Ohio Hub Connector
Keeping HUD Partners Connected

Summer 2012

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DIRECTOR'S CORNER

"Breaking Ground – Delivering Results."

By Randolph Wilson

As many of our active FHA multifamily lenders know, the Department took a critical look at its underwriting process last year and in late FY 2011 and early FY 2012 rolled out new initiative known as "Breaking Ground – Delivering Results."

"Breaking Ground – Delivering Results" is a national redesigning of the Department's underwriting process to better meet the needs of our customers and the public. The end goal being to provide faster turnaround times and higher productivity, fully engage our staff and strengthen our risk management capacity.

Effectively, the purpose of this new initiative is to assist the Department's 17 Multifamily Hubs and 34 Program Centers to more effectively and efficiently deal with the dramatic increase in FHA insured applications.

"Breaking Ground – Delivering Results" has been rolled out nationally in "Waves". Wave One was rolled out in the San Antonio, Denver, and Greensboro, Baltimore and Chicago offices in late FY 2011 and early FY 2012. Our Cleveland Program Center was included in Wave 4 and completed the process earlier this month. Wave 5, which includes the Columbus office, began on Monday, May 14th.

Breaking Ground is essentially a 4-6 week process during which our Production staff is required to spend intensive time learning, designing and implementing process changes. Unfortunately, they are unable to devote the normal amount of time to their everyday work items during this time.

So for those lenders active with the Columbus office, we ask for your patience. We anticipate that the impact on processing times for applications already in the queue will be nominal and we believe that the long term benefit will far outweigh any short term inconvenience.

Finally, for our industry partners that operate on the Department's servicing side, do not feel left out. Similar to the efforts occurring on our Production side, the Department has begun the initial roll out of a companion initiative to retool our Asset Management process and procedures. That initiative, known as "Sustaining Our Investments", is currently being piloted in a couple of HUD offices and is scheduled to be rolled out in Columbus in September. We'll have more information for you on "Sustaining Our Investments" in our next edition.

Cleveland Production Hits the "Wave"

By Pamela Ashby

The Cleveland Multifamily Program Center recently completed its roll-out of the HQ-driven Housing Production Breaking Ground initiative which initiated in 2011. The objective of the initiative, which is being introduced across the country in "waves", is to meet the needs of our lending customers and the public through faster turnaround times and higher productivity in our underwriting processes. In addition, HUD is optimistic that this improved, streamlined approach will minimize risk to the taxpayer and to the FHA insurance fund. Cleveland, selected to participate in wave four, completed the majority of the transition by the end of April.

The initiative is a specialized program uniquely designed for HUD. To ensure a smooth integration, developers of the initiative spent the better part of almost two years studying the HUD Multifamily underwriting process. Design Councils comprised of staff members were formed to engage the Development team in the process of establishing protocols for their respective Breaking Ground initiatives. Each Design Council focused on a separate area. These included White Board Design, which will track the underwriting review process from receipt to firm commitment issuance, Staging, which establishes the various areas for application storage during the review phases, Standard Works, which is a living document that depicts each step in the development review process and is a useful tool for training as well, and finally Early Warning System (EWS), which allows the underwriting team to input certain application data into a template for a snapshot of underwriting risk at the early stage of the review process.

As with every evolution in work process, there will be a learning curve, and we ask for your patience. While going through the process the lenders were advised that the development pipeline would be stalled during orientation. However, throughout the transition and moving forward the office has increased communication with customers and is making more definitive decisions earlier and more timely in the review process. Also, we are focused on meeting mandated timeframes which is extremely important in the timing of negotiating mortgage terms.

Cleveland's final product was recently presented to Associate DAS Janet Golrick who visited the office to see the implementation of Breaking Ground. Cleveland looks forward to improved successes in the Development pipeline because of this initiative.

Reducing Regulatory Burden on Affordable Housing Developers and Owners

By Vera Howard

An interagency Rental Policy Working Group (RPWG) consisting of the White House Domestic Policy Council, the National Economic Council, the Office of Management and Budget, the Department of Housing and Urban Development, the Department of Agriculture and the Department of the Treasury is carrying out an initiative for coordinating efforts to reduce regulatory burden on affordable housing developers and owners. The RPWG also includes State, local, and private-sector stakeholders all working together on administrative solutions to improve coordination of Federal rental policy.

The Department of Housing and Urban Development, the Department of Agriculture and the Department of Treasury all have Congressional authority to award funds to finance the development of and provide subsidy for affordable housing. Developers and owners of affordable housing frequently find it necessary to tap into funds from more than one agency to obtain sufficient resources to complete a project. However, such multi-layered financing can create a burden when having to deal with overlapping administrative requirements associated with the different federal housing programs. The programs have not always been designed to work well with each other.

One of the overlapping requirements that initially appeared appropriate for a pilot program designed to reduce administrative burden and redundancy was the requirement for multiple physical inspections. Properties with multiple funding sources were being subjected to duplicative physical inspections each with its own unique physical inspection standards. In an effort to reduce the redundancy and administrative burden and protect ever dwindling Federal resources, an alignment team was formed to see if the various Federal funding sources could reduce the frequency and number of inspections to no more than one federally-sponsored visit to each property per year.

Ohio was chosen as one of only six states in the nation to participate in a pilot program for this purpose. Other states participating in the pilot program are Michigan, Minnesota, Oregon, Washington and Wisconsin.

A Memorandum of Understanding (MOU) was drafted outlining the expectations of the pilot program. Each agency chose a list of properties based on the date of their last inspection for participation in the pilot program and at the end of November 2011, the MOU was executed. The MOU allowed for any of the agencies performing an inspection to share copies of the inspection results with the other participating agencies that had a common funding interest in the property. HUD is the lead agency in Ohio so the majority of inspections are being performed by HUD's Real Estate Assessment Center in accordance with Uniform Physical Condition Standards (UPCS) protocol. Each agency continues to maintain different enforcement standards based on physical inspection findings, and enforcement standardization is not part of the pilot program. Each agency will retain the ability to follow-up on any compliance issues with subsequent agency-specific inspections or actions, as permitted by loan or business agreements and Federal regulations.

