

ACTION: REFILED

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TO BE RESCINDED

5101:1-39-27.3 **Medicaid: promissory notes, mortgages, stocks and bonds.**

(A) A "promissory note" is a written unconditional promise signed by a person who promises to pay a specified sum of money at a specified time, or on demand, to the person, corporation, or institution named on the note.

- (1) The value of a promissory note is its outstanding balance unless the individual furnishes reliable evidence that it has a current market value of less than that.
- (2) The individual must provide verification if there is a legal bar to the sale of the promissory note if the individual claims the promissory note is an unavailable resource.
- (3) The individual must provide verification from a knowledgeable source if the individual claims that the current market value is less than its outstanding principal balance.
- (4) Knowledgeable sources include anyone regularly engaged in the business of making such evaluations, e.g., banks or other financial institutions, private investors or real estate brokers. The estimate of the current market value must show the name, title and address of the source.
- (5) If the note cannot be sold or discounted, it is an unavailable resource until it matures. If ownership of the note is shared i.e., more than one name is on the face of the note, documentation must be provided by the applicant/recipient verifying his proportionate share of the note.
- (6) A promissory note is a countable resource in the amount of the outstanding principal balance when completing a resource assessment for institutionalized individuals even if it cannot be discounted or sold.

(B) A "mortgage" is a pledge of a particular property for the payment of a debt or the performance of some other obligation within a prescribed time period. The value of a mortgage is its outstanding principal balance unless the individual furnishes reliable evidence that it has a current market value of less than that.

- (1) The individual must provide verification if there is a legal bar to the sale of the

mortgage if the individual claims the mortgage is an unavailable resource.

- (2) The individual must provide verification from the knowledgeable source if the individual claims that the current market value is less than its outstanding principal balance.
 - (3) Knowledgeable sources include anyone regularly engaged in the business of making such evaluation, e.g., banks or other financial institutions, private investors or real estate brokers. The estimate of the current market value must show the name, title and address of the source.
 - (4) A mortgage is a countable resource in the amount of the outstanding principal balance when completing a resource assessment for an institutionalized individual even if the mortgage cannot be discounted or sold.
 - (5) Proceeds from reverse mortgages/home equity conversion programs are excluded income in the month of receipt. Proceeds retained until the month following the month of receipt are subject to evaluation as a resource in accordance with this chapter of the Administrative Code.
- (C) Shares of stock represent ownership in a business corporation. Their value shifts with demand and may fluctuate widely. The following guidelines apply to all stocks, including preferred stocks, warrants and rights, and options to purchase stocks.
- (1) For stock that is publicly traded the current market value of the stock is its closing price. The closing price of a stock on a given day can usually be found in the next day's regulator or financial newspaper. The value of over-the-counter stocks are shown on a "bid" and "asked" basis. For example, "eighteen and one-fourth" (eighteen dollars and twenty-five cents) bid and "nineteen" (nineteen dollars) asked. The bid price is used to determine the value of a stock.
 - (2) If the closing or bid price of a stock is not shown, a local securities firm must determine its value. If the ownership of the stock is shared, i.e., more than one name is on the face of the stock certificate, documentation must be provided by the applicant/recipient verifying his proportionate share of the stock.
 - (3) The stock of some corporations is not publicly traded and is held within close groups and traded very infrequently. The sale of such stock is often handled privately and subject to restrictions. The burden of proof for establishing the value of this kind of stock is on the individual. The preferred evidence is a

letter or other written statement from the firm's accountants giving their best estimate of the stock's value and the basis for the estimate (e.g., most recent sale, most recent offer from outsiders, current market value of assets less debts on them, cessation of activity and sale of assets, bankruptcy, etc.).

- (4) When the verification of the current value of the stock of a closely held corporation is questionable, that is, when there are indications that the extent of an individual's ownership is being manipulated to reduce the value of the stock as a countable resource, the county prosecutor or the agency's legal staff shall be consulted for assistance in determining the value of the stock.
 - (5) Shares of stock in an Alaskan native regional or village corporation are exempted from resources.
- (D) The value of a mutual fund is determined in the same manner as the value of a stock.
- (E) The current cash value of a municipal, corporate, or government bond is the value counted as a resource. If the ownership of a bond is shared documentation must be provided by the applicant/recipient verifying his proportionate share of the bond.
- (F) The current value of a U.S. savings bond is a countable resource. If the bonds are jointly owned, the applicant/recipient must provide documentation verifying his proportionate share of the bonds.

Effective:

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Certification

Date

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