



**HEALTHCARE MORTGAGEE ADVISORY COUNCIL**

Financing Seniors Housing for America

## 1.21 Gigawatts of Asset Management Update

Asset Management Insights & Updates

November 17, 2025

## Asset Management Updates – Agenda

- Risk Surveillance Dashboard (RSD)
- 10-Year PCNAs
- Asset Management Express Lanes
- Back to the Future?
- Questions/Comments

# Risk Surveillance Dashboard

- Effective with the release of the July 2025 RSD, Action Plans “will no longer be required by default.”
  - “While Action Plans have served a useful tool, they have at times become routine “check-the-box” exercises”
  - ORCF AM will move to a “targeted and collaborative process” for future risk monitoring and mitigation
  - Account Executives will conduct a “holistic review” of facilities that includes factors outside of the data points on the RSD
  - If an existing Action Plan “lacks meaningful content,” the AE will close it out in coordination with the Lender
  - Per ORCF AM this was driven by both staffing capacity as well as an evaluation of the RSD process

# Risk Surveillance Dashboard

- Once the “holistic review” has been completed, the following options are now on the table:
  - Continued monitoring through future RSDs
  - Completion of a Risk Assessment Questionnaire (RAQ)
  - Quarterly or monthly check-in calls
  - Submission of additional financials or Monthly Account Reports
  - Issuance of a Notice of Violation or Notice of Default
  - Engagement of a third-party consultant
  - A well-structured Action Plan, when appropriate
- “Lenders are expected to remain actively engaged”
- A request from ORCF to share internal watchlists
  - Technically, already a requirement to do this in MDDR
- ORCF “actively considering” sharing their risk ratings

# Risk Surveillance Dashboard

- Beginning with the Q1 2025 quarterly financials, two additional balance sheet data points are now required to be submitted:
  - Accounts Payable in excess of 90 days
  - Accounts Receivable in excess of 90 days
- Utilizing this data, two additional risk factors were added to the RSD:
  - Accounts Payable over 90 days that exceeds 5% of total operating expenses
  - Accounts Receivable over 90 days that exceeds 3% of total revenues
- The Portal will accept “0” values for these new items, and it is unclear how ORCF AM intends to use this data

# Risk Surveillance Dashboard – Current Issues

- Despite the July RSD guidance, Lenders continue to report that ORCF Account Executives are requiring Action Plans “by default”
  - A wide disparity between different Lender AE teams
  - A consistent, industry-wide standard is necessary
- HUD Production did not get the updated guidance, and Firm Commitments continued to list submission of Action Plans as a Firm Commitment Special Condition
  - This seems to have resolved over the last several months
- Action Plans seeming remain a “gating item” to other types of HUD consent actions
  - CHOPs, Change of Operator, etc.
  - Reserve for Replacement and other HUD-restricted escrow approvals
  - Other miscellaneous consent or approval requests

# Risk Surveillance Dashboard

- Where do we go from here?
  - ORCF AM Senior Leadership has discussed keeping an Action Plan requirement in-place for the “Chronic DSCR” facilities
    - Facilities that have had substandard DSCR for two or three consecutive years
    - This proved to be a useful exercise for both Lenders and ORCF AM during the “Chronic DSCR” project of Summer 2024
  - ORCF AM Senior Leadership has discussed holding monthly or quarterly calls to review facilities with certain risk indicators
  - ORCF AM is not staffed sufficiently to maintain a similar type of Action Plan/Action Plan Update process, but will this change?
  - Servicer’s Risk Notifications will continue to be required, and it is possible that Lenders will be held more accountable

## 10-Year PCNAs

- While it appears that HUD Multifamily is on the verge of making significant changes to the 10-Year PCNA process, ORCF AM Senior Leadership has indicated that the 10-Year PCNA requirement will remain in place for HUD Healthcare
  - Smaller universe of loans for HUD Healthcare makes the 10-Year PCNA process easier to handle
  - The ORCF AEs have more experience handling the 10-Year PCNA process
  - HUD ORCF has had significant prior, public issues related to facility physical condition issues
  - More claims means more claims with significant deferred maintenance issues that have impacted recovery/residual value

