCF

Revenue, Expense, & Net Operating Income

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Quarterly Trends

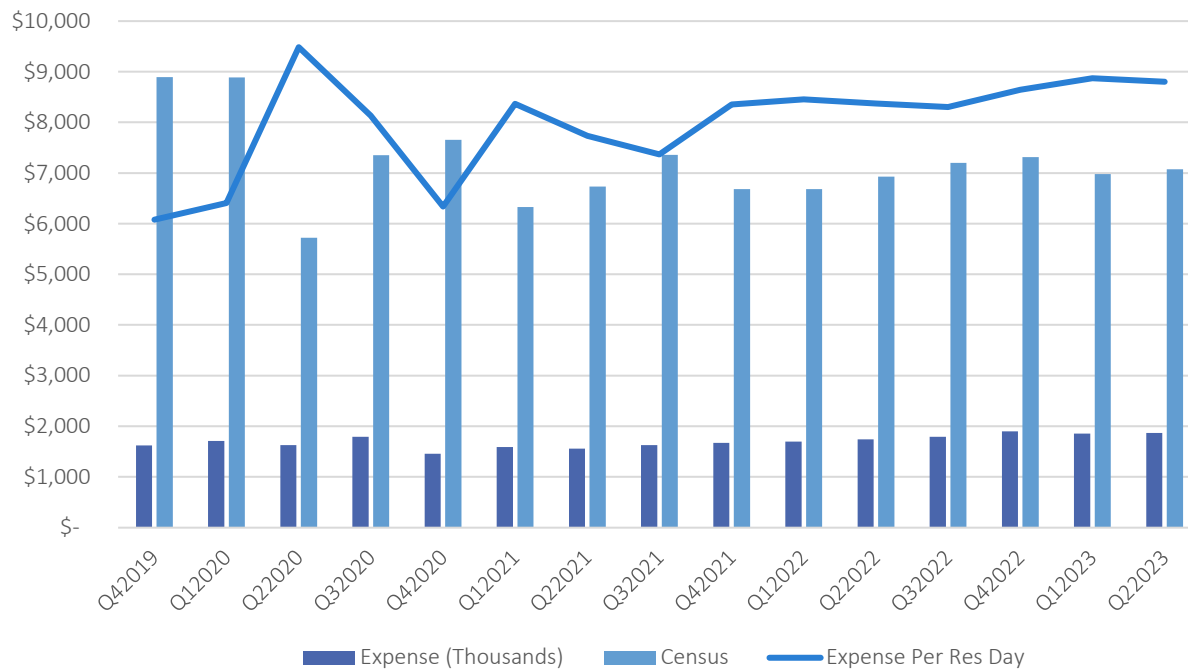


Occupancy & Expense

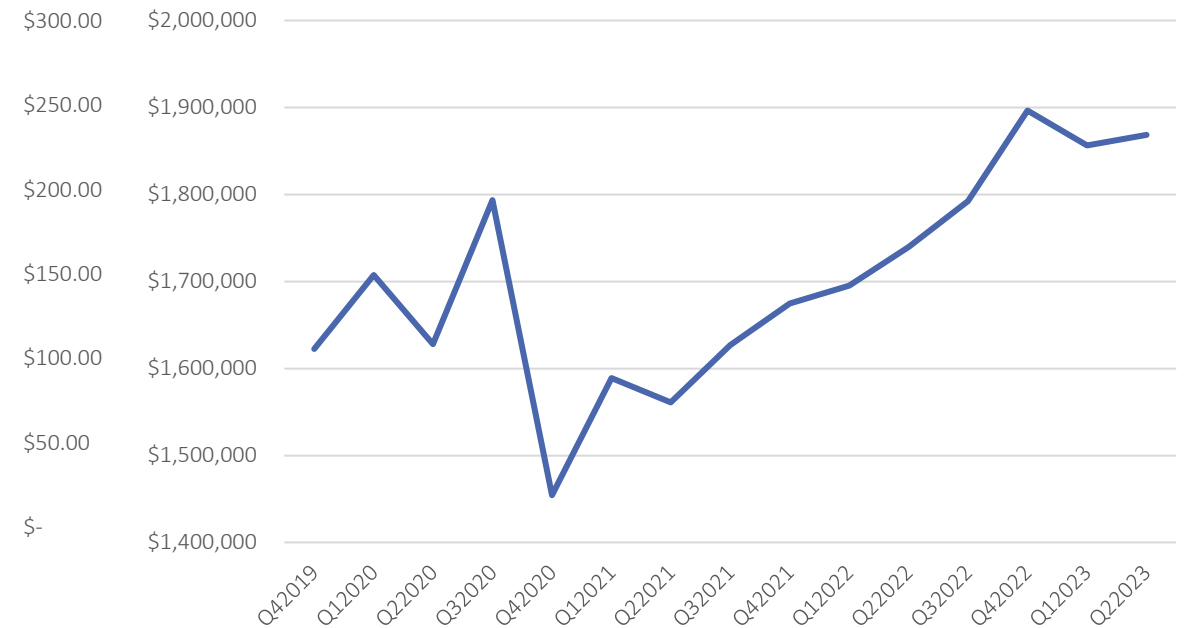
HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Cost of Census

