

PM2M Training

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Question & Answers

- Please email Alex Sernyak at Alexander.M.Sernyak@HUD.Gov any questions you have regarding the material covered in this presentation. We intend to collect the questions and create a FAQ for dissemination to the field.
- Separately, if time permits, there will be a Q&A session at the end of this presentation.

Authorities

- Housing Notice: H 2021-02
- General Guidance Memorandum
- Full Mark-to-Market Renewal Contract is form HUD-9642 (REV 03-15-2012)
- Chapter 5, section 5-5 of Section 8 Renewal Policy titled “Subsequent Renewals”
- 24 CFR Part 401
- MAHRA § 517
- Recap’s SharePoint Site with guidance and documents/exhibits (under construction)
- The M2M Operating Procedure Guide



What is PM2M
or a PM2M
transaction?

... first,
what is the
M2M
in PM2M?



https://www.hud.gov/program_offices/housing/mfh/presrv/presmfh/aboutm2m

M2M is a section 8 rent and FHA-insured (or formerly insured) debt restructuring program of the Department under the Multifamily Assisted Housing Reform and Affordability Act of 1997

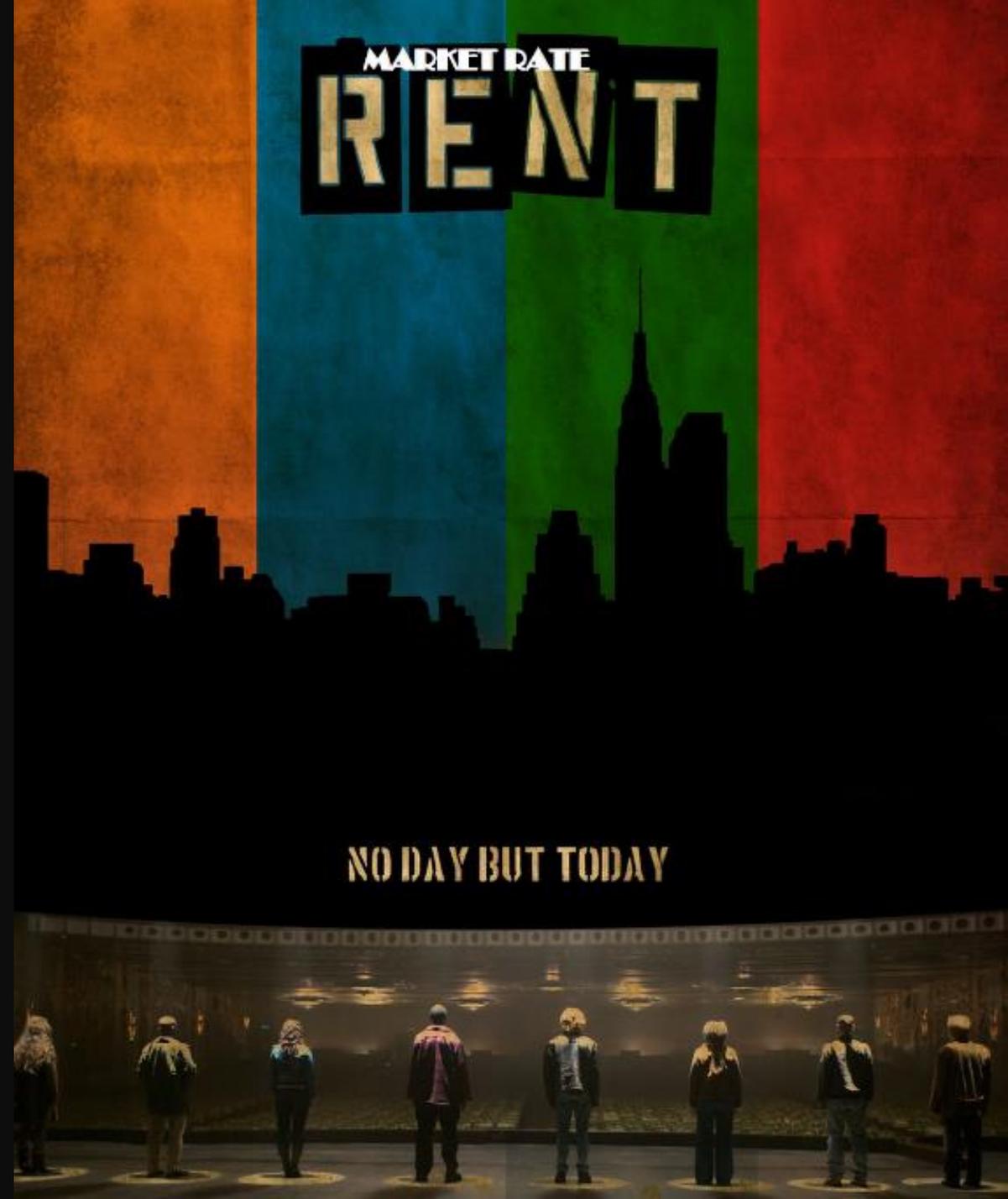
aka "MAHRA", which was

“enacted to reduce the cost of federal housing assistance, enhance HUD's administration of such assistance, and to ensure the continued affordability of units in certain multifamily housing projects. Project owners with rents greater than market may request to participate in the Mark- to- Market program authorized by MAHRA. Contracts are renewed at existing rent levels temporarily while the mortgage is being restructured.”



