

# Kentucky Housing Partner



2006 Winter/Spring Issue

Louisville Multifamily Program Center

Volume 15, No. 7

## DON'T EXPOSE YOURSELF

**M**R. HUD



launches a national campaign aimed at reducing exposures. As can be seen in the photo of MR. HUD accompanying this article, sometimes a little too much exposure may be offensive. MR. HUD knows that there are several persons who will lose concentration at this point as they stare at the picture, but we must proceed for the few of you who can take your eyes off of MR. HUD. If it were anything but MR. HUD in the picture, some may be offended by the exposure of his hide (skin, whatever). (Editor Note: The MR. HUD picture has been doctored to cover his six pack abs. The editor could not be responsible for the mass hysteria that would result if MR. HUD's real abs were exposed.)

Exposures have become a serious problem in Multifamily Housing in the past few months. Very nice properties that had previously scored well in REAC inspections have lost

many points due to the exposure of electrical wiring. Make sure that electrical wiring is covered and not exposed or you could lose as many as 15 to 20 points for a single finding on a REAC inspection. Make sure even the electrical wiring within closets and junction boxes is not exposed.

MR. HUD HAS SPOKEN!!!!!!!



**UPDATES!!! UPDATES!!! UPDATES!!!**

## ELECTRONIC FILING OF 2530's

**EFFECTIVE IMMEDIATELY AND THROUGH APRIL 30, 2006, PARTICIPANTS IN HUD PROGRAMS MAY FILE PREVIOUS PARTICIPATION CLEARANCE APPLICATIONS, HUD FORM 2530; EITHER IN PAPER FORM OR VIA THE ACTIVE PARTNER PERFORMANCE SYSTEM (APPS).  
\*\*\*\*\***

If you require assistance on setting up an Organization in APPS or filing a 2530 electronically, please refer to the following website:

<http://www.hud.gov/offices/hsg/mfh/apps/appsmfhm.cfm>.

This web site contains an APPS Industry Tutorial Program and User Guide that will assist you in setting up your Organization in APPS. Please note: Registration is required in HUD's Secure System (see above web site) prior to gaining access to APPS Internet Application.

*(See Page 7 for Memo on APPS Electronic Filing)*

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## Mark Your Calendars

Planning for the 2006 Multifamily Housing Conference is well underway!

The conference will be May 16–18 at the Galt House East in Louisville, Kentucky.

This year's conference coordinator is Kim Francis of Kentucky Housing Corporation.

Any suggestions or ideas should be forwarded to her attention at:  
[kfrancis@kyhousing.org](mailto:kfrancis@kyhousing.org).

We all hope to see you there!!

## Need help locating rental housing?

Check out these resources:  
**KHC Rental Housing Directory**

<http://www.kyhousing.org/uploadedFiles/Rental/AssistedRentalHousingReport.pdf>

**HUD Subsidized Apt. Search**  
<http://www.hud.gov/apps/section8/index.cfm>

**Did you know the HUD model lease is available in Spanish?**

You can make your property a more inclusive and caring community by downloading the HUD model lease in Spanish from the HUD website!

[http://www.hud.gov/offices/hsg/mfh/gendocs/modelleases\\_sv.pdf](http://www.hud.gov/offices/hsg/mfh/gendocs/modelleases_sv.pdf)

## HUD SAYS FAREWELL TO WAYNE KEOWN



On March 3, 2006, the Louisville HUD office must bid farewell to a long-time member of the HUD family. Wayne is retiring from the federal government after 38 years of dedicated service. He began his federal career with FHA and then came to HUD in 1969. During his tenure at HUD, he has worked as a construction analyst in the Multifamily Development Division; Deputy Chief of Single-Family Architectural and Cost Branch; Community and Project Development Representative; and the last several years has been as a cost analyst for the Multifamily Program Center.

Even though Wayne is retiring from HUD, he is not retiring to a rocking chair or days fishing on a lake. He has accepted a part-time position as a cost analyst with Kentucky Housing Corporation where he will be working primarily on Recovery Kentucky projects. Wayne will also be spending more quality time with Kitty Keown, his wife of nearly 42 years, and their three children and seven grandchildren.

There are many multifamily housing projects in Kentucky where Wayne was instrumental in their development. We at HUD are sad to see Wayne leave us, but we wish him well in all future endeavors.

*Submitted by Sheila Johnson*

## PEARSON COURT NEIGHBORHOOD NETWORKS COMPUTERIZED LEARNING CENTER



In January, the sixth Neighborhood Networks Computerized Learning Center operated by New Directions Housing Corporation was recognized.

The center, located in Pearson Court Apartment's community center on the corner of 6<sup>th</sup> and Kentucky Streets near downtown Louisville, serves many young students and their parents.

