
HUD's LEAN 232 Program
Office of Insured Health Care Facilities
(OIHCF)

Update as of February 19th, 2010

HOT OFF THE PRESS – form HUD-92438, Itemization of Costs on form HUD-92264a, and Amendment Requests:

Effective immediately, you are no longer required to submit a HUD Form 92438 (Underwriting Summary Report) on LEAN 232 submittals. We are no longer requiring this form because all of the items included on the 92438 are reflected elsewhere in our Firm Commitment and its attachments. The Lender Firm Application Checklists will be revised to remove this document in the future. On Section 232/223f's, please ensure that all submittals of form HUD-92264a include an itemized breakdown of the costs of the transaction that make up the Criterion 7 or Criterion 10 maximum insured mortgage – this breakdown can be included at the bottom of page 2 or on page 4 of the form HUD-92264a. Moreover, when submitting an amendment request that includes a change in the payment amount, please include the monthly principal and interest amount in the amendment request cover letter.

Requests for Clarification/Revisions on Firm Applications:

On some projects we spend a substantial amount of time going back and forth with lenders in an attempt to craft a project that is an acceptable risk to the FHA Insurance Funds. Because of our severe staffing shortage and in the spirit of LEAN, we have chosen to expedite this process in the future, as the current process increases the time in queue for all other projects. On projects where the OIHCF Underwriter needs clarifications/revisions, the email from the OIHCF Underwriter requesting such clarifications/revisions will give a timeline whereby a response is required. If a **full** response (partial responses add time to our process) is not received by the stated timeline, the project will be

brought to Loan Committee in its current state. **As we will only be allowing one timely response of a clarification/revision**, it is important that the lender response is fully researched and thoughtfully assembled – taking into account the overall risk of the project to the FHA Insurance Fund.

Summary of Underwriting Benchmark LTV's and DSCR's Contained in Other Email Blasts:

Below is a summary of the LEAN Underwriting Benchmarks for Loan to Value (LTV) and Debt Service Coverage Ratio (DSCR). These have been discussed in previous Lender Email Blasts – most recently in the 11/20/09 version. Please note the 9/18/09 Lender Email Blast that limits the maximum insurable mortgage (MIM) amount on new construction loans to 90% of replacement cost. This test applies to the HUD Replacement Cost, as calculated in Section H of HUD Form 92264, not the cost approach of the appraisal, which generally does not factor in Davis Bacon wages. Since the 92264a form only has one space for both the “cost” and “value” tests to be shown in Criteria 3, **show the more restrictive MIM in that space, and summarize both tests in the Lender Narrative.**

Type of Unit	New/Existing Units	Mortgagor Type	Max. LTV*	Min. DSCR*
SNF/ILU	Both	For Profit	80%	1.45
SNF/ILU	Both	Non-Profit **	85%	1.45
ALF	New	For Profit	75%	1.45
ALF	New	Non-Profit **	80%	1.45
ALF	Existing	For Profit	80%	1.45
ALF	Existing	Non-Profit **	85%	1.45

SNF = Skilled Nursing Facility
 ILU = Independent Living Unit
 ALF = Assisted Living Facility

* Maximum loan to values and minimum debt service coverage ratios are set by the Section 232 Statute and Regulations. Any submittal above the LTV's listed in this Email Blast or below the DSCR's listed in this Email Blast will require justification/mitigation as discussed in the July 24, 2009 and November 20, 2009 Email Blasts.

** To qualify for the higher Non-Profit benchmarks, the owner/operator must demonstrate a successful operating track record,

significant project operating and management experience, an a solid financial track record.

Searchable Version of Previous Email Blasts:

We have posted a searchable Word version of the previously issued Email Blasts to HUD.GOV under "Previous E Newsletters".

Keep in Mind when Dealing with Participant Changes Under the LEAN 232 Program...

Participant changes done in conjunction with a new Section 232 loan (on a project that is currently insured):

New Loans that are Section 223(f), Section 232 NC/SR; Section 223(d); and Section 241 (a):

As long as the revised/new participants are fully evaluated in the Firm Application for the new loan, there is no need for a separate Transfer of Physical Assets (TPA) application. The Lender Narrative should discuss the participant changes that are being made.

New Loans that are Section 223(a)(7)'s:

For Section 223(a)(7)'s, as long as the revised/new participants are fully evaluated in the Firm Application for the new loan, there is no need for a separate Transfer of Physical Assets (TPA) application. However, please include a completed form HUD 92266 and a narrative to explain the transaction. This concurrent review of a TPA with the underwriting of the refinance deal is in line with the general intent of an 223(a)(7)-- to provide an expeditious means to streamline refinance while further stabilizing and minimizing risk to the FHA portfolio. If you have a revision to the previously approved participants, please contact the underwriter assigned to your (a)(7) or the (a)(7) Workload Manager to discuss further.

Now Available – Handicapped Accessibility Matrix for LEAN Section 232 Program!

The attached Matrix describes the applicability of the Fair Housing Amendments Act, Uniform Federal Accessibility Standards and Section 504, and the Americans with Disabilities Act, to the various Section 232 programs. Lenders and their Third Party Needs Assessors and Architectural Reviewers should find the Matrix a useful tool in determining when and how the various accessibility standards apply to

Purchase/Refinance, New Construction, and Substantial Rehabilitation transactions.

[Handicapped Accessibility Matrix](#)

Questions or comments regarding the Matrix can be directed to Michael Peeler, Senior Account Executive, at Mike.Peeler@hud.gov.

Need to Reference Previous LEAN 232 Updates?

Previous E-Newsletters (Email Updates) can be found at:

http://portal.hud.gov/portal/page/portal/HUD/federal_housing_administration/healthcare_facilities/section_232/lean_processing_page/underwriting_guidance_home_page/previous_e_newsletters

LEAN Thinking Mailbox – LeanThinking@hud.gov

Have questions about the LEAN 232 Program? Please send them to LeanThinking@hud.gov

Interested in getting updates on the LEAN 232 Program?

Join our email list by sending your contact information to: Kristine.Martin@hud.gov

For more information on the LEAN 232 Program, check out:

http://portal.hud.gov/portal/page/portal/HUD/federal_housing_administration/healthcare_facilities/section_232/lean_processing_page

Or check out:

www.hud.gov/healthcare