What does that mean ...

- Since 2000 (earlier under the Demo), owners or purchasers of projects with above-market section 8 rents and FHA-insured or formerly FHA-insured mortgage loans were required to restructure the rents and debt, bringing rents down to comparable market rents and hard debt supportable at market rents and soft debt needed to satisfy the balance of the existing FHA-insured loan, known as a Mortgage Restructuring Loan. (HUD added a regulatory piece to the soft debt, called the Contingent Repayment Mortgage Loan.)
 - Since M2M restructurings commenced in 2000, there has been a total of \$3B originated; over \$1B is outstanding (that's one of the reasons why we are here today)
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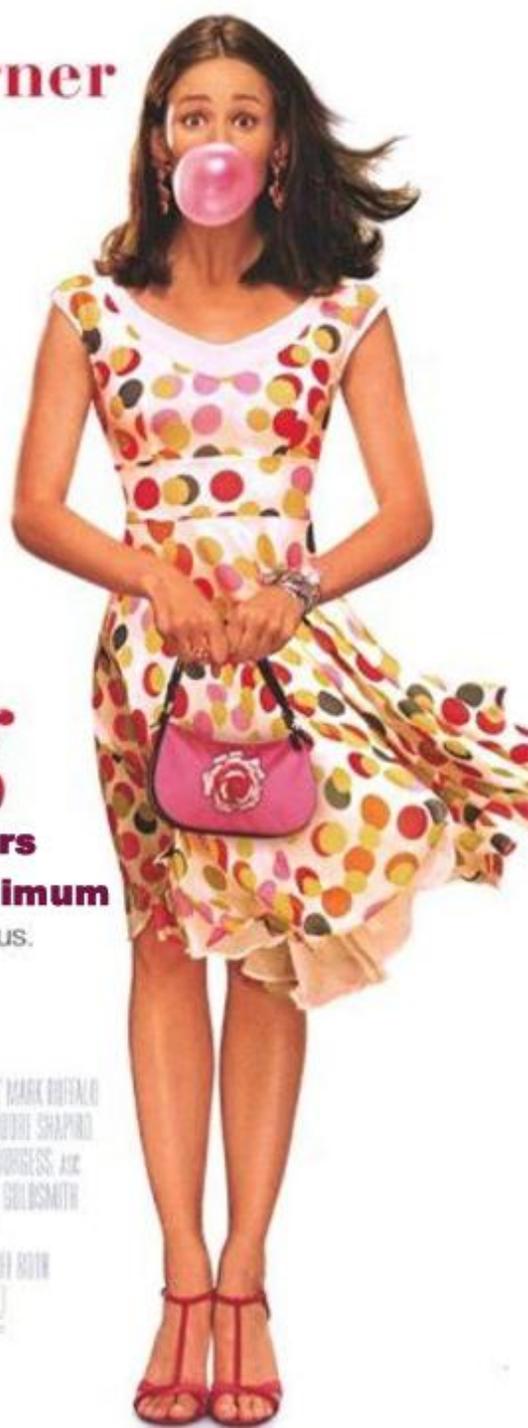


jennifer garner

For some,
30 feels like
the minimum amount of
years appropriate for
maintaining affordability
and use restrictions
on an M2M property.

**M2M Use
Agreement**
going
on 30 years
minimum

A comedy for the Program in all of us. Attorney



The Mark-to-Market Use Agreement

- MAHRA and the M2M implementing regulations require as part of a M2M restructuring that Owners must commit to maintain affordability and use restrictions on M2M property for at least 30 years.
- If the M2M Property is later sold, HUD requires that the Purchaser assume the M2M Use Agreement obligations and agree to maintain affordability and use restrictions for the remainder of the Use Agreement's term.

REVOLUTION STUDIOS PRESENTS A PITH/ARNOLD PRODUCTION
A JENNA MATTHEWS PRODUCTION JENNIFER GARNER '33 GOING ON '30' MARK BUFFALO
JUDY GREER ANDY SERKIS COSTUME DESIGNER JOHN HOULIHAN MAKEUP THEODORE SHAPIRO
HAIR SUSAN LUTTENBERG PRODUCTION DESIGNER WENDY STOVER EXECUTIVE PRODUCERS
JERRY TODD EARNER DAN KOLSOUD PRODUCED BY CATHY YUSPA & JOSH GOLDSMITH
WRITTEN BY CATHY YUSPA & JOSH GOLDSMITH AND NELS MORTEN
DIRECTED BY JENNA MATTHEWS EXECUTIVE PRODUCERS SUSAN ARNOLD AND JENNA ANKOFF BOHN
REVOLUTION STUDIOS GARY WINICK COLUMBIA PICTURES
www.30.com SonyPictures.com