The on-site learning center provides a confidential space for residents to meet with a New Directions Family Services Specialist for referrals and support. It provides a meeting space for weekly community nights, Block Watch meetings, as well as assistance with homework and computer skill development.

Each week during community night, an activity is planned. Activities have included service projects such as collecting goods for gift baskets for needy families, educational speakers, and workshops from local organizations that promote information technology and self-sufficiency.

Pearson Court's learning center is the 40<sup>th</sup> Neighborhood Networks Computerized Learning Center opened in the state of Kentucky. Contact Janice Page at 502-582-6163, extension 271, or by e-mail at: [Janice\\_S.\\_Page@HUD.GOV](mailto:Janice_S._Page@HUD.GOV) for more information regarding a Neighborhood Networks center in your community.

# **! REGISTER NOW FOR 2006 SUPERNOFA !**

## **WE STRONGLY ENCOURAGE YOU TO REGISTER EARLY!!**

Here are some helpful resources to guide you through the registration process.

### **1. EARLY PUBLICATION OF THE GENERAL SECTION TO HUD'S FY2006 SUPERNOFA**

The General Section to HUD's FY2006 SuperNOFA has been published in advance of the publication of HUD's annual SuperNOFA. **Start reading the General Section now!!!!**

Early publication of the General Section will give prospective applicants additional time to become familiar with and address the provisions in the General Section.

To download the General Section, go to: [http://www.hudclips.org/sub\\_nonhud/cgi/pdf/531a.pdf](http://www.hudclips.org/sub_nonhud/cgi/pdf/531a.pdf).

### **2. STEP BY STEP: YOUR GUIDE TO REGISTERING FOR GRANT OPPORTUNITIES**

This brochure will walk you through the process of registering for and managing the Grants.gov registration process.

You must be registered with Grants.gov before you can apply for grants online.

To download the brochure, go to: <http://www.hud.gov/offices/adm/grants/nofa06/regbrochure.pdf>.

### **3. ORGANIZATION REGISTRATION CHECKLIST**

This checklist provides registration guidance for a company, institution, state, local or tribal government, or other type of organization.

To download the checklist, go to: <http://www.grants.gov/assets/OrganizationRegCheck.pdf>.

## **FOR FURTHER INFORMATION CONTACT:**

Katherine Calloway, Project Manager

[Katherine.Calloway@hud.gov](mailto:Katherine.Calloway@hud.gov)

Louisville Multifamily Program Center

502-582-6163 ext 264

502-582-6547 fax

or

Sheila Johnson, Project Manager

[Sheila.Y.Johnson@hud.gov](mailto:Sheila.Y.Johnson@hud.gov)

Louisville Multifamily Program Center

502-582-6163 ext 295

Questions may also be referred to the Grants.gov Contact Center at 1-800-518-4726 or by e-mail at [support@Grants.gov](mailto:support@Grants.gov).

## **REFINANCING OF FHA INSURED MULTIFAMILY PROJECT MORTGAGES PURSUANT TO SECTION 223(A)(7)**

FOLLOWING UP ON MBA'S REQUEST TO PROVIDE GUIDANCE TO FIELD OFFICES ON THE PROCESSING OF SECTION 223(A)(7) CASES, HUD HAS ISSUED MORTGAGEE LETTER 06-03. THE MORTGAGEE LETTER REEMPHASIZES THE IMPORTANCE OF THE PROGRAM, AND UPDATES AND RESTATES A NUMBER OF PROGRAM REQUIREMENTS.

THE MORTGAGEE LETTER ADDRESSES THE KEY CONCERNS RAISED BY MORTGAGEES AT THE MBA MAP LENDER ROUNDTABLE HELD SEPTEMBER 21, 2005, INCLUDING:

- STATING THAT FIELD OFFICES SHOULD NOT "RE-UNDERWRITE AN ENTIRE TRANSACTION AND IMPOSE REQUIREMENTS BEYOND NECESSARY REPAIRS."
- PROVIDING EQUAL PRIORITY IN PROCESSING WITH MAP TRANSACTIONS.
- STATING THAT FHA WILL REFUND HALF OF THE \$3 PER THOUSAND APPLICATION FEE IF THE SECTION 223(A)(7) LOAN IS ENDORSED FOR MORTGAGE INSURANCE.
- CLARIFYING THAT A NEW SURVEY IS NOT REQUIRED PROVIDED THAT AN EXISTING SURVEY IS AVAILABLE AND NO CHANGES HAVE BEEN MADE TO THE LAND OR BUILDINGS.

*(See Page 8 for Mortgagee Letter 06-03)*

# VOLUNTEER INCOME TAX ASSISTANCE PROGRAM (VITA)



The Louisville Asset Building Coalition (LABC) is sponsoring free tax preparation sites at two of New Directions Housing Corporation's Neighborhood Networks Computerized Learning Centers.

