



HUD issues guidance to interim modification on-site visit requirements for its insured health care programs

By Edward Campbell

HUD has issued interim guidance for its Section 232 insured health care programs to address limitations on third-party site visits in light of the COVID-19 pandemic. These temporary modifications to established processes for on-site inspections have been adopted by HUD's Office of Residential Care Facilities (ORCF) in an effort to continue supporting the financing of the health care facilities during these difficult times. Mortgagee Letter 20-10 provides best practices and procedural modifications for third-party site inspections for Section 232 FHA insured health care facilities.

Third-party site visits

Procedural modifications apply to third-party inspections in cases where the inspector is unable to access the interior of the building and/or travel to the subject site. These modifications are applicable to inspections with an effective date within 45 days of the issuance of Mortgagee Letter 20-10. Site inspections covered by the Mortgagee Letter 20-10 include:

- **Project Capital Needs Assessments (PCNA)**—in the absence of a site visit, preparer should (i) review the most recent PCNA on the subject property; (ii) review photos of building areas and components that are provided by the facility staff, as instructed by the preparer; (iii) review virtual and publically available sources, including satellite photos; and (iv) conduct phone interviews with facility staff.
- **Appraisals**—in the absence of a site visit, appraiser should (i) review photos of the facility and/or site; (ii) review market competitor/appraisal comparables using a combination of internet searches, phone calls to facilities, surveys conducted by marketing staff of the subject property, and information from national research firms; (iii) review virtual and publically available sources, including satellite photos; (iv) for projects with existing buildings review the most recent PCNA of the subject property; and (v) for projects with existing buildings conduct phone interviews with the facility administrator and staff.
- **Section 232 Phase I Environmental Site Assessments**—if the Environmental Site Assessment preparer is unable to access the interior of the building and/or travel to the subject site ORCF will not object to the absence of a site inspection provided: (i) the Environmental Documentation is conducted in accordance with ASTM E1527-13 (or most recent version); (ii) the preparer reviews photos taken of the facility and publicly available

sources (such as satellite photos); (iii) phone interviews with facility staff are conducted, if needed; and (iv) the site does not have higher risk past, current, or adjacent uses.

- ***Asbestos surveys and radon testing***—where interior access to the subject property is limited and testing cannot be completed prior to application, the firm commitment will include a condition requiring the asbestos survey and radon testing (and any needed mitigation) be completed prior to closing.

More detailed information on the required portfolio of pictures and documentation required to be reviewed in connection with preparation of a PCNA or an ESA can be found in [Mortgage Letter 20-10 and its accompanying addendum](#).

Lender underwriting site visits

ORCF is now waiving the requirement for a lender underwriter site visit in cases where the lender is unable to gain interior access to the building and/or travel to the project site. If a site visit cannot be conducted, the underwriter must view the portfolio of pictures for the project, as previously described, and conduct phone interviews with pertinent facility staff.

Expiring appraisals

Due to the COVID-19 National Emergency, ORCF will no longer be granting waivers for appraisals that have expired.

New construction, substantial rehabilitation, and Section 241(a)

ORCF is permitting monthly construction inspection meetings to be performed through a live virtual inspection of the building areas and construction that would normally be viewed in the inspection using a video app, in lieu of an in-person inspection. This applies to inspections to be conducted within 45 days of the issuance of Mortgage Letter 20-10.

For more information on the content of this alert, please contact your regular Nixon Peabody attorney or:

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