

OAMPO *focus*

Addressing Risk, Supporting Processes, And Program Administration
Of The Multifamily Housing Portfolio During The Life Of An Asset

Special Points of Interest

Industry Expert Column with the MBA on page 3

Case Study on Rental Housing Demonstration on page 4

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DIRECTOR'S LETTER *by Nancie-Ann Bodell*

New Beginnings for Multifamily Asset Management

Colleagues,

Multifamily For Tomorrow (MFT) brings a renewed energy to the Office of Asset Management and Portfolio Oversight (OAMPO). As we embark on the newly aligned structure of our Office, we are proud to be your partner in the delivery of multifamily programs across the country. The introduction of the account executive model brings an exciting new opportunity for multifamily asset management in both HQ and the field to manage our portfolio with enhanced oversight and improved service delivery to our external partners and program participants.

The **OAMPOfocus** is a quarterly publication, consolidating information from a number of other letters that were previously generated from the old Office of Asset Management. The **OAMPOfocus** provides lots of helpful information with respect to policy clarifications, frequently asked questions, cases studies on topical processing issues, contributions from internal staff as well as a quarterly article from one of OAMPO's industry partners. In this inaugural issue, Eileen Grey of the Mortgage Bankers Association contributed to our publication. *Thank you Eileen!*

On an on-going basis, we will include a calendar indicating when OAMPO field calls are scheduled along with dates, places, and discussion topics HQ OAMPO staff are participating in during national industry conferences. This will give you insight into what groups we interact with on an on-going basis and what kinds of issues are important to them. Also, in this issue, we have provided an organizational chart of the transformed OAMPO, with functional descriptions of how each of our divisions supports the field's ability to deliver our programs.

Many of you know that I came to HUD HQ after spending over 15 years in a field office. That field experience steeled my commitment to continuously improving, enhancing, and growing the relationship between HQ and the field. We all have much to learn from one another— I am very dedicated to creating a more symbiotic relationship between OAMPO staff in HQ and asset management staff in the field. I welcome your on-going recommendations and advice on how to move more fully in that direction.

Finally, I have had the pleasure of meeting many of our field staff as part of the *MFT* training for Waves 1 and 2. I am perpetually reminded through these interactions of the remarkable talent and dedication of our workforce. I am proud to call you all colleagues and thank you kindly for all that you do.

Sincerely,



Nancie-Ann Bodell, Acting Director

Please report any broken links or input on how navigation could be even better to the editor at OAMPOfocus@hud.gov.

DIVISION SPOTLIGHT: FAMPA *by Kimberly Britt and Katherine Nzive*

Account Executives Aligning with the Field

The Field Asset Management and Program Administration (FAMPA) Division is better aligned with the emerging field structure as a result of *Multifamily For Tomorrow* (MFT). FAMPA has transitioned from Desk Officers to Account Executive Branches. There will be two FAMPA Account Executive Branches within the Office of Asset Management and Portfolio Oversight.

In the interim, each Account Executive within their newly formed Branch will continue to serve their existing field offices. To best support field staff, we will make minimal changes while Hubs transform into the Regional Center business structure.

The Account Executive structure in FAMPA will improve the speed of response to Regional Centers and customers by adding efficiencies. The Division will also distribute work more evenly among staff. Implementation of the Account Executive structure will greatly enhance our field communication and working relations.

Program Administration will continue rewriting of the 4350.1 HUD Handbook. A key objective is to ensure that its audience is able to easily understand material and to further stakeholder alignment with HUD’s mission. We welcome Katherine Nzive as our emerging expert.

