HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Trackside Trends

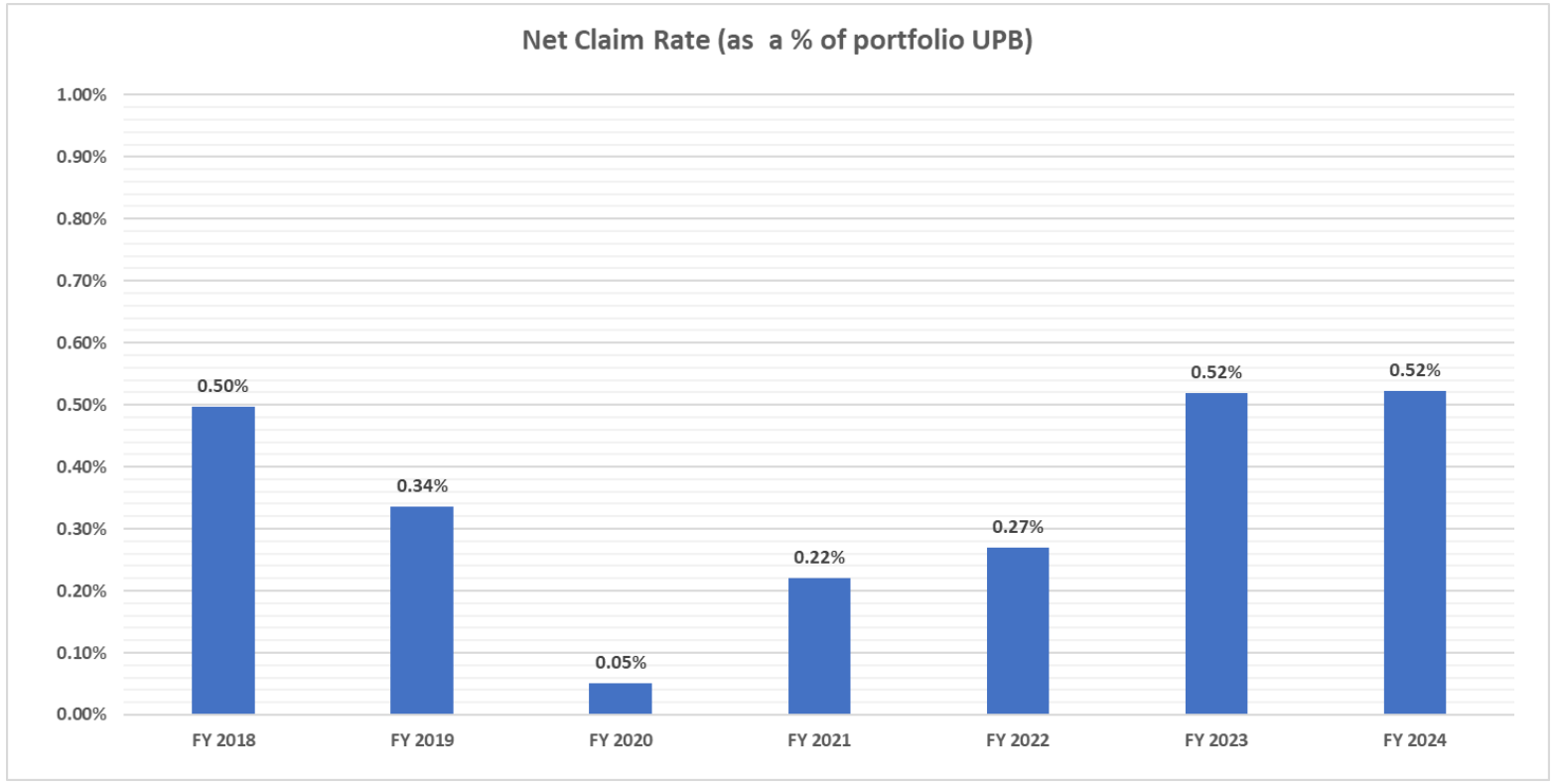
Asset Management Insights & Updates

November 19, 2024

Today's Panelists

- Philip Head
  - Director, HUD ORCF Asset Management
- Angela Collier
  - Deputy Director, HUD ORCF Asset Management
- Samantha Brooks
  - Vice President, Asset Management, Greystone
- Tony Perez
  - Managing Director, FHA Operations, Newpoint Real Estate Capital
- John Galeros
  - AVP, FHA Asset Management, Walker & Dunlop
- **Moderator:** Dale Becker
  - Director, FHA/USDA Risk Asset Management, Lument