## 10-Year PCNAs

- If 10-Year PCNAs are going to stay long-term, additional guidance is necessary on the following items:
  - Repairs that are above the facility's capacity to fund from either R4R or borrower/sponsor capital
  - 15-year reserve and major movable schedules that call for huge increases to the monthly R4R deposit, above the facility's capacity to fund
  - Standardized time frames on when Critical Repairs and Non-Critical Repairs need to be completed
    - Currently, individual AEs are unilaterally deciding these time frames, some with unrealistic expectations
  - What ORCF AM wants us to do when clients refuse to engage with the 10-Year PCNA process
  - **\*\*Accessibility issues requiring major repairs\*\***

## 10-Year PCNAs

- ORCF AM Senior Leadership knows that these are difficult issues, and they have been incredibly flexible
- A 10-Year PCNA checklist was published in December 2024, standardizing submission requirements
- A working group consisting of ORCF AM SMEs is in the process of drafting a 10-Year PCNA Lender Narrative
- Accessibility issues remain a major concern, but there is a proposed fix:
  - Create a new 10-Year PCNA statement of work
  - Regulations only require that accessibility issues be evaluated at initial underwriting
  - Accessibility issues would be identified, but not included as either Critical or Non-Critical Repairs

## Asset Management Express Lanes

- In May, the PDAS Cassidy authorized ORCF AM to explore using the Express Lane concept for Asset Management transactions
- A working group was formed with ORCF AM Senior Leadership, HUD OGC, and representatives from five different lenders to discuss a framework for utilizing the Express Lane concept for the following requests:
  - CHOPs – Full CHOP, Modified CHOP, Change of Operator, and Change of Management Agent
  - Certain AR financing requests
  - Certain Change of Collateral requests
- A beta test of the AM Express Lanes was completed for a 60+ day period

# Asset Management Express Lanes

- CHOP Express Lane
  - While it was hoped that the CHOP Express Lane would contain nominally the same criteria as the Production Express Lane, this was not the case:
    - 3+ Years of HUD Experience as a Borrower, Operator, or Management Agent in a similar regulatory environment
    - UPB of each CHOP property <\$50M (\$70M in NY)
    - No corporate credit review triggers
    - No AR or master lease changes at the CHOP facility, nor does the CHOP trigger these at other facilities
    - CHOP property is performing, with no compliance issues
    - Electronic APPS
    - No lender special conditions

## Asset Management Express Lanes

- Unlike the Production Express Lane, the CHOP Express Lane contains criteria that concern the new Borrower, Operator, or Management Agent's other HUD-insured facilities:
  - Greater than 1.10x average T-12 DSCR and no properties with a T-12 below 1.00
  - Average of 2-Star overall
  - Average of 2-Star for Health
  - No facilities with a current Abuse Icon
  - No open G tag or higher tags in previous 12 months
  - No facilities currently SFF-D/SFF-C
  - No history of FHA insurance claims or defaults (60+ days late) on FHA-insured loans (**Production Express Lane**)
  - No compliance issues at other HUD-insured facilities (MDDR, DEC, MQFIN, Flags, AFS, other)

## Asset Management Express Lanes

- Issues with these set of criteria:
  - Unfairly penalizes incoming participants with large portfolios, the exact sort of credit that we are trying to attract
  - Unfairly penalizes incoming participants that specialize in workout facilities, when those sort of participants are badly needed in the current operating environment
  - Eligibility for the CHOP Express Lane can hinge on a bad survey at a single facility
  - Very difficult to verify financial/operational performance and compliance of facilities where you are not the lender
    - ORCF AM requires an Express Lane Lender Certification, making a lender “counter certification” a necessary item
- These issues were expressed to the ORCF AM team leading the working group

## Asset Management Express Lanes

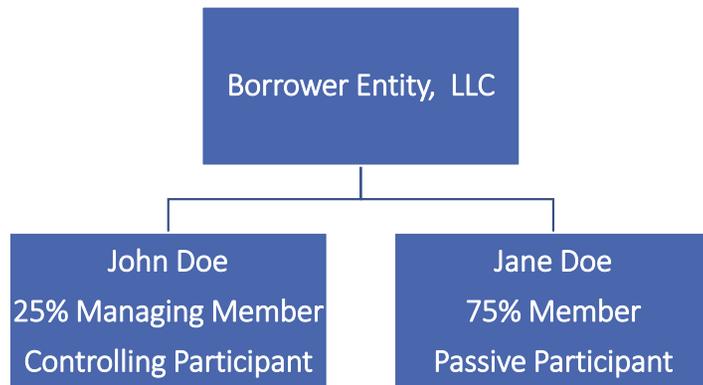
- As a result, there were very few CHOPs that qualified for Express Lane processing during the beta test
- ORCF AM is currently evaluating ways to potentially relax the criteria so that more transactions will qualify before formally launching the CHOP Express Lane
- One significant positive that came out of the working group and beta test: HUD has agreed to Express Lane processing for CHOP transactions where “natural person control” is not changing
  - There is a huge volume of these transactions, and they can often take as long as a standard CHOP for HUD to process and review
  - This is being called CHOP Express Lane “Option 2”