A WORD FROM OUR READERS: *by Laura Miller-Pittman*

Email Us At OAMPOfocus@hud.gov

Congratulations to OAMPO on launching this journal and providing a place to celebrate successes and provide information and education on asset management and servicing. I am privileged to have the opportunity to provide comments in your inaugural issue, particularly as my professional career in multifamily housing started in OAMPO when it was known as the Office of Loan Management. After nine years with HUD I moved on, yet I attribute my understanding of loans, lenders and borrowers to my years in asset management and property disposition at HUD. The on-the-ground work experience gained in OAMPO is instrumental as there is a never ending variety of issues. - Eileen Grey

It is a pleasure to welcome you to the new Office of Asset Management and Portfolio Oversight. We are sure that you will soon feel the sense of pride we share in being able to use the **OAMPOfocus** as both a forum for the exchange of innovative ideas and as a resource for current developments in our multifamily housing programs.

In this Volume you will find an overview of our industry, current activities, as well as follow up information from our reader’s input. We encourage you to share your feedback to OAMPOfocus@hud.gov along with ideas for future articles.

The **OAMPOfocus** has been organized to promote the highest standards of asset management practices, our group of headquarters and field staff is the very foundation by which this goal can be reached and we encourage you to become actively involved. Should you have any questions or comments, please contact our editor, Laura Miller-Pittman (Laura.L.Miller-Pittman@hud.gov).



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Business Relationships and Support Contracts

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Business Relationships and Support Contracts

The Office of Asset Management and Portfolio Oversight (OAMPO) is newly aligned within Multifamily Housing Programs to promote the highest standards of asset management practices. OAMPO is responsible for the portfolio of multifamily assets after the development phase.

Our goal is to support the targeted Multifamily Housing mission within the broader mission of HUD. We accomplish this through the development of supporting policies and interpretation of **policy**, control of **participation** in the multifamily asset programs, oversight of lender and field **servicing activities** including multifamily management and field operations, and **management of relationships** with internal and external partners.

OAMPO has five Divisions:

- **MACO—Multifamily Asset and Counterparty Oversight**
- **AHO—Assisted Housing Oversight**
- **BRSC—Business Relationships and Support Contracts**
- **FAMPA—Field Asset Management and Program Administration**
- **PD—Property Disposition**

For more information about OAMPO and its Divisions please launch our *About Us* link on www.HUD.gov

Phone: (202) 708-3730



NEWS ROUNDUP

Call to Action Across OAMPO

Multifamily Audits: Please keep Clint Bradley informed of any ongoing and new OIG efforts. At the start of an audit, the **HUD OIG** should issue an *Announcement Letter* that closed copies (cc) Clint Bradley in OAMPO, BRSC Division. Most OIG efforts impact more than one office. Remember to identify the affected headquarters division. This is the division likely involved in the policy and program management—the focus of the current OIG effort. Please forward any OIG notifications related to new audit efforts and direct any issues regarding the auditing performed by project auditors, including **AHACPA** releases, to Clinton.S.Bradley@hud.gov.

Contact: Clint Bradley, phone 202-402-8118.

APPS Reengineering : OAMPO, BRSC has applied Lean continuous improvement concepts to make the APPS/2530 process more efficient for the industry and HUD staff. Major recommendations included rewriting of the 2530 regulations and development of state-of-the-art system improvements to replace **APPS**. Draft regulations are complete and will start clearance soon. The new system operates on a Sybase platform and is engineered for Customer Relations Management. Noted benefits include enhanced reporting features for industry users to review and resolve flags, flag automation strategies, and a more transparent, efficient, and instant communications.

Contact: Devasia Karimpanal, phone 202-402-7682.

Physical Inspection Pilot: The White House Domestic Policy Council established the **Rental Policy Working Group** (RPWG, 2010) to improve interagency coordination on federal rental policy between the USDA, HUD, and the U.S. Treasury’s **Low Income Housing Tax Credit (LIHTC)** program. Multifamily housing stakeholders met at the White House in 2011 to announce its proposals for alignment. Ten were proposed, one of which centered on reducing duplicate physical inspections (due to an overlap in rental assistance). OAMPO is a front-runner in leading the Pilot. On January 31st, 2015, OAMPO helped launch the fifth round of the Pilot with the first reverse auction of 174 projects bid out for inspection.