The CLAIMing Race

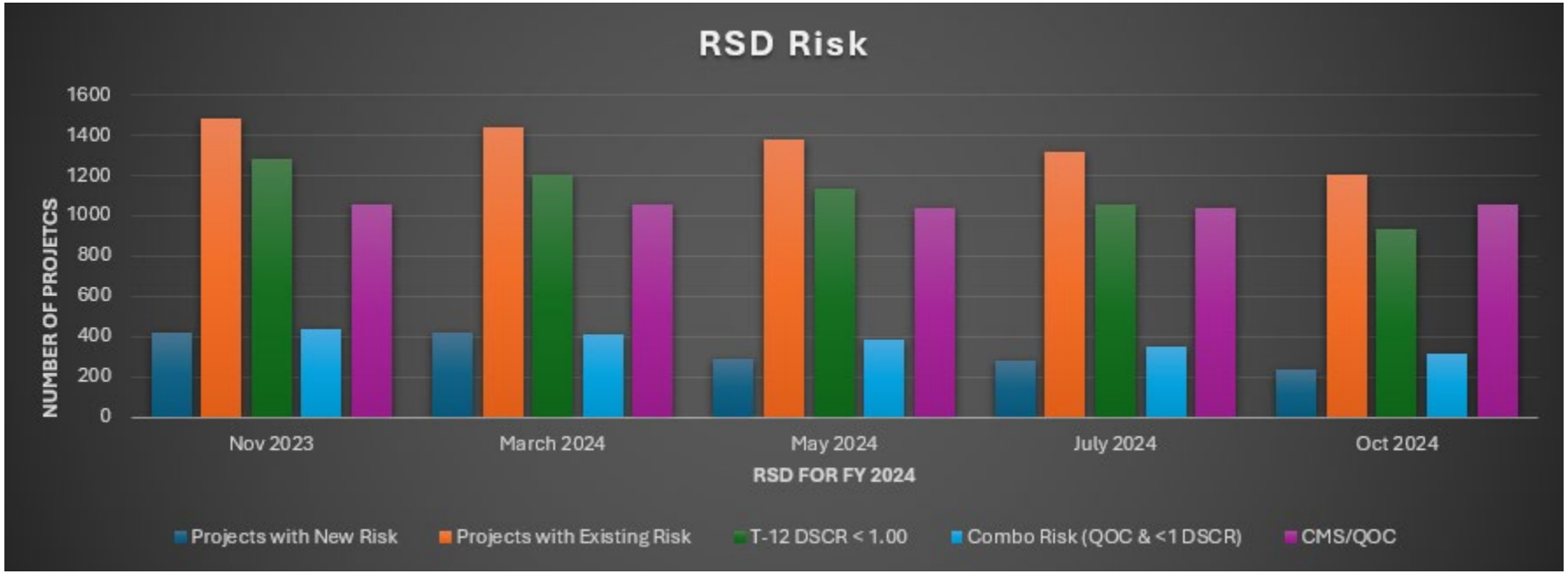


HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America

PHOTO FINISH - OFFICIAL

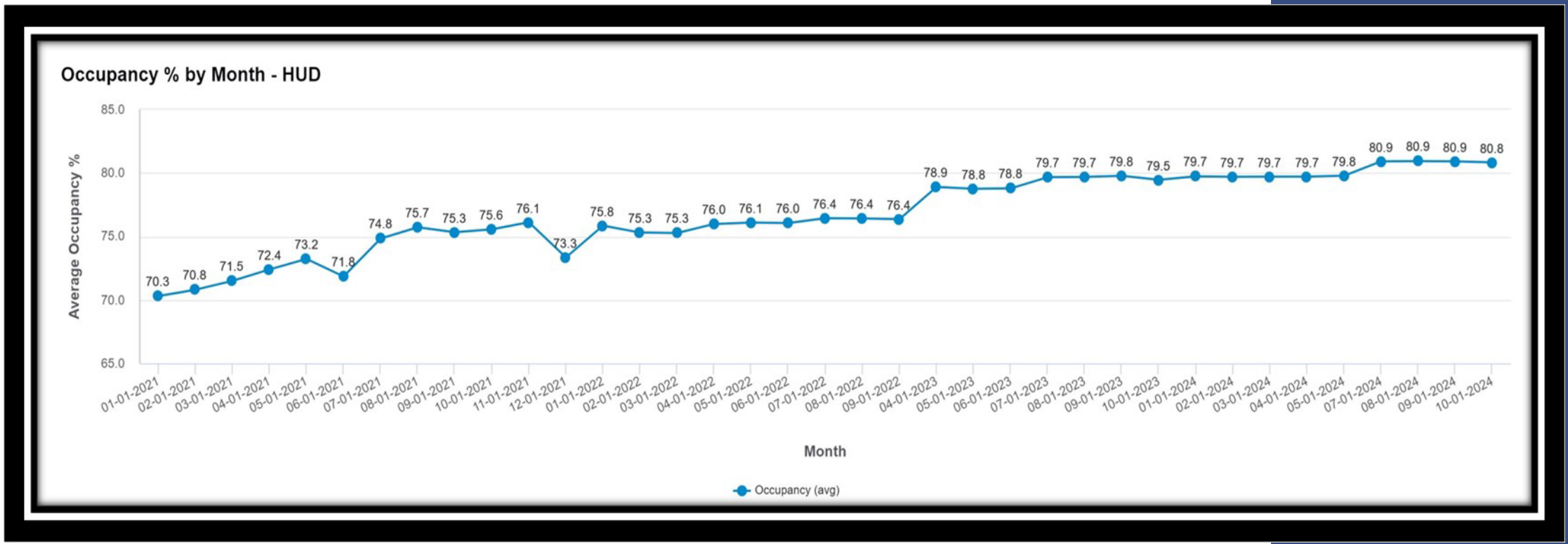
2024 claim rate takes it by a nose.

Handicapping 232 Risk



THE 232 SNF DERBY

"The Run for the Residents 2021- 2024"



EVALUATING DSCR TRACK CONDITIONS IN THE 232 PORTFOLIO

TRACK CONDITIONS

FAST: Dry, even track surface.

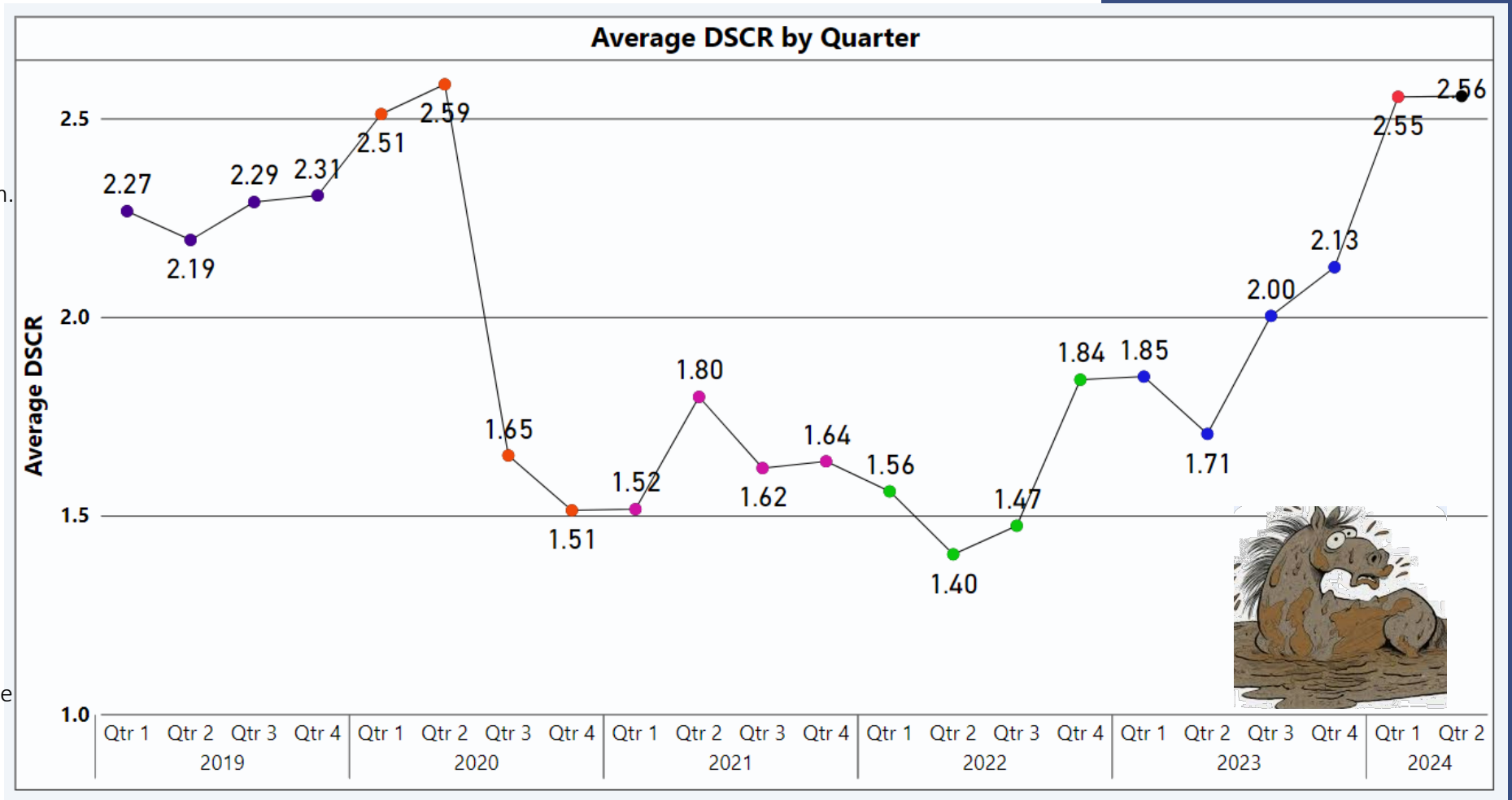
WET-FAST: Wet track surface, but base is firm.

