



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

Special Attention of:

Multifamily Regional Center Directors
Multifamily Satellite Office Directors
Multifamily Asset Management Division Directors
Multifamily Account Executives
Multifamily Owners and Management Agents

Notice: H 202X-XX

Issued: **XX/XX/202X**

Expires: This Notice remains in effect until amended, superseded, or rescinded

Cross Reference: H 2022-04
Mortgagee Letter 2022-12
HUD Handbook 4350.1

SUBJECT: Updates to Reserve for Replacement Lender Delegation

I. Purpose

This Notice amends Housing Notice 2022-04 (“H 2022-04”)¹. H 2022-04 provided guidance to account executives on Reserve for Replacement (RFR) Lender Delegation policy. This Notice updates this guidance, specifically regarding the lender’s Quality Control Plan (QCP), the option of Partial Delegation, and requirements for Qualified Repairs and Replacement Expenses.

II. Background

As outlined in H 2022-04, the RFR Lender Delegation program was designed to increase efficiency and timeliness in processing borrowers’ requests for disbursement of funds from RFR accounts. Two Delegation options were introduced: Full Delegation, where lenders review and approve borrowers’ request for disbursements; and Partial Delegation, where lenders review and recommend that HUD approve borrowers’ requests for disbursements. Each option provided the opportunity for participating lenders to reduce the need for review of each disbursement by the Department of Housing and Urban Development (HUD). The Full Delegation option also eliminated the need for HUD to approve each disbursement. A perquisite for lenders to use either Delegation option was HUD’s approval of an amendment to the lender’s Quality Control Plan (QCP).

Despite these benefits, participation in the Lender Delegation program has been low. One worry is that the requirements to participate in the program may be viewed as too

¹ See [H 2022-04](#), “Reserve for Replacement Lender Delegation”

burdensome. Some lenders have also indicated skepticism in the program, believing HUD will involve themselves in the process regardless and may even reverse the lender's decisions. As such, for the sake of greater program participation, resource allocation, and governmental efficiency ², HUD will make the following changes:

- A. It amends the lender approval process by revising certain QCP requirements.
- B. It phases out the “Partial Delegation” option of the Lender Delegation program.
- C. It highlights and updates the list of requirements for RFR approvals for lenders.

III. Applicability

This Notice does not apply to subsidized properties or properties financed through programs not enumerated below:

This Notice will be applicable to RFR in Market Rate insured properties under Sections 220, 221(d)(3), 221(d)(4), 223(a)(7), 223(f), and 231.

IV. Implementation: QCP Requirements

As detailed above, the approval process to participate in the Lender Delegation Program includes requirements deemed excessive. Because of this, the process has been amended in the following ways:

1. The QCP included in the request that lenders submit to participate in the program, as discussed in Section III (“Lender Approval Process”) of H 2022-04, will no longer require the following information:
 - a. The identification of the staff assigned to oversee the task, the qualification of the identified staff, and an explanation of why these qualifications are sufficient to handle the assigned roles.
2. Lenders will no longer need to notify HUD in writing of any staff changes related to the RFR Lender Delegation program.

While HUD will no longer require this information on the staff that will oversee RFR requests, it still will require the following:

1. That a primary point of contact be included in the QCP.
2. The staff that will oversee RFR requests must have the following minimum qualifications:
 - a. Must be a full-time salaried employee of the lender.
 - b. Must have a minimum of one-year Multifamily Asset Management experience
 - c. Must have a minimum of one-year experience with the Form HUD-9250

² See Exec Order No. 14219, entitled “Ensuring Lawful Governance and Implementing the President’s ‘Department of Governmental Efficiency’ Deregulatory Initiative,” Feb. 19, 2025

and an understanding of HUD’s handbook and policies.

- d. The employees overseeing RFR delegation may not hold an equity position greater than five (5) percent in, or be principal of, the lender or any of the lender’s affiliates.

V. Implementation: Partial Delegation and Full Delegation

The Lender Delegation program options are outlined in Section V (“Full Delegation”) and Section VI (“Partial Delegation”) of H 2022-04. This Notice amends these sections in the following way:

To streamline the process and assure lenders that HUD will not override their delegation decisions, we will stop accepting applications for the “Partial Delegation” option (outlined Section VI of HN 2022-04) immediately. As such, there will only be a “Full Delegation” option. Any lender currently participating in the Lender Delegation program at the “Partial Delegation” option will be able to maintain their status, although we highly recommend that they update/upgrade to Full Delegation.

As outlined in Section V (“Full Delegation”) of H 2022-04, the Full Delegation option will remain and become the only option lenders may apply for going forward. Requirements for applying to the Full Delegation option are modified in Section IV above. This change is effective immediately. Under this option, lenders are responsible for reviewing and approving HUD-9250 Fund Authorization forms for RFR transactions. We expect lenders to adhere to all HUD guidelines as outlined in the HUD 4350.1 Handbook and adhere to standards that look at the long-term health of the asset.

The Department will not dictate any specific processes or systems as mandatory for lenders to adhere to. However, we wish to highlight some basic/key HUD requirements/guidelines that lenders should ensure are met when approving HUD-9250 Fund Authorization forms. These will be outlined in greater detail in the next sections.

The Department believes that providing lenders with greater responsibility in the delegation process will only allow for greater participation in the program and lower any likelihood of the Department overturning approvals granted for RFR repairs and capital investments. Finally, these changes will free up governmental resources to provide greater efficiency in serving our mission and the American people as a whole.

VI. Implementation: Qualified Repairs and Replacement Expenses

Section VII of HN 2022-04 (“Qualified Repairs and Replacement Expenses”) outlines the requirements for the RFR account that lenders must follow when approving requests from property owners/managers. We have amended the following subpoints to add greater ease to lenders, as well as allowing them to embrace a greater responsibility to monitor the RFR accounts and confirm its continued viability.

The changes to these subpoints are as follows:

- Section VII, subpoint 2 – The last line of the final paragraph, “The owner’s discretion must be expressed in a defined policy and consistently applied year after year,” is removed.
- Section VII, subpoint 3 – This subpoint will be removed.
- Section VII, subpoint 4 – This subpoint will be removed.
- Section VII, subpoint 5 – In the last line, the value “\$1,000” will be updated to “\$1,500”.
- Section VII, subpoint 7 – In the last line, the value “\$1,000” will be updated to “\$1,500”.

VII. Compliance

Other general requirements not explicitly mentioned (“Section IV” of 2022-04) still apply. This includes HUD retaining responsibility for release of RFR funds on properties that are on HUD’s watchlist, properties under a HUD mandated action plan, properties undergoing substantial rehabilitation, properties that have REAC scores under 60, and other properties identified by HUD. HUD maintains the right to retain responsibility for the release of RFR funds on properties or rescind previously delegated responsibility for release of RFR funds on properties at HUD’s sole discretion. The Multifamily Asset Counterparty Oversight Division (“MACOD”) will provide a quarterly list of field offices and participating lenders of ineligible properties. For more information on this list and the responsibilities of lenders, refer back to Housing Notice 2022-04.

This Notice will become effectively immediately.

If there are any questions regarding this Notice, please contact Daniel Clark at Daniel.J.Clark@hud.gov.