

FAST TRACK YOUR CORPORATE CREDIT REVIEW



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Current Guidance for CCRs

Mortgagee Letter 2024-03 effective April 10, 2024

- Small or Large Portfolios
- Updated Thresholds
 - Varies by Owner and/or Operator
 - HUD Program Office Review
- No 18-Month Window/Focus on Aggregate Exposure = Risk
- Establishes Annual Update Calls
- Modified CCRs
- Requests for Additional Exposure Post-CCR

Who Needs a CCR?

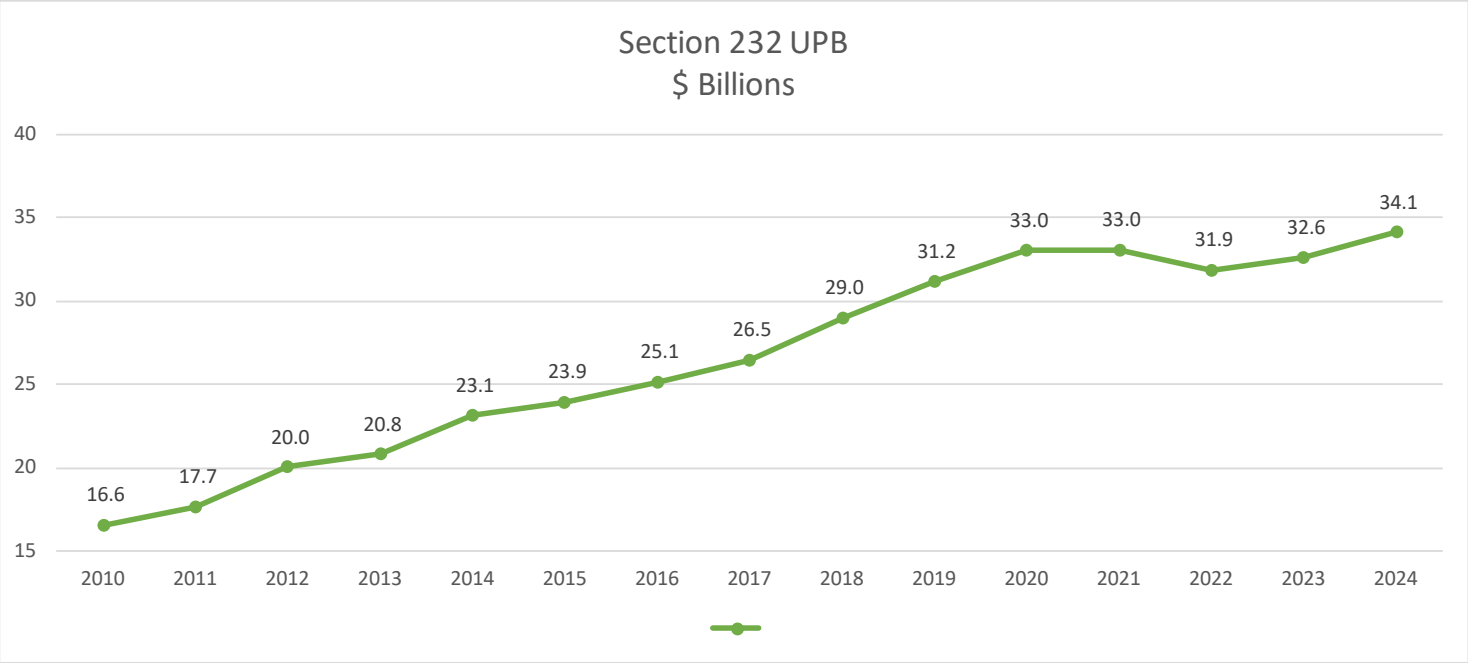
Common Control Participants Accumulating a Large Portfolio

Common Control: Means two or more entities (Borrower, Operator, Management Agent or Consultant) are owned or controlled, directly or indirectly and solely or in part, by the same individual(s), principal(s) or entity(ies). Affiliated residential care facilities will be grouped into a portfolio if they share common control as defined here. Control of entities is defined at 24 CFR 200.216.

Large Portfolios: 1%-5% of UPB for common control Borrower only - 0.6%-5% of UPB for common control Operator only or Identity-of-Interest Borrower/Operator.

Threshold Limits for FY2025

Office of Residential Care Facilities
 UPB at Fiscal Year End including Portfolio Thresholds at Proposed Levels
 Prepared 10/8/2024



2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

Portfolio Thresholds

0.6%	\$ 195	\$ 205
1.0%	\$ 326	\$ 341
2.0%	\$ 651	\$ 682
5.0%	\$ 1,628	\$ 1,704

\$ in Millions

Mortgage Reserve Funds (MRF)

- 3 month vs. 6 month
- In cases where unrelated owners and operators are involved in the same facility and the operator had accumulated a large portfolio itself, the MRF on that facility will be the responsibility of the owner. In general, we do not intend to “double-dip” on the MRF requirement. In such a situation where there is overlap between 2 large portfolios, only one portfolio MRF per facility will be required, and it will be required by the owner.

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CORPORATE CREDIT REVIEWS AND MORTGAGE RESERVE FUND REQUIREMENTS

HUD would like to remind lenders that [Mortgagee Letter 2024-03](#), includes the requirement for a Mortgage Reserve Fund (MRF) on large portfolios. ORCF allows a limited number of applications for projects that are part of a portfolio to be submitted and processed while a Corporate Credit Review (CCR) is being completed. HUD will add a special condition for a MRF if a CCR is pending. ORCF would also like to remind lenders that a “portfolio” is defined as all related projects, not just those above a CCR threshold, and thus all applications in a portfolio with a CCR will be required to include a MRF. Existing closed projects are exempt from the MRF as loan terms cannot be modified on previously closed loans.

ORCF Reviews Under New Guidance

- # of CCRs Completed
 - 1 Full
 - 3 Modified
- 5 Currently Under Review plus 1 on HOLD
- Zero Queue
- Turnaround Timing 55 Days but Improving
- ORCF Analysts

As of 11/14/2024

Best Practices

- Request realistic total within the next 3 years versus pie-in-the-sky
- Summarize the ask on page 1
- Identify wonky portfolio attributes and mitigation
- Ensure that CCR subject's existing HUD-insured facilities are in good standing with ORCF Asset Management
- Master Analysis in Spreadsheet Form (vs. pdf)
- Customary REO Schedule Data Points – Residential Care Facility Oriented

FAQs

- Do the facilities that I only operate (don't own) count toward my exposure?
- Can I submit applications to the queue while my CCR is being reviewed?
- Is there a CCR queue, and is that queue expected to grow in the near future?



Acceptance Letter!!!