GOOD: Nearly dry track, may have some moisture.

SLOW: Wet track on the surface and base of the ground.

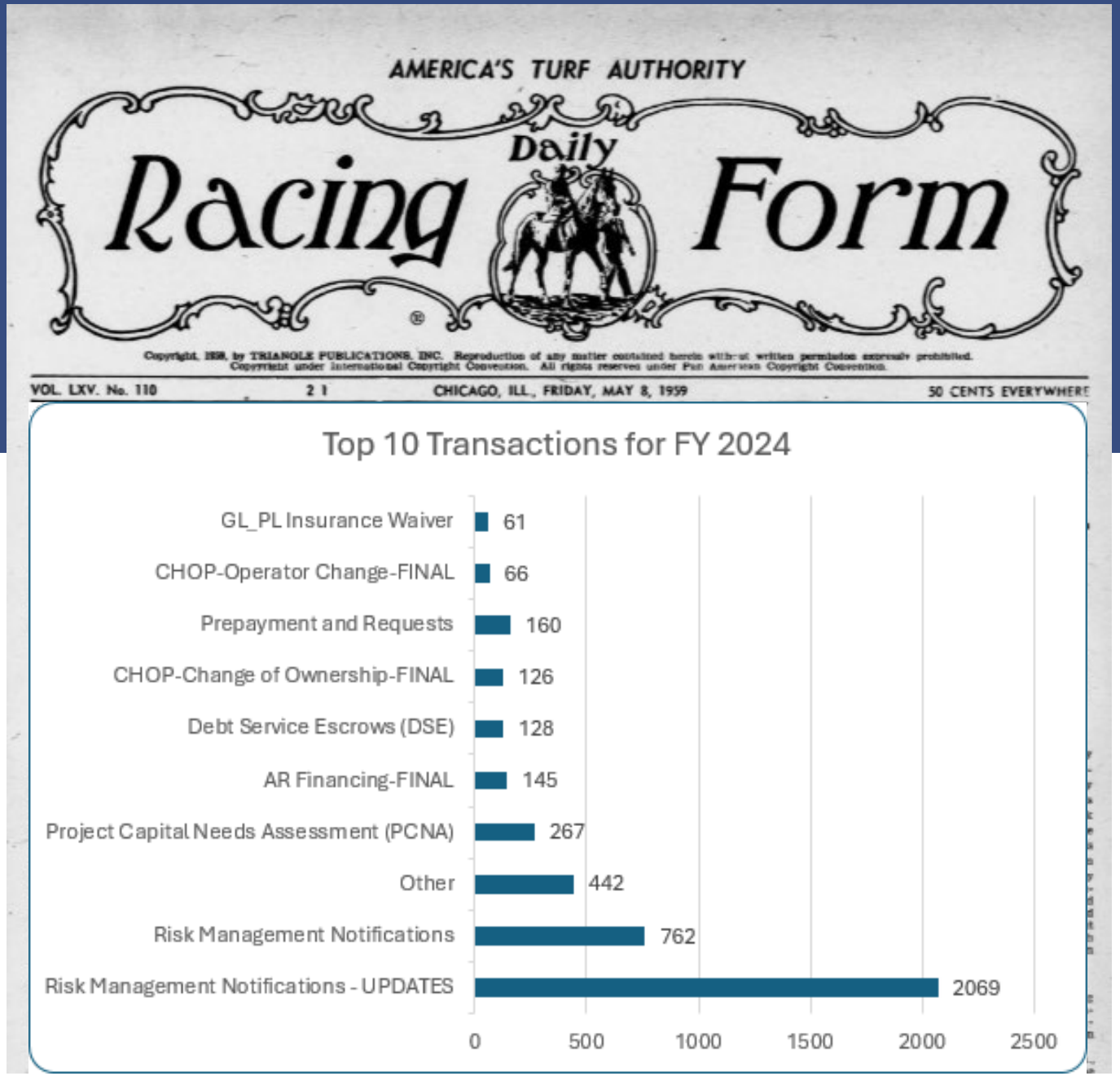
MUDDY: Completely wet track with no standing water.

SLOPPY: Track has absorbed water with visible standing water.



TOP 10 ORCF Asset Management Transactions in FY 24

ALL RESULTS ARE FINAL



PASS vs. NSPIRE

Past State

- Lender orders the inspection through PASS
- Master Scheduler schedules inspection with the project
- Inspection occurs and Project POC submits EH&S certification 93332 to Lender
- Lender uploads EH&S certification 93332 in Healthcare Portal
- AE reviews 93332 and closes out inspection in IREMS

Current State

- REAC orders inspection and sends to Lender's Master Scheduler
- Master Scheduler schedules the inspection with the project
- Inspection occurs and LT&S populates in NSPIRE Salesforce system
- **Project POCs registered in NSPIRE** will receive an email within 24hrs notifying them of LT&S deficiencies.
- Project POC submits evidence of mitigation and EH&S 93332 in NSPIRE Salesforce within 48hrs of receiving LT&S notice
- AE is responsible for reviewing mitigation and approving in NSPIRE Salesforce
- REAC continuously sends out reminder emails to Project POCs until LT&S items have been mitigated in NSPIRE Salesforce

OBSERVATION vs. RESOLUTION

Observations

- POC contact information in NSPIRE is coming from IREMS, often leading to the incorrect persons being assigned as the NSPIRE POC for mitigation and all email correspondence.
- No reporting capability for Lenders
- No NSPIRE Scores
- Changes to the inspection report
- Reports should download as pdf files instead of HTML files

Resolution

- REAC is working to resolve this issue, and we have offered recommendations.
- REAC orders inspections and sends to Lender's Master Scheduler.
- Master schedulers have the capability of pulling reports in the system for Lenders.
- The final NSPIRE inspection score is released 45 days after the review of the inspection.
- ORCF has requested the FHA number and Project name be added to the NSPIRE inspection report and it has been added to their list.
- REAC is aware of this issue and it's on their list to correct.