The centers are located in Louisville at O'Connor Square Apartments and St. Williams Apartments. They are open on Thursdays and Saturdays through the 2005 tax-filing season.

During the past two tax seasons, New Directions volunteers helped low-income and moderate-income individuals and families receive \$376,000 in tax refunds. The VITA volunteers at O'Connor Square and St. Williams Apartments prepare simple federal and Kentucky state income tax forms free of charge electronically, to speed the return of the tax refunds.

The tax preparation sites are under the direction of the IRS Volunteer Income Tax Assistance Program (VITA).

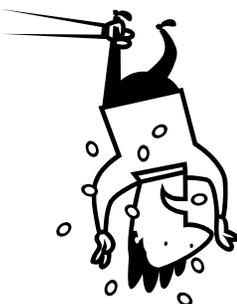
The Volunteers complete training provided by the IRS and then offer free help to low and moderate income individuals and families who need assistance with completing their income tax forms. The volunteers assist with filing simple tax returns and with special credits, such as Earned Income Tax Credit (EITC), Child Tax Credit, and Credit for the Elderly or the Disabled.

The **Earned Income Tax Credit (EITC)** is a refundable federal income tax credit for low-income working individuals and families. Originally approved by Congress in 1975, the tax credit was implemented to offset the burden of social security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

The **Child Tax Credit** is a credit for families who have qualifying children who live at home and is in addition to the credit for child and dependent care expenses and the Earned Income Tax Credit. The maximum amount allowed to be claimed per qualifying child is \$1000.

The **Credit for the Elderly or the Disabled** is generally for those who are age 65 or older at the end of 2004, or retired on permanent and total disability and received taxable disability income but did not reach mandatory retirement age before the beginning of the tax year. Like all tax credits, it is a dollar for dollar reduction of the individual's tax bill with the maximum amount of the credit being \$1125.

Contact the IRS via email at [partner@irs.gov](mailto:partner@irs.gov) to find out how your Neighborhood Networks Computerized Learning Center can sponsor a VITA site to assist those who cannot prepare their own tax returns.



## SUPERNOFA 2006

- 1. READ EARLY REGISTRATION NOTICE**  
Download Notice at:  
<http://www.hud.gov/offices/adm/grants/nofa06/earlyreg.pdf>.
- 2. GET REGISTERED NOW!!**  
Complete the registration process. To participate in the HUD grants program, you need to be registered with Grants.gov. To assist you with the registration process, HUD has developed a brochure on how to register. To download the brochure, go to:  
<http://www.hud.gov/offices/adm/grants/nofa06/regbrochure.pdf>.
- 3. READ FY2006 GENERAL SECTION OF THE SUPERNOFA**  
Publishing the General Section of the SuperNOFA early enables prospective applicants can become familiar with and address the provisions in the General Section.
- 4. WATCH FOR UPCOMING TRAINING**  
Grants.gov training coming soon!! In the meantime, complete the training demonstration on completing an application. The training demonstration can be taken at  
<http://www.grants.gov/CompleteApplication#demo>.
- 5. UPDATE/RENEW WITH CCR (RETURNING APPLICANTS ONLY)**  
If you applied for HUD funding in FY 2005 and you would like to apply in FY 2006, you can update and/or renew your registration with CCR at:  
<https://www.bpn.gov/ccr/scripts/indexTPIN.asp>.

If you have any further questions, please contact:

Katherine Calloway

502) 582-6163, Extension 264

Email: [Katherine.Calloway@hud.gov](mailto:Katherine.Calloway@hud.gov)

or

Sheila Johnson

(502) 582-6163, Extension 295

Email: [Sheila.Y.Johnson@hud.gov](mailto:Sheila.Y.Johnson@hud.gov)

# 2005 FUNDING ANNOUNCEMENTS

## FOR SECTION 202, SECTION 811, AND SERVICE COORDINATOR PROGRAMS



### SECTION 202 SUPPORTIVE HOUSING FOR THE ELDERLY

Project Location : Louisa, KY  
 Non-Profit Sponsor : Mountain Housing Corporation  
 Capital Advance : \$1,998,100  
 Five-year rental subsidy: \$335,000  
 Number of units : 23

\*\*\*\*\*

Project Location : Louisville, KY  
 Non-Profit Sponsor : Saint Michaels Antiochian Orthodox CH  
 Capital Advance : \$1,401,900  
 Five-year rental subsidy: \$243,500  
 Number of units : 16

\*\*\*\*\*

Project Location : Louisville, KY  
 Non-Profit Sponsor : Catholic Charities of Louisville  
 Capital Advance : \$2,628,700  
 Five-year rental subsidy: \$456,500  
 Number of units : 30