The core goals of the Pilot are for federal and state partners to adopt:

- Common inspection standards
- Common reporting formats
- Aligned inspection frequency
- Common sample methodology

Federal and state partners involved in the program include state Housing Finance Agencies that allocate LIHTC, USDA, and HUD.

Contact: Brandt Witte, phone 202-402-2614

PLEASE EMAIL OAMPOfocus@HUD.GOV WITH NEWS-WORTHY INFORMATION—INCLUDE ANY RELEVANT CONTACT INFORMATION AND LINKS TO MORE INFORMATION.

INDUSTRY EXPERT COLUMN *by Eileen Grey, MBA*

Delegation, Specialization, Communication

There are three consistent themes [we discussed] at the **Mortgage Bankers Association** (MBA) with regard to the future in servicing and asset management: delegation, specialization, and communication. For affordable housing, MBA members are concerned with preserving existing, older multifamily properties that may provide naturally occurring affordable housing.

Delegation - OAMPO has started to provide delegation options by approving agreements proposed by FHA lender servicers (servicers) who volunteer to take over approving non-critical repair escrow releases. Going forward, some servicers may be willing to handle standard reserve for replacement releases under similar, individual agreements with HUD; thus freeing HUD staff for managing releases that warrant additional guidance.

Each servicer will evaluate delegation opportunities differently, particularly due to the constraints of fixed servicing fees calculated on the declining unpaid principal balance of the mortgage. For those who wish to participate: more options, when developed together with the industry, could be mutually beneficial to HUD and servicers.

Specialization - In the servicing industry at large and with extremely low interest rates on deposits for so many years, servicers receive nominal interest income, when permissible. The thin margins will guide decision-making by servicers on whether to opt-in for further delegations or reporting – and this applies to most loan types, not just HUD loans. Some servicers choose to specialize in specific aspects of servicing, such as special servicers who manage troubled loans and those who are rated by the credit rating agencies.

Another option, which HUD has launched, is for delegation to a third-party specialist. HUD has successfully used a contractor to support its staff and servicers on a temporary basis as business processes evolve while implementing a new *Multifamily for Tomorrow*. For many commercial, multifamily servicers, delegation includes operations in another country, such as in India, for example.

MBA member lenders appreciate HUD staff responsiveness on *Interest Rate Reduction* (IRR) requests. Per Ginnie Mae, IRRs have numbered over 500 to date in closed

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CASE STUDY ON: RAD *by Yvonne Coffman*

PBRA Pipeline and Processing—A Cross-Silo Success

The **RAD** program is innovation in action to preserve affordable housing. Established under the Consolidated and Further Continuing Appropriations Act of 2012, public housing properties are converted to project-based voucher (PBV) and project-based rental assistance (PBRA) - both of which are project-based Section 8 Housing Assistance Payment (HAP) contracts.

HUD has received requests for RAD conversion authority for 180,737 public housing units and applications for 1,080 specific public housing projects (129,249 units). By September 15, 2014, HUD made awards reserving authority up to the 60,000-unit statutory cap and has a waiting list covering 116,025 additional units. The Fiscal Year 2015 Appropriations Act increased the RAD first component

authorization to 185,000 units. To date, over 57 projects have closed and successfully converted to PBRA. Of these, the majority are submitting vouchers for payment to TRACS.

The greatest external challenge has been the PHA/Owner system conversion from PICS to TRACS, which allows submission of their tenant baseline data and monthly voucher. Step-by-step instructions, disseminated as a conversion reference document for the PHA/Owner, has helped get information where it is needed.

The greatest internal challenge has been cross-silo communication for the disciplines involved in project conver-

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Delegation, Specialization, Communication

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transactions through December 2014. Securing lower, long-term interest rates will help maintain the property’s affordability and performance.

Communications - Communication is key. Advance notice to servicers of pending policy or procedural changes is always appreciated especially with the opportunity to comment. Ample advance notice of the effective date for changes is also welcome. MBA truly appreciates its partnership with OAMPO.