It is the belief of the RPWG that having one periodically scheduled physical inspection performed by one agency for the benefit of all Federal agencies with a vested financial interest in the property will create efficiencies for the government, for property owners, and for residents of affordable housing whose apartments are subject to inspection.

The pilot program is expected to run for one year at which time results will be compiled from each agency for a decision on moving forward. Many factors will be used to determine if a permanent program is feasible such as:

- Is the use of the UPCS protocol appropriate for all properties?
- Is there a statistically valid sample size that would work for all assisted units in a building on aligned properties?
- Is an inspection once every one to three years an appropriate schedule for all properties?
- Are there sufficient costs savings and reductions in administrative burdens to support a permanent change?
- Is there a standard approach for curing inspection related issues that would satisfy the various agency requirements?

The Ohio Multifamily Hub contact for the physical inspection pilot is Vera Howard. Questions and/or concerns can be addressed to Ms. Howard at (614) 469-5737, extension 8043.

Energy Efficient Multifamily Housing Roundtable

By Phyllis Mitchell

The local and national Emerald Cities Collaborative along with regional stakeholders and national experts in affordable housing and energy efficiency were recently invited to discuss opportunities for collaboration, funding, and program design. The goal of the January event was to create a set of regional policy priorities relating to creating and sustaining affordable, efficient multifamily housing in Northeast Ohio. Specifically, Emerald Cities Collaborative goals are to "Green our Cities", "Build our Communities", and "Strengthen our Democracy".

HUD Project Manager Phyllis Mitchell represented the Cleveland Field Office at the event. The presentation, held in downtown Cleveland provided examples of energy efficiency efforts in several HUD program areas, including single and multifamily Housing, CPD, OHHLHC, and OAHP. Each of these HUD program areas have specific strategies, initiatives or cross-cutting programs that contribute to HUD's overall energy efficiency strategy or plans. The focus of the presentation was to demonstrate the overarching energy efficiency/sustainability thrust throughout HUD's various program areas. The Department's energy efficiency Goals/themes/strategies and the Annual Program Goal (APG)13 "Cost-effective Energy and Green Retrofits" from the draft FY12 Management Plan was discussed at length as an example of HUD's commitment to energy efficiency. Specifically discussed was the FY2012 Energy Efficiency Priority Goal Statement, including Goal Highlights, Key Measures by HUD Office (numeric targets for CPD., Housing, etc), and contributing Program Strategies and Key Milestones. Funding levels associated with the FY2012 APG13 were not available through the department. The intent was not to list all strategies and initiatives, but rather to highlight two or three mortgage or grant/loan programs that had a very strong energy efficiency focus. Therefore, the FY 2010-11 202/811 NOFA which requires energy efficiency elements beyond Energy Star was highlighted as was the Energy Innovation Fund. In addition, the presentation highlighted HUD's commitment to partnering and collaborating through both inter-agency, such as a Memorandum of Understanding (MOU) with the Department of Transportation and the Environmental Protections Agency, and intra-agency initiatives, such as expanded energy efficiency requirements in existing programs such as the CPD HOME and CDBG programs and the Multifamily Housing 202/811 Capital Advance program.

In conjunction with the presentation, Ms. Mitchell participated in the roundtable working lunch. During this all attendees identified challenges to energy efficiency and developed challenge categories. The final session of the day then presented opportunities that directly corresponded to the 5 challenge categories that were developed during the working lunch. The event proved to be a worthwhile success.

Hopeton Village Assisted-Living Conversion

By Molly Logan

Aging is an irrevocable progression of life, but sometimes the progression is accompanied by the decline of health, wellness and the ability to live totally independently. Specifically, while many seniors are able to live somewhat independently, and do not yet need a continuous care facility, they still need assistance with one or more activities of daily living, otherwise known as ADLs. As the demand for sufficient living units catering to these needs becomes essential, the current supply of housing appears inadequate to support it. Therefore, HUD created the Assisted-Living Conversion Program (ALCP) Grant to provide the aid needed to make this assistance possible.

The ALCP Grant provides private nonprofit owners of eligible developments the funds necessary to convert some or all of the dwelling units in the project into an Assisted Living Facility (ALF), designed to accommodate the frail elderly. Grant funding is awarded to cover the physical costs of converting units, common areas and service space, as well as providing a central kitchen or dining facility, lounges, recreation and other multiple use areas that will be available to all residents of the project.

Hopeton Village in Chillicothe, was a Fiscal Year 2008 and 2009 ALCP Grant recipient, converting a total of 41 residential units into assisted living units. The property is owned by National Church Residences of Ohio. The amount of funds awarded totaled $6,108,153, with an additional $1 million contribution from the property's Residual Receipts account. The project features assisted living units on the 1st through 3rd floors, a new commercial grade kitchen, dining room, therapy room, exercise room, nursing offices, commercial and residential laundry, as well as updated lighting, hallway carpeting and other physical components. To accommodate the needed space for all these new amenities, a two-story addition was constructed at the rear of the building.

Recently completed, Hopeton Village celebrated its "Grand Re-Opening" on May 17, 2012, and is open to help those who may need assistance with activities of daily living. For more information regarding the Assisted Living Conversion Grant, or to view the FY12 NOFA, please go to:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/alcp
or
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/fundsavail/nofa12/alcp

St. Paul Village

By Bonnie Spurling

St. Paul Village I, a HUD subsidized property for the elderly located in Cincinnati, Ohio celebrated its grand re-opening with a ribbon cutting ceremony on May 1, 2012. The property, managed and partly owned by Episcopal Retirement Homes (ERH), underwent a dramatic transformation from a struggling property to a sustainable, energy efficient senior community. Many were present to commemorate the day, including Cincinnati Mayor Mark Mallory, City Manager Milton Dohoney, Jr., Doug Spitler, President and CEO of ERH, Hal Keller President of Ohio Capital Corporation, Guy Ford, Director of Legislative Affairs, Ohio Housing Finance Agency, James Cunningham, Field Office Director, Cincinnati Field Office, Steve Smith CEO, Model Group and Dorothy Banks, a resident of St. Paul Village I. Several made short presentations and helped cut the ribbon during the celebration.

