

TIMELINE WHEN:

A. OWNER REQUESTS EXTENSION OF AFFORDABILITY RESTRICTIONS

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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
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	Day 1	HUD receives Initial Notice of Intent (NOI) to Extend or Sell. HUD determines eligibility.	Ch. 2-2, 2-3, 2-4 Ch.3
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	20 days	HUD gives owner appraisal requirements. HUD gives owner, tenants, tenant representative, and State and Local governments information about Preservation Capital Needs Assessment.	Ch. 5-4, 5-5, 5-6 Appraisal Guidelines
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Appraisal Cycle:

2 Months	1 Month	HUD performs Preservation Capital Needs Assessment and gives both appraisers the results within 60 days of receiving NOI.	Ch. 5-7
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4 Months	3 Months and 10 days	Appraisers submit appraisal reports. HUD and owner exchange appraisals.	Ch. 5-8
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Months Since Initial Notice of	Time to Complete	Processing Steps	Handbook Reference
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Intent received	Each Step		
5 Months	1 Month	Valuation, with appraisers, and owner review and reconcile appraisals.	Ch. 5-9
6 Months	1 Month	Select third appraiser if value(s) cannot be reconciled. Must select third appraiser within 6 months of receiving NOI.	Ch. 5-9 B. Ch. 5-10
8 Months	2 Months	Conduct third appraisal.	Ch. 5-9 C.
9 Months	1 Month	LM reviews third appraisal, if needed. HUD determines Preservation Values, Preservation Equity, and whether Preservation Rents are above Federal Cost Limits. HUD sends information on incentives, and preparing Plan of Action to owner, tenant representative and State and Local governments.	Ch. 5-12

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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
10 Months	30 days	Thirty (30) days after receipt of information from HUD, owner of Transition (Sec. 604) project must indicate whether it will utilize Title II or Title VI.	Ch. 2-7

Plan of Action  
 Cycle:  
 To Retain  
 Project with  
 Incentives

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15 Months	6 Months	Owner has elected to retain project and extend the affordability restrictions. Within 6 months of receiving information from HUD, owner prepares and submits Plan of Action to HUD, State or Local Government, and tenant representative and posts summary in each occupied building. If complete POA not filed within 6 months of receiving information from HUD, the NOI expires and the process ends. Owner prohibited from submitting another NOI until 6 months after expiration date.	Ch. 8-3, 8-4 Ch. 8-16
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
	10 days	Upon receipt of POA, LM date stamps. Ten working days after POA received at HUD, Loan Management sends owner letter indicating if POA is complete.	Ch. 8-6
15 Months	6 Months	Upon receipt of a complete POA the processing clock begins. Within 10 working days, HUD sends POA to State or local government,	Ch. 8-6, 8-7 Ch. 8-9

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EMAS and FHEO for review. Reviews from EMAS and FHEO due back in 30 days, State and local government due in 50 days. Tenants may also comment on POA. LM notifies owner within 60 days of deficiencies.

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21 Months	6 Months	HUD has 180 days, from receipt of complete POA, to review and process it. Owner must be notified of its approval or disapproval within the 6 months. At time of POA approval the reconciled appraisal can't be more than 30 months old. Owner must submit revised POA within 60 days, but no later than 305 days from receipt of complete POA. POA processing time can be extended at the owner's request, but for not more than 365 days from the submission date of the complete POA.	Ch. 8-6, 8-18
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
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Monitoring Cycle:

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24th Month	90 days	Within 90 days of preliminary approval of a POA, the Transfer of Physical Assets, the closing of all loans, the completion of the Use Agreement, the Amended Regulatory Agreement, and the signing of the Section	Ch. 11-3
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8 HAP Contract must occur.  
 Within 5 days of implementing  
 POA, LM staff notifies  
 the Preservation Division,  
 Headquarters.

Prepayment Cycle:

39th Month	15 Months	An owner may prepay the mortgage and terminate the affordability restrictions: If the funds requested for the POA's incentives are not provided within 15 months of HUD's POA final approval.	Ch. 8-31
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10 days	Within 10 days of determining that a project may prepay, and at least 30 days prior to acceptance of prepayment, LM must notify each tenant of the available protections. Owner must post, Notice of Available Protection, in each building.	Ch. 10-2
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TIMELINE WHEN:

B. OWNER REQUESTS TERMINATION OF AFFORDABILITY RESTRICTIONS

Months Since Initial NOI received	Time to Complete Each Step	Processing Steps and Participants	Handbook Reference
	Day 1	HUD receives Initial Notice of Intent (NOI) to Terminate. HUD determines eligibility.	Ch. 2-2, 3, 4 Ch. 3
	5 Days	LM distributes NOI to	Ch. 4-2 A.