NSPIRE Registration

- BE PROACTIVE!! Project POCs will need to register for NSPIRE Salesforce accounts to upload the LT&S mitigation within 72 hours.

- Registration is strongly encouraged prior to the inspection occurring. This will help to alleviate delays with uploading the mitigation into the NSPIRE Salesforce system.

- Contact the REACTAC Helpdesk to request access:
  - If you do not have access to the NSPIRE system, or if you need assistance to reset your password, please contact the **REAC Technical Assistance Center (TAC) at 1-888-245-4860.**
  - If you or your staff need access to the NSPIRE Salesforce system, complete this Excel spreadsheet with the proper names and submit it to reactac@hud.gov. Once it's verified, the contacts will get access.

NSPIRE Resources

NSPIRE TOOLKIT: CLOSING OUT DEFICIENCIES AND SUBMITTING APPEALS

- PDF NSPIRE Technical Review Guidance for Property Representatives
  The Technical Review Guidance PDF provides a summary of the basis for technical review along with instructions for how to submit an appeal in the NSPIRE system.
- PDF for Entering Health & Safety Corrections Using Salesforce
  This guide highlights the requirements for resolving deficiencies using the NSPIRE system and offers guidance on how to provide supporting evidence of deficiency correction.
- PDF Toolkit for PHA or Property Owner Agent Users
  View or download this PDF for instructions for PHAs and POAs on how to gain access to, log in to, and use Salesforce to close out Health & Safety deficiencies following an NSPIRE Demonstration inspection.
- Training Video for PHA and POA Users
  This video is for property owners and agents who have received an NSPIRE inspection of record. It shows how they would interact with the NSPIRE IT solution.

Lender Updates – Greystone

- As of 09/30/2024, Greystone portfolio consisted of 347 loans insured under the 232 program with an OPB of $4.81 billion
- 19 loans in default (includes 11-facility and 4-facility portfolio) totaling $241 Million
- 46 Active Consents
  - 28 active CHOW/CHOPs
  - More complex transactions; master lease, A/R, master lease release
  - PALs including conditions to fund Debt Service Reserve Escrow and/or Quality of Care Escrow
- Payoffs
  - 2 prepayments YTD
- RSD
  - More manageable with quarterly distribution

Lender Updates – Greystone

- CMS
  - Challenge – getting in front of facility closures; loss of license - Lender is the last to know
- Risk Management Assessment
  - One-time vs. ongoing
  - Incorporating into an Action Plan within 14 days post-closing
    - Differing expectations
  - Project not always available in the portal within 14 days of closing
- 10-Year PCNA
  - HUD is willing to work with lender or borrower when significant increases are forecasted or recommended
  - HUD has provided Greystone with a draft 10-year PCNA checklist that is expected to be posted to the 232 website soon
- Other
  - Identifying liens, foreclosure actions, judgment on facilities as part of everyday surveillance

Lender Updates – Newpoint

- Portfolio Breakdown:

As of 10/31/24	ALF	ALF & SNF	SNF	Hospital	Healthcare Subtotal	MF	Total FHA
Loan Count	48	10	236	1	295	74	369
UPB	$482M	$119M	$2.94B	$11.5M	$3.55B	$1.33B	$4.89B

- Delinquencies:

As of 10/31/24	30+	60+	90+	Total
Loan Count	1	0	3	4
UPB	$16.5M	$0	$21.1M	$37.7M
Percentage	0.34%	0.00%	0.43%	0.77%

Lender Updates – Newpoint

Asset Management Transaction Volume:

Transaction/Request Type	HC	MF	Total
Changes of Ownership	17	1	18
Changes of Operator	26	-	26
Change/Amend AR Financing	7	-	7
Change of Management Agent	1	1	2
DACA/DAISA	2	-	2
Release from Master Lease	4	-	4
Change of Collateral	7	1	8
Review/Submission of Action Plans	75	-	75
DSRF Releases	10	1	11
R4R Disbursements and Suspensions	294	-	294
10-Year PCNA Submissions	22	5	27
Non-Critical Repair Escrow Release	46	11	57
Payoff By Assignment	1	-	1
Miscellaneous	8	3	11
Total	**520**	**23**	**543**

Lender Updates – Newpoint

HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America

- Rollout of NSPIRE Property Inspection Protocol
  - HUD failed to issue comprehensive communication delineating roles and responsibilities of each participant such as the lenders, master scheduler, property owners and HUD asset management personnel
  - Insufficient training for transaction participants. Property owners are unaware of the procedures required to clear a reported deficiency or file an appeal for a corrected final score
  - Participant e-mail addresses were not vetted before deployment. NSPIRE inspection notices were not transmitted to active e-mail addresses or current transaction participants
  - The omission of utilities for lenders to create reports to track outstanding deficiencies on a portfolio basis
- Transaction complexity is delaying approvals
  - Insufficient training of HUD Account Executives with complex transaction structures is delaying approvals of asset management requests
  - HUD Account Executives should engage OGC following receipt of complex transactions

Lender Updates – Newpoint

HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America

- Suggestions for HUD
  - HUD needs to re-calibrate the Lender RSD reports
    - Financial statements on the RSD are stale
    - HUD should factor credit support into the decision on whether to determine whether an Action Plan is necessary
  - HUD should create a decision matrix for controlling and passive ownership changes (CHOPs)
  - Lender engagement for enhancement to financial reporting portal
  - HUD should consider Account Executive assignments factoring in project sponsors
  - Impose civil monetary penalties for operators that fail to submit quarterly operating statements
  - Creating a form of notice from CMS for secured lenders of events that impose considerable financial risk to secured lenders

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Why the long face?

Trends in Healthcare Asset Management

John Galeros, Walker & Dunlop

History

- COVID – Staffing, PPE, Census
  - “We’re just trying to keep the doors open, stay supplied, and stay safe…”
- Agency Staffing/Inflation
  - “We made it through COVID, but now prices are high, and Agency Staffing is expensive”

Current Trends

- Small Operators Struggling
  - Tertiary Markets
  - Mom/Pops
- Consolidation
  - Large Players With Economies of Scale
  - Assuming Favorable Interest Rates

How to Pick a Winner?