THE DELEGATIONS

(85 FR 76091, November 27, 2020)

The Redelegations of Authority for the Office of Housing—Federal Housing Administration, states that PM2M includes

“the processing of” -

So, what is PM2M?

https://www.hud.gov/program_of_fices/housing/mfh/presrv/presmfh/aboutm2m/postm2m

The Processing Of

- An owner's request to extend the maturity date of a HUD-held mortgage on, or to refinance or sell, or to sever excess land from, a property that previously received the benefits of a debt restructuring under the M2M program or the Demo program
- applications for debt assumption, modification, or forgiveness of M2M debt for a non-profit qualified by HUD as being eligible to receive such benefit
- oversight of M2M use agreements and contractual restrictions, including consents to additional liens, approval of changes in ownership, amendment or release of use agreements or contracts, and granting of other consent rights held by HUD
- and, under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the administration of Green Retrofit Program Loans (GRP Loan(s)) for energy retrofit and green investments in assisted housing projects, including an owner's request to extend the maturity date or otherwise modify a GRP Loan, or when a property encumbered by a GRP Loan is being sold or refinanced.

And a PM2M transaction?



Is a transaction that involves a multifamily property that went through a Demo or M2M program debt restructuring, with or without outstanding Secretary-held Demo or M2M debt.

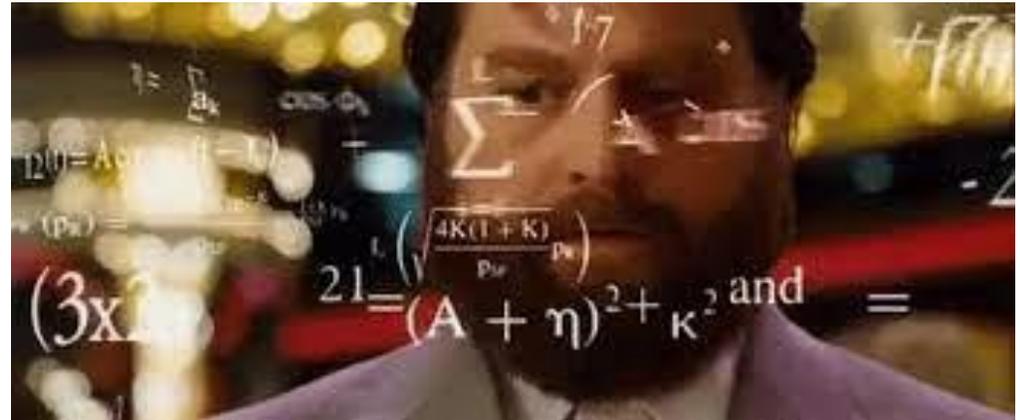
A PM2M transaction may be as simple as



- a transfer of a M2M property and the assignment and assumption of the Full M2M Renewal HAP contract that benefits the project and the M2M Use Agreement that encumbers it,
 - or
- an early termination and renewal of the M2M HAP contract to accommodate new financing with a term that extends beyond the term remaining under the M2M Use Agreement

