
CHAPTER 1. GENERAL

1-1 Introduction

The Previous Participation Review and Clearance Procedures for principal participants in HUD's Multifamily Housing Programs began in 1966. The procedure is governed by published regulations which establish standards and provide for due process for those who disagree with administrative decisions. (See Appendix 1).

This procedure, which is automated, is the Department's centralized review of the past/present performance of those principals applying for participation in the Department's multifamily housing programs. Principals are reviewed to see if they have carried out their past financial, legal, and administrative obligations in a satisfactory and timely manner. The majority of the review concerns itself with the applicant's past performance in all HUD programs, but it also considers performance in programs of other agencies, including those of the Farmers Home Administration (FmHA) and of State and local housing finance agencies. Form [HUD-2530](#) Previous Participation Certificate ([HUD-2530](#)) approval is granted when the review establishes that the applicant is a satisfactory risk to the mortgage insurance fund if the applicant is applying for participation in a HUD-insured project, such as Section 221(d)(3) or (d)(4) Multifamily Rental Housing. In the case of HUD non-insured housing programs such as Section 202 and Section 811, [HUD-2530](#) approval is granted when the review shows that the applicant is responsible.

The [HUD-2530](#) procedure concerns the past, present, and prospective performance and business practices of those applicants undergoing administrative and underwriting reviews by the local field office in whose jurisdiction the project is located. [HUD-2530](#) is not a substitute for field office processing as to project acceptability, credit capacity, or competency and the fact that [HUD-2530](#) approval is granted is not assurance that the Department will grant final approval of the proposal or application. [HUD-2530](#)

procedures are also not a substitute for administrative sanctions. (See Chapter 5 for further discussion on

administrative sanctions Debarment, Suspension and other compliance actions).

This Handbook is designed as a guide for a better understanding of the regulations and as instructions for efficient processing of [HUD-2530](#) by field offices.

Note: The form [HUD-2530](#) has been revised: to clarify regulations and instructions; to meet the requirements of the Paperwork Reduction Act; and to bring it into conformity with Departmental form design standards. (Computer generated versions of this form are acceptable provided they are identical in all respects to the [HUD-2530](#)).

1-2 Policy

It is HUD's policy that participants in its housing programs be responsible individuals and organizations who will honor their legal, financial, fair housing and contractual obligations. ("Responsibility" is a term used by HUD to mean business integrity, honesty and capacity to perform). Accordingly, uniform standards are established in HUD regulations for approval, disapproval or withholding of action on principals for projects in which they apply to participate.

In this procedure the principals are required to disclose all of their prior projects and certify as to their previous record. HUD analyzes that record to evaluate past, present, and future responsibility, performance, participation, and business practices.

An unfavorable record reflects an unacceptable risk to the public interest. Applicants who seek to participate must certify on their [HUD-2530](#) that they do not fall under any standards for disapproval. (See 24 C.F.R. Section 200.230 and the certifications on the [HUD-2530](#)). Approval for new or further participation is a privilege earned with a good record and a history of responsible performance that reflects good prospects for success in the future.

To understand thoroughly the Previous Participation Review and Clearance procedure, first read the regulations (Appendix 1) and then the [HUD-2530](#) instruction sheet (Appendix 2). This Handbook follows these items only as an explanation, summary, and processing guide.

1-3 Key Points for Processing [HUD-2530](#) Under the Automated Procedure

- A. A fully completed [HUD-2530](#) is required as part of the application package for most HUD multifamily housing programs. 24 C.F.R. Section 200.217 . Any portions of the certification that are deleted must be accompanied by a thorough explanation from the applicant.
- B. It must be signed and dated by the principals who propose to participate. Do not process [HUD-2530](#)'s that are not signed and dated. Do not process [HUD-2530](#)'s where there is a clear indication that all principals have not been listed 24 C.F.R. Sections 200.215(e) and 200.218 . Return them to the sender. An example of an indicator would be where only one participant's name is listed with a role/title of Vice President. The role of Vice President is indicative that there are other officers who should have been listed.
- C. All signatures of the principals are not needed if the person who signs is authorized to bind the entity. Evidence of that authority should be obtained and kept in the file. A copy of that authority must also accompany the [HUD-2530](#) when it is sent to Headquarters for further processing. This process assumes that all principals have the same prior record of participation. A separate form must be filed for each principal having a different record of participation.