Active Risk Management

Hobby Horse: The Bare Minimum

- Operator Quarterly Financials
- RSD Action Plans
  - Root Cause
  - Risk Mitigation Steps
- Risk Notifications

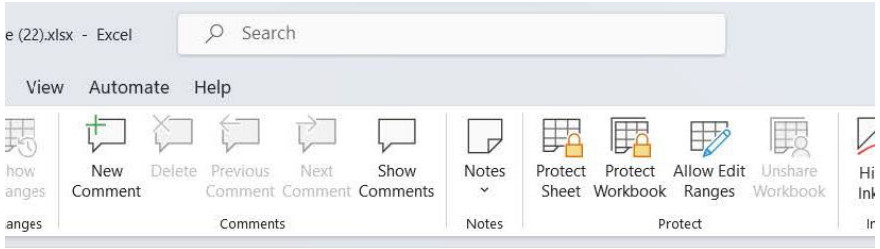
The Mule: Putting in the Work

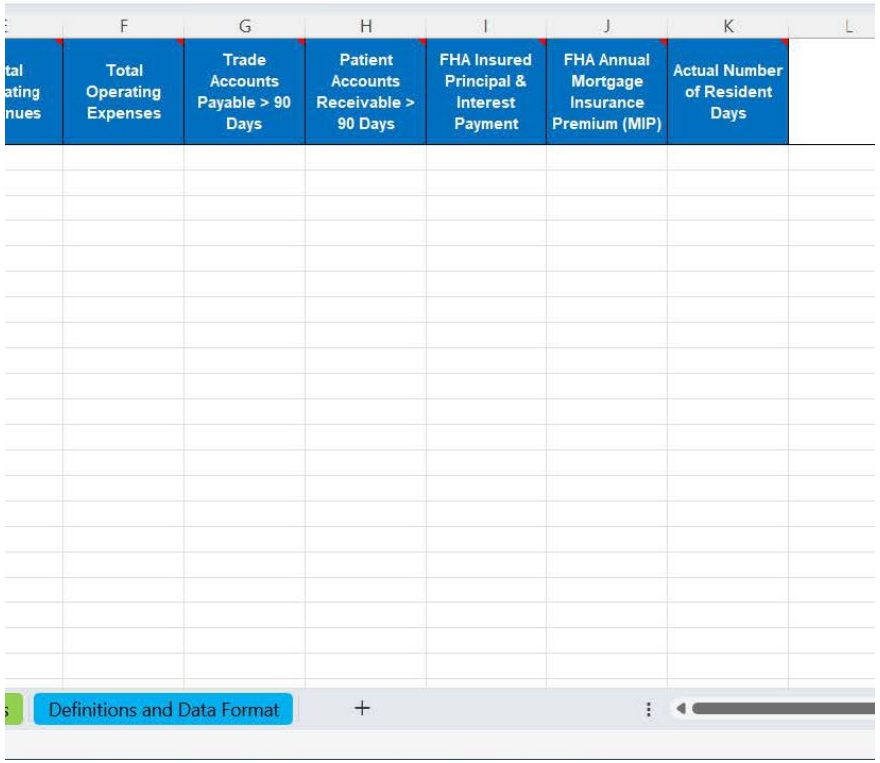
- In Depth Review of Financials
  - IS Review - Snapshot
    - Exclude non-operating income
    - Remove: Rent, Depreciation, Interest, etc.
    - Covered in other presentation (Let's not beat a dead horse?)
  - Question the BS - Long-term Health

Digging into the BS

- Current Assets/Liabilities
  - Cash on hand
  - Account Receivable
  - Trade Accounts Payable
- Other Debt
  - Related parties

Understanding the BS Metrics





Expense Days→ Expenses in period / days in period

Cash on Hand / Expense Days → How long can the facility survive without income

Patient AR Days → How long does it take to get paid?

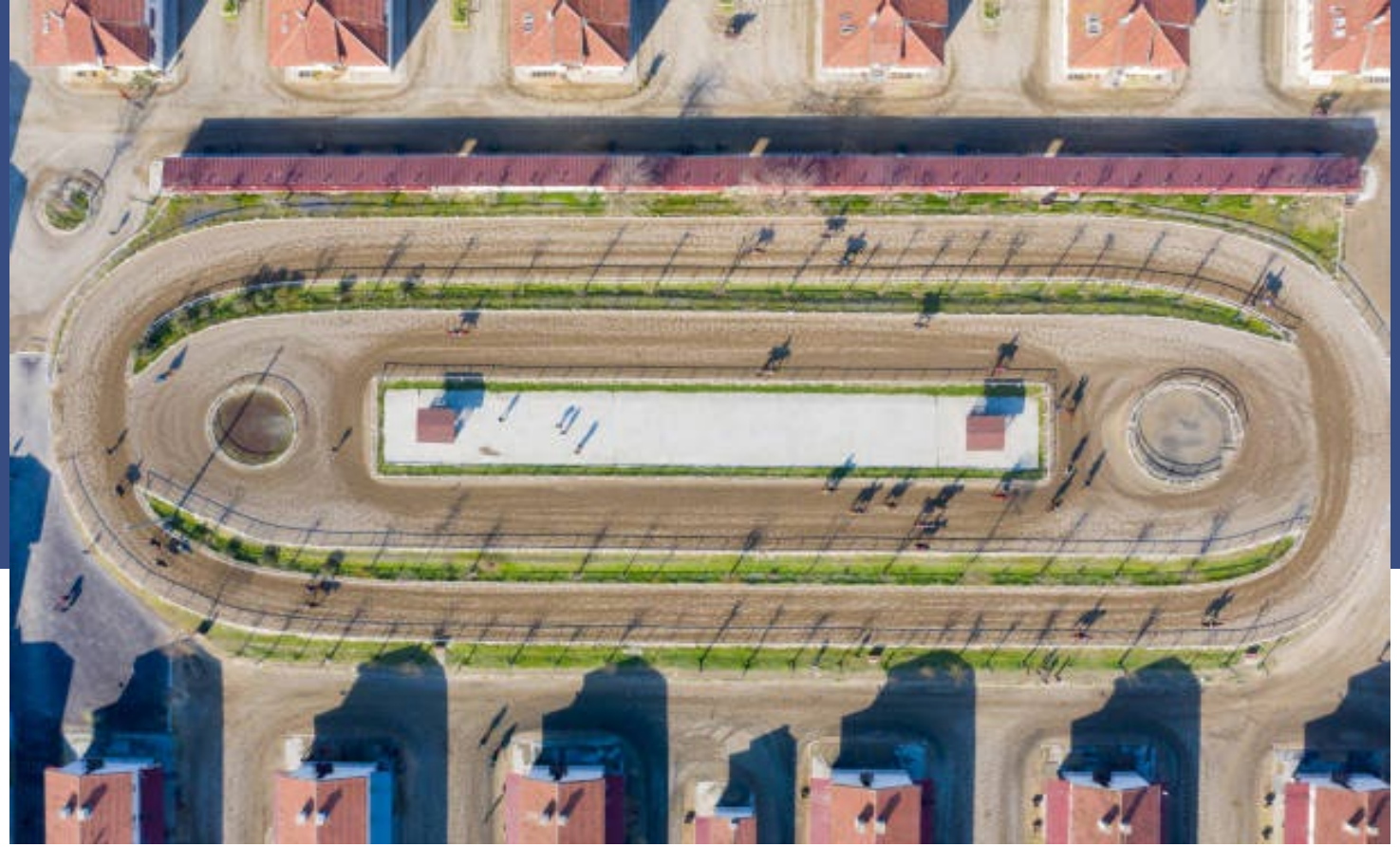
Trade Accounts Payable → Are expenses being juggled? Will vendors stop services?