The construction contractor, The Model Group, in partnership with ERH, coordinated the seven year process of bringing together financing and completing the 14-month renovation to rejuvenate this senior community. Originally built in the mid-1970's under the 236 program with efficiency and one bedroom units, the community now boasts 96 newly reconfigured and remodeled one bedroom units and 7 efficiency units. Ten percent of the units are fully ADA accessible. All units received new windows, carpeting, ceramic tile, and kitchens. The grounds now include picnic areas and walking trails. The wellness/fitness center is furnished with donated equipment. Six HUD funding sources were engaged, including an M2M refinancing, an IRP decoupling, City of Cincinnati HOME funds, the Recovery Act Tax-Credit Assistance Program, and a 231 FHA loan. These were combined with Low Income Housing Tax Credits (LIHTCs) to capitalize the $13 million in renovations. HUD's project based rental assistance and project based vouchers through the Cincinnati Metropolitan Housing Authority ensure that rents are affordable for low income senior residents. The property was renovated to LEED standards, including geothermal heating and cooling. The grand re-opening was covered by the local media which included interviews with several residents who expressed their gratitude and positive outlook toward living in their newly renovated apartments.

Cleveland Multifamily Program Center Presents Grant Opportunities

By Pamela Ashby

Senior Project Manager, Phyllis Mitchell of the Multifamily Program Center in Cleveland presented information about formula and competitive grants available for eligible local governments and non-profit corporations at a Grants Resource Forum sponsored by Congresswomen Marcia Fudge, 11th Congressional District. Congresswoman Fudge extended the invitation for participation to Field Office Director Douglas Shelby and Ms. Mitchell represented the Office on his behalf. The Forum was held at Cuyahoga Community College's Corporate College May 1, 2012. More than eighty persons participated in the event which included representatives from small governmental jurisdictions and non-profit organizations. Among the organizations presenting grants information were the Cleveland Foundation, the oldest community foundation in the nation, and the Foundation Center which has a library located in Cleveland. In addition to the U.S. Department of Housing and Urban Development (HUD), five other Federal agencies provided grant information including Grants.Gov, the U. S. Department of Education, the U.S. Department of Health and Human Services, and the U.S. Department of Transportation.

Since HUD's Fiscal Year 2013 appropriation budget had not been enacted by Congress as of the date of the forum, participants were shown how to locate future competitive grant Notice of Fund Availability (NOFA) opportunities across all of the HUD's program areas by accessing the "Available Funds" link on the front page of HUD's external website. This was demonstrated using a "live" internet connection. Participants were also shown how to access the archive link to HUD's competitive grants that were previously awarded for Fiscal Year 1997-2012. In addition, the critical requirement to obtain a DUNs number and a Central Contractor Registration well in advance of submitting a grant application electronically thru Grants.Gov was highlighted, since these numbers are a Grants.Gov submission requirement. General tips enhancing the likelihood that a submitted application meets minimum threshold requirements and achieves maximum points for each of the five rating factors typically included in HUD NOFA's were conveyed. Emphasis was placed on the need for applicants to read closely and follow both the General NOFA and Program Specific NOFA to determine applicant eligibility, threshold and submission requirements, and responsiveness to various application exhibits. Finally, a matrix of cross cutting post award regulations and OMB Circulars was provided which must be followed throughout the grant term in addition to the various reports that must be filed periodically and timely if an award of funding is received.

By presenting information not only about HUD's Multifamily competitive grant programs but also those of the Department's other program areas at this Congressional forum, the ability of non-profit organizations and small government jurisdictions to increase local capacity is advanced. Overcoming capacity shortfalls is critical to the ability of governmental agencies, non-profits, and other organizations to leverage HUD resources, make effective use of HUD strategic goals, and create lasting change in the lives of individuals and communities.

Paperwork Pitfalls

According to Owners, Agents, and Lenders, processing paperwork is one of the most frustrating parts of dealing with HUD. It is often unclear what is being asked for (required) in your response. Occasionally, there is a request for change or correction to the submission. HUD wants to make sure that the documents are completed correctly and orderly. Assurance that the documents are completed correctly also helps to ensure that you understand what is expected from you, and from HUD.

What can be done to avoid calls or a letter requesting corrected paperwork?

Our recommendation is that, all documentation and all accompanying citations be read thoroughly. Make sure that you address what is being asked of you in your response. Although this sounds very basic, it really can be helpful. Forms and processes change, and some terms and phrases may be different than what they appear. Documentation or forms may have been accepted as complete in a previous submission, but the documentation may not have been completed correctly. If the documentation references another document please verify the information with the other document for consistency. As an example, there are several areas of the Project Owner's/Management Agent's Certification that must correspond to the Management Entity Profile. Item 12 discusses identities-of-interest (IOI)s. It begins with a statement that the owner and agent read and understand HUD's definition of "identity-of-interest" (IOI) and that the statement(s) checked are true. There are three boxes that can be checked:

a. is checked if no identity-of-interest exists among the Owner, the Agent and any individuals or companies that regularly do business with the project.

b. refers to Section 11a of the Management Entity Profile and states that only individuals and companies listed in Section 11a have an identity-of-interest with the agent. If Statement b. on the Project Owner's/Management Agent's Certification is checked, we will then examine section 11a of the Management Entity Profile. The profile should list any and all IOI individuals and companies. It should not say "none".

c. refers to an identity-of-interest with the Owner. If there is an IOI between the owner and agent, the statement requires that the name(s) and services of the IOI (s) be listed. Statement 12b and 12c are independent statements. It is possible for one or the other or both to be checked.