Finally, – I would be remiss if I did not thank HUD for moving toward MBA’s requests for publication of the multifamily delinquency rates on a standard basis. This data transparency is a positive step and will align FHA with other multifamily finance sectors. The programs have been performing extremely well; in fact, Ginnie Mae reported its December 2014 delinquency rate of 0.40% (only 40 basis points) on its \$90 billion multifamily and healthcare loan portfolio.

Ginnie Mae securitizes 99.1% of FHA multifamily and healthcare loans. This low delinquency rate is a tribute to the excellent partnership between HUD and lenders-servicers, and it would be advantageous for the MBA to advocate for FHA multifamily programs by using strong facts such as the low delinquency rates.

MBA looks forward to continued strong relationships with HUD.

PBRA Pipeline and Processing—A Cross-Silo Success

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Process mapping was used to view the current state of the process, identify disconnects and bottlenecks, and to find efficiencies. The end-to-end process has been streamlined to include standard operating procedures.

Staff has been trained on program requirements and their role as a liaison to the PHA/Owner and for servicing newly converted RAD projects. Experts across silos are identified to

be support. A RAD SharePoint Site, near completion, will work as an internal tracking system for staff to monitor completion dates for processing and to identify delays. The Site will also show what next steps are to complete the full conversion process.

Preservation is challenging work—a shared commitment to preservation is key to expanding affordable housing options. Check out the [RAD Newsletter](#) for more information!

NUMBERS WORTH MENTIONING *by Tawana Anderson*

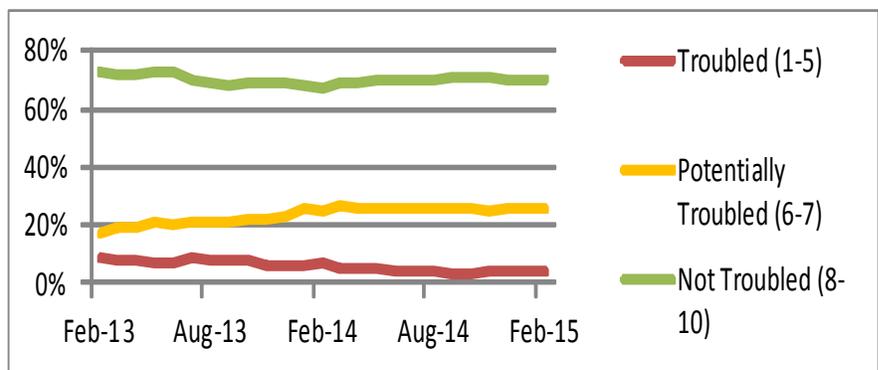
Once Risky Assets Showing Signs of Stabilization

Our FHA-Insured portfolio surpassed \$70 Billion this fall. The most popular FHA-Insured program is 223(f), which is 40% of that balance. The non-insured portfolio is over a million units of housing.

The one to ten risk classification allows HUD staff to focus more attention to properties with greatest risk. We have two years of classification history and are starting to see risk trends. The chart below shows how

the number of projects classified as *Troubled* has changed over time. After an initial adjustment period, *Troubled* projects decreased and remain around 4% of the overall portfolio.

In contrast, *Potentially Troubled* projects increased to 26% of the portfolio. The data, displayed in the graph below, shows that staff are appropriately identifying and capturing the assets’ risk profile.



FREQUENTLY ASKED QUESTIONS *by Scott Bearden*

Its All About The Foreclosure Recommendation Package

What is a Foreclosure Recommendation Package? The Foreclosure Recommendation Package is the Regional Center (RC) or Hub request for a foreclosure action, and must be approved by the RC Director before submitting to the Property Disposition (PD) Division. The Package provides the information needed for PD to foreclose the property.

How long does it take PD to review a Foreclosure Recommendation Package? The Foreclosure Recommendation Package is reviewed within 10 days of receipt. If information is incomplete or inaccurate PD may ask for additional information or corrections. If there are issues that cannot be fixed within a short time period, the Package is returned to the RC Director with an explanation of any deficiencies.