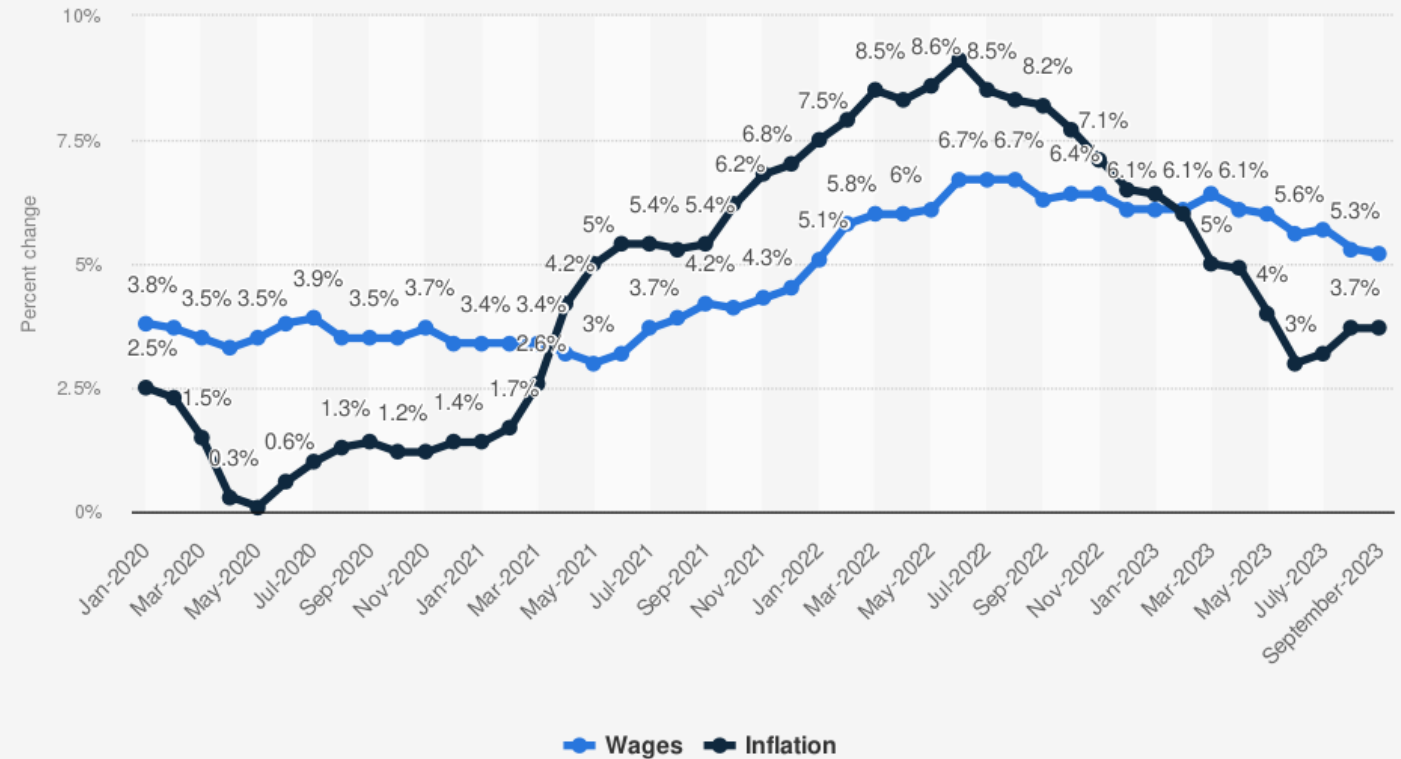


Average Expense



National Inflation and Wage Data

Difference between the inflation rate and growth of wages in the United States from January 2020 to September 2023



Sources

Bureau of Labor Statistics; Federal Reserve Bank of Atlanta; US Census Bureau
© Statista 2023

Additional Information:

United States; January 2020 to September 2023

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

The Same Old Song: Staffing Issues

- Staffing Vacancy Rates
 - RNs – 19.8%
 - LPNs – 17.4%
 - CNAs – 17.3%
- Turnover Rates (Overall 43.8%)
 - Dining Services - 52%
 - CNAs – 48.6%
 - RNs – 42.5%
 - LPNs – 39.7%
- Sign-on Bonuses (sometimes up to 50%)
- The “McDonalds down the street is starting people at \$20 per hour”

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Ten Years After

The 10-Year PCNA

TEN YEARS AFTER



HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

10-Year PCNAS 2022-2023

- 68 PCNAs Submitted to HUD