Please consider the following when completing all HUD documents:

- Consistently use the name of the entities on all documentation.
- Confirm that the appropriate project number is being used. Refinanced properties will have a new FHA number and uninsured properties will either use their HAP contract number or list "un-insured".
- Have the appropriate individual sign the document and provide signature authorities when necessary.

Finally, and most importantly, if you have any doubts about how to complete a form and the instructions are not clear, refer to the applicable HUD handbook for guidance.

We look forward to working with you and making the paperwork trail a smooth one.

New Guidance Regarding Section 202 Prepayment and Refinancing

By Bonitta Smith

On May 4, 2012, HUD issued new guidance with respect to the prepayment and refinancing of Section 202 Direct Loan projects (Notice H 2012-8). The amended guidance indicates that for projects under Section 202 of the Housing Act of 1959 for which the Secretary's consent for prepayment is required, the project sponsor must agree to operate the project for at least 20 years following the maturity date of the original loan under terms at least as advantageous to existing and future tenants as the terms required by the original loan or project based subsidy contract. The amendment also authorizes HUD to approve the prepayment and refinancing for 202 Direct Loans originally financed with interest rates of six percent or less where there is no debt service savings anticipated if, as part of the refinancing, the ownership will address the physical needs of the project.

Some of the requirements regarding this new guidance are as follows:

- The Owner must execute a new Use Agreement, which will ensure continued operation of the project for at least 20 years past the maturity date of the original loan.
- If there is a Section 8 project-based HAP contract in place, the Owner must execute a Renewal Contract with a 20-year term.
- The Owner must consider the use of Energy Star appliances and components.
- When a Section 202 Direct Loan is prepaid and the project is financed for the first time in accordance with this new guidance, the project is exempt from debt-restructuring under MAHRA, regardless if the financing is FHA or conventional. When the HAP contract expires, the Owner may renew the HAP contract as an "Exception" project under Option 4 of the Renewal Guide. Projects anticipating a reduction in debt service costs as a result of a prepayment may receive a Section 8 rent increase to fund operational needs other than increased debt service if the rent increase can be justified under a budget-based rent increase calculation.
- The Owner may consider the addition or rehabilitation of related facilities as part of a prepayment and refinance.
- HUD may allow Residual Receipts over $500 per unit and Reserve for Replacement over $1,000 per unit to be used for the cost of activities designed to increase the availability or provision of supportive services or other purposes beneficial to tenants.
- All prepayments must meet tenant involvement requirements.
- An environmental review may be required.

HUD may now approve a prepayment and refinance of a Section 202 project that results in increased debt service if the following is met:

- If the original interest rate was six percent or lower.
- The proposed transaction may not result in higher rents for unassisted residents. HUD may provide rental assistance, subject to availability of appropriations, or possibly vouchers, to those unassisted residents.
- Rent increases may be needed to complete the refinance of such transactions in order to complete the repairs.
- The amount of the capital repairs must include substantial rehabilitation as defined by the MAP Guide. This rehabilitation may include efficiency conversion in accordance with Housing Notice 11-03.
- Any proceeds from the refinance in excess of the cost to pay off the existing 202 Direct Loan must be approved for use.

For Section 202 Direct Loan prepayments where the refinancing will result in debt service savings, the Owner must still demonstrate that the prepayment and refinancing will result in a reduction in debt service payments. The package submittal must include a Sources and Uses document and a summary of financial analysis. Debt service savings will no long be required to be escrowed. The Owner must still describe how the savings will be utilized and it must be advantageous to the residents. The Owner must provide a narrative description of the proposed use of loan proceeds, including specific dollar amounts to be used for specific purposes and the timing of the proposed use. The loan proceeds in excess of those required to pay off the 202 loan or other HUD subordinated debt at closing must be placed in a segregated account and utilized within five years after closing if intended for rehabilitation, retrofits or construction.

This guidance also addresses re-refinancing of Section 202 properties. Some former 202 projects have already refinanced either through FHA or conventionally and an Owner may wish to refinance again to obtain a lower interest rate and/or to complete repairs. These prepayments do not require the same HUD approval as other projects referenced in this article. If the Owner re-refinances with conventional financing, the project retains eligibility to renew under Option 4 of the Renewal Guide at the next expiration date of the HAP contact. However, if the Owner re-refinances with an FHA insured loan, the project will no longer be exempt from Mark-to-Market restructuring and will lose the ability to renew under Option 4 when the HAP contract expires. Some prepaid/refinanced properties have already re-refinanced using FHA insured loans. At the time of HAP contract expiration, these projects are ineligible for Option 4 HAP renewals. If the Section 8 rents are above market, the Owner will be referred to Mark-to-Market restructuring unless the Owner refinances again with a conventional loan prior to contract expiration.

Once the Ownership has submitted a package to the local HUD field office, the Project Manager has 30 days to process the application. After this period, if the application merits approval, the Hub Director will send an analysis and recommendation to HUD Headquarters for final approval.

An Owner considering prepayment should consult with their Project Manager before submitting the prepayment request. A meeting will be scheduled to discuss the proposed transaction with appropriate HUD staff.

Permanent Supportive Housing (PSH) for the Homeless

By Zena Farah

The Department of Housing and Urban Development has developed Supportive Housing Programs (SHP) to provide housing and related supportive services to move people from homelessness to permanent independent housing. These programs assist in relocating individuals that are found sleeping in temporary shelters or places not meant for human habitation (i.e. abandoned buildings and sidewalks) to permanent housing. The programs are designed to help participants obtain and remain in permanent housing, increase skills and/or income and achieve greater self-determination. Following are examples of available housing.

Supportive housing programs include transitional housing in which homeless individuals and families may reside for up to 24 months. During this period, they receive supportive services to prepare them for independent living.

Permanent housing for persons with disabilities is also available. The intent of this housing is to provide persons with disabilities with the supportive housing that will allow them to live independently in a permanent setting.

Safe Havens are available for hard to reach homeless persons with severe mental illness. This housing provides a highly supportive environment with no immediate service demands. This allows the person to stabilize and eventually participate in services, as well as accept referral and move to housing that is more traditional.