When should I submit a Foreclosure Recommendation Package to PD? The Foreclosure Recommendation Package must be submitted to PD within 90 days of a mortgage default (default occurring after mortgage becomes HUD-held), or 90 days after the approval of a Compliance, Disposition, Enforcement (CDE) plan recommending foreclosure; and within 15 days of notification from the National Property Disposition Committee (NPDC) that a Foreclosure Sale is the appropriate disposition strategy.

What information should be in the Foreclosure Recommendation Package? 1) Summary Memo, 2) Foreclosure Property Info Checklist, 3) Required Attachments e.g. business agreements, controlling documents, pictures, economic market analysis study, survey, etc...

What is the procedure to forward a property in default to a Note or Foreclosure Sale? In 2014 the NPDC was established to decide the method for disposition of an asset as either an asset sale or foreclosure. A memo is provided to the PD Division Director with certain attachments.

What is the National Property Disposition Committee? The National Property Disposition Committee (NPDC) decides the method of disposition. It is made up of eight voting members from the Office of Asset Management and Portfolio Oversight, Asset Sales, Property Disposition, Associate Deputy Assistant Secretary for Risk Management and Regulatory Affairs, the Southwest RC Director, and West RC Director. RC Directors rotate in to active NPDC participation. If all members are unable to meet, a Quorum of at least two members from PD Division and two members of Asset Sales meet, discuss the properties, and make a disposition determination.

What is the National Property Disposition Committee's purpose? The purpose of the NPDC is to ensure that the elected disposition method results in the highest rate of return for the Department (HUD) and is in the best interest of the community and HUD.

How do I learn the outcome of the National Property Disposition Committee's decision? Once the NPDC or Quorum is held and a decision is made, a newsletter is published and reports results.

What are my next steps if the decision is made to foreclose? If the decision is for foreclosure, the RC is responsible for completing and forwarding the Foreclosure Recommendation Package to PD Division.

What information does the National Property Disposition Committee review? 1) Narrative history of the property including the property description, section of the Act, mortgage amount, ownership structure, Low Income Housing Tax Credit or other restrictive covenants and agreements, unpaid principal balance, reasons for default, time of default, units (quantity and which ones) covered by a Housing Assistance Payment, if relocation is a possibility, attached Regulatory and/or Use Agreements; 2) narrative of actions taken to cure deficiencies and violations; 3) narrative summary of market conditions including explanation of whether failure related to these conditions, clientele, current occupancy level, copy of market analysis (if endorsed less than five years ago), copy of latest financial statement; 4) narrative summary of the property's physical condition including the most recent REAC score/date, and copy of PCNA.

HUD staff can find latest guidance, forms, and samples on the OAMPO, PD Division SharePoint at URL <http://hudsharepoint.hud.gov/sites/DASMFH/PDctr/> (INTERNAL STAFF ONLY—please cut and paste URL in your browser)

External partners can learn more about OAMPO, PD at URL <http://portal.hud.gov/>

INTRODUCING: THE OFFICE OF ASSET MANAGEMENT AND PORTFOLIO OVERSIGHT

OAMPO's Transformed Organizational Structure—Multifamily For Tomorrow

Phone Contacts:

Director's Office (202) 708-3730

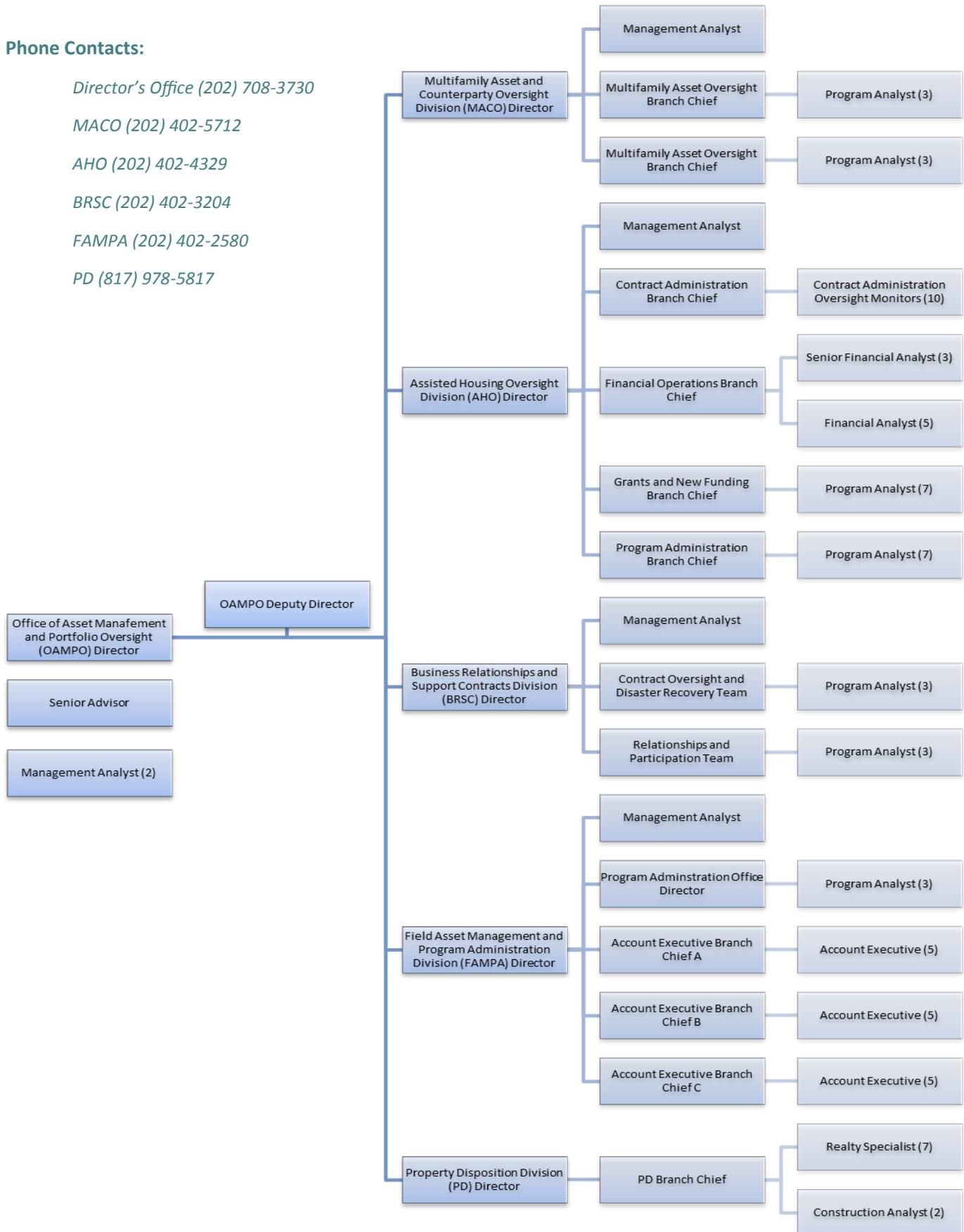
MACO (202) 402-5712

AHO (202) 402-4329

BRSC (202) 402-3204

FAMPA (202) 402-2580

PD (817) 978-5817



INTRODUCING: THE OFFICE OF ASSET MANAGEMENT AND PORTFOLIO OVERSIGHT

OAMPO's Transformed Organizational Structure—Multifamily For Tomorrow

Office of Asset Management and Portfolio Oversight

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- **Field Asset Management and Program Administration**
- **Property Disposition**

For more information about OAMPO Divisions please see HUD.GOV.



