

WAC 182-516-0400 Promissory notes and loans. (1) General.

(a) In this section, note includes promissory note, loan or other obligation to pay.

(b) The medicaid agency or the agency's designee determines the value of outstanding principal and interest payments using amortization schedules, unless otherwise stated in this section.

(2) A note as a resource.

(a) A note is a resource. The value of the note is the fair market value (FMV).

(b) The FMV of a note is the outstanding principal of the note, unless convincing evidence to the contrary is provided to the agency or the agency's designee.

(c) If the note owner provides convincing evidence to the agency or the agency's designee of a legal bar to the sale of the note, the note's FMV is zero.

(3) A note as income.

(a) Interest on a note is unearned income.

(b) If the FMV of the note under subsection (2)(c) of this section is zero, the principal portion of recurring payments is unearned income.

(c) The agency or the agency's designee may budget the unearned income in equal monthly amounts at the request of the note owner, or at the agency's or the agency's designee's discretion. The budgeting period will be the note owner's certification period under chapter 182-504 WAC.

(4) A note as an asset transfer under WAC 182-513-1363.

(a) Subject to (b) of this subsection:

(i) The agency or the agency's designee evaluates the purchase of a note as an asset transfer if the purchase price of the note exceeds the FMV of the note;

(ii) The value of the asset transfer is the difference between the purchase price of the note and the FMV of the note at the time of purchase; and

(iii) The agency or the agency's designee determines the FMV of the note at the time of purchase using subsection (2) of this section, but can also determine the FMV of the note at a time after purchase if the agency or the agency's designee determines FMV of the note has changed since the time it was purchased.

(b) The assets used to purchase a note are an uncompensated asset transfer under WAC 182-513-1363, unless the note:

(i) Prohibits the cancellation of the balance of the note upon death of the note owner; and

(ii) Is paid out, in equal periodic amounts with no deferral and no balloon payments, over a term not greater than the actuarial life expectancy of that note owner.

(c) The value of the uncompensated asset transfer under (b) of this subsection is the outstanding balance of the note due as of the date of the client's application for medical assistance for institutional or home and community-based waiver services.

(d) If the purchase of a note results in a period of ineligibility under both (a) and (b) of this subsection, then the period of ineligibility under WAC 182-513-1363 will be the period that is longer.

[Statutory Authority: RCW 41.05.021, 41.05.160 and 42 U.S.C. 1396p. WSR 18-04-037, § 182-516-0400, filed 1/30/18, effective 3/2/18.]