**FY21: Record Levels of FHA Multifamily Production**

Since September, the surge in Production activity has taken center stage. Each Multifamily Region has experienced a spike in volume, creating a national queue for application submissions awaiting underwriter assignment by HUD. The Southwest Region’s Production pipeline epitomizes the growing queue of work – with its ongoing robust New Construction market activity along with the significant increases witnessed in both 223(f) and (a)(7) refines. At present, we have slightly over 50% of the applications received in a queue stage awaiting HUD underwriting review (for information on status of applications in the queue, click here). While numerous market factors have made FHA products even more attractive for multifamily borrowers, we anticipate the demand to continue throughout FY21 for an even greater record setting year than last year. We in the Southwest maintain underwriter capacity, averaging approximately 4 deals per staff underwriter. We appreciate your patience as we continue to manage the work with our finite staff resources.

In January 2021, I, together with Ken Cooper and Southwest Production management team, provided a virtual briefing to the SWAC Board, including the State of the Region, highlighting not only the Production volume – from queue to closing – but also an overview of issues arising in underwriting and construction management. Highlights of the information we shared, as well as updates in our Asset Management space, are contained herein.

We continue to work remotely but stay actively connected, despite an unprecedented pandemic and winter weather conditions. I hope this newsletter finds you, your coworkers, and your families safe and well.

Sincerely,

Mary V. Walsh, Southwest Regional Director, Multifamily Housing
Southwest Production Volume as of January 2021

In FY21, Multifamily Southwest is on track to issue over 350 firm commitments totaling more than $6.7 Billion, which is a 40% increase over FY20’s numbers. We also plan to close over 360 loans worth more than $8 Billion, which is a 35% increase in number of closings and more than 55% increase in dollar amount over FY20.

<table>
<thead>
<tr>
<th>FY2021 YTD</th>
<th>SOA</th>
<th>Firms Issued</th>
<th>Units</th>
<th>Mortgage Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>221(d)(4) NC/SR</td>
<td>20</td>
<td>3,510</td>
<td>$543.2 M</td>
<td></td>
</tr>
<tr>
<td>223(f) Refi/Purch</td>
<td>56</td>
<td>10,092</td>
<td>$1.01 B</td>
<td></td>
</tr>
<tr>
<td>231 NC/SR</td>
<td>1</td>
<td>122</td>
<td>$11.6 M</td>
<td></td>
</tr>
<tr>
<td>223(a)(7) Refi</td>
<td>40</td>
<td>7,890</td>
<td>$694.9 M</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>117</strong></td>
<td><strong>21,614</strong></td>
<td><strong>$2.26 B</strong></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2021 YTD</th>
<th>SOA</th>
<th>Closings</th>
<th>Units</th>
<th>Mortgage Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial NC/SR</td>
<td>24</td>
<td>4,711</td>
<td>$665 M</td>
<td></td>
</tr>
<tr>
<td>Final NC/SR</td>
<td>22</td>
<td>4,730</td>
<td>$695.9 M</td>
<td></td>
</tr>
<tr>
<td>223(f) Refi/Purch</td>
<td>36</td>
<td>6,235</td>
<td>$617.4 M</td>
<td></td>
</tr>
<tr>
<td>223(a)(7) Refi</td>
<td>40</td>
<td>7,586</td>
<td>$686.7 M</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>122</strong></td>
<td><strong>23,262</strong></td>
<td><strong>$2.67 B</strong></td>
<td></td>
</tr>
</tbody>
</table>