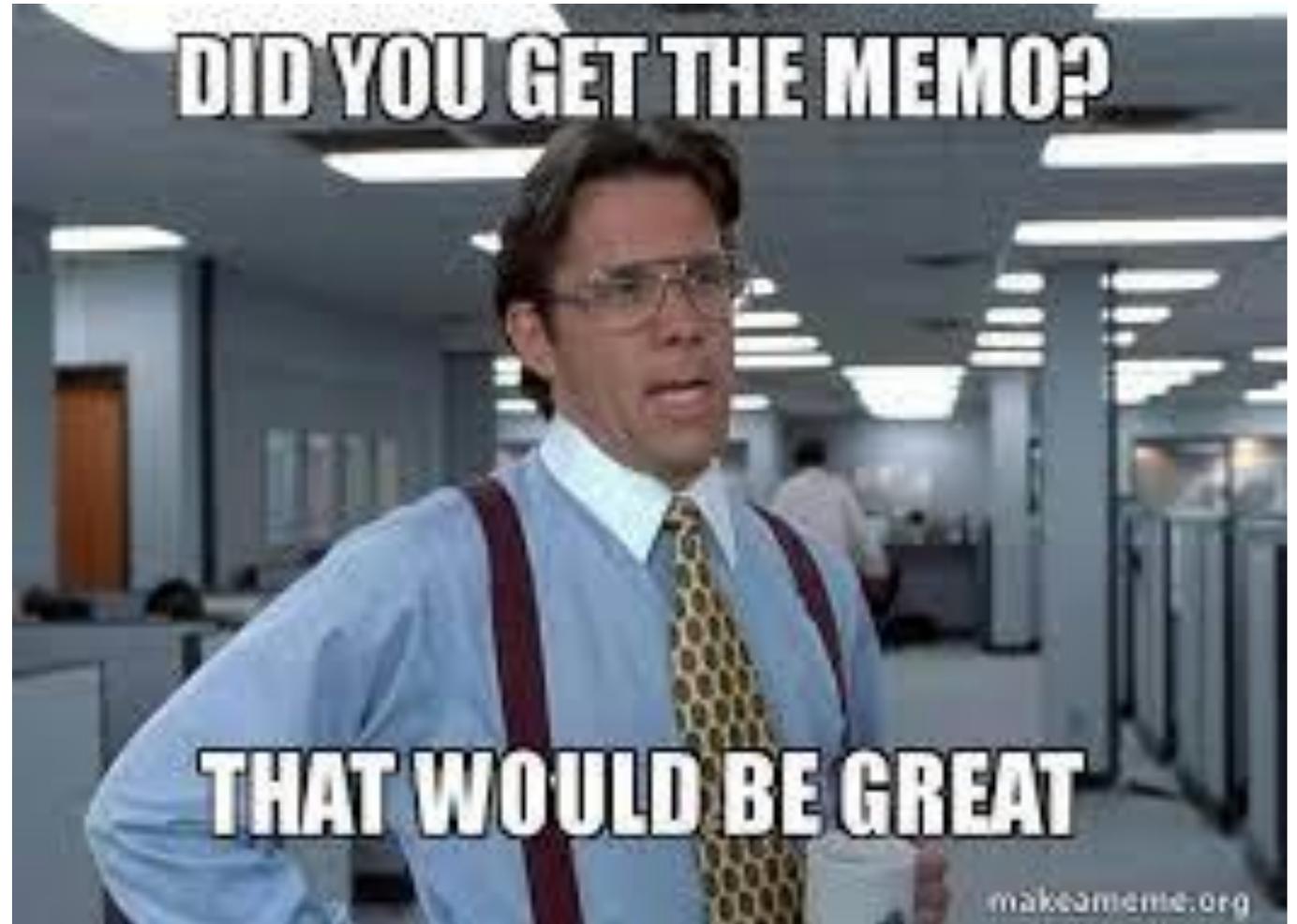
And as complicated as -

a transfer of the property receiving tax credit equity, with a new FHA-insured origination (could be a conventional loan), the assignment and assumption of the HAP contract, the assumption and subordination of the M2M debt, and the assumption and modification of the M2M use agreement



Who does what in a PM2M transaction?

The Multifamily Redelegations authorize PM2M actions to be taken by field office officials *if* such actions are consistent with a memorandum that will be issued by the Office of Recapitalization



From the Redelegations

- **E. All Regional Directors, Operations Officers, Production Division Directors, Asset Management Division Directors, and Satellite Office Asset Management Division Directors/Satellite Office Coordinators**

The authority redelegated *authorizes these officials to take all actions necessary to the conduct of all multifamily housing programs, not including the property disposition program, coinsurance program, and M2M, Demo, and Green Retrofit programs.* With respect to the M2M, Demo, and Green Retrofit programs, the authority redelegated authorizes these officials to **take all actions** with respect to an M2M, Demo, or Green Retrofit Program use agreement, loan, or mortgage modification, partial release of security or HUD consent required pursuant to an M2M, Demo, or Green Retrofit transaction document **provided that such authority** is delegated to such officials by administrative guidance issued from time to time by the Deputy Assistant Secretary or which **is consistent with a memorandum issued by the Office of Recapitalization**. The authority is further limited in that it may be exercised only within each official's authorized geographic jurisdiction

A memorandum from Recap may be project specific or general, depending on the elements of the transaction –



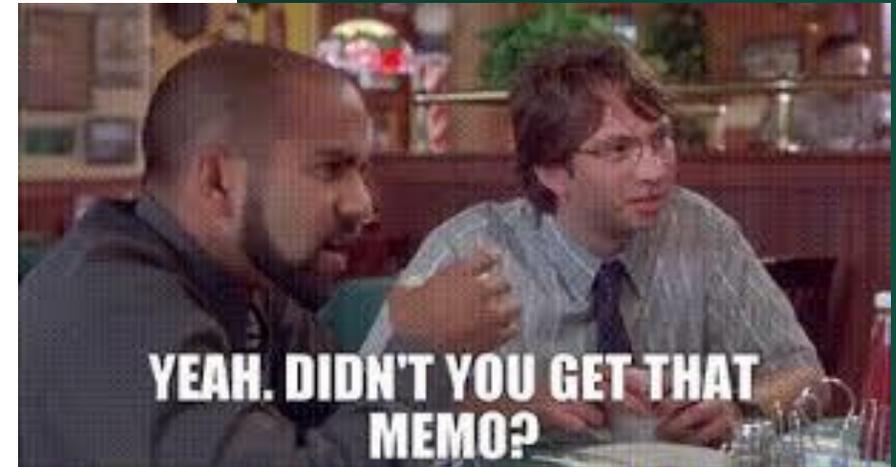
Housing's PM2M Notice H 2021-02

Under the PM2M Notice, a project specific memorandum, or “Recap Approval Memo” will always be issued by Recap if

- Secretary-held M2M debt will remain upon the conclusion of the transaction,

or

- there is a qualified nonprofit “QNP” component, which includes a Request for Debt Relief under MAHRA.