## Asset Management Express Lanes

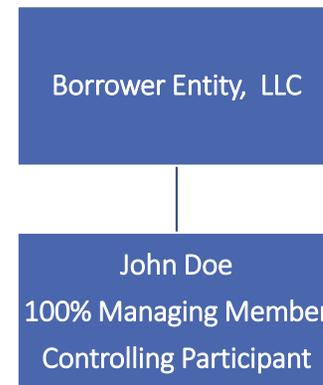
- Criteria for CHOP Express Lane “Option 2”:
  - Previously approved natural persons in financial or operational controlling role are *acquiring additional interest AND/OR*;
  - Entities with financial or operational control that sit below the single asset entity Borrower, Operator, or Management Agent are changing (*passive entity and passive natural person changes do NOT need HUD review/approval*)
  - Electronic APPS
  - No Lender Special Conditions
- A CHOP application package will still need to be submitted, but can be extremely truncated

# Asset Management Express Lanes

- Express Lane “Option 2”:



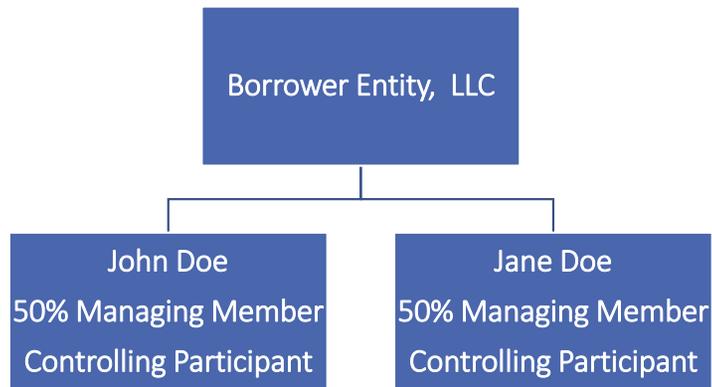
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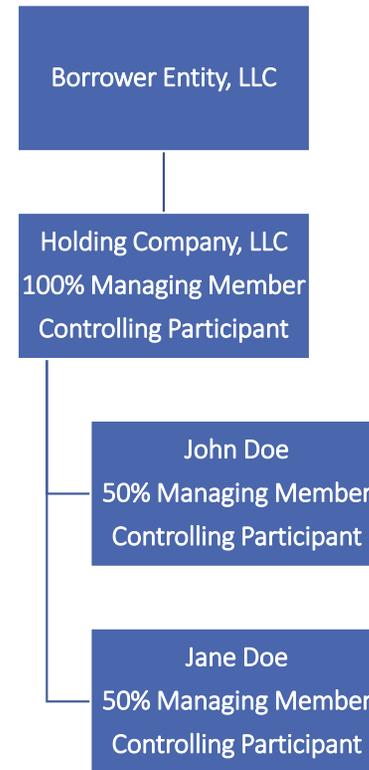
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# Asset Management Express Lanes

- Express Lane “Option 2”:



Before



After

# Asset Management Express Lanes

- AR Financing Express Lane
  - ORCF AM is also exploring Express Lane processing for the following AR financing requests:
    - Maturity Date / Term Extension changes
    - Guarantor changes
    - Interest rate changes
    - Removing project from AR Line due to prepayment
    - Maximum Commitment Amount decreases tied to removing a project from the line
    - Maximum Commitment Amount increases for properties with a 1.45+ DSCR per the last RSD

## Asset Management Express Lanes

- AR Financing Express Lane
  - To qualify for Express Lane processing, the request will need to meet the following criteria:
    - Intercreditor Agreement (ICA) is the 2019 version or later **AND**
    - AR Terms Memo has been completed **AND**
    - No other material term changes **AND**
    - No missing Borrower/Operator financials **AND**
    - Cross defaults listed in Exhibit B of the ICA are listed as “NONE” or matches the current cross-default language that has been required for the last several years
  - Similar to the CHOP Express Lane, an application package will need to be submitted, but can be limited to only pertinent items