Intake Screening & Common Deficiencies

- Southwest Region has intake staff who conduct initial screening of an application to ensure it is complete. If deficiencies are noted, lenders have 5 days to correct and maintain their place in the queue. If deficiencies cannot be cured in that timeframe, your application must be entirely resubmitted.
- Our intake staff use the checklists located in the MAP Guide appendices to screen the applications for completeness.
- If an item is not included in your application but is on the checklist, it is very likely the application will be considered deficient and the document will be requested; we advise that if an exhibit is not required for your application, you include a page, labeled per the checklist naming convention, with a brief explanation of why the exhibit is not required. This will assist the intake staff in moving through the screening process more quickly and will result in less email traffic.
- Common deficiencies at intake screening:
  - CNA e-tool not submitted.
  - HEROS not assigned to Mike Buis – not a deficiency, but a preferred method for efficiency.
  - Omission of signatures on the Lender’s Byrd Certificate.
  - Missing the scope of work in the repairs list in the CNA e-tool.
  - Failure to submit a complete 2530 package when submitting through APPS. Should include the submittal package with submission ID, certification/signature page, and Attachment 1, which lists the FHA properties wherein they are participants.
  - SEDI report not signed.
  - COVID-19 risks and mitigants not included in the lender narrative.
  - Project name does not match iREMS without supporting documentation. Organizational documents do not match name of Mortgagor entity. Project name and Mortgagor often have different names.
  - Inconsistent Borrower’s address (forms and narrative are inconsistent).
  - Failure to apply for prepayment approval.
  - RCS and rent increase not provided to PBCA with request for review and approval.

Southwest Region Queue

- The only applications that will be given priority in the queue are:
  - LIHTC Pilot transactions with early deliverables previously submitted.
  - Applications with an Opportunity Zone investment fund.
- Average number of days from application submission to placement in queue: 16
- Average number of days in queue until underwriter assignment: 33
- Stale reports and documents: Items that may be requested for updating once application is assigned to an underwriter:
  - Current rent roll.
  - Current VOD.
  - Update appraisal or market study if reports are old and new information is needed to support underwriting.
  - If there is open litigation for any participants, an update on status will be requested.
HUD Multifamily awarded a five-year contract to Grove Street to provide loan underwriting and closing support and assist Multifamily with its significant increase in MAP application volume. Unfortunately, the contract for 223(a)(7) applications has been used up, but we recently received more money for Grove Street to process 223(f) applications. Headquarters is working on a new contract to increase the capacity for all SOA codes.

Common Deficiencies During Processing

- Inadequate Borrower/Developer(s) being presented for sizable loans that do not reflect positive experience and qualifications comparable in kind and scale to the proposed application.
- Borrower financial capacity is not adequate, and this is not discussed or mitigated (primarily at pre-application review).
- Inadequate General Contractor being presented for sizable loans that do not reflect positive experience and qualifications comparable in kind and scale to the proposed application.
- Intrusive testing for older properties neither completed nor addressed in CNA e-tool.
- Bids not submitted in CNA e-tool for repairs over $35,000 (new threshold in 2020 MAP Guide).
- Radon testing not completed, and mitigation incorporated in repairs at firm submission.
- Prior credit approval from Headquarters on borrowers at the $500M threshold. Approval letter is missing at firm submission.
- Failure to address active participant flags for APPS/2530 approval.
- Participants not registered in the Business Partner Registration HUD Multifamily system. This is required for participants who opt to file a paper HUD-2530.
- Inconsistencies in project name found in organizational documents, APPS/2530, and iREMS. Name used as Mortgagor/Borrower in application must be consistent with organizational documents filed with State. If in HUD inventory, project name cannot be changed without approval from Asset Management.
- LIHTC award commitment or Housing Agency application not submitted for review.
- Prepayment approval or application for prepayment not submitted for review. If a prepayment application has not be made, firm application should not be submitted.
- RCS and/or rent increase for HAP Contract not submitted to PBCA with application.

Concept Meeting Best Practices

- We encourage lenders to reach out to EMAD prior to submitting the concept package.
- We also encourage the submission of a draft market study, although one is not required.
- Give enough detailed information on the PMA to assist in HUD's review.
- Note if the property will be located in an Opportunity Zone.
- If the Borrower has no HUD Multifamily experience, provide evidence of like kind scope of experience for the development team.
- Provide HUD notice of any timeframes and deadlines that are looking to be met.
- Deliver information of any anticipated cross use agreements.
Regional Construction Activity Snapshot

- **202 Capital Advance**: $3.7M; 33 Units
- **220 NC/SR**: $154.5M; 568 Units
- **221d4 NC/SR**: $4.8B; 37,318 Units
- **223f Refi/Purch**: $32.5M; 221 Units
- **231 NC/SR**: $23.7M; 144 Units