Currently, there are over 10,000 homeless veterans. HUD developed the Veterans Affair Supportive Housing program to get veterans off the street and into permanent housing. The Department provided $46.2 million to public housing agencies to supply permanent housing to 6,790 homeless veterans in America. The Department will work with veterans and the Department of Veterans Affairs (VA) to provide permanent housing, case management and supportive services so veterans may retain their housing.

The development of these various supportive housing programs is designed to create a comprehensive solution to the country's homeless issues. The complex challenges faced by homeless persons will be overcome through the supportive services associated with the housing programs. These programs allow the homeless to recover, and thus reduce the overall cost of their care. In turn people are able to live more stable productive lives.

Janice O'Dell

Published Notices:

Notice H 2012-06, April 25, 2012: Reissuance of the Notice Requiring Owners with Project-Based Section 8 Rental Assistance Contracts, Section 202 or 811 Project Rental Assistance Contracts to obtain Dun and Bradstreet Numbers (DUNS) and to register in the Central Contractor Registration (CCR). Compliance with the Notice is required within 60 days of the publication date or by no later than June 25, 2012.

Failure to comply may delay receipt of voucher payments.

Notice H 2012-08, May 4, 2012: Updated requirements for Prepayment and Refinance of Section 202 Direct Loan. Owners who refinance for the second time with FHA Insurance will no longer be eligible for an Option 4 at the time of HAP renewal. Information relating to this specific topic can be found on page 17 of the Notice.

Amend Rents for Section 8 HAP Contracts:

On March 1, 2012, Ohio, along with many other States, implemented the Auto-Operating Cost Adjustment Factor (OCAF) process. The purpose of the Auto OCAF is to streamline processing by eliminating duplicative rent calculations and reducing paper work. The Auto OCAF is only applicable for Amend Rents, not Contract Renewals.

The process for the Auto OCAF is generally as follows:

1. 150 days prior to the Amend Rents anniversary, the PBCA/HUD generates a letter reflecting an OCAF increase and an amended Exhibit A of the contract. This information is mailed to the owner.
2. Upon receipt the Owner either:
   - Accepts the OCAF calculation by returning completed/signed rent schedules to PBCA/HUD within 10 calendar days of receipt; or,
   - Declines the OCAF calculation and alternatively submits a budget to increase contract rents or a zero percent budget to keep rents at current levels. This submission must also be made to the PBCA/HUD within 10 calendar days of receipt.

A couple of additional items related to the Auto OCAF process:

- The Owner will have the opportunity to address concerns regarding the amount of debt service used in the calculation prior to submitting the required rent schedules.
- All other remaining processes associated with a rent increase remain unchanged. For example, if the property has a Utility Allowance (UA), a usage analysis is still required to be included along with an Amend Rents request.

Finally, owners who are in long term contracts (HAP term beyond 5 years), who renewed under an Option 1 or 2; the fifth year adjustment will be to the new RCS amount, as required by the Contract and Statute. Auto OCAF will not be applied for the fifth year adjustment.

Upcoming Changes:

HUD Form 9834;

Look for the new HUD-9834 form, Management Reviews of Multifamily Projects to be published soon on HUD Clips. Additionally, look for a RHIIP Listserv with instruction on implementation.

Management and Occupancy Reviews (MOR) schedule for the Performance Based Contract Administrators (PBCA).

Many of you are aware that the PBCA contract was re-advertised under a second Notice of Fund Availability (NOFA) in 42 states, including Ohio on March 9, 2012. The anticipated announcement for award is August 2012. Subsequent to selection, it is anticipated that contracts will go into effect December 1, 2012 for a two-year term. A major change with the contract that will affect Owners and Agents is the proposed MOR schedule. As currently proposed, that schedule is as follows:

Mark-to-Market properties (M2M):

MORs will be performed annually for projects that have completed OHAP restructuring and have a MAHRA contract regardless of the rating on the last MOR;

MORs will be also performed annually for projects that received a Below Average or Unsatisfactory rating on their last MOR;

MORs will be performed once within the two year PBCA Contract period for projects that received a Satisfactory rating on their last MOR; and,

MORs will **not** be performed within the two year PBCA Contract period for projects that received an Above Average or Superior rating on their last MOR.

DEVELOPMENT CORNER

By Chris Cook

Production Notes

Fiscal Year 2012 Production Activity for the Ohio Hub

The Ohio Multifamily Hub is on pace for another successful year in terms of production/development. As of March 31, 2012, the halfway point of HUD's fiscal year, initial endorsements (closings) for the entire state totaled 49 projects. These 49 projects consisted of 5,431 units and a combined $226,777,100 in insured mortgages and Capital Advances. This Hub activity contributed greatly to HUD's mission of increasing the availability of safe, decent and sanitary housing. The following information reflects the number of closed projects for each Section of the National Housing Act:

Section 221(d)(4) New Construction/Substantial Rehabilitation of Apartments: 4
Section 223(f) Refinance/Purchase of Apartments: 20
Section 223(a)(7) Streamline Refinance: 11
Section 223(a)(7) Streamline Refinance (with Office of Affordable Housing Preservation restructuring): 6
Section 202 Capital Advance: 4
Section 811 Capital Advance: 4

Columbus HR Updates:

Leslie McDaniel – Project Manager, Multifamily Asset Management

Leslie comes to us from Assisted Housing Services Corporation in September 2011 and brings with her thirteen years experience in the housing industry. Most of her years were spent conducting management reviews throughout the State of Ohio as well as managing properties assigned to the PBCA in Ohio.

Steve Colony – Staff Architect, Multifamily Housing Production

Steve is a registered architect in the Multifamily Production Branch, and came to HUD in the fall of 2011. Previously, he worked for 31 years in Grand Junction, CO for the private sector performing architectural design, design/ build and construction management projects. He is a native of Fargo, ND and a 1979 graduate of North Dakota State University with a Bachelor of Architecture degree.