## Asset Management Express Lanes

- Change of Collateral Express Lane
  - While the lender working group suggested several requests under the Change of Collateral umbrella that would be ripe for Express Lane processing, ORCF AM and HUD OGC were only comfortable with Express Lane processing on the following types of requests:
    - Bed/unit license increase resulting in *increased* NOI, OR
    - Bed/unit license decrease impacting <10% or fewer beds that does *not negatively impact* NOI (not including bed sales)
    - Requests involving care type changes (SNF to AL, etc.) would not be eligible for Express Lane processing
    - Requests involving bed sales would not be eligible for Express Lane processing

## Asset Management Express Lanes

- Proposed Express Lane Process:
  - Requests should be vetted in the early stages to determine whether a particular request will be Express Lane eligible
  - Full application packages will need to be collected/submitted
    - CHOP “Option 2” – only applicable items
  - Application package is submitted via the Portal
  - After application package is submitted via the Portal, an Express Lane Lender Certification is completed and emailed to a central inbox
  - The HUD Express Lane team notifies the AE and assigns the request to themselves

## Asset Management Express Lanes

- The HUD Express Lane team is aiming for a 48–72 hour turnaround on the **\*\*programmatic review only\*\***
- The request will still be subject to HUD OGC review, and the Preliminary Approval Letter will only be issued after HUD OGC review is complete
  - The HUD Express Lane team is asking for “priority” review of requests at HUD OGC, but it remains to be seen if this will actually happen
  - The HUD Express Lane team consists of ORCF AM Senior Leadership, and they are good at working with HUD OGC
- Once the HUD OGC review is complete, the HUD Express Lane team will issue the PAL and approve the request in the Portal

## Asset Management Express Lanes

- Next steps for the AM Express Lanes:
  - In concert with ORCF AM Senior Leadership and HUD OGC, the ORCF AM Express Lane working group leads are recommending changes to criteria that proved to be too restrictive
  - Express Lane Lender Certifications were drafted and distributed during the beta test period, but these will need to be further reviewed and approved by HUD OGC, and it is unclear whether they would be subject to PRA
  - When the criteria and certifications are finalized, ORCF AM will formally launch the Express Lane
  - Training will need to be completed with both the ORCF AE teams as well as the lender community to nail down the process for handling Express Lane requests

## Asset Management Express Lanes

- Thank you to the following lenders that participated in the Asset Management Express Lane working group:
  - Greystone – Samantha Brooks
  - Lument – Andrew Peters
  - Walker & Dunlop – Megan Donnellan
  - NewPoint – Susana Araoz
  - Berkadia – John Kearney
- Thank you to Denise Murphy Edwards at Murphy Consulting for helping on the technical aspects of the Controlling Participants/APPS process
- Thank you to Kristine Petrillo and Marie Mazwi at HUD ORCF AM for leading the working group and beta test

# Back to the Future?

- What will happen with staffing?
  - Risk Mitigation Team was heavily impacted, but virtually all AE groups were impacted by the deferred resignation program
  - Federal hiring freeze expired on October 15<sup>th</sup>, but there are now new restrictions and approvals
  - ORCF AM staffing higher or lower by December 31, 2026?
- Handbook
  - Will another draft version of the Handbook be circulated?
  - AM changes in the last version of the draft Handbook were minimal, but this could change
    - Formalize the Express Lane?
    - Will the final version of the Handbook be released by December 31, 2026?

## Back to the Future?

- AP/AP Update Process Replacement
  - What will ORCF AM utilize to replace the AP/AP Update process?
  - Likely will be “Chronic DSCR” list, but we don’t know
  - Unlikely that anything that replaces the AP/AP Update process will be as paperwork heavy
- New Forms/Docs in Clearance/PRA
  - The form loan documents as well as several AM documents were revised last year and are currently in the PRA process
  - CHOP Lender Narrative that is not a copy/paste of the 223(f) Lender Narrative?
  - Checklists have no Clearance/PRA requirement

## Questions/Comments?

- Thank you for attending the session, please feel free to send any questions/comments to me directly at:

Dale.Becker@Lument.com