NOTICE

Housing
Notice
H 2021-02

Covers some of the PM2M matters referenced in the Redelegations:

- the assumption, subordination, or assignment of Mark-to-Market Program (“M2M”) loans, and the assumption and/or subordination of Portfolio Reengineering Demonstration Program (“Demo Program”) loans in transfer or refinance transactions;
- actions in the event of default (failure to pay) upon maturity of such loans; and
- requests to transfer budget authority of a project-based Section 8 Housing Assistance Payments Contract under Section 8(bb)(1) of the United States Housing Act of 1937 where the request involves a project encumbered by a M2M or Demo Program lien.



And also

anticipates the issuance of guidance memoranda, both project specific and general.

- For example: 2.2. Processing of Requests. Requests submitted to the Multifamily Regional Center which meet any of the criteria set forth in Section 2.2 A) through G) below, shall be routed to Recap for processing. The applicable Multifamily Regional Center shall process and close all other Requests without Recap approval consistent with *existing Recap guidance to the Multifamily Regional Centers*, as such guidance may be amended or replaced by Recap from time to time.



But Recap will be involved in most transactions under the Notice and will issue a Recap Approval Memo directed to the Multifamily Regional Director



Then what?

PM2M Processing Guide*

- Describes HQ and Field Office responsibilities and steps for processing and conducting PM2M transactions under the PM2M Notice

- (* in draft but should be released soon ...)

- Recap Processing under the PM2M Notice



Remember:

- The Processing Guide and memoranda issued from time to time by Recap covers the M2M elements of the PM2M transaction, and the owners and purchasers in PM2M transactions must also satisfy the typical “Program Obligations”.
- The Regional Directors incorporate the RECAP Approval Memo and add additional transaction specific requirements pursuant to Program Obligations into the Field Office Approval Letter
- Going forward, Housing will require a TPA type review whenever M2M debt is Secretary held and being assumed
 - A M2M property may never be acquired “subject to” the M2M debt





Categorized into 3 main types of transactions under the Notice

- 1) New Owner/Purchaser - Transfer with or without new first mortgage financing with HAP Assignment
- 2) Same Owner – refinancing the first mortgage
- 3) New Owner – QNP Closings (Transfer required by statute; more next week on QNP transactions)

Transfers with HAP Assignment to New Owner

- New Owner will take title to project at closing.
- 1st mortgage will:
 - Be Satisfied;
 - Assumed by New Owner/Purchaser; or
 - Refinanced with a new 1st mortgage superior to the M2M loans.
- Can be done with M2M notes, Demo Notes, and GRP Notes (which may be subordinated to a new first mortgage loan pursuant to the Recap Approval Letter (Memorandum) which will contain the terms and conditions for such subordination
- Assumption of M2M Use Agreement
- Assumption of HAP Contract (may result in extending the term of the M2M UA)
- A Recap closing instruction/escrow letter will be issued prior to closing to the closing medium



Same Owner - Refinance Closings

- Ownership will not change
- Sometimes involves Proceeds (defined in PM2M Notice Section 1.32, as does a Transfer) to pay down M2M debt
- Closing escrow letter will be required
- Can be done with M2M notes, Demo Notes, and GRP Notes (which may be subordinated to a new first mortgage loan pursuant to the Recap Approval Letter (Memorandum) which will contain the terms and conditions for such subordination
- May require an extension to the M2M Use Agreement if 20-year HAP Contract is a condition of the new loan

QNP Closings



Ownership of the property is changing – required by statute, MAHRA



QNP Owner takes title to Project at closing.



1st mortgage can be:

Satisfied
Assumed by Purchaser; or
Refinanced with a new first mortgage



At closing, HUD debt is:

Assigned to the acquiring entity and then further assigned to its sponsor;
Modified; or
Forgiven



Can only be done with M2M notes (V/W Notes).

Where is OGC in this process?

- The Region's ARC will be CC'd on an email containing a Recap Approval Memo. It is good for 180 days (extensions are not permitted). It will include all required conditions and for the M2M elements of the PM2M Transaction. If applicable, it will include the following:
 - Paydown amounts
 - Form 7.18/7.15 evidencing QNP Approval
 - Contact information for Escrow Agent
- Field office should request that the field counsel be assigned
- Strictly in QNP Transactions:
 - Field counsel will be given an opportunity to attend a closing call to review the documents and process for the closing of the QNP Assignment of Debt.
 - Field counsel will review Additional documents regarding the QNP and/or debt forgiveness in addition to standard HAP assignment legal documents (detailed on previous slide)
- HUD's Closing Coordinator contractor (FPG) will introduce themselves to field counsel and ask field & purchaser counsel about intended closing date and advise them RECAP will be issuing an Escrow Instruction Letter
 - Please be sure to address all questions and comments on the HUD Escrow Instructions letter to FPG Underwriter
 - Any alterations to RECAP Approval Memo and/or M2M terms must be processed and approved by RECAP
- FPG will distribute signed Escrow Instructions Letter and identify the anticipated closing date
 - Please be sure to address all questions and comments on the HUD Escrow Instructions letter to FPG Underwriter
 - Any alterations to RECAP Approval Memo and/or M2M terms must be processed and approved by RECAP
- Field Counsel will be CC'd on email from Recap containing Post-Closing documents received from Escrow Agent