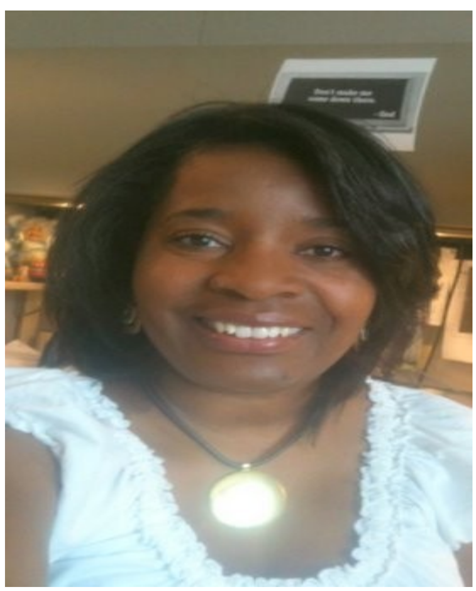
Will Wahler- Project Manager, Multifamily Asset Management

Will joined HUD from National Affordable Housing Trust in September 2011. He spent the last eight years working with non-profits in the development, syndication and asset management of Tax Credit properties throughout the country. Will received his degree in Accounting from the Ohio State University and Masters in Business Administration Finance from Franklin University.

Cleveland HR Updates:

Kimberly Horton - Project Manager, Multifamily Asset Management (pictured right)

Starting September 26, 2011, Kimberly is the newest addition to the Asset Management Division of Multifamily Housing in the Cleveland Field Office. She joins us after eleven years of employment with the Michigan State Housing Development Authority. There, she performed as an Asset Manager- a position that is almost identical to HUD's Project Manager. Joining her on this new endeavor from Michigan to Ohio, are her three children: Kayla, Kyra, and Kobe Horton. The family looks forward to exploring their new surroundings this spring and summer. What Kimberly enjoys most about working for HUD is the opportunity to continue to be a public servant and a housing advocate for those that need a place that they can call home.



Mary Bolmgren- Project Manager, Multifamily Asset Management Ms. Bolmgren joined the Cleveland HUD Office on February 28, 2011. She came to the Department from Assisted Housing Services Corporation. Her outside interests include the study of Quantum Physics and Energy Transference through light and sound. She believes that the most enjoyable part of working for HUD is the ability to provide valuable services to clients, including maintaining the availability of affordable housing for those in need.

<u>Departures</u>

Marilyn Jarvis, Mortgage Credit Analyst, Cleveland Program Center, retired May 2, 2012.

Yvonne Kozak, Construction Analyst, Cleveland Program Center, retired May 3, 2012.

How to join Listserv HUD Multifamily Housing Mailing Lists

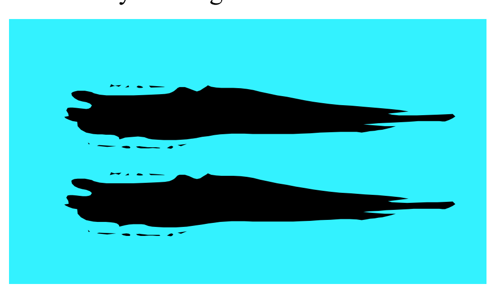
By Al Minotti
HUD maintains several mailing lists to which you may subscribe to keep informed of what's happening at HUD and with its housing programs and activities.
First, there is a Multifamily Housing Industry Partners list for information of a national scope of interest to partners and stakeholders. You may subscribe to this mailing list at the following link (just copy and paste the link into your browser address box):
- http://www.hud.gov/subscribe/signup.cfm?listname=Multifamily%20Housing%20Industry%20Partners&LIST=JAX-ORL-MF-HSG-L

In addition to the Multifamily Housing Industry Partners list, there are a number of other lists pertaining to specific topical information and forums organized under four categories -- Homes, Communities, Business, and Research and Report. In addition to specific topical information of national scope, these lists are provided for information specific to particular states. The following link will take you to the complete topical breakdown of these lists and an explanation of their content and scope:
- http://portal.hud.gov/hudportal/HUD?src=/subscribe/mailinglist

To subscribe to any of these lists, click on the name link of the list. That will take you to the sign-up for that particular list. Subscriptions may be cancelled at any time.
These HUD lists present an easy way to stay informed, ask questions and share ideas. Your participation is appreciated!
In addition to the nationally maintained lists, HUD local offices occasionally send out mass mailings to multifamily property owners, management agents, and site managers for properties within their office jurisdictions. These mailings typically pertain to local items of interest, such as newsletters, local events, training opportunities, etc. and critical information such as regulatory changes and notices of funding availability. The latter information may be duplicated on the national lists; however, they are often additionally sent out locally to help ensure that owners and agents receive the critical information.
Please note that the mailing lists for these local mailings are not derived from the aforementioned national lists, but from HUD systems, such as iREMS (Integrated Real Estate Management System) and APPS (Active Partners Performance System).
Property owners, agents and staff are encouraged to update their information in APPS and notify their HUD Project Manager whenever staff, email, or other address information changes. Please be aware that the main email address associated with the tax ID number of each ownership entity and management agent working with HUD cannot be updated by HUD. This must be done by a representative of the entity through APPS.
Finally, the mass mailings that go out from the Columbus Multifamily Hub office are sent from a box named multifamily_massmailbox_01. These mailings are one-way only and no responses can be accepted by this mailbox. If you have any questions related to our mass mailings, please contact your assigned HUD project manager.

