



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

FEB 14 2012

OFFICE OF HOUSING

MEMORANDUM FOR: All Multifamily HUB Directors
All Multifamily Program Center Directors

FROM: 
Marie D. Head, Deputy Assistant Secretary for
Multifamily Housing Programs, HT

SUBJECT: Office of Affordable Housing Preservation processing of
Section 223(a)(7) Transactions.

I. Purpose

The purpose of this Memorandum is to temporarily transfer processing responsibility for certain Section 223(a)(7) multifamily transactions from Multifamily Hubs and Program Centers to the Office of Affordable Housing Preservation (OAHP) and provide details on procedures. The Multifamily Hubs will retain processing in certain instances.

Applications for Section 223(a)(7) apartment project refinancings received after the date of this memo should be referred to OAHP in accordance with the procedures described below. The Multifamily Hub may or may not refer applications already in processing, and should exercise discretion depending on how much review has already been completed on a particular transaction, or if there are pending and active enforcement actions, Asset Management issues, or other transaction-specific concerns.

II. Referral Process

- A. Lender submission of Section 223(a)(7) applications - FHA lenders should submit an original, one hard copy and one electronic copy of Section 223(a)(7) applications to the Multifamily Hub with jurisdiction. The application must include, along with the HUD Form 92013, a modified HUD Form 92264A, (or the required calculations in an alternate format) to determine the maximum insurable mortgage.
- B. Multifamily Hub responsibilities – Upon receipt of a Section 223(a)(7) application, the Multifamily Hub will:
- i. Determine whether or not the lender submitted the application as required by Mortgagee Letter 2010-21. Section IV, C., which reads: “Partial Electronic Submission - Lenders must submit an original and one hard copy of the underwriting file, exhibits and third-party reports and must submit an electronic version of these materials on a disc or a removable

drive.” If the application is not in the required format, it should be returned to the lender;

- ii. Consult with the appropriate Program Center on an initial basis to determine if there are pending and active enforcement actions, Asset Management issues, or other transaction-specific concerns such that an application should be retained by Multifamily Program Center staff rather than referred to OAHP. If such issues are immediately apparent, process the transaction in the Program Center as appropriate. For applications to be referred to OAHP for processing, the Hub will identify the Program Center designee responsible for executing the Firm Commitment and endorsing the Note, pursuant to existing delegations of authority;
- iii. Provide the original application to the Program Center;
- iv. Provide to OAHP a hard copy of the application, and the compact disc (CD) or other electronic media submitted by the lender, in accordance with the transmittal process described in Appendix I;
- v. Request the Program Center conduct an Asset Management review and provide comments to OAHP within 5 business days.

C. Program Center responsibilities - The Program Center Director will:

- i. Identify the appropriate staff person to serve as a point of contact during processing;
- ii. Ensure that the application is assigned a project number and logged in to DAP;
- iii. Conduct an Asset Management review and comment on:
 - the eligibility of the application for a Section 223(a)(7) refinancing;
 - the property’s and the borrower’s performance;
 - any recommendations as to potential repairs;
 - compliance with existing regulatory agreements and its review of borrower status; and
 - whether the property’s physical condition meets Asset Management’s standards;
- iv. If the refinancing is accomplished in association with a change in ownership, process the Transfer of Physical Assets application as a transfer subject to the existing mortgage. Section 223(a)(7) does not permit mortgage proceeds to be used to fund the acquisition of the project;
- v. The Program Center staff person designated as the point of contact will forward Asset Management review comments to OAHP, resolve any

questions raised by OAHP during processing, and advise the Program Center or Multifamily Hub Director as appropriate. The written memorandum addressing the items identified in this section should be attached to an e-mail to OAHP.

III. OAHP responsibilities

Upon receipt of the application from the Multifamily Hub, OAHP will:

- A. Process the application, including (1) resolving any loan application deficiencies, (2) reviewing the required Property Capital Needs Assessment (PCNA) and recommendations of loan sizing and amortization period, (3) processing waiver requests, and (4) determining any conditions for approval;
- B. Handle routine questions and communications with the lenders, informing and consulting with the point of contact person identified by the Program Center if any material issues arise;
- C. Draft the Firm Commitment for signature (or a recommendation to reject the application) and present it to the MF Hub or Program Center Director, or their designee, responsible for executing the Firm Commitment and endorsing the Note. OAHP will forward the draft Firm Commitment ready once processing is complete. Standard processing time is 30 calendar days; OAHP's targeted turn-around time is 14 calendar days.

IV. Closing Section 223(a)(7) loans

If the Firm Commitment is issued by the Hub, OAHP staff will coordinate closing and communication between the Housing staff, the Office of General Counsel and the lender. The Multifamily Hub Director or Program Center Director, or their designee, will endorse the Note for mortgage insurance following the closing.

- V. Please contact Dan Sullivan, or John Bell at john.c.bell@hud.gov or (202) 402-2740, if you have any questions about this memorandum.

APPENDIX I

Section 223(a)(7) Application Transmittal for Office of Affordable Housing Preservation Processing

The Hub Director referring a Section 223(a)(7) application to the Office of Affordable Housing Preservation should e-mail the following information to A7Application@hud.gov:

Project Name
City/State Location
Loan Amount
Current Section 223(a)(7) transaction FHA Project #
Refinanced Loan FHA Project #
Processing Center
Processing Center Contact:
 Name
 Email address
 Telephone number
Alternate Processing Center Contact:
Date of referral

Indicate if an electronic (digital) copy of the application has been received.

Upon receipt of the e-mail, OAHP will contact the designated Processing Center contact indicating to what individual and Office application materials should be forwarded.