

Allocation of Assets to PAEs, PAE Payment Process

Executive Summary

Section 2-1

This Chapter describes the process for assigning individual assets to the PAEs. In addition, it provides general guidance to the PAEs on payment of invoices and where detailed information can be found.

Asset Allocation

Section 2-2

A. HUD Multifamily Hub or Program Center Actions.

1. One hundred and twenty (120) days before expiration of a Section 8 Contract, an owner submits Attachment 4 of HUD Notice 99-36 (or subsequent guidance) to the HUD Multifamily Hub or Program Center.
2. The Multifamily Hub or Program Center will confirm that the owner is not ineligible for Mark-to-Market due to suspension, debarment, or pending enforcement action.
3. The Multifamily Hub or Program Center will forward the owner submission to OAHP HQ, attention: Asset Assignment Specialist. OAHP HQ will acknowledge receipt to the Multifamily Hub or Program Center.
4. The Multifamily Hub or Program Center project manager will update the Real Estate Management System (REMS) to reflect the assignment of the project.

- B. **OAHP's Initial Asset Assignment Package.** OAHP sends out an initial asset package to each PAE. The package contains a number of documents to assist in the asset assignment process. After receipt of the package, the PAE will, among other things:

1. sign and return the Form 2.1, PAE Conflict of Interest and Civil Rights Action Certification, which is completed only once.
 2. complete Form SF 3881, ACH Vendor/Miscellaneous Payment Enrollment Form and return it to the OAHP's Headquarters, Attention: Voucher Specialist, so that payments may be directed to the appropriate financial institution. A new form is required when there is any change in the PAE's banking information.
- C. **Subsequent Assignment Packages.** Each assignment package thereafter