The General Guidance Memorandum (GGM)

- The GGM addresses PM2M transactions that are not covered by PM2M Notice
- The M2M transactional concepts and procedures contained in the GGM, however, have general applicability to PM2M transactions. For example, the procedures for handling the HAP K and the M2M UA contained in the GGM are the same procedures that must be followed for PM2M transactions under the Notice.
- Recap's guidance in the GGM (and other memoranda) supplements but does not replace other program requirements (i.e., Program Obligations) that must be satisfied by an Owner or Purchaser.





The GGM facilitates the review, consideration, and execution in the field of the documents associated with

- (a) PM2M transaction requests when the M2M originated debt is no longer held by the Secretary, either because the debt has been paid in full or because the debt is held by another party;
- (b) PM2M transaction requests when, upon conclusion of such transaction, all remaining Secretary-held M2M debt will be paid in full;
- (c) Modification of the M2M Use Agreement (“M2M UA”) to extend its term when HUD has approved a request by a Purchaser or Owner for the early termination and subsequent renewal of the Full Mark-to-Market Renewal Contract (“HAP Contract”); and
- (d) Release of an Accommodation Agreement upon the expiration of the transfer restriction period established in the Accommodation Agreement and documentation of such release in the public land records. (this will be covered in next week’s QNP session)



Now for the rental
assistance
elements of a
M2M and PM2M
transaction

Multifamily
Assisted
Housing Reform
and Affordability
Act of 1997
(MAHRA)



Mark-to-Market,
§§ 514 - 517

Option Three-B

§ 515(b) REQUIRED COMMITMENT. –

“After the initial renewal of a section 8 contract pursuant to this section, the owner **shall** accept each offer made pursuant to subsection (a) to renew the contract, **for the term of the affordability and use restrictions required by section 514(e)(6)**, if the offer to renew is on terms and conditions specified in the mortgage restructuring and rental assistance sufficiency plan.”

24 C.F.R. Part 401

§ 524(a)(4) (Options One & Two), § 524(b)(1) (Option Four), and § 524(e) Option Five)

Paraphrase:

Subject to various caveats (e.g., sufficient appropriations), upon termination or expiration of a Section 8 contract, **at the request of the owner**, the Secretary **shall** renew the contract according to the terms and conditions specified in the statute.

24 C.F.R. Part 402

Non Mark-to-Market

§ 524

Options One, Two, Four, and Five

Section 514(e)

1. Minimum 30-year Mark-to-Market Use Agreement, and 2. OCAF-only rent adjustments

Section 514(e) MORTGAGE RESTRUCTURING AND RENTAL ASSISTANCE SUFFICIENCY PLAN.— Each mortgage restructuring and rental assistance sufficient plan shall—

• * * *

(6) require the owner or purchaser of the project to maintain affordability and use restrictions in accordance with regulations promulgated by the Secretary, for a term of **not less than 30 years**

[and]

(2) allow for rent adjustments by applying **an operating cost adjustment factor** established under guidelines established by the Secretary.

Section 514 “MORTGAGE RESTRUCTURING AND RENTAL ASSISTANCE SUFFICIENCY PLAN”

Q: What is a mortgage restructuring and rental assistance sufficiency plan?

A: The contract (i.e., the Restructuring Commitment) between the Owner (at closing) and HUD that contains the terms and conditions for the M2M rent- and debt-restructuring, including:

- 1. Adjustment of rents by OCAF during term of M2M Use Agreement (per section 514(e)(2)), and**
- 2. Obligation to accept offers of renewal on terms specified in the Restructuring Commitment during term of M2M Use Agreement (per section 515(b)).**

RENEWAL CONTRACT TERMINOLOGY (RENEWAL GUIDE, SECTION 2-3):

1. INITIAL RENEWAL CONTRACT – THE FIRST RENEWAL OF AN EXPIRING SECTION 8 HAP CONTRACT UNDER MAHRA (SECTION 2-3 A.)
2. SUBSEQUENT RENEWAL CONTRACT – ALL RENEWAL CONTRACTS AFTER THE INITIAL RENEWAL (SECTION 2-3 B.)