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You may reach OAMPO contacts through email or at the phone and address listed below:

Main Phone: (202) 708-3730

(ALT) Property Disposition Phone: (817) 978-5804

Address: Room 6162, 451 7th Street SW, Washington, DC 20410

Introducing OAMPO's Divisions:

Multifamily Asset and Counterparty Oversight—Email MACO or call (202) 402-5712

The Multifamily Asset and Counterparty Oversight (MACO) Division enforces Multifamily Housing **participant performance**, drives consistent **risk classifications**, facilitates the mitigation of **credit and housing risk** for the Multifamily portfolio of project assets, and manages modifying transactions. The core functions for the Division are to:

- Oversee the Multifamily Accelerated Processing (MAP) and LEAN Lenders, including the evaluation of new lender applications, approval of construction loan administrators and underwriters, and delegation of **Project Capital Needs Assessment (PCNA)** authority
- Oversee the classification of risk for mortgagees and project assets within the insured and non-insured portfolio
- Analyze and report on the performance of the insured and non-insured portfolio

INTRODUCING: THE OFFICE OF ASSET MANAGEMENT AND PORTFOLIO OVERSIGHT

OAMPO's Transformed Organizational Structure—Multifamily For Tomorrow

Assisted Housing Oversight—Email AHO or call (202) 402-4329

The Assisted Housing Oversight (AHO) Division ensures funds are allocated, obligated, and payments are released for **assistance/subsidy contracts**, administration for the outsourcing of project-based Section 8 contract administration and subsidy contracts under Multifamily rental subsidy programs, monitoring and oversight of **Performance-Based Contract Administrators (PBCAs)**, coordinates funding obligations for and assures the Department meets its financial obligations to owners in line with Housing Assistance Payment (HAP) contracts. The core functions for the Division are to:

- Review and approval of financial matters relating to Section 8 programs including housing assistance contract administration
- Develop policy for housing assistance and preservation of rental assistance contracts
- Monitor, oversee, and provide technical assistance to contract administrators
- Ensure Housing Assistance Payment (HAP) contracts are obligated and coordinates with the Contract Administrators to guarantee project based Section 8 HAP contracts are properly managed

Business Relationships and Support Contracts—Email BRSC or call (202) 402-3204

The Business Relationships and Support Contracts (BRSC) Division is the primary **point of contact for OAMPO** with internal and external stakeholders, the Division oversees compliance of Use Agreements, disaster and emergency preparedness/recovery support, enforces owner behaviors, and **develops new initiatives** for OAMPO. The core functions for the Division are to:

- Ensure effective working relationships are maintained with outside offices
- Coordinate business relationships with MFH and other HUD organizations i.e. single point of contact to make decisions
- Act as a liaison with the Real Estate Assessment Center (REAC), the Departmental Enforcement Center (DEC), and other Offices
- Manage Memoranda of Understanding between MFH and external organizations and performs special initiatives

Field Asset Management and Program Administration—Email FAMPA or call (202) 402-2580

The Field Asset Management and Program Administration (FAMPA) Division coordinates supporting asset management processes during the life cycle of an asset, drives **feedback for policy decisions** to the Deputy Assistant Secretary's Program Administration Office, and is the **first line response** to asset specific, programmatic issues for Regional Center and Satellite offices. The core functions for the Division are to:

- Manage communications to and from the field, from the public related to asset management including HUD property ownership and management
- Mitigate drivers affecting condition of the property and related performance for insured, assisted and unassisted properties
- Interpret policy, respond to waiver and ownership requests, support financing issues such as bond refunding, prepayment authorizations, mortgage lockouts and statutory limitations including property sales in concert with prepayment and refinance transactions

Property Disposition—Email PD or call (817) 978-5817

The Property Disposition (PD) Division **assesses property values and potential disposition** for Troubled assets facing enforcement, default or foreclosure, coordinates **tenant relocations**, negotiates sales, and preserves affordable housing. The core functions for the Division are to:

- Manage foreclosure, acquisition, management, relocation, repair and disposition activities and strategies for HUD Multifamily project assets nationwide for both residential and commercial properties
- Assure management integrity and financial viability of housing projects managed or owned by HUD and the long-term stability of the real estate as rental housing
- Negotiate complex financial arrangements with local officials of varying jurisdictions, housing executives, and developers

Multifamily Properties for Sale [http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/pd/mfplist]