186 Properties
$5B FHA Mortgage Insurance
38,284 Units

Assigned Territories for Multifamily Southwest Appraisers

<table>
<thead>
<tr>
<th>Area</th>
<th>Appraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Iowa &amp; Nebraska</td>
<td>Larry Hall, Kevin Keller</td>
</tr>
<tr>
<td>2. Kansas &amp; Missouri</td>
<td>Larry Hall, Steve Homer</td>
</tr>
<tr>
<td>3. Arkansas &amp; Louisiana</td>
<td>Kathy Bedford, Jeff Lowman, Marcus Wilson</td>
</tr>
<tr>
<td>4. Oklahoma, New Mexico, &amp; Northwest Texas</td>
<td>Brad Holloway, Robert Waterhouse</td>
</tr>
<tr>
<td>5. North Texas</td>
<td>Jeff Lowman, Jim Ponton, Robert Waterhouse</td>
</tr>
<tr>
<td>6. Houston, Texas</td>
<td>Kathy Bedford, Brad Holloway, Marcus Wilson</td>
</tr>
<tr>
<td>7. Austin &amp; San Antonio, Texas</td>
<td>Jeff Lowman, Marcus Wilson, Robert Waterhouse</td>
</tr>
<tr>
<td>8. South Texas</td>
<td>Steve Homer, Kevin Keller</td>
</tr>
</tbody>
</table>
Program & Policy Summary Updates

FEDERAL REGISTER NOTICES

- On November 27, 2020, the Operating Cost Adjustment Factors (OCAFs) for fiscal year 2021 were published in the Federal Register. These factors are used for adjusting or establishing Section 8 rents under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), as amended, for projects assisted with Section 8 Housing Assistance Payments. The factors are effective February 11, 2021. The FY2021 Multifamily Utility Allowance Factors, which may be used to adjust baseline utility allowances prepared in accordance with Housing Notice 2015-04, are also available on HUDUser.

- On December 17, 2020, the Section 8 Housing Assistance Payments Program—Annual Adjustment Factors, FY 2021 were published in the Federal Register.

HOUSING NOTICES

- On November 6, 2020, the Office of Multifamily Housing Programs published a revised Housing Notice 2020-10, Electronic Signature, Transmission, and Storage – Guidance for Multifamily Assisted Housing Industry Partners, to replace Notice H 2020-04. The revised Notice is now posted on HUDCLIPS, and provides updates to the following two sections:
  - Section II.A – Added another assisted Multifamily housing program
  - Section VII.B.5 – Revised the language regarding Independent Public Auditors

  Note: Housing Notice 2020-04 is now obsolete and is replaced entirely by Housing Notice 2020-10.

- On November 24, 2020, the Office of Multifamily Housing Programs published Housing Notice 2020–11, Continued Availability of COVID-19 Supplemental Payments to Section 8, Section 202, and Section 811 Properties, announcing a second window for HUD-assisted property owners to submit requests for special payments to offset increased operating costs directly related to effects of COVID-19 pandemic. Approximately $204 million remains available for payments to properties with rental assistance contracts under Section 8 PBRA, Section 202, and Section 811. The Round II CSP application window closed on December 11, 2020. HUD and PBCA reviews of owner submissions took place through January, with payments going out in early February.

- The Centers for Disease Control and Prevention extended its residential housing eviction moratorium until March 31, 2021. Multifamily is updating its COVID QAs to reflect these extensions.

POLICY MEMOS

- The Office of Asset Management and Portfolio Oversight (OAMPO) issued the memorandum, Extending MFH’s Postponement of the 10 Year CNA Requirement on November 24, 2020. This policy is effective immediately and covers all properties that had a 10-year CNA update come due on March 15, 2020, or later. This postponement was originally put in place through September 30, 2020, under the Multifamily Housing COVID-19 Guidance as part of the Multifamily Q&A for COVID-19. The Memo extending the postponement has also been published on the guidance page.