NOTE: In situations where complex ownership (multiple tiered) structures exist, a description of the ownership structure should be submitted along with the [HUD-2530](#). This description should preferably be provided by an attorney representing the principal. The attorney should supply this information on his or her stationery

and be signed by the attorney. For example, the ownership entity is a Partnership. All principals in this Partnership must be listed on the [HUD-2530](#) -- this is tier one. If any of these principals are Corporations or Partnerships, the principals in these entities must also be listed on the [HUD-2530](#) -- this is tier two. If any of the principals listed in tier two are Corporations or Partnerships, the principals in these entities must be listed on the [HUD-2530](#) -- this is tier three. Principals in a Partnership are all its General Partners, and its Limited Partners with a 25

percent or greater interest.

Principals in a Corporation are all of its officers and directors, and its owners who have a 10 percent or greater ownership interest. It is only necessary to disclose the principals in these various entities through the third tier. In those rare instances where a public corporation is involved as a principal, such corporation's Annual Report must be obtained and the names of all principals (i.e., corporate officers, board members, etc.) of the corporation must be entered into the PPRS for a name match.

D. [HUD-2530](#) approval is required for the following transactions at the times indicated:

1. Projects to be financed with mortgages insured under the National Housing Act or the U.S. Housing Act of 1937 (see Appendix 3) -- With an Application for a Site Appraisal and Market Analysis Letter, Feasibility Letter, Conditional Commitment for Mortgage Insurance, or Firm Commitment for Mortgage Insurance, whichever application is first filed;
2. Officers and directors of both sponsor and owner for projects to be financed pursuant to Section 202 of the Housing Act of 1959, and Section 811 of the National Affordable Housing Act -- With the Application for Conditional Commitment; and
3. Projects in which 20 percent or more of the units are to receive a subsidy as described under 24 C.F.R. Section 200.213(c) -- With the first request for a

9/94

1-4

4065.1 REV-1

reservation of funds for assistance payments (unless the principals have already been granted [HUD-2530](#) approval to own the particular project receiving new subsidy);

4. Purchase of a project subject to a mortgage insured or held by the Secretary -- With the Application for Transfer of Physical Assets;
5. Purchase of a Secretary-owned project -- With the bid to Purchase;
6. Proposed substitution or addition of a principal, such as management agents or partners -- Prior to the

date that the proposed action or transfer is to become final; and

7. Changes of roles or proposed participation in a different capacity from that previously approved for the same project such as a limited partner becomes a general partner or a management agent becomes a general partner or vice versa -- Prior to the date that the proposed action or transfer is to become final.

Note: These timeframes should be judiciously adhered to and [HUD-2530](#) processing should commence as early in the process as possible to avoid crisis situations. Failure to do so could delay a closing.

- E. The [HUD-2530](#) should not be processed until the field office Housing Director or Multifamily Division Director (as the case may be) staff level designee has decided that the proposed application and the principals involved meet processing requirements.

Note: Under the revised form [HUD-2530](#) the office manager (or successor position) is no longer required to approve the [HUD-2530](#) prior to the commencement of processing. Final approval by management is only required after the form has been processed by staff and reviewed by a supervisor.

- F. The field office Housing Director or Multifamily Division Director (Housing/Multifamily Director) or his/her designee reviews the form to determine whether all principals have been listed on the [HUD-2530](#) (see 1-3(B)) and that all such names have been entered into the PPRS for a possible name match. The form is further reviewed to see if the principals disclosed any adverse information which falls under the Certifications Section of the [HUD-2530](#). Schedule A of the form is also reviewed to determine if any prior projects listed show defaults, unsatisfactory management reviews, assignments, foreclosures, administrative sanctions, or any other problems with respect to their projects. If so, the [HUD-2530](#) should be forwarded to Headquarters with a report stating the reason for the submission (see 2-4 (D)), along with a copy of the Previous Participation Review System (PPRS) printout.

- G. The [HUD-2530](#) also must be reviewed to see if the

principal has participated within programs administered by either the Farmers Home Administration (FmHA) or the States' housing finance agencies. If the [HUD-2530](#) shows that the principal has participated with these agencies, the Housing/Multifamily Director or his/her designee must then telephone such agencies to determine whether or not their performance has been satisfactory. If there are any problems, the Agency should be requested to provide a written report and the principals' names should be entered (flagged) into the updated portion of the PPRS right away. (See Chapters 3, 4, and 5 of the Terminal Operations Guide for System F19, dated July 1992).

Whether or not adverse information is disclosed on the [HUD-2530](#) or by contacting FmHA and State agencies, the form should be given to the PPRS operator who must input the full names of all principals and companies/entities, as well as their social security number or tax identification number, listed on the form for a possible name match. (See Chapter 8, Pages 8-1 through 8-4 of the Terminal Operations Guide).