EMAS, FHEO, and Valuation  
with request that they  
supply information  
relevant to market area.

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	90 Days	EMAS, FHEO and Valuation provide LM with information available on market area for owner.	Ch. 4-2 B.
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6 Months	6 Months	HUD provides owner, State and local governments, tenants, and tenant representative criteria for termination, available information on market area and information on preparing Plan of Action.	Ch. 4-3, 4-4, 4-5
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
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Plan of Action Cycle:  
To Prepay or  
Terminate

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12 Months	6 Months	Owner has elected to prepay the mortgage and terminate the affordability restrictions. Owner prepares and submits Plan of Action to HUD, State or Local Government, and tenant representative and posts summary in each occupied building. If complete POA not filed within 6 months of receiving information from HUD, the NOI expires and the	Ch. 8-3, 8-4 Ch. 8-16
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process ends. Owner prohibited from submitting another NOI until 6 months after expiration date.

10 days	Upon receipt of POA, LM date stamps. Ten working days after POA received at HUD, Loan Management sends owner letter indicating if POA is complete.	Ch. 8-6
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
12 Months	6 Months	Upon receipt of a complete POA the processing clock begins. Within 10 working days, HUD sends POA to State or local government, EMAS and FHEO for review. Reviews from EMAS and FHEO due back in 30 days, State and local government's due in 50 days. Tenants may also make comments on POA. LM notifies owner within 60 days of deficiencies.	Ch. 8-6, 8-7 Ch. 8-9
18 Months	6 Months	HUD has 180 days, from receipt of complete POA, to review and process it. Owner must be notified of its approval or disapproval within the 6 months. Owner must submit revised POA within 60 days, but no later than 305 days from receipt of complete POA. POA processing time can be	Ch. 8-6, 8-18

extended at the owner's request, but for not more than 365 days from the submission date of the complete POA.

Within 10 days of determining that a project may prepay, and at least 30 days prior to acceptance of prepayment, LM must notify each tenant of the available protections. Owner must post, Notice of Available Protection, in each building.

Ch. 10-2

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TIMELINE WHEN:

C. OWNER OFFERS TO SELL THE PROJECT

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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
	Day 1	HUD receives Initial Notice of Intent (NOI) to Extend or Sell. HUD determines eligibility.	Ch. 2-2, 2-3, 2-4 Ch.3
	20 days	HUD gives owner appraisal requirements. HUD gives owner, tenants, tenant representative, and State and Local governments information about Preservation Capital Needs Assessment.	Ch. 5-4, 5-5, 5-6 Appraisal Guidelines

Appraisal Cycle:

2 Months	1 Month	HUD performs the Preservation Capital Needs Assessment and gives	Ch. 5-7
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both appraisers the results within 60 days of receiving NOI.

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4 Months	3 Months and 10 days	Appraisers submit appraisal reports. HUD and owner exchange appraisals.	Ch. 5-8
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
5 Months	1 Month	Valuation, with appraisers and owner, review and reconcile appraisals.	Ch. 5-9
6 Months	1 Month	Select third appraiser if value(s) cannot be reconciled. Must select third appraiser within 6 months of receiving NOI.	Ch. 5-9 B. Ch. 5-10
8 Months	2 Months	Conduct third appraisal.	Ch. 5-9 C.
9 Months	1 Month	LM reviews third appraisal, if needed. HUD determines Preservation Values, Preservation Equity, and whether Preservation Rents are above Federal Cost Limits. HUD sends information on incentives, and preparing Plan of Action to owner, tenant representative and State and Local governments.	Ch. 5-12