- On December 21, 2020, OAMPO released a new memo, Rent Consultant Fees, to clarify that consultant fees for preparing a budget-based rent increase are not an allowable project expense. Such expenditures must be paid from the owner’s account. Consistent with past practice, the preparation of a budget, including a budget in support of a rent increase, is a management function; as such, expenses associated with consulting services for the preparation of a request for a budget-based rent increase are appropriately paid out of the management fee or another owner account. This memo is available in the Asset Management Policy library.

UPDATES, CLARIFICATIONS, & REMINDERS

- Properties that achieved a Green MIP rate must maintain their compliance by annually evidencing a score of 75 or higher with an Annual Adjustment Factors, FY 2021 which may be used to adjust baseline utility allowances prepared in accordance with Housing Notice 2015-04, are also available on HUDUser.

- OAMPO has posted revised Median Rent by Zip Code calculations (updated as of February 11, 2021). This is an Excel file which details, for each zip code area, the median rent amount and 140 and 150 percent of that amount. This information is used for Section 8 renewal purposes.

- On January 11, 2021, Multifamily Housing published a Section 202 Capital Advance Notice of Funding Availability (NOFA). There is $150 million available for construction, rehab, or remodeling of housing for low and very low income seniors, and the associated Project Rental Assistance Contracts to support ongoing operations. This program provides elderly persons with the opportunity to live independently, but with important voluntary support services such as nutrition, transportation, continuing education, and/or health-related services. The closing date is May 26, 2021.

- MAP Guide 2020 was published on December 18, 2020. Training webinars for the public will be staged by our Training and Technical Assistance contractor, ICF, with a digital theatre of 1,000 seats for each of an expected three webinar sessions. Each session will cover different sections of the MAP Guide. All training sessions will be recorded for post-use and re-use by the public.

- On November 20, 2020, the Enterprise Income Verification (EIV) system’s complications identified in RHIIP Listserv #450 were corrected. As of December 21, 2020, EIV’s data has been restored and is ready for use in accordance with Chapter 9 of HUD Handbook 4350.3. Users who were affected by this problem should retain a copy of RHIIP Listserv #450 message, along with RHIIP Listserv #454 for explanatory purposes, and file them appropriately. The Multifamily Help Desk is available for assistance by email at MF_EIV@hud.gov or by phone at 800-767-7588 or 888-297-8689, option 5.

- The CARES Act Service Coordinator and Congregate Housing Funding provided up to $10 million for service coordination and congregate housing services grants. HUD has made this funding available to all 2020 grantees to supplement their previously approved grants. September 11, 2020 was the deadline for grantees of the Service Coordinator and Congregate Housing Services Programs to request supplemental funding for the FY2020 operating period related to the preventing the spread of the virus and protecting service coordinators and residents.
Office Move & Current Work Environment

New Physical Address

➢ As of September 1, 2020, our office has officially moved to our new location at the Oil & Gas/Star-Telegram Building:

U.S. Department of Housing and Urban Development
Office of Housing – Multifamily
307 West 7th Street
Suite 1000
Fort Worth, TX 76102

➢ Going forward, all written and/or mailed correspondence must be sent to the address above.

MFH Telework Environment

➢ HUD Multifamily is still in a 100% telework environment. We will remain in this status until further notice.

Videos Now Available on Southwest Region Website

You may now view informational videos on Multifamily Southwest Region’s external website. Pre-occupancy conference videos are accessible via the Highlights section of the homepage and we anticipate adding more clips in the future. Our website also delivers the latest Account Executive portfolio assignments, division-specific highlights, links to previous issues of Industry E-Blasts and Housing Notices, and job openings within our Region.

COVID-19 UPDATE

HUD continues striving to provide you with the latest information on the COVID-19 pandemic and how it impacts you, your properties, and your residents. Please visit the Multifamily Housing homepage for updated guidance and clarification of HUD’s policies. New resources include:

➢ Updated Memo to Property Owners - CDC Order to Halt Evictions (February 1, 2021)
➢ Questions and Answers for Office of Multifamily Housing Stakeholders (January 4, 2021)
➢ CDC Order Resident Declaration Form - Multiple Languages (October 2, 2020)
➢ COVID-19 Guidance for Residents (September 24, 2020)
➢ Multifamily Production Closings – OGC Q&A (September 10, 2020)