 - Average Critical Repair - \$7,054
 - Average Non-Critical Repair - \$16,515
- Changes in Monthly Deposits
 - Average Original Deposit - \$5,067
 - Average New Deposit - \$6,310
- PCNA Issues
 - PCNAs with Large Repairs
 - PCNAs with Large Accessibility Repairs
 - PCNAs with Large deposit increases
 - PCNAs with Stale Dates (>120 Days)

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

I Can be Your Hero

Opportunities for HUD Asset Management



HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

How Asset Management Will Save the Day

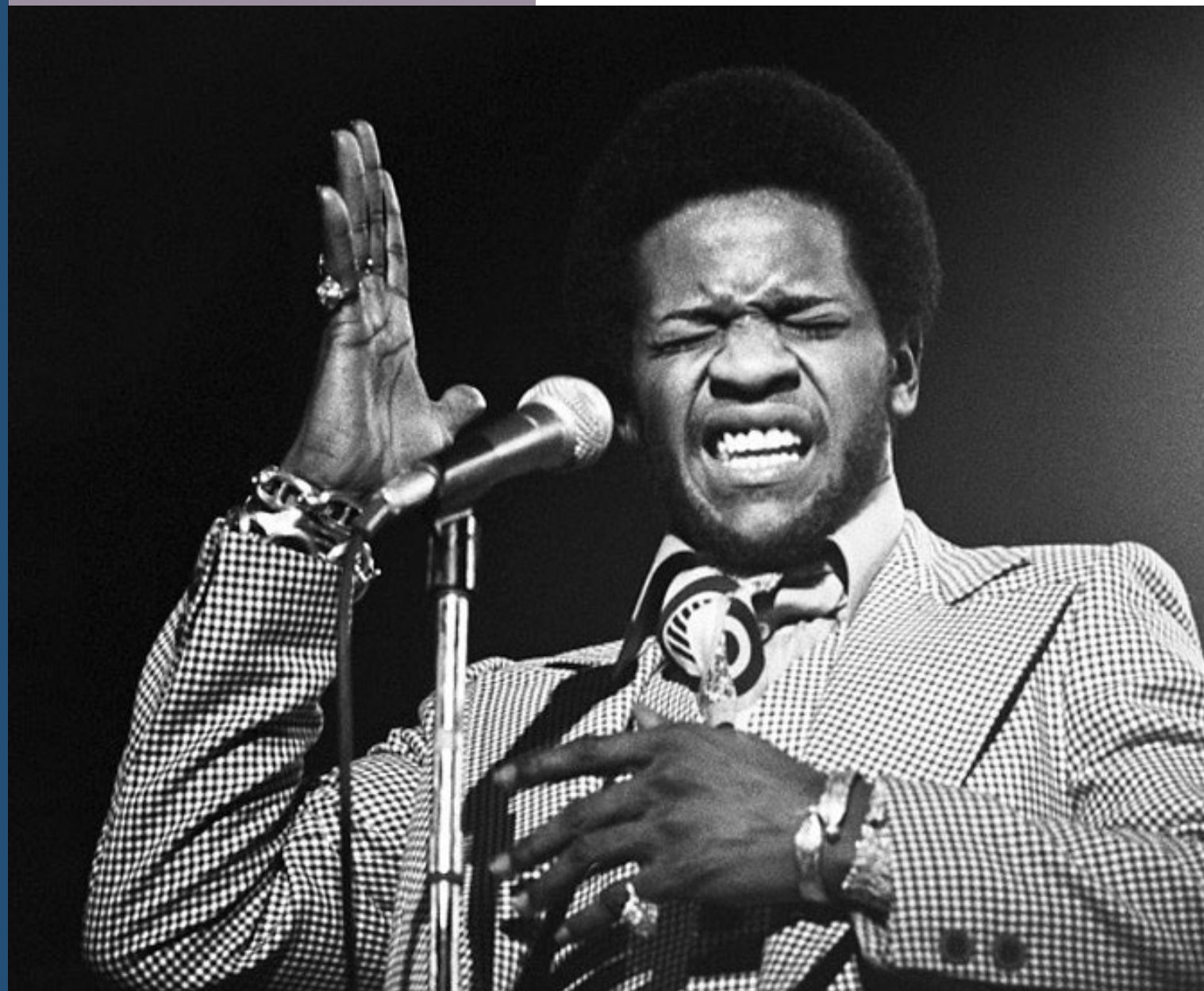
- Change of Ownership
 - Production can leverage their clients to find equity partners for under-capitalized borrowers
 - Assumable loans with attractive rates
- Investment Sales (If applicable)
 - Borrowers may be interested in selling the asset.
 - Asset Management already collects the data needed for a BOV
- Risk Mitigation
 - Asset Management can loop-in the Risk Mitigation team to guide the borrower