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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
10 Months	30 days	Thirty (30) days after receipt of information from HUD, owner of Transition (Sec. 604) project must indicate whether they will utilize Title II or Title VI.	Ch. 2-7
Second Notice of Intent Cycle:			
10 Months	30 days	Owner has elected to transfer the property. Within 30 days of receipt of information from HUD, owner submits a Second Notice of Intent to HUD, State or Local Government, mortgagee and tenant representative. This is true of transition projects and projects whose Initial Notice of Intent was for Title VI.	Ch. 6-3, 6-5
	5 days	Within 5 days of 2nd NOI receipt, LM Staff must review for accuracy and compliance. If NOI acceptable, LM notifies potential qualified purchasers of the availability of the property for sale.	Ch. 7-2

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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
		If approvable 2nd NOI not filed within 30 days of owner receiving information from HUD, process ends. If owner changes mind and decides to request incentives, must submit POA within 6 months of receiving information from HUD. If owner fails to submit 2nd NOI or POA within proper time frame, owner must wait six months from the deadline for filing the POA before filing a new Initial NOI.	Ch. 6-3, 6-5 Ch. 7-3

Sales Cycle:

16 Months	6 Months	Resident Council or Community-based nonprofit with tenant support, may make a bona-fide offer.	Ch. 7-4, 7-7
	30 days	Any priority purchaser making an offer to purchase must submit a written Expression of Interest (EOI). Within 30 days of receiving EOI, HUD must determine the purchaser's status and notify owner of potential purchaser's EOI.	Ch. 7-5, 7-6 Ch. 7-10

Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
22 Months	6 Months	State and local Housing Agencies and all other priority purchasers may make a bona-fide offer. Must submit EOI in the manner described above.	Ch. 7-4, 7-7
25 Months	3 Months	Qualified purchasers may make a bona-fide offer.	Ch. 7-4, 7-7
26 Months	30 days	Owner must accept or reject a bona-fide offer within 30 days of its receipt and inform HUD. If offer is rejected and later accepted, HUD must notify purchaser that it has 30 days to resubmit earnest money deposit.	Ch. 7-9
27 Months	30 days	Once owner notifies HUD that offer has been accepted, HUD has 30 days to notify owner in writing, that offer is acceptable.	Ch. 7-10
	10 days	Within 10 days of HUD acceptance, owner sends purchaser and LM staff a letter indicating the final acceptance of Contract for sale, contingent upon satisfactory completion of POA requirements.	Ch. 7-11

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Months Since Initial Notice of Intent received	Time to Complete Each	Processing Steps	Handbook Reference
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Step

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Plan of Action Cycle:  
 To Sell the  
 Project

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32 Months	6 Months	Owner and purchaser prepare and submit Plan of Action to HUD, State or Local Government, and tenant representative and posts summary in each occupied building. If complete POA not filed within 6 months of acceptance of bona fide offer by the owner or receipt of the offer if its a mandatory sale, the NOI expires and the process ends. Owner prohibited from submitting another NOI until 6 months after the expiration date.	Ch. 8-3, 8-4 Ch. 8-16, 7-12
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10 days	Upon HUD's receipt of POA, LM date stamps. Within ten working days LM sends owner letter indicating if POA is complete.	Ch. 8-6
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
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32 Months	6 Months	Upon receipt of a complete POA the processing clock begins. Within 10 working days,	Ch. 8-6, 8-7 Ch. 8-9
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HUD sends POA to State or local government, EMAS and FHEO for review. Tenants may also make comments on POA. Reviews from HUD sections due back in 30 days, State and local government's due in 50 days. LM notifies owner within 60 days of any deficiencies.

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38 Months	6 Months	HUD has 180 days, from receipt of complete POA, to review and process it. Owner must be notified of its approval or disapproval within the 6 months. At time of POA approval the appraisal can't be more than 30 months old. Owner must submit revised POA within 60 days, but no later than 305 days from receipt of complete POA. POA processing time can be extended at the owner's request, but for not more than 365 days from the submission date of the complete POA.	Ch. 8-6, 8-18
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Months Since Initial Notice of Intent received	Time to Complete Each Step	Processing Steps	Handbook Reference
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Monitoring Cycle:

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41 Months	90 days	Within 90 days of final approval of a POA, the Transfer of Physical Assets, the closing of	Ch. 11-3
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all loans, the completion of the Use Agreement, the Amended Regulatory Agreement, and the signing of the Section 8 HAP Contract must occur. Within 5 days of implementing POA, LM staff notifies the Preservation Division, Headquarters.