9/94

1-6

4065.1 REV-1

NOTE: It is of the utmost importance that all of the names on the [HUD-2530](#) be keyed into the automated system accurately. A check must be made of all names on the hard copy printout against those on the [HUD-2530](#) to be sure all firms and individuals have been entered and that the names of the individuals and firms are spelled correctly. Omitting or misspelling one name or entity could result in approval of someone who has not acted responsibly in prior HUD or FmHA projects.

- H. Once the [HUD-2530](#) has been processed, a Supervisor must check the [HUD-2530](#) for completeness and accuracy and so certify by signing Part II of the form. The [HUD-2530](#) is then forwarded to the Housing/Multifamily Division Director for final approval action.
- I. Never condition a commitment on [HUD-2530](#) approval. [HUD-2530](#) approval should be obtained prior to the issuance of any commitment.
- J. Once [HUD-2530](#) approval is obtained, it remains valid for the life of the project unless the principals are subsequently suspended or debarred, or data initially submitted is discovered to be erroneous, fraudulent or a principal has assumed a participation role not

originally proposed and disclosed on page 1 of the [HUD-2530](#). In these cases, the Multifamily Participation Review Committee (MPRC) may elect to withdraw or modify its approval.

- K. Data disclosed by principals who are individuals on the [HUD-2530](#) is covered by the Privacy Act. All outside inquiries are referred to the Chief Counsel or other designated Field Office Privacy Act Officers for processing in accordance with requirements of the Privacy Act. (See Chapter 5).

4065.1 REV-1

1-4 Who Files and Who Does Not File

For specific details on which program participants must file the [HUD-2530](#), you must review the instruction page attached to it and 24 C.F.R. Sections 200.215, 200.217 and 200.218. However, the following are examples of who must and who need not execute a [HUD-2530](#):

A. Who does not file:

1. Those entities and principals who have already received participation clearance for their specific, respective roles in the following circumstances:
 - a. When an existing project (mortgagor) is being awarded Flexible Subsidy -- Operating Assistance or Capital Improvement Loans.
 - b. When an existing project (mortgagor) is being awarded Loan Management Set Aside Section 8 Assistance.
 - c. When an existing Loan Management Set Aside Section 8 Contract commitment is being increased (number of units or dollar amounts), extended, or renewed.
 - d. When an existing project (mortgagor) is being awarded Drug Elimination Grants.
2. Attorneys and architects who will not have an ownership or management role in the project or in other ways participate as a principal and who are retained for a cash fee solely to render usual services of their profession. 24 C.F.R. Section 200.215(e)(1) .

3. Those who have an interest acquired by inheritance or by Court Degree. 24 C.F.R. Section 200.217(b) .
4. Limited partners with less than 25 percent interest or stockholders who own less than a 10 percent interest. 24 C.F.R. Section 200.215(e)(2) .

9/94

1-8

4065.1 REV-1

-
5. Cooperative and condominium home purchasers or owners (of less than 5 units in the same development) and all tenants. 24 C.F.R. Sections 200.215(e)(3) i and ii .
 6. Existing owners and/or principals of insured projects who previously obtained [HUD-2530](#) approval and are only applying for refinancing of the project pursuant to Section 223(a)(7) of the National Housing Act.
 7. Management agents renewing or amending an ongoing management contract.
 8. Principals in projects not insured or financed by HUD where less than 20 percent of units receive HUD assistance such as Section 8 or Rent Supplement Assistance.
 9. Subcontractors.
 10. Nursing home administrators renewing or amending ongoing contracts and nursing home operators renewing or amending ongoing leases or contracts.
- B. The Following Must File [HUD-2530](#)
1. New management agents for proposed and existing projects.
 2. Where an approved principal alters his/her interest in a project or in another approved principal entity or seeks to assume a new role. Examples: A partner in the mortgagor entity seeks approval to become general contractor or a general partner seeks to become the management agent; or when seeking approval for a new Board member in a corporate entity.

Note: When such cases are sent to Headquarters the field office must advise that the change in the role is the reason for the submission.

4065.1 REV-1

3. The successful bidder at sales of Secretary-held projects including "all cash" sales.
4. Those who seek approval to acquire an interest in an existing project, with a mortgage insured or held by HUD, whether or not there is a transfer of physical assets, unless those persons would be limited partners with less than 25 percent interest or stockholders who own less than 10 percent of the common stock.
5. Consultants and packagers for profit motivated projects as well as for nonprofit sponsored projects.
6. New nursing home administrators entering into contract for an existing or proposed nursing home and new nursing home operators entering into lease or contract for an existing or proposed nursing home.

C. Programs Requiring [HUD-2530](#) Approval

See listing in Appendix 3.