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Special Attention of:

HUD HQ and Field Office Multifamily  
Staff, Owners of FHA-Insured or  
Formerly Insured Projects in Default, and  
Lenders and Other Professionals  
Associated with Those Properties

**Transmittal** for Handbook No.: **4350.1 Rev-2**

Issued: August 31, 2012

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1. This Transmits:

This revision of Chapter 14 of HUD Handbook 4350.1 Rev-2 has been prepared to update, expand, and consolidate the Department's guidelines with respect to three types of workout programs for FHA-insured multifamily projects. The earlier version of Chapter 14 addressed significant, recent changes in the processing of PPCs, and creates and/or consolidates additional guidelines with respect to both modifications of FHA-insured multifamily loans in default ("Modifications") and restructurings of HUD-held notes on multifamily projects ("Restructurings"). All of these programs require the owner to enter into a 20-year HUD Use Agreement requiring 30% of the apartment units to be affordable to tenants earning no more than 80% of Area Median Income. Thus, these programs will enhance affordability and help to stabilize and sustain the projects financially for the long term.

The primary impetus behind revisions to chapter 14 is the recent consolidation of responsibility for workout programs in Multifamily's Office of Affordable Housing Preservation ("OAHP"). This consolidation was designed to place similar programs in a single office with multifamily workout experience, and to relieve the Field Offices of much of the responsibility for overseeing the complex transactions involved. The new process maximizes use of HUD's staff resources and skill sets, drawing first on the Field Offices' Project Managers' and Supervisors' first-hand knowledge of the projects and their markets, owners and management agents. Next it draws on the workout underwriting skills of OAHP's staff: This staff is comprised of a multiple level team with extensive workout experience. Closing and post closing activity remains with OGC, Notes Servicing, and Asset Management in Headquarters, facilitated by OAHP's Closing Coordinator.

The new Chapter 14 will help to convey all of the related information to affected HUD Headquarters offices and to the Field Offices that often initiate activity in workout situations. It will also promote understanding of HUD's workout program objectives and practices to project owners, mortgagee/servicers, attorneys and other industry stakeholders.