Sales Cycle:

43 Months	2 Months	If the contract to purchase the project falls through (within 15 month offering period) or does not close within 90 days after HUD's approval of the Plan of Action, the owner may offer it for sale to any qualified purchaser for remainder of the original 15 month sales period or 60 days, whichever is longer. If the sales transaction ended after 15 month offering period, owner makes property available for sale for a 60 day period.	Ch. 7-13
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Months Since      Time to      Processing Steps      Handbook
Initial Notice of Complete      Reference
Intent received  Each
                  Step
    
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Prepayment Cycle:

50 Months	9 Months	An owner may prepay the mortgage and terminate the affordability restrictions: If the	Ch. 8-31
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funds requested to cover the POA's incentives are not provided within the earlier of; 2 months after the first fiscal year of the date of its final approval, or 6 months from the POA final approval date for a project that would have been eligible to prepay and 9 months, if it is not yet eligible to prepay.

An owner may also prepay if no bona fide offer to purchase the project is received within the 15 month offering period. Ch. 7-18

10 days Within 10 days of determining that a project may prepay, and at least 30 days prior to the acceptance of prepayment, LM must notify each tenant of this action. Ch. 10-2

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U. S. Department of Housing and Urban Development  
Washington, D.C. 20410-8000

May 28, 1991

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OFFICE OF THE ASSISTANT SECRETARY  
FOR HOUSING-FEDERAL HOUSING COMMISSION

Mortgagee Letter 91-25

TO: ALL APPROVED MORTGAGEES

SUBJECT: Prepayment of a HUD-Insured Mortgage by an owner of  
Low Income Housing

On November 28, 1990, the President signed into law the Cranston-Gonzalez National Affordable Housing Act of 1990; Subtitle A, Title VI of the Act, entitled the Low Income Housing Preservation and Resident Homeownership Act of 1990, repeals and replaces the Emergency Low Income Housing Preservation Act of 1987. Section 211 of the 1990 Act prohibits an owner of "eligible low income housing" from prepaying, and bars a mortgagee from accepting prepayment of, a mortgage on such housing except in accordance with a plan of action approved by

the Secretary of Housing and Urban Development. Likewise, the mortgage insurance contract with respect to such a project may be terminated only in accordance with a HUD-approved plan of action. Section 211 also prohibits a mortgagee from foreclosing upon the mortgage of, or acquiring by deed-in-lieu of foreclosure, any eligible low income housing project to the Secretary in connection with a claim for insurance benefits. Section 602(b) of the 1990 Act appears to extend the prohibition on foreclosure to all categories of projects listed in paragraph (a) of the definition of "eligible low income housing" set forth below, regardless of whether or not the mortgage or applicable regulations permit prepayment without HUD's consent.

HUD is currently drafting regulations which will establish standards for the approval of such plans of action. Since Section 211 is now in effect, mortgagees should not accept a prepayment from an owner of eligible low income housing, request voluntary termination of mortgage insurance with respect to any such project, or foreclosure on any such project (unless the mortgagee then conveys title to the Secretary). Any prepayment or termination of mortgage insurance in violation of this provision will be null and void.

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The term "eligible low income housing" includes housing financed by a loan or mortgage:

(a) that is :

(i) insured or held by the Secretary under the Section 221(d)(3) market rate program, if the project receives Rent Supplement or project-based Section 8 assistance;

(ii) insured or held by the Secretary under the Section 221(d)(3) Below Market Interest Rate (BMIR) program;

(iii) insured, assisted or held by the Secretary under the Section 236 program; or

(iv) a Purchase Money Mortgage held by the Secretary and originated by HUD with respect to a project which, prior to HUD's acquisition, was insured under a program referred to in clauses (i), (ii) or (iii) above; and

(b) that, under the terms of the mortgage or applicable regulations in effect before February 5, 1988, is, or will, within 24 months become eligible for prepayment without HUD's consent.

Any requests for prepayment of, or voluntary termination of mortgage insurance on, mortgages to which Section 211 of the Low Income Housing Preservation and Resident Homeownership Act of

1990 is, or may be, applicable should be forwarded to the Department of Housing and Urban Development, 451 7th Street, SW, Washington, D.C. 20410-8000, Attention: Affordable Housing Branch, Room 6176.

Very sincerely yours,

Arthur J. Hill  
Assistant Secretary for Housing  
-Federal Housing Commissioner