The Thoroughbred: The Peak of Equine (Asset Management) Excellence

- In Depth Review of Financials
  - Income Statement Review
  - Analysis of the BS
- Compliance
  - RSD Action Plans
  - Risk Notifications
- And……

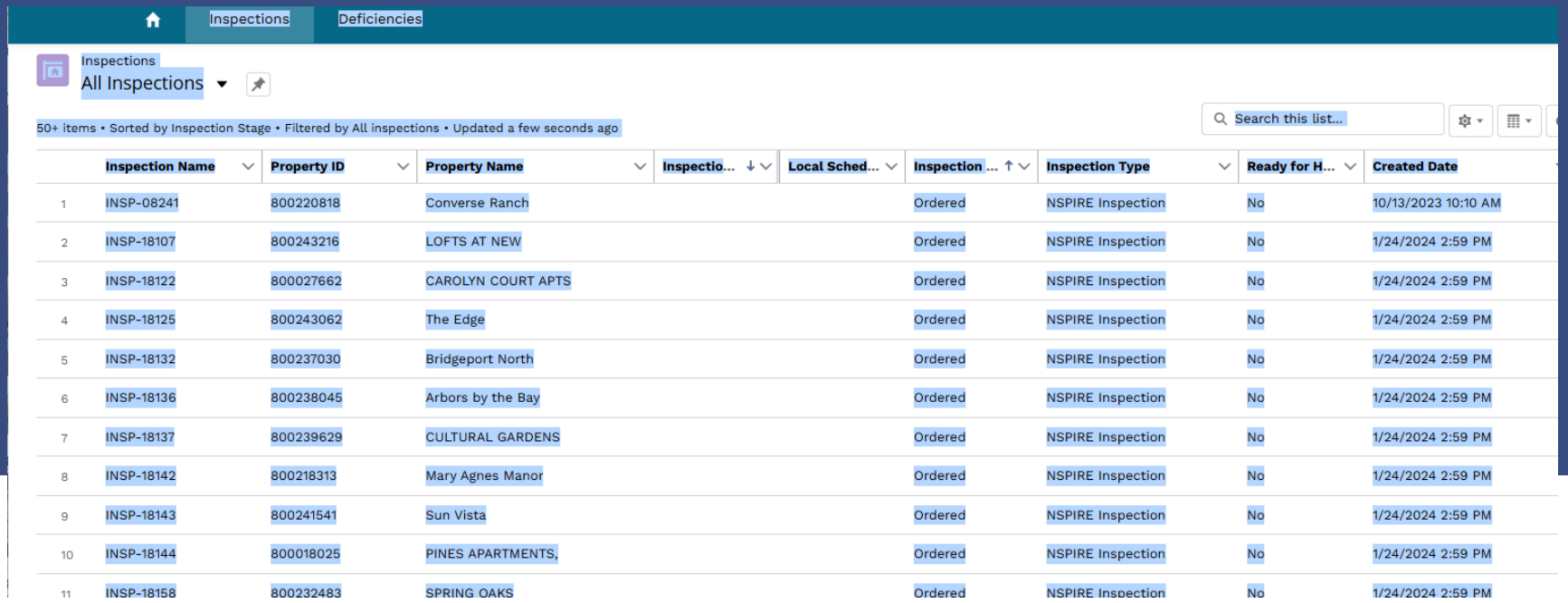
Communication: HUD, Lender, Borrower, Operator, MGMT Co.

- Use the phone….
  - Information not reflected in financials
  - What's going on?
    - First words → Root Cause
    - Second words → Risk Mitigation Steps
  - Future plans?
    - Interest in selling?
    - Interest in CHOP/MGMT Change?
    - Plan for when Mom/Pop retire?
  - Sponsor Level Issues



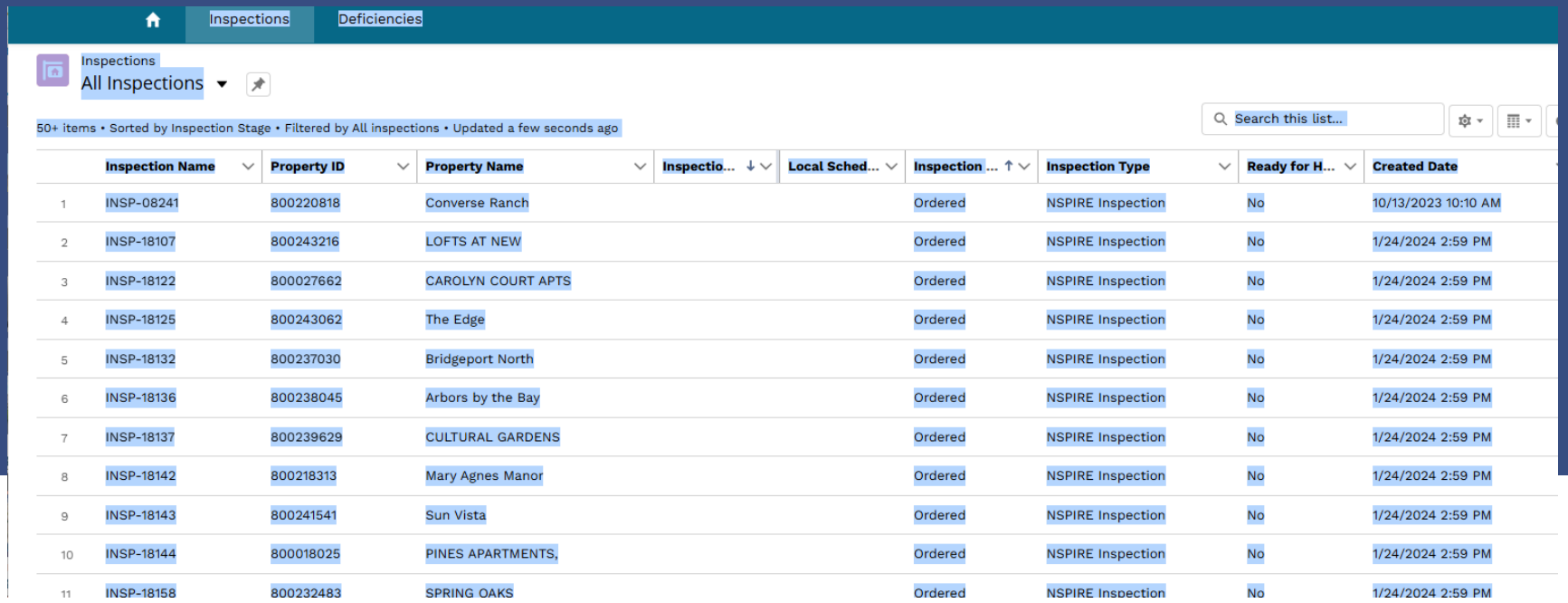
NSPIREd or Running in Circles?

HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America



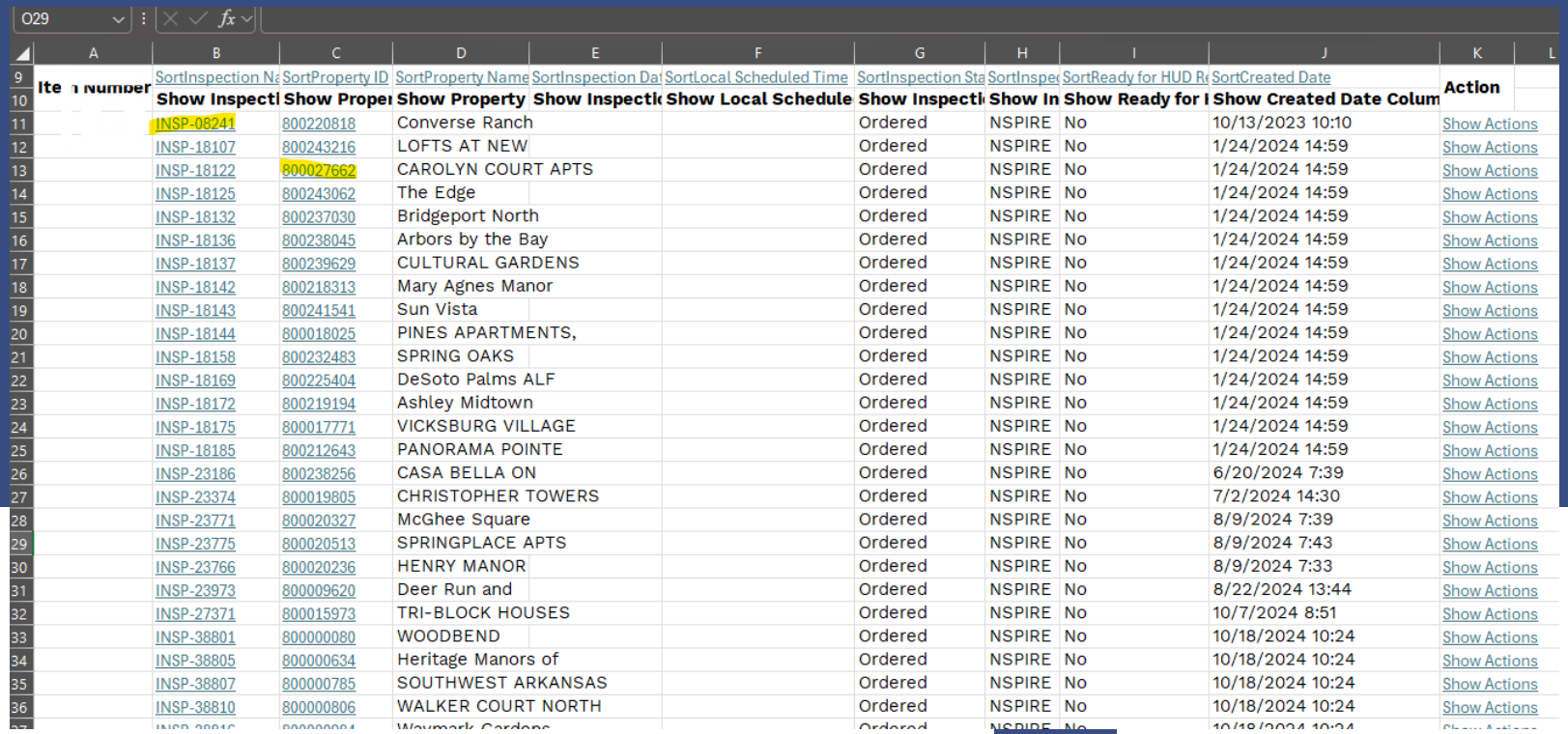
	Inspection Name	Property ID	Property Name	Inspectio...	Local Sched...	Inspection ...	Inspection Type	Ready for H...	Created Date
1	INSP-08241	800220818	Converse Ranch			Ordered	NSPIRE Inspection	No	10/13/2023 10:10 AM
2	INSP-18107	800243216	LOFTS AT NEW			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
3	INSP-18122	800027662	CAROLYN COURT APTS			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
4	INSP-18125	800243062	The Edge			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
5	INSP-18132	800237030	Bridgeport North			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
6	INSP-18136	800238045	Arbors by the Bay			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
7	INSP-18137	800239629	CULTURAL GARDENS			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
8	INSP-18142	800218313	Mary Agnes Manor			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
9	INSP-18143	800241541	Sun Vista			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
10	INSP-18144	800018025	PINES APARTMENTS,			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
11	INSP-18158	800232483	SPRING OAKS			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM

Ctrl. A – Select All



	Inspection Name	Property ID	Property Name	Inspectio...	Local Sched...	Inspection ...	Inspection Type	Ready for H...	Created Date
1	INSP-08241	800220818	Converse Ranch			Ordered	NSPIRE Inspection	No	10/13/2023 10:10 AM
2	INSP-18107	800243216	LOFTS AT NEW			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
3	INSP-18122	800027662	CAROLYN COURT APTS			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
4	INSP-18125	800243062	The Edge			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
5	INSP-18132	800237030	Bridgeport North			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
6	INSP-18136	800238045	Arbors by the Bay			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
7	INSP-18137	800239629	CULTURAL GARDENS			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
8	INSP-18142	800218313	Mary Agnes Manor			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
9	INSP-18143	800241541	Sun Vista			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
10	INSP-18144	800018025	PINES APARTMENTS,			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM
11	INSP-18158	800232483	SPRING OAKS			Ordered	NSPIRE Inspection	No	1/24/2024 2:59 PM