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Let's Stay Together

Lender, Borrower, and ORCF



Working Collaboratively with ORCF

- Shared Workflow
 - RSD QC
 - Share comments collaboratively
 - Quick turnaround to clear next RSD
 - Quarterly Financials QC
 - Collaborative QC of missing quarterlies
 - What's really missing?
 - Avoids emails
 - CC HUD AE on last two attempts
 - Transactions
 - Share progress collaboratively
 - Discuss on regular calls
- Regular calls to check in

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America



Thank You!



HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Lender Updates – Administrative Challenges

- Risk Surveillance Dashboard (RSD)
 - RSD Reconciliation Issues
 - Frequency of Distribution of the RSD
 - Bi-Monthly currently
 - Length/Complexity of RSD Deliverables
 - Servicer's/Operator's Risk Notification
 - Action Plans and Action Plan Updates
 - Account Executives asking Lenders to address declining performance, even if T12 DSCR > 1.0 and there are no other risk factors.

Lender Updates – Administrative Challenges

- Flexibility on Use of HUD-Restricted Escrows
 - Reserve for Replacement
 - “Unconventional” requests
 - Determination of Capital vs. O&M
 - Debt Service Reserve Escrow
 - Lenders understand that these are always case by case decisions, but we need a consistent framework

Lender Updates – Administrative Challenges

- HUD Portal
 - The Portal remains very cumbersome when submitting a large volume of files (CHOPs, etc.).
 - Inconsistent standard on whether Lenders are permitted to submit via shared folders in addition to the Portal.
 - Quarterly financials that are confirmed submitted to the Portal are not appearing in Summary data or the RSD
 - Reconciliation of Portal financial submissions takes significant resources

Lender Updates – Administrative Challenges

- 10-Year PCNAs
 - Currently no guidance on how to handle some of the more difficult issues:
 - Significant accessibility issues where none was identified during the initial Firm Application
 - Client cannot afford to complete critical/non-critical repairs
 - Reserve analysis requires a large up-front deposit (IDRR)
 - Reserve analysis requires a large increase in annual deposit (ADRR)