### SERVICE COORDINATOR

Project Location: Louisville, KY  
 Recipient: Fith Street High Rise, Inc.  
 Development Name: J.O. Blanton House  
 Number of Units Served: 206  
 Grant Amount: \$146,634.00

### SECTION 811 SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES

Project Location : Campbellsville, KY  
 Non-Profit Sponsor : Christian Care Communities  
 Capital Advance : \$326,100  
 Five-year rental subsidy: \$46,000  
 Number of units : 3

\*\*\*\*\*

Project Location : Independence, KY  
 Non-Profit Sponsor : Christian Care Communities  
 Capital Advance : \$394,600  
 Five-year rental subsidy: \$91,500  
 Number of units : 6

\*\*\*\*\*

Project Location : Louisville, KY  
 Non-Profit Sponsor : Cedar Lake Lodge Inc  
 Capital Advance : \$978,300  
 Five-year rental subsidy: \$137,000  
 Number of units : 9

\*\*\*\*\*

Project Location : Somerset, KY  
 Non-Profit Sponsor : Christian Care Communities  
 Capital Advance : \$326,100  
 Five-year rental subsidy: \$46,000  
 Number of units : 3

## SERVICE COORDINATOR NOTES

Congratulations to Fifth Street High Rise, Inc. d/b/a J. O. Blanton House on the award of a Service Coordinator Grant from HUD. The Board of Directors and property management are very excited about receiving this grant. Service Coordinators are needed to link the elderly and disabled residents to the supportive services necessary for them to remain independent and in their own homes. The Service Coordinator position for the J.O. Blanton House will be a welcome asset to the residents and property management staff.

The Service Coordinators in Multifamily Grant Program provides funding for the employment and support of a Service Coordinator in insured and assisted housing developments that were designed and operate for the elderly or the non-elderly with disabilities. For those thinking, "It would be nice to have a Service Coordinator at my property," it is not too early to start planning for the grant application process. In fact, early registration with Grants.gov and planning is strongly encouraged. The HUD Grants webpage ([www.hud.gov/grants](http://www.hud.gov/grants)) has information and links to get you started. Electronic submission of grant applications is mandatory unless the applicant receives a waiver of this regulatory requirement. So start EARLY!

There are other funding options for a Service Coordinator program. Eligible housing owners can include a Service Coordinator position in the development's operating budget. Owners can also use residual receipts or excess income to pay for a Service Coordinator program. The Department urges housing owners and managing agents to use these project-related funding sources to fund a Service Coordinator program, whenever possible. These funding streams are more stable and consistent over time. Grants, by their nature, are temporary sources of assistance and the future availability of such funds is never certain. For additional information on starting a budget-based Service Coordinator Program at your property, please refer to the Management Agent Handbook 4381.5, REV-2.

If you have any questions about the Service Coordinators in Multifamily Housing Program, you may contact Donna Dudgeon at 502-582-6163 x 386, or at her e-mail address [Donna\\_Dudgeon@hud.gov](mailto:Donna_Dudgeon@hud.gov).

The Kentucky Association of Service Coordinators (KASC) will meet on Tuesday, February 28, 2006, from 10:00 a.m. to 2:00 p.m., at Panorama Apartments in Covington, Kentucky. The featured speaker will be Emma Shipp, Coordinator of the Health Alliance's Health Ministry Program. She will speak on maintaining boundaries between professional and personal lives and dealing with stress in social services. For additional information and to RSVP, please contact Katie Luning or Nancy Hiltibrand at (859) 581-4445.

# **IMPLEMENTATION OF THE REVISED FORM HUD-9834, MANAGEMENT REVIEW OF MULTIFAMILY HOUSING PROJECTS**

All reviewers will be required to use the revised form HUD-9834 (previous editions will be obsolete).

To download the revised form HUD-9834, click here: [http://www.hudclips.org/sub\\_nonhud/html/pdfforms/9834.doc](http://www.hudclips.org/sub_nonhud/html/pdfforms/9834.doc)

On-site reviews conducted from this point forward must use the revised version.

Occupancy review planning methods should continue to be in accordance with the memorandum dated November 2, 2005.

The revised form incorporates current HUD policy and administrative requirements and eliminates use of the form HUD-9838, Management Reviews of Unsubsidized Multifamily Housing Projects.

The changes consolidate and conform the document to current conditions.

## **SIGNIFICANT REVISIONS INCLUDE:**

- A Summary Report of Findings that requires the reviewer to record the condition or deficiency observed, explain the criteria, cause, effect, and any required corrective action for each issue;
- A Desk Review portion has been added to assist the reviewer in summarizing information that is already available in HUD internal systems and other resources to help in the preparation for the on-site review. The Desk Review should assist the reviewer target specific areas of concern during the on site review; and
- Specific instructions that require the owner to correct individual deficiencies and improve the underlying systems and processes that allowed the deficiencies to occur.