New Regulations regarding Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity -. Final Rule 77 F.R. 5662

By Jimmie Thomas II
On February 3, 2012, HUD published the Final Notice on Equal Access to Housing in HUD Programs regardless of Sexual Orientation or Gender Identity - Final Rule 77 F.R. 5662. This new regulation ensures that HUD's core programs are open to all eligible individuals and families regardless of sexual orientation, gender identity, or marital status. This rule follows a January 24, 2011 proposed rule which noted evidence suggesting lesbian, gay, bisexual, and transgender (LGBT) individuals and families are being arbitrarily excluded from housing opportunities in the private sector. HUD, as the nation's housing agency, has a unique charge to promote the federal goal of providing decent housing and a suitable living environment for all.
Included in the published notice are study results that indicate that 20 states, the District of Columbia, and over 200 localities have enacted laws prohibiting discrimination based on sexual orientation or gender identity against any individual or family otherwise eligible for HUD-assisted or HUD-insured housing. (Laws Prohibiting Discrimination based on Sexual Orientation and Gender Identity, Institute of Real Estate Management (IREM) legislative Staff July 2007). HUD proposed to prohibit inquires regarding sexual orientation or gender identity. As proposed, the prohibition precludes owners and operators of HUD-Assisted housing or housing whose financing is insured by HUD from inquiring about the sexual orientation or gender identity of an applicant for, or occupant of, the dwelling, whether renter or owner occupied. HUD is instituting this regulation in its rental assistance and homeownership programs, which includes community development programs, and public and assisted housing programs.
While this rule prohibits inquiries regarding sexual orientation or gender identity, nothing in the rule proposes to prohibit any individual from voluntarily self-identifying his or her own sexual orientation or gender identity. It should be noted that this regulation for HUD's Native American programs will be undertaken by separate rulemaking.
Although HUD's multifamily programming already interprets the term "family" broadly, the rule clarifies that those families who are otherwise eligible for HUD programs may not be excluded because one or more members of the family are LGBT or perceived to be LGBT. New revisions to 24 CFR 5.105 (a) (2) explicitly states that eligibility determinations for HUD-assisted or HUD-insured housing must be made without regard to actual or perceived sexual orientation, gender identity, or marital status.
Finally, it should be noted that inquires concerning sexual orientation are permissible under certain specific situations, specifically where the accommodations provided involve shared sleeping and bathing areas, such as emergency shelters and like facilities. In these instances HUD clarifies that lawful inquiries as to sexual orientation would be permitted. This temporary housing, unlike other HUD subsidized housing, and unlike housing insured by the FHA program, involves no application process to obtain housing, but rather involves immediate provision of temporary, short-term shelter for homeless individuals.
These additional regulations are a reminder and clarification regarding HUD's responsibility to make the provision of decent, safe and sanitary housing available for all.



Excess Income Receivable of Section 236 Projects

By Tashara McCain

This article provides a general overview of HUD's policy regarding the retention of Excess Income generated in Section 236 projects. For full guidance, regarding applicability and the requirements of Owners and HUD staff, please reference the notices abovementioned.

Background

The FHA Section 236 program was established to facilitate the construction and substantial rehabilitation of affordable multifamily rental housing for lower-income households. Under the Section 236 program, HUD provides a long-term interest subsidy (known as Interest Reduction Payments or IRP) and mortgage insurance to project owners to reduce the interest rate on the owner's mortgage and help the owner maintain the affordability of the rental project.

Policy

All Section 236 projects, where the owner is current with its mortgage obligation, are eligible for consideration to retain Excess Income generated on or after October 1, 2000 for project and non-project proposes unless the owners owes HUD Excess Income from prior periods. If excess Income is owed, the owner is no longer eligible for retention of Excess Income unless it has a Workout or Repayment Agreement acceptable to HUD and is current in payments under such Agreement.

Definition

Excess Income consists of cash collected as rent from the residents by the owner, on a unit-by-unit basis, that is in excess of either the HUD-approved unassisted Basic Rent or the New Authorized Rent under the Section 8 mark-up-to-market program. The unit-by-unit requirement necessitates that, if a unit has Excess Income, it must be returned to HUD. There is no Excess Income associated with units where Section 8 is available or utilized.

Use of Excess Income

Project Use: Excess Income may be used for any project purpose. Examples include operating shortfalls, repair costs and the retention of Service Coordinators

Non-Project Use: Most owners are allowed to retain Excess Income for non-project use. However, there are circumstances under which retention is not allowed. These situations, which are outlined in notice H 01-07, include having an underfunded Reserve for Replacement account, engaging in material adverse financial or managerial actions, or failing to maintain the project in decent, safe and sanitary condition and in good repair. In addition, excess Income retained by nonprofit owners is limited to activities that carry out the nonprofit purpose.

Requesting Approval

Owners must submit a written request to the local Field Office.

Upon Field Office approval, the Owner must submit Form HUD-93104, (Monthly Report of Income) via Pay.gov (https://Pay.gov), and send a copy of the e-Form HUD-93104 to the Field Office.

For project use only, the Owner must briefly describe the purposed use of Excess Income, the period Excess Income is being retained and the amount or percentage requested.

Field Office Response

HUD staff must review the request and issue a letter of permission or denial.

Approval Letter: Must state, at minimum, the five requirements outlined in Notice H01-07; please note: retention cannot extend beyond the current Fiscal Year.

Denial Letter: Must cite the specific reasons for denial and state what would be required to receive HUD's permission.

Owner Reporting Requirements

All Excess Income that owners are not authorized to keep must be remitted to HUD monthly.

The collection and retention of Excess Income must be reported in the required Annual Financial Statements. On an annual basis, owners must provide two copies of a brief narrative description of the amount of Excess Income retained during the prior year and what the retained Excess Income was used for. The narrative description must contain the required certification outlined in Notice H 01-07.

In closing, HUD's intentions are to continue to work with owners and to provide valuable resources to make certain that HUD's assets are sustained and owners are able to invest in communities by providing decent, safe and sanitary environments.

Upcoming Event

Midwest Affordable Housing Summit – September 24-25 in Chicago Link: http://summit.mahma.com/

It's that time again! We're gearing up for another Midwest Affordable Housing Summit in Chicago and hope you are excited to make this year's conference an even bigger success!

MAHMA members and guests will be treated to a comprehensive conference, featuring news, information and updates surrounding the affordable housing industry.

The Details:

September 24 – 25
Renaissance Hotel
1 West Wacker Drive
Chicago, IL 60601

Register for the Summit and save!

There are several ways to save when you register for the Midwest Affordable Housing Summit!