FORM OF CONTRACT: BOTH THE INITIAL RENEWAL AND ALL SUBSEQUENT RENEWALS MUST BE ON:

FULL MARK-TO-MARKET RENEWAL CONTRACT FORM

REV 03-15-2012

HUD-9642

(POSTED ON MFH'S WEBSITE UNDER "SECTION 8 RENEWAL POLICY FORMS 9636 – 9644)

- Also -

3. NON-EXCEPTION RENT PROJECT – PROJECT THAT CLOSED WITH RESTRUCTURED RENTS SET AT MARKET (PER SECTION 514(g)(1)).
4. EXCEPTION RENT PROJECT – PROJECT THAT CLOSED WITH RESTRUCTURED RENTS SET ABOVE MARKET (PER SECTION 514(g)(2)).

FULL MARK-TO-MARKET RENEWAL CONTRACT

REV 03-15-2012

HUD-9642

Section 4 d:

Owner hereby acknowledges and agrees that it will accept any offer of renewal or extension of the Renewal Contract if the offer is in accordance with the terms and conditions specified in the Restructuring Commitment.

Section 8 housing assistance payments to the Owner during the Renewal Contract term shall only be made from budget authority appropriated by the Congress and available for this purpose.

FULL MARK-TO-MARKET RENEWAL CONTRACT (CONT'D)

10 HUD REQUIREMENTS:

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, **the Restructuring Commitment**, and with all HUD regulations and other requirements, including changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD requirements that are inconsistent with the provisions of the Renewal Contract, including the provisions of section 6 (contract rent), shall not be applicable.

RARE EXCEPTION FOR MODERATE REHABILITATION PROJECTS (ELIGIBLE FOR M2M UNDER SECTION 512(2)(B)(3)), WHICH REQUIRE A DIFFERENT FORM OF RENEWAL CONTRACT

- 1. “HOUSING ASSISTANCE PAYMENTS CONTRACT FOR PREVIOUS MOD REHAB PROJECTS” -- A/K/A “MOD MORPH” RENEWAL CONTRACT**
- 2. HUD-9644**
- 3. DURING RESTRUCTURING, THE CONTRACT “MORPHS” FROM A MOD REHAB CONTRACT UNDER PART 882 (PIH-ADMINISTERED) TO A HOUSING-ADMINISTERED RENEWAL CONTRACT THAT IS “GENERIC” (NOT SUBJECT TO ANY OF THE SECTION 8 REGULATORY PARTS IN THE PART 880 SERIES)**
- 4. ONLY RENEWAL CONTRACT THAT COMPREHENSIVELY SETS FORTH ALL CONTRACT TERMS (OTHERS RENEW ALL TERMS IN ORIGINAL HAP CONTRACT EXCEPT THE NUMBER AND CONFIGURATION OF UNITS, CONTRACT RENTS, & RENT ADJUSTMENT VECHULE AND PROCEDURE).**

OMB RESTRICTION ON MAXIMUM TERM OF A RENEWAL CONTRACT – OMB LIMITS THE MAXIMUM TERM OF A RENEWAL CONTRACT TO 20 YEARS

COTERMINOUS NATURE OF FULL M2M RENEWAL CONTRACT AND M2M USE AGREEMENT – TWO ASPECTS:

- (1) THE TERM OF THE INITIAL RENEWAL CONTRACT PLUS THAT OF THE SUBSEQUENT RENEWAL CONTRACT(S) MAY NOT EXCEED THE TERM OF THE M2M USE AGREEMENT; AND**
- (2) WHILE THE M2M USE AGREEMENT IS IN EFFECT, THE PROJECT MUST ALWAYS BE UNDER A FULL M2M RENEWAL CONTRACT (ONE EXCEPTION ADDRESSED ON LAST SLIDE)**

A. TYPICAL SCENARIO

- 1. AT CLOSING, A 30-YEAR M2M USE AGREEMENT AND A 20-YEAR FULL M2M RENEWAL CONTRACT ARE ISSUED**
- 2. 120 DAYS BEFORE THE 20-YEAR RENEWAL CONTRACT EXPIRES, HUD/CA OFFERS A 10-YEAR SUBSEQUENT FULL M2 RENEWAL CONTRACT (HUD-9642) ON TERMS SPECIFIED IN THE MRARASP**
- 3. OWNER IS REQUIRED UNDER § 515(b) and § 4 d OF RENEWAL CONTRACT TO ACCEPT THE OFFER**
- 4. AT THE END OF THE 10-YEAR RENEWAL CONTRACT, OWNER MAY RENEW UNDER ANY SECTION 524 RENEWAL OPTION FOR WHICH THE PROJECT IS ELIGIBLE**

- B. ALTERNATIVE SCENARIOS -- THE INITIAL RENEWAL CONTRACT MAY HAVE BEEN FOR ANY NUMBER OF YEARS LESS THAN 20, BUT IF SO, THE OWNER MUST ACCEPT OFFERS OF SUBSEQUENT RENEWAL (IF ON TERMS CONSISTENT WITH THE MRARASP) FOR A TOTAL AGGREGATE TERM OF 30 YEARS.**

COMMON POST M2M TRANSACTION: REFINANCING BEFORE END OF THE 30-YEAR M2M USE AGREEMENT (RENEWAL GUIDE, SECTION 5-5 C AND D AND SECTION 2-4 D).