## **THE REVISED FORM HUD-9834 INCLUDES THE FOLLOWING ADDENDA:**

- **Addendum A**, Tenant File Review Worksheet, assists the reviewer in conducting the tenant file review in accordance with HUD's Rental Housing Integrity Improvement Plan (RHIP) initiative;
- **Addendum B**, Checklist for On-Site Limited Monitoring and Section 504 Reviews, assists the collection of pertinent civil rights information for the Office of Fair Housing and Equal Opportunity, specifically:
  - A. Monitoring owner/agent compliance with Title VI, Subtitle D of the Housing and Community Development Act of 1992, and
  - B. Collecting data for HUD's Multifamily Inventory of Units for the Elderly and Persons with Disabilities (Inventory).

During the first year of implementation, for **all** multifamily rental housing projects, not just those receiving Management and Occupancy Reviews (MORs), and except for those administered by Performance-Based Contract Administrators, HUD staff must forward Part A of Addendum B to the owner/agent for completion. When completed and returned, HUD staff must enter the information provided into the Real Estate Management System (REMS). After the initial collection, this information will be obtained from the owner/agent only when an on-site management review is conducted.

The information will be used to maintain and update the Multifamily Inventory of Units for the Elderly and Persons with Disabilities. Although similar data was collected for the Inventory in 2002 and is currently displayed on HUD's website at <http://www.hud.gov/offices/hsg/mfh/hto/inventorysurvey.cfm>, some of the information may be outdated. However, the 2002 data will be maintained in HUD systems and used for comparison against the information in REMS. Refer to the Office of Multifamily Housing Guidance for Civil Rights Front-End Monitoring.

- **Addendum C**, Documents to be Made Available by Owner/Agent, lists the documents that the owner must make available during the on-site review. The list will be forwarded to the owner/agent with the letter confirming the scheduled on-site review.

# MEMO FROM FHA COMMISSIONER ON APPS ELECTRONIC FILING

**SIGNED DECEMBER 29, 2005**

**MEMORANDUM FOR: ALL MULTIFAMILY HUB AND PROGRAM CENTER, MULTIFAMILY OPERATIONS OFFICERS, MULTIFAMILY STAFF AND SUPERVISORS, OWNERS, MANAGEMENT AGENTS, MORTGAGEES AND OTHER PARTICIPANTS IN HUD PROGRAMS**

**FROM: BRIAN D. MONTGOMERY, ASSISTANT SECRETARY FOR HOUSING - FEDERAL HOUSING COMMISSIONER, H**

**SUBJECT: ACTIVE PARTNER PERFORMANCE SYSTEM (APPS) ELECTRONIC FILING**

Effective immediately and through April 30, 2006, participants in HUD programs may file previous participation clearance applications, HUD Form 2530 either in paper form or via the Active Partner Performance System (APPS). Hub and Program Center Directors are responsible for informing participants of this option. HUD is processing a formal notice of this option. This memorandum allows a final period in which participants may choose either a paper or electronic method to file applications for participant clearance.

## BACKGROUND

The Active Partner Performance System (APPS) was implemented on October 12, 2005. The implementation followed a regulatory rule making process where a proposed rule was published in May 2004. Comments were received and a final rule was published on April 13, 2005. All participants are required to use APPS to make requests for participation clearance; there are no exceptions in our regulations. Applicants who cannot obtain a participation clearance may lose an opportunity to complete a pending business transaction. A transition period of an additional 6 months was provided in the final rule to allow participants to complete input of baseline data to the HUD systems and, if not already accomplished, to acquaint themselves with the full system operations. An additional period was allowed from October 28, 2005 through November 30, 2005 during which participants could choose either a paper or electronic application method.

Manuals needed to operate the system, a tutorial and a "quick start guide" have been continuously available and updated on the HUD Internet web site since the proposed rule was published in 2004. Staff in Housing has addressed multiple audiences about the system and its requirements since 2001. At this time HUD knows of no specific systemic issues that might stand in the way of any participant entering data or applying for clearance. However, there have been broad statements made about general functionality (slow, frequent timeouts, etc.), which allegedly are impacting the business process of some participants (however, the Department knows participants who have indeed accomplished the process of baseline creation and application on line). The Department is undertaking a further review to rule out any systemic issues in the application or the subsystems serving it.

The Department while taking this step will allow this further option period during which participants may choose either paper or electronic applications for participation clearance. Barring the discovery of a significant system or infrastructure problem, the Department does not intend to offer this option again. The Department expects that all participants diligently pursue completion of their participant baseline information during the next 90-120 days. After this period, participants who cannot meet the regulatory requirements will need to postpone further applications for clearance until they can do so through the online Active Partner Performance System (APPS). There are always upgrades and improvements to be made to any computer application, and as issues arise they are identified and resolved. This process is ongoing and is not considered cause for alteration of the normal business processes.

