

APPENDIX 2. APPLICATION EXHIBITS

Applications for approval as a HUD-approved multifamily mortgagee. HFAs that are not HUD-approved mortgagees at the time of their application to participate in the pilot program must submit, concurrently, separate applications for approval to participate in the program and for approval to operate as a HUD-approved mortgagee. Application for approval as HUD-approved mortgagee must be submitted to HUD in accordance with the requirements established under 24 CFR 202.10 through 202.19.

Applications for participation in pilot program. Applications from HFAs for approval to participate in the pilot program under this part must contain:

1. Evidence that the application fee of \$10,000 has been wire-transferred to the U.S. Treasury in accordance with instructions in the Notice described in 266.10(a). This fee will not be refunded once the application has been accepted for review.
2. Opinion of legal counsel that the HFA has the necessary powers to participate in the pilot program. The opinion for an HFA with an overall rating of "A" on its general obligation bonds must also state that the general obligation will extend to the HFA's responsibilities under the Risk-Sharing Agreement and any debenture issued by the HFA to the Commissioner. If the opinion of counsel does not include this statement, the HFA must comply with the provisions of 266.110(b).
3. A copy of the HFA's procedures manual which describes, among other things, the manner in which the HFA will process mortgage loans, including their underwriting standards; a description of the approval process; the HFA fee schedule; a description of loan management, loan servicing, and property disposition activities; and the manner in which the HFA's and mortgagor's reserves and escrows (including letters of credit) will be established and controlled. The manual must also include a processing flow chart and an organizational chart.
4. A plan describing how the HFA will ensure the highest quality compliance with all HFA and HUD requirements for the origination, processing, underwriting, insurance of advances, cost certification, loan closing, construction and permanent loan management, servicing and disposition of all projects insured or proposed to be insured under this part and for monitoring all work performed by contract personnel, if any.
5. Identification of the individual responsible for the overall underwriting decision (chief underwriter), and the individual responsible for project management, loan servicing and property disposition (housing or asset management director). These functions may not be

contracted out by the HFA. The HFA may contract with outside sources for technical processing and loan servicing services. However, the application must demonstrate internal staff capacity to review and evaluate the work product of the contract sources and to make final underwriting, servicing, and property disposition conclusions.

6. A description of oversight by State or local governmental agencies.
 7. A copy of the HFA's administrative manual covering its investment policies and overall business and financial practices.
 8. A statement containing the number of units the HFA proposes to process to the Firm Approval Letter stage during the period requested by the relevant Notice of Invitation in the Federal Register.
 9. HFA declaration of the risk-sharing arrangement it has selected i.e., Level I, Level II, or both Level I and Level II.
 10. Documentation containing:
 - A. For HFAs that carry the designation of "top tier" or its equivalent, as evaluated by Standard and Poor's or any other nationally recognized rating agency, evidence of such designation;
 - B. For HFAs that currently receive an overall rating of "A" for its general obligation bonds from a nationally recognized rating agency, evidence of such a rating; or
 - C. For any other HFA, evidence, as described in paragraph 16 below, and the Questionnaire in Appendix 2.
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11. A certification from the HFA that it will at all times comply with the financial requirements in 266.110 and, where applicable, maintain required reserves in a dedicated account in liquid funds (i.e., cash, cash equivalents, or readily marketable securities) in a financial institution acceptable to HUD.
 12. Copies of audited financial statements for the HFA's last 3 fiscal years.
 13. Sample debenture form issued by the HFA.
 14. Certification in accordance with paragraph 2-1B.4 that the HFA does not fall into any of the categories delineated in 24 CFR Section 266.100(a)(6)(i) through (iii) relative to civil rights.
 15. Evidence of 5 years' multifamily underwriting experience.

16. Additional application requirements for HFAs without top-tier designation or overall rating of "A" on general obligation bonds - See Questionnaire in Appendix for further details. HFAs without top-tier designation or an overall rating of "A" on general obligation bonds must submit, among other things (in addition to the items described above), a description of the geographic boundaries served (e.g., city, county); a description of the organizational history which includes their authority to issue bonds and tax credits; length of time in business; general portfolio statistics; a description of all mortgage lending activities, including volume and default and foreclosure rates; structure; a summary of delinquent loans in the last 12 months and the present status of each; relationship to the State or local government, subsidiary or similar entity; and experience in multifamily housing. These requirements can be met through submission of the Questionnaire.