Join MAHMA prior to the Summit and send four or more people and get the member rate and the fifth attendee free (must join and make payment prior to September 1, 2012).

Register four or more people from one company and be eligible to win $100 off future MAHMA training.

Register seven or more people from your company and be eligible to win one of 2 $100 vouchers for future MAHMA training.

Register 10 or more people from your company and be eligible to win one of 3 $100 vouchers for future MAHMA training.

CHICAGO 2012 MAHMA midwest AFFORDABLE housing summit

Letters to the Editor

We hope that you enjoy our Newsletter. We want it to be a positive way for us to communicate with our business partners, and facilitate more effective, efficient relationships with those we serve. If you have comments, questions, or suggestions for articles that you would like to see in future editions, please let us know. Send an email to the editor at **OhioHubNews@hud.gov**. We look forward to hearing from

Recent Issuances

Housing Notices published in 2012 may be found at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg
Mortgagee Letters published in 2012 may be found at :
http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm

Recent HUD Notices

By Lavon Lockett

12-10 Guidelines for Assumption, Subordination, or Assignment of Mark-to-Market (M2M) Loans in Transfer of Physical Assets (TPA) and Refinance Transactions

This Notice updates and restates HUD's guidelines dated September 30, 2010, issued through Housing Notice 10-22, "Guidelines for Assumption, Subordination, or Assignment of Mark-to-Market (M2M) Program Loans in Transfer of Physical Assets (TPA) and Refinance Transactions" (Guidelines). The Guidelines apply to any request (Request) to assume and/or subordinate a loan evidenced by a Note (defined below) originated under M2M, or its predecessor program, the Portfolio Reengineering Demonstration Program (Demonstration or Demo Program), and to waive the due on sale or refinance clause contained therein. The Guidelines also apply to any Request to provide Debt Relief (assignment, modification or forgiveness) with respect to a Note originated under the M2M program.

12-09 Supplemental Information to Application for Assistance Regarding Identification of Family Member, Friend or Other Persons or Organization Supportive of a Tenant for Occupancy in HUD Assisted Housing

This Notice reinstates and extends the 2009 joint Notice issued by the Office of Housing (H) and the Office of Public and Indian Housing (PIH), identified as H 2009-13 or PIH 2009-36. That HUD Notice was issued to provide guidance to owners and management agents (O/As) and Public Housing Agencies (PHAs) on the implementation of the requirements of Section 644 of the Housing and Community Development Act of 1992 (Section 644). Under Section 644, O/As and PHAs must provide applicants as part of their application for housing, the option to include information on an individual or organization that may be contacted to assist in providing any delivery of services or special care to applicants who become tenants and to assist with resolving any tenancy issues arising during tenancy.

12-08 Updated Requirements for Prepayment and Refinance of Section 202 Direct Loans

This Notice provides guidance for the prepayment and refinancing of Section 202 Direct Loan projects. This Notice supersedes all outstanding policy regarding Section 202 Direct Loan prepayments, including Housing Notice 02-16 and Housing Notice 10-14.

12-07 Annual Base City High Cost Percentage in High Cost Area Revisions for 2012

This is an annual publication for each base city and the information is used in the underwriting process.

12-06 Notice Requiring Owners with Project-Based Section 8 Rental Assistance Contracts or Section 202 or 811 Project Rental Assistance Contracts or Rental Assistance Payments or Rent Supplement Contracts to Obtain Dun and Bradstreet Number System (DUNS) Numbers and to register in the Central Contractor Registration (CCR)

Public Law 109-282, The Federal Funding Accountability and Transparency Act of 2006, requires the creation of a single, government-wide searchable website that is available to the general public. Rental assistance payments made under Project-Based Section 8 Housing Assistance Payments (HAP) Contracts or Section 202 or 811 Project Rental Assistance Contracts or Section 236 Projects with Rental Assistance Payments Contracts or Section 221(d)(3) Below Market Interest Rate, Section 231, Section 236 (insured and non-insured) Projects, and Section 202 Projects with Rent Supplement Contracts are covered by this reporting requirement.

12-05 Guidelines on Addressing Infestations in HUD-insured and Assisted Multifamily Housing

This Notice supersedes Housing Notice 2011-20, ―Guidelines on Bed Bug Control and Prevention in HUD Insured and Assisted Multifamily Housing.‖ Readers seeking guidance on the subject of bed bug infestations should instead refer to this Notice, which provides updated information to prevent and address infestations, including but not limited to bed bugs, insects, and all manner of vermin.

12-04 Extension of Housing Notice H 2011-05, Policies and Procedures for the Deferred Repayment of Operating Assistance Flexible Subsidy Loans

Housing Notice H 2011-05 was issued on February 14, 2011, with an expiration date of February 29, 2012. Housing Notice H 2011-05 is hereby extended for one year.

12-03 Guidance on Eligibility for Tenant Protection Vouchers Following Certain Housing Conversion Actions

The Office of Multifamily Housing oversees thousands of properties supported by a range of insured and Direct Loans, including Section 236, Section 221(d)(3), Section 202, and Section 221(d)(4) mortgages.

Many properties are reaching the end of their original mortgage term, and rental assistance contracts are also reaching expiration. Residents may be eligible for Tenant Protection Vouchers (TPVs) in certain scenarios related to mortgage prepayment, contract termination or expiration.

12-02 Collection Procedures for Excess Income Receivables and Form HUD-93104, Monthly Report of Excess Income

This Notice describes the processes that must be followed to collect these receivables and ensure that all required monthly reports are filed and any required payment is made.

12-01 Multifamily Low Income Housing Tax Credit Pilot Program

This Housing Notice (HN) launches a pilot program (the Tax Credit Pilot or Pilot), mandated by the Housing and Economic Recovery Act of 2008, Public Law 110-289, in subtitle B of Title VIII, cited as the Housing Tax Credit Coordination Act of 2008 (HERA), to streamline FHA mortgage insurance applications for projects with equity from the Low Income Housing Tax Credit (LIHTC) program.