## REGULATIONS

The regulations at 24 CFR, 200.217 state:

Sec. 200.217 Filing of previous participation certificate on prescribed form.

The term of the option period is through April 30, 2006. Effective after April 30, 2006, all participants in HUD multifamily mortgage and project based subsidy programs must submit an electronic Previous Participation Certificate (form HUD-2530) via HUD's secure web server as a condition prerequisite to new or revised participation.

Providing this option should not be construed in any way to change any other portion of HUD regulations other than as stated herein.

All participants in Multifamily Programs are reminded that failure to register and complete the data input required by APPS will restrict new and revised participation until after system inputs are completed. Introductory and explanatory information, including a system tutorial, are available on HUD's Internet Site at:

<http://www.hud.gov/offices/hsg/mfh/apps/appsmfhm.cfm>

Questions concerning this Notice should be directed to  
Kimberly Munson in the Office at Asset management at 202-708-1320.

This notice should not be construed in any way to change any other portion of the regulations other than the extension granted herein.

# MORTGAGEE LETTER 06-03

JANUARY 19, 2006

**TO: ALL FHA APPROVED MULTIFAMILY MORTGAGEES ALL MULTIFAMILY HUB AND PROGRAM CENTER DIRECTORS**

**SUBJECT: REFINANCING OF FHA INSURED MULTIFAMILY PROJECT MORTGAGES PURSUANT TO SECTION 223(A)(7)**

The purpose of this letter is to reemphasize to mortgagees and FHA field staff the importance of this program to HUD and to update and restate some outstanding program requirements regarding this provision of the National Housing Act (NHA).

1. **PURPOSE** - the objective of Section 223(a)(7) is to stabilize the FHA insured portfolio through refinancing of existing debt and completion of necessary repairs, which result in lower debt service and improved mortgage security. It is not intended for FHA field staff to re-underwrite an entire transaction and impose requirements beyond necessary repairs.
2. **HUB/PROGRAM CENTER PROCESSING PRIORITY** - because of the impact this program can have on the health of the FHA Insurance funds, it has equal priority with Multifamily Accelerated Processing (MAP) transactions. Therefore, I expect mortgagees to submit fully complete applications so that FHA staff can complete processing and reach a Firm Commitment decision within 60 calendar days of receipt of a complete application.
3. **INSURING AUTHORITY** - Section 223(a)(7) is not independent insuring authority under the NHA. It is available only to mortgages currently insured by FHA. Mortgages refinanced pursuant to this provision are insured under the same section of the NHA as the project mortgage, which was initially insured. For example, a Section 221(d)(4) mortgage refinanced with mortgage insurance under Section 223(a)(7), would still be insured and subject to the legal and administrative requirements of Section 221(d)(4), (FHA's accounting records identify such loans as 221(d)(4)/223(a)(7)).
4. **INELIGIBLE MORTGAGES** - HUD-Held mortgages, Section 542 Risk-sharing mortgages, Section 202 direct loans or capital advances as well as Section 811 capital advances are not eligible since they are not mortgages currently insured by FHA under the NHA.
5. **ENDORSEMENT PANEL** - The NHA was amended to require that a mortgage refinanced under Section 223(a)(7) be "documented through amendments to the existing insurance contract". Therefore, the Section 223(a)(7) mortgage note has to include the following endorsement panel:  
  
"For purposes of compliance with Section 223(a)(7)(D) of the National Housing Act, the contract of mortgage insurance regarding FHA Project #(Insert old Project Number) is transferred to FHA project #(Insert new project Number), and said contract of mortgage insurance is hereby amended to reflect the terms, conditions and provisions of the FHA Firm Commitment for Project # (Insert New Project Number and date) and the National Housing Act as evidenced by the Federal Housing Commissioner's endorsement for insurance of the Note dated \_\_\_\_\_, executed by \_\_\_\_\_, (Maker), and payable to \_\_\_\_\_ in the amount of \$ \_\_\_\_\_."
6. **FHA APPLICATION FEES** - FHA continues to charge an application fee for Section 223(a)(7) of \$3 per thousand of mortgage amount. If the Section 223(a)(7) refinancing loan is endorsed for mortgage insurance, FHA will refund half of the application fee.
7. **PROPERTY SURVEY** - new "as - built" surveys or survey reports are not required to close Section 223(a)(7) mortgages provided that an existing survey is on file with the HUB/Program Center and that no changes have been made to the land or buildings since the original survey was filed.
8. **SECTION 241(F)/223(A)(7)** - Section 241(f) of the National Housing Act, which permitted insurance of preservation equity and acquisition loans, was repealed on September 24, 1996. However, under the "amendment of insurance contract" language discussed in #5 above, Section 241(f) mortgages are eligible for refinancing pursuant to Section 223(a)(7) provided the 241(f) mortgage was insured prior to the 1996 repeal. In processing such applications, HUD staff must assure that the Plan of Action and Use Agreement remains in place and that the refinancing will not have an adverse effect on the tenants.

Handbook 4567.1 is being updated to incorporate these provisions.

Sincerely,  
Brian D. Montgomery  
Assistant Secretary for Housing  
Federal Housing Commissioner

# INCOME CALCULATION AND VERIFICATION GUIDANCE REGARDING THE MEDICARE PRESCRIPTION DRUG PLAN ~ PART D PROGRAM

Notice H 05-21 provides guidance on the Medicare Prescription Drug Plan – Part D program (permanent program) that becomes effective on January 1, 2006. Public Housing Agencies (PHAs), Owners and Management Agents must use the guidance in Section D of this Notice when determining annual and adjusted income for Medicare beneficiaries enrolled in a Medicare prescription drug plan.



The Medicare Approved Prescription Drug Discount Card and Transitional Assistance in Section E of Notice H 05-21 is the same guidance previously issued in Notices H 04-24 and PIH 2004-24. The Medicare approved prescription drug-discount card and transitional assistance program is a temporary program and benefits will stop for recipients on May 15, 2006 or when they enroll in a Medicare prescription drug plan, whichever date is first. After May 15, 2006, the guidance in Section E will no longer apply and must not be used by PHAs, Owners and Management Agents for rent calculation and verification purposes.

To download any of the Notices listed above, go to [www.hudclips.org](http://www.hudclips.org).

## ACCEPTABILITY OF MSHDA'S COMPLIANCE MONITORING FEE AS A PROJECT EXPENSE

### THE FACTS ARE THAT:

- 1) The Annual Compliance Fee is for the purpose of validating compliance with the Low Income Tax Credit requirement so the holders of the tax credits, can claim the credit on their tax returns. The compliance fee benefits the owners not the project.
- 2) AFFORDABLE HOUSING FINANCE MAGAZINE states:  
COMPLIANCE MONITORING COSTS  
Many states have had to increase their monitoring fees in order to cover the cost of additional unit inspections. The survey indicated that 43% have increased fees. The range of increase has been \$2 to \$30 per unit, with the average increase being \$13.33 per unit. Some states (10%) have converted to a project compliance monitoring fee for the entire 15-year compliance period, ranging from \$200 to \$375 per unit. Ten percent anticipate some change in the near future. Forty-seven percent have not changed their fees and indicated no intention to do so.
- 3) The Regulatory Agreement requires that:  
#6. Owners shall not without the prior written approval of the Secretary:
  - (a)...
  - (b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash, except for reasonable operating expenses and necessary repairs.
- 4) HUD Handbook 4566.2, Section 3. Use of Project Funds states:  
3-9. GENERAL. The regulatory agreement provides that the owner may not obligate the project to pay for costs other than those reasonable and necessary to the operation and maintenance of the project. The owner may use project funds only to:
  - a. pay amounts required by the mortgage;
  - b. make required deposits to the replacement reserve;
  - c. pay reasonable amounts for expenses necessary to the operation and maintenance of the project;
  - d. make any owner distributions permitted under the regulatory agreement; and
  - e. repay owner advances as allowed by Paragraph 3-13.

We have concluded that, as costs associated with the raising of equity, and not necessary for the operations of the property, only the preservation of the tax credit, these fees are entity costs and as such are not allowable as project operating costs.

## NEWLY CREATED RHIIP LISTSERV AVAILABLE

The Office of Multifamily Housing Programs has developed a RHIIP Listserv that is available to our property owners, management agents, site managers, contract administrators and HUD staff. This serve is a tool that allows us to share current RHIIP related publications, news, information, and occupancy tips quickly in an effort to help reduce errors in rent determinations and subsidy calculations.

We encourage all to sign up for the RHIIP Listserv.

To subscribe to the RHIIP Listserv, please visit [www.hud.gov](http://www.hud.gov), click on the "Mailing List" link on the bottom left, and then click on the "Multifamily Housing RHIIP Tips" link.

## MARK-TO-MARKET PROGRAM TO SUNSET

On February 22, 2006, Office of Affordable Housing Preservation (OAHP) provided direction via satellite that the Multifamily Assisted Housing Reform and Affordability (MAHRA) legislation will sunset on September 30, 2006.

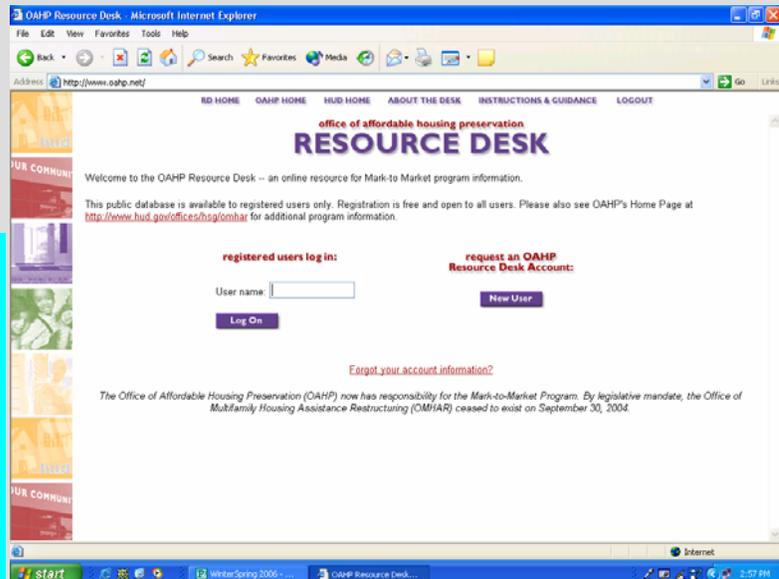
### \*\*\*\* NOTICE TO OWNERS \*\*\*\*

If you are undecided as to whether you want to go to OAHP for restructuring, a decision will need to be made as soon as possible. In order to have enough time to complete the restructuring process, please adhere to the following timeline:

- **March 31, 2006** - Hire Appraiser / Appraisal work should be started.
- **May 15, 2006** - Refer to OAHP and process 514 one-year interim contract.
- **July 1, 2006** - Begin restructuring transaction with PAE.

For more information, please refer to click OAHP login page to the right.

Required registration is free and open to all users.



PLEASE LET IT BE KNOWN  
THAT AS OF JANUARY 3, 2006,  
JANET HORN  
AND  
JUDITH KERSEY  
HAVE RETIRED FROM THE  
MULTIFAMILY DIVISION OF  
HUD .



THEY WILL BOTH BE  
MISSED!!



HAPPY  
SAINT  
PATRICK'S  
DAY!!



# SUBMISSION OF ANNUAL FINANCIAL STATEMENTS



As you are aware, the time to submit your annual audited financial statements is quickly approaching.

Although HUD is initiating some proactive measures to facilitate a smooth submission process, you, as property owners/management agents, must do your part in order for the initiatives to be successful. Because some owners/management agents have not kept their user or coordinator IDs or passwords up-to-date, system access is always a significant factor just before submission.

You are strongly encouraged to check your system access capability/passwords well in advance of submission (i.e., during the month of February) so that any issues can be worked out in a timely manner. If you encounter any problems, please contact the Technical Assistance Center (TAC) at the following telephone number: 888-245-4860.

You are strongly encouraged to check your system access capability/passwords well in advance of submission (i.e., during the month of February) so that any issues can be worked out in a timely manner. If you encounter any problems, please contact the Technical Assistance Center (TAC) at the following telephone number: 888-245-4860.

## ELIGIBILITY OF STUDENTS FOR SECTION 8 ASSISTANCE

On December 30, 2005, a final rule was published in the Federal Register regarding the eligibility of students for Section 8 assistance.

HUD has received numerous questions asking for an interpretation of different aspects of the regulation.

Please note that we are in the process of developing a notice that will address how the final rule should be implemented.

A publication of the  
Louisville Multifamily Program Center  
Department of Housing and Urban Development  
Kentucky State Office  
601 W Broadway, Louisville, KY 40202

Katherine Calloway x264  
Jess Carlson x 276, Editors  
502/582-6163

**NEW!! LET'S HAVE SOME FUN !!**

**HOW WELL DO YOU KNOW YOUR COWORKERS??  
BETTER YET, HOW WELL DO YOU KNOW YOURSELF??**

Here are some **fun** thought-provoking questions....

- If, like milk and the newspaper, you could have anything of your choice delivered to your doorstep every morning, what particular item would you want it to be?
- If you could have a grand, beautiful front porch with a relaxing porch swing overlooking any place or thing in the world, what would it overlook?
- If the decision were up to you, exactly how much taller or shorter than you actually are would you like to be?
- If someone were looking for you in a bookstore, in which section would they be most likely to find you?
- What was your favorite thing to pretend when you were a young child?
- What do you forget to do more often than anything else?
- What is your biggest pet peeve?
- If, for one month, you had to live day and night in any one retail store, which one would it be?
- When was the last time you laughed so hard you cried?
- In your own not-so-humble opinion, what is your most likable quality?
- If you could have anyone else's smile, whose smile would you want?
- What is something you do that is in the opposite order of how most people do it? (Example: Reading the last page of the book first.)
- If you could be any famous person's therapist, whose would you be?

Want to receive our newsletter?

Email your contact info to  
[John.Hamilton@hud.gov](mailto:John.Hamilton@hud.gov)