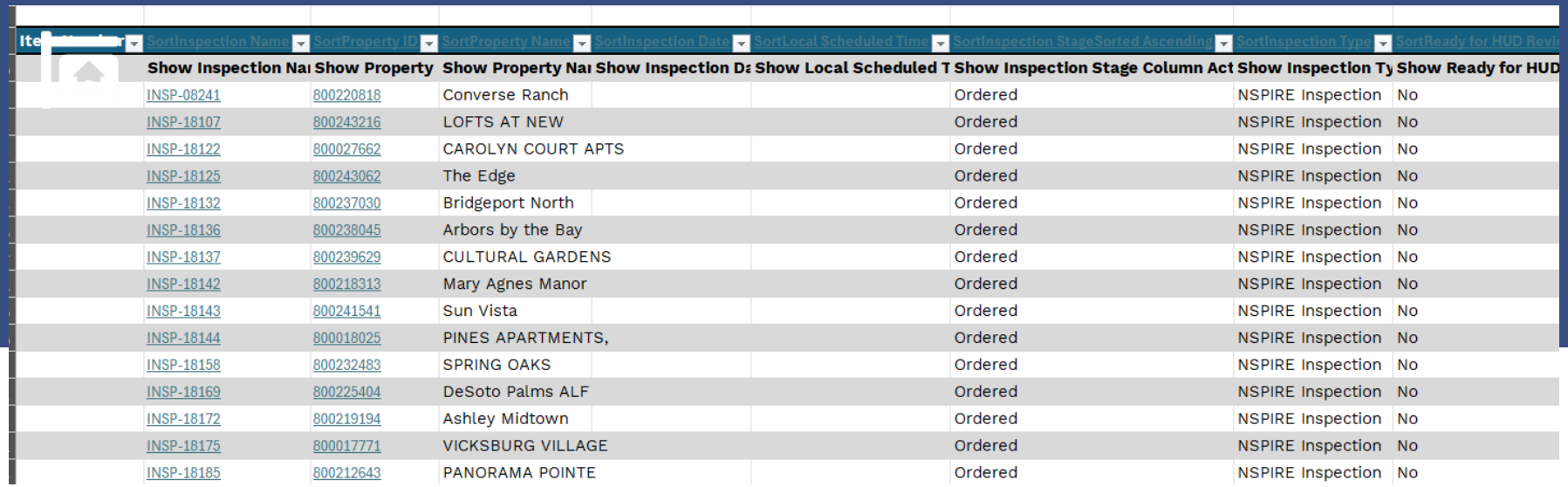
Ctrl. C – Copy



Item Number	SortInspection Na	SortProperty ID	SortProperty Name	SortInspection Da	SortLocal Scheduled Time	SortInspection Sta	SortInspec	SortReady for HUD Re	SortCreated Date	Action
	Show Inspecti	Show Proper	Show Property	Show Inspecti	Show Local Schedule	Show Inspecti	Show In	Show Ready for I	Show Created Date Colum	
	INSP-08241	800220818	Converse Ranch			Ordered	NSPIRE	No	10/13/2023 10:10	Show Actions
	INSP-18107	800243216	LOFTS AT NEW			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18122	800027662	CAROLYN COURT APTS			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18125	800243062	The Edge			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18132	800237030	Bridgeport North			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18136	800238045	Arbors by the Bay			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18137	800239629	CULTURAL GARDENS			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18142	800218313	Mary Agnes Manor			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18143	800241541	Sun Vista			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18144	800018025	PINES APARTMENTS,			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18158	800232483	SPRING OAKS			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18169	800225404	DeSoto Palms ALF			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18172	800219194	Ashley Midtown			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18175	800017771	VICKSBURG VILLAGE			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-18185	800212643	PANORAMA POINTE			Ordered	NSPIRE	No	1/24/2024 14:59	Show Actions
	INSP-23186	800238256	CASA BELLA ON			Ordered	NSPIRE	No	6/20/2024 7:39	Show Actions
	INSP-23374	800019805	CHRISTOPHER TOWERS			Ordered	NSPIRE	No	7/2/2024 14:30	Show Actions
	INSP-23771	800020327	McGhee Square			Ordered	NSPIRE	No	8/9/2024 7:39	Show Actions
	INSP-23775	800020513	SPRINGPLACE APTS			Ordered	NSPIRE	No	8/9/2024 7:43	Show Actions
	INSP-23766	800020236	HENRY MANOR			Ordered	NSPIRE	No	8/9/2024 7:33	Show Actions
	INSP-23973	800009620	Deer Run and			Ordered	NSPIRE	No	8/22/2024 13:44	Show Actions
	INSP-27371	800015973	TRI-BLOCK HOUSES			Ordered	NSPIRE	No	10/7/2024 8:51	Show Actions
	INSP-38801	800000080	WOODBEND			Ordered	NSPIRE	No	10/18/2024 10:24	Show Actions
	INSP-38805	800000634	Heritage Manors of			Ordered	NSPIRE	No	10/18/2024 10:24	Show Actions
	INSP-38807	800000785	SOUTHWEST ARKANSAS			Ordered	NSPIRE	No	10/18/2024 10:24	Show Actions
	INSP-38810	800000806	WALKER COURT NORTH			Ordered	NSPIRE	No	10/18/2024 10:24	Show Actions

Ctrl. V – Paste

HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America



Item Number	SortInspection Name	SortProperty ID	SortProperty Name	SortInspection Date	SortLocal Scheduled Time	SortInspection StageSorted Ascending	SortInspection Type	SortReady for HUD Revie
	Show Inspection Nai	Show Property	Show Property Nai	Show Inspection Da	Show Local Scheduled T	Show Inspection Stage Column Act	Show Inspection Ty	Show Ready for HUD
	INSP-08241	800220818	Converse Ranch			Ordered	NSPIRE Inspection	No
	INSP-18107	800243216	LOFTS AT NEW			Ordered	NSPIRE Inspection	No
	INSP-18122	800027662	CAROLYN COURT APTS			Ordered	NSPIRE Inspection	No
	INSP-18125	800243062	The Edge			Ordered	NSPIRE Inspection	No
	INSP-18132	800237030	Bridgeport North			Ordered	NSPIRE Inspection	No
	INSP-18136	800238045	Arbors by the Bay			Ordered	NSPIRE Inspection	No
	INSP-18137	800239629	CULTURAL GARDENS			Ordered	NSPIRE Inspection	No
	INSP-18142	800218313	Mary Agnes Manor			Ordered	NSPIRE Inspection	No
	INSP-18143	800241541	Sun Vista			Ordered	NSPIRE Inspection	No
	INSP-18144	800018025	PINES APARTMENTS,			Ordered	NSPIRE Inspection	No
	INSP-18158	800232483	SPRING OAKS			Ordered	NSPIRE Inspection	No
	INSP-18169	800225404	DeSoto Palms ALF			Ordered	NSPIRE Inspection	No
	INSP-18172	800219194	Ashley Midtown			Ordered	NSPIRE Inspection	No
	INSP-18175	800017771	VICKSBURG VILLAGE			Ordered	NSPIRE Inspection	No
	INSP-18185	800212643	PANORAMA POINTE			Ordered	NSPIRE Inspection	No

Ctrl. T – Create a Table (filter)

The End

HEALTHCARE MORTGAGEE ADVISORY COUNCIL
Financing Seniors Housing for America