



January 10, 2025

Jennifer Lavorel
Director, Program Administration Office
Office of Asset Management and Portfolio Oversight
Department of Housing and Urban Development
451 7th Street SW, Washington, DC 20410

CC: Elayne Weiss, Deputy Assistant Secretary for Policy Development

RE: Docket No. FR-6495-N-01, Notice of Certain Operating Cost Adjustment Factors for 2025

Dear Director Lavorel,

Thank you for your commitment to affordable housing options for older adults served through HUD's Multifamily Housing programs. As the leading voice for aging, LeadingAge welcomes the opportunity to provide feedback on HUD's approach to setting the Operating Cost Adjustment Factors (OCAFs) for 2025 related to property insurance costs.

Like in 2023, we are very supportive of the agency's efforts to adjust the methodology for calculating OCAFs to better reflect the increasing operating costs faced by HUD-assisted properties. As you know, appropriate annual budget increases through OCAFs are crucial for housing providers across the country to maintain financially viable housing communities and quality homes for households with low incomes. Most properties have limited options outside of the annual OCAFs to access increases, making the calculation methodology particularly important.

While we support the continued efforts to address rising property insurance costs, please consider the following elements to the proposed change:

Additional Actions Needed to Address Insurance Unaffordability and Unavailability: Housing providers have navigated intense property insurance cost increases over the past few years. In surveys conducted of LeadingAge's affordable housing membership, providers have reported double and triple digit increases, and OCAFs have not kept up with cost trends. We urge HUD to build on the proposed OCAF methodology change with additional, larger scale actions to address the cost increases in an effective and holistic approach.

Please find our additional recommendations from August 2024 [here](#). In addition to our request that HUD strengthen the OCAF process for properties to access better cost allotments (including by providing clearer and more consistent guidance on properties in need of mid-year budget adjustments), we urged HUD to establish an insurance product for specialty realty sectors that can better address the unique needs and attributes of service-enriched affordable housing. This would also help with instances where housing providers are dropped by their carriers and are unable to locate appropriate coverage.

We also requested that the agency work together with Congress and state insurance commissioners to develop reasonable data transparency requirements to address trends of discrimination throughout the property insurance industry. In our most recent member survey (year-end 2024), only 12% of

respondents report that their rate increases were due to a history of claims at the property, while the most frequent reason (40%) given by insurance carriers for rate increases was market trends. A notable 14% of respondents said that the rate increases were due to resident services components at their affordable properties, including the presence of emergency call systems that HUD requires in affordable senior housing, and 5% of respondents said the increases were justified by crime issues and by referencing the type of neighborhood.

Lastly, we requested that HUD and other policymakers think long-term about affordable housing resilience, including by taking steps to promote and incentivize risk reduction actions at the property level (similar to HUD's Green Mortgage Insurance Premiums, which provide better rates as an incentive for climate resilience components). LeadingAge acknowledges and applauds HUD's separate Request for Information (RFI) on climate resilience related to property insurance.

Limits of the OCAF Calculation Method: Like you, we are fully aware of the limits of the OCAF – the methodology necessitates a lookback rather than real-time calculation of costs. By design, this approach leads to a significant lag in budgets that can appropriately meet costs in categories seeing rapid increases or volatile trends. HUD can help address the resulting mismatch between budgets and actual costs by clearly communicating about the availability (and the process for accessing) of mid-year increases and adjustments, as well as by consistently approving those requests. HUD should also issue guidance to the field that establishes a consistent policy for housing providers to access loans from Reserve for Replacement (R4R) and Reserve accounts.

In addition to the inherent lag time associated with OCAF calculation, we urge the agency to consider a critical omission from the insurance cost calculation: While the new calculation method relies on actual insurance costs at properties across the country, it does not reflect adjustments that housing providers have made to navigate unmanageable cost increases and insurance unavailability.

For example, many LeadingAge housing providers have resorted to higher deductible levels to bring premium costs down; similarly, certain housing providers have had to reduce coverage or forego components of their housing provision that would require additional insurance lines. This type of response to insurance cost increases is not reflected in HUD's new OCAF calculation methodology and will further depress budget allotments for property insurance.

In summary, while the proposed OCAFs are an excellent step in the right direction, we urge HUD to go further in future years to reasonably meet property expenses.

About LeadingAge

We represent more than 5,400 nonprofit aging services providers and other mission-driven organizations serving older adults that touch millions of lives every day. Alongside our members and 36 partners in 41 states, we use advocacy, education, applied research, and community-building to make America a better place to grow old. Our membership encompasses the entire continuum of aging services, including skilled nursing, assisted living, memory care, affordable housing, retirement communities, adult day programs, community-based services, hospice, and home-based care. We bring together the most inventive minds in the field to lead and innovate solutions that support older adults wherever they call home. For more information visit [leadingage.org](https://www.leadingage.org)

Again, thank you for the opportunity to provide input on improving the method for calculating budget adjustments for HUD-assisted properties. Please address any questions to Juliana Bilowich (jbilowich@leadingage.org).

Sincerely,

Juliana Bilowich
Director, Housing Operations and Policy