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CHAPTER 7  
MANAGEMENT SPECIFIC TO MIP PROJECTS

- 7-1 Introduction. This Chapter provides the policies and procedures specific to management where HUD is MIP.
- 7-2 General Management.
- A. MIP projects must be managed and operated in the same manner as provided in this Handbook for HUD-owned projects, except for the items listed below. Treatment of projects in certain programs may differ, as seen in Chapter 8.
  - B. All program requirements and benefits under which the mortgage was insured, or direct loan granted, remain in effect.
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- 7-3 Payment of Expenses Incurred Prior to HUD's Possession.
- A. HUD generally does not pay for expenses incurred prior to HUD possession since the MIP Agreement (APPENDIX 2-1) provides HUD with the option of refusing payment on outstanding, unpaid bills. HUD also retains this right if possession was taken by HUD without execution of the voluntary MIP Agreement.
  - B. Payment of some expenses may be made providing:
    - 1. The DHM determines that the goods/services invoiced were reasonable and necessary for vital services;
    - 2. Documentation can be produced that these goods/services were received; and
    - 3. The DHM obtains approval in writing from the RHD to make such payments.
  - C. Upon written approval, payments will be made in accordance with the PMS User Manual. \*
- 7-4 Fiduciary Responsibility. If approval is granted by the RHD for HUD to take possession of a project as MIP, title still rests with the mortgagor and the mortgage and regulatory documents are still in place. In this case, HUD acts in a fiduciary capacity on behalf of the owner and must be guided by consideration of the owner's financial interests.

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7-5 Lease Terms and Leasing. Rental rates and services provided for in existing leases must be honored unless they are inconsistent with HUD policies and procedures for the program under which the mortgage was insured.

A. All new residents and residents renewing expired or expiring leases must execute a lease using the model provided in APPENDIX 5-2, for terms not less than one month nor more than one year. \*

B. Before authorizing the continuation of existing commercial leases, such leases should be reviewed by Field Counsel. A Model Commercial Lease is provided in APPENDIX 5-3. \*

7-6 Management Information Systems and Requests. Day-to-day income and expense information must be forwarded to PMS in accordance with the PMS User Manual.

Since HUD does not hold title to the project, frequently information must be forwarded to other HUD offices or the Courts.

A. The mortgage note on an MIP property continues to be serviced by MIAS. All advances by HUD and income collected are reflected on the mortgage note record in MARS. Information gathering is done by MIAS.

B. Staff must continue to service the mortgage while HUD is MIP and must notify the DHM of any significant problems or events which could affect HUD's management (or disposition) of the project.

C. The DHM must assure proper staff communication, especially if separate property disposition and loan management branches exist. Staff must regularly consult on MIP projects, especially if there is any action under consideration by the loan management staff which would require up to date physical or financial information, such as a transfer of physical assets or possible reinstatement.

D. If MIP is court-appointed, HUD may be required to provide income and expense accounting reports to the Court.

1. Since PMS contains the Department's official records for each project, and many reports can be printed locally from PMS, these requirements

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can often be met locally or Regionally.

If the court order requires submission of reports which cannot be printed locally, the Regional PMS Coordinator must request the information from the PMS GTM in the MFPD Division delineating the reporting requirements and frequency of submissions.

- 7-7 Tax Information for Owners. Since an owner is still entitled to the tax benefits of the project during MIP, upon an owner's written request the owner should be provided a PMS report of income and expenses for the project. Audited financial statements are not available from HUD.

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- 7-8 Project-Based Housing Assistance Payment (HAP) Contracts Offset Billing and Renewal Procedures for Mortgagee-in-Possession (MIP) Projects.

A. Billing Procedures.

1. For projects with project-based Section 8, the HAP Contracts must not be canceled. The RAD must be instructed not to "recapture" Contract and Budget authority remaining under the HAP Contract.
2. For projects where HUD is HAP Contract Administrator, the DHM, or designee, must within five days of HUD's taking management control of an MIP project, notify the RAD in writing that HUD has taken possession of the project. APPENDIX 7-1 is a sample format for this notification.
3. Section 8 offset payments should be mailed to the PMS Lockbox, address listed in the current PMS User Manual.
4. The GTR/GTM for the PM contract must assure that the PM:
  - a. Determines monthly the total amount of project-based Section 8 due for the upcoming month. Forms HUD-52670, 52671 and their supplementary forms should be used by the PM, in accordance with Chapter 6 of Handbook 4350.3, Occupancy \*

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- \* Requirements of Subsidized Multifamily Housing Programs.
- b. Submits the original completed, signed HUD forms required above to the RAD by the 10th day of the month preceding the month for which the payment is requested, in accordance with Chapter 6 of Handbook 4350.3.
  - c. Simultaneously submits a completed, signed copy of the Form HUD-52670, to the PMS Service Center, Attention: Accounts Receivable.
  - d. Continues to voucher for Section 8 payments for Section 8 Rental Certificate and/or Rental Voucher holders from the Public Housing Authority that is the contract administrator.
4. The PMS Service Center will establish a Section 8 receivable upon receipt of the Form HUD-52670. The form will be used by the Service Center to determine the amount of Section 8 due under all project-based contracts on the project, and relate that amount to the funds received from the RAD.
- B. Renewal Procedures
1. At least 18 months prior to the expiration of all Government rental assistance contracts, the DHM must assure that the PM takes all necessary actions to renew all said contracts that were in place at the time HUD became MIP.
    - a. For project-based Section 8 contracts, the PM must comply with Section 3-4 "Contract Expirations and Extensions" of HUD Handbook 4350.2 REV-1 "Section 8 Loan Management Set Aside Program for Projects with HUD-Insured and HUD-Held Mortgages" dated June 30, 1992.
    - b. If the GTR/GTM requires further expertise to complete the renewal request, he/she may

request assistance from the Loan Management  
Servicer that monitored the project before\*

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\* MIP status began, or from other sources as  
directed by the DHM.

2. For Rental Certificates and Vouchers, the PM  
must comply with the renewal requirements of the  
applicable program. \*
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