TYPICAL SCENARIO:

- 1. REQUEST FOR EARLY TERMINATION AND SUBSEQUENT RENEWAL -- BEFORE THE PROJECT SATISFIES ITS 30-YEAR OBLIGATION, OWNER REQUESTS EARLY TERMINATION OF FULL M2M RENEWAL CONTRACT AND A SUBSEQUENT RENEWAL CONTRACT TO SATISFY THE LENDER'S REQUIREMENT (USUALLY A 20- OR A 10-YEAR RENEWAL CONTRACT) AS A CONDITION OF REFINANCING .**
- 2. PRESERVATION EXHIBIT -- RENEWAL GUIDE, SECTION 2-4 D (WHENEVER A HAP CONTRACT IS TERMINATED EARLY, OWNER MUST AGREE TO A PRESERVATION EXHIBIT (HOUSING NOTICE 2017-13, ATTACHMENT 2), WITH THE NUMBER OF YEARS REMAINING ON THE TERMINATED CONTRACT AT THE TIME OF TERMINATION INSERTED IN THE FIRST BLANK):**

PRESERVATION EXHIBIT

Subject to all applicable laws and regulations in effect upon expiration, the Renewal Contract shall automatically renew for a term of _____ year(s) beginning on _____ . This requirement shall be binding on the Owner and the Contract Administrator, as identified in section 1 of the Renewal Contract, and on all their successors and assigns.

3. POLICY CONDITION: AS A CONDITION OF AGREEING TO EARLY TERMINATION AND SUBSEQUENT RENEWAL, HUD REQUIRES THAT THE OWNER AGREE TO EXTEND THE TERM OF THE M2M USE AGREEMENT, IF NECESSARY, TO BE EQUAL TO THE TERM OF THE NEW FULL M2M RENEWAL CONTRACT (RENEWAL GUIDE, SECTION 5-5 C). FOR EXAMPLE:
 - A. INITIAL RENEWAL, 20-YEAR CONTRACT
 - B. SUBSEQUENT RENEWAL, 10-YEAR CONTRACT
 - C. IN YEAR 5 OF THE 10-YEAR CONTRACT (YEAR 25 SINCE CLOSING), OWNER REQUESTS EARLY TERMINATION AND A 10-YEAR SUBSEQUENT RENEWAL CONTRACT TO SATISFY'S LENDER'S CONDITION
 - D. HUD/CA ISSUES A NEW 10-YEAR RENEWAL CONTRACT, AND HUD AND OWNER AGREE TO EXTEND THE M2M USE AGREEMENT FOR AN ADDITIONAL 5 YEARS (FOR A TOTAL OF 35 YEARS FROM CLOSING).
 - E. OWNER AGREES TO A PRESERVATION EXHIBIT FOR A TERM OF 5 YEARS
4. ALLOWED ONLY FOR NON-EXCEPTION RENT PROJECTS – AS A FISCAL MATTER, TO KEEP FROM HAVING TO PAY ABOVE-MARKET RENTS, AS MULTIPLIED ANNUALLY BY OCAF, BEYOND THE MINIMUM 30-YEAR M2M USE AGREEMENT TERM (RENEWAL GUIDE, SECTION 5-5 D).
5. IN REVIEWING A POST-M2M REFI, FIRST ASCERTAIN THAT THE PROJECT CLOSED WITH NON-EXCEPTION RENTS AND PROCEED ONLY IF IT DID. IF IT CLOSED WITH EXCEPTION RENTS, THE REQUEST FOR EARLY TERMINATION AND SUBSEQUENT RENEWAL MUST BE DENIED.

EXCEPTION TO THE RULE THAT WHILE THE M2M UA IS IN EFFECT, THE PROJECT MUST ALWAYS BE UNDER A FULL M2M CONTRACT:

- 1. QNP TRANSACTION (M2M UA IS EXTENDED TO A TOTAL 50-YEAR TERM)**
- 2. PROJECT CLOSED WITH EXCEPTION RENTS**
- 3. FROM YEAR 31 – 50, OWNER MUST RENEW UNDER ANY SECTION 524 FOR WHICH THE PROJECT IS ELIGIBLE (POST M2M NOTICE, SECTIONS 2.4 K (PAGE 15) AND 3.4 (E) (PAGE 26))**
- 4. RATIONALE IS THE SAME: HUD AVOIDS PAYING ABOVE-MARKET RENTS BEYOND THE MINIMUM 30-YEAR M2M USE AGREEMENT TERM**

NOTE: IF THE PROJECT CLOSED WITH NON-EXCEPTION RENTS, THE OWNER MUST REMAIN UNDER ONE OR MORE FULL M2M RENEWAL CONTRACTS THROUGH THE END OF THE 50-YEAR M2M USE AGREEMENT.



Reminder:
QNP transactions and
handling M2M debt
Training on 10/18

Questions?