



U.S. Department of Housing and Urban Development

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Mortgagee Informational Bulletin #3

The Michigan State Multifamily Hub is implementing this informational bulletin to keep mortgagees up to date with changes or news from our HUB relating to development issues. We're happy to cover any issues in the bulletin on which you have questions; current plans are to issue the bulletin on an as-needed basis.

ISSUE 1. 202 Refinance Requirements

1. For the refinancing of 202 projects, the Michigan Hub is requiring 2530 clearance and furnishing of social security numbers for Officers of the Board only. We are no longer requiring credit checks or bank references on Officers of the Board. However, in order for HUD to issue a commitment on the new mortgage, a complete number of board members must exist in accordance with the bylaws of the Non-Profit. We expect the Lenders to verify that the Non-Profit Board is complete and in compliance with its bylaws. We will require the lender to comment on this in their Underwriter's Narrative.
2. Many of the 202-loan application submitted contain large number of deficiencies; many times deficiencies are answered in a piece meal fashion. With an ever-increasing pipeline this has caused extreme pressure on reviewers having to keep reviewing cases as new information comes in. Effective immediately, we are implementing the following policy: If problems are noted during the technical review phase, we will issue a deficiency letter with a deadline for correcting all deficiencies noted. If all deficiencies are not corrected within the timeframe, we will place the application in suspension with a letter to the Lender so noting. Once all deficiencies are resolved, we will begin process again with a new process time frame of 45 days for pre-applications and 60 days for 223 F and one step firm applications.
3. If you are working with the 202 owners on prepayment approval, please submit them in a timely manner with the loan applications. Requests for approval should be sent to Susie Sapilewski in our Grand Rapids office. We require evidence of prepayment approval be included with the closing dockets.

ISSUE 2. 2530 Previous Participation Certifications

Recently, we have found frequent omissions in the completion of the Form HUD 2530, Previous Participation Certification. Even though electronic submission will be required in the near future, the same information will be required, with a required signature page to be submitted to the local Field Office. It's important to remember that the objective in completing this form

First Block in Upper Left Side – Always state reason for submitting this Certification: i.e. 221(d)(4) New Construction, 223(f) Refinance, etc.

Block 1 – Insert HUD's city and state having jurisdiction of the property.

Blocks 2-6 – Self-explanatory and must be filled in for all cases.

Block 7 – The names and addresses of all known participants and affiliates proposing to participate in the project must be listed. (This section and the required signatures are areas where many errors and omissions are seen.)

24CFR Section 200.215(e)(1) defines a principal as: "An individual, joint venture, partnership, corporation, trust, nonprofit association, or any other public or private entity proposing to participate, or participating, in a project as sponsor, owner, prime contractor, Turnkey Developer, management agent, nursing home administrator or operator, packager, or consultant; and architects and attorneys have any interest in the project other than an arms-length fee arrangement for professional services." 24CFR Section 200.215(e)(2) expands on the term of principal as follows: "(i) Any affiliates of a principal; (ii) if the principal is a partnership, all general partners, and each limited partner having a 25% or more interest in the partnership; (iii) if the principal is a public or private corporation or governmental entity; the President, Vice-President, Secretary and Treasurer and any other executive officers who are directly responsible to the Board of Directors, or the equivalent thereof; all the directors; and each stockholder having a 10% or more interest.

Block 8 – All known principals and affiliates proposing to participate in the project must be listed. The roles of the participant should be clear. There may be other roles/title, but typically they include owner, general partner, limited partner, director, officer, managing member, member, consultant, contractor, board member, board officer (listing title), managing director, CFO, chairperson, managing agent, facility lessee, facility operator.

Block 9 – There is only one owner, the single asset entity created to be the owner.

Block 10 - The Social Security Number or IRS Employer Number must be listed; any omissions will be cause for rejection.

Signatures - Original signatures are required for all participants on the 2530 application. An exception to this is if a letter of Signature Authority is submitted to the field office. This letter must include the authorization from each individual principal that one of the other principals or officers was granted authority to sign on their behalf and the participation of all parties/principals/individuals is identical. The date of this letter of Signature Authority must be dated within 4 months of the date the application was received.

Schedule A – The instructions (included with the form) are clear and must be followed in all cases. Except where a participant has "No previous participation, first experience", all columns must be completed.

In addition to this information, we encourage you to review the instructions on the form, as they are quite comprehensive.

ISSUE 3. Waivers

If a waiver is being requested, please do it under a separate cover letter rather than in the Underwriters Summary.

ISSUE 4. Closings

Staff members of HUD have reported disruptions caused by closings with individuals talking on their cells near their work area. If calls need to be made, please do so in the closing room or away from the employee work areas.

ISSUE 5. Loan Applications

For a one step firm application on a 221(d)(4), we are not requiring dual submission of items that duplicate each other in the pre-application versus the firm application. In addition, all applications except for the original can be submitted in ring binders versus the Pressguard binder for the original.

If you have any questions, please contact Patrick Berry at (313) 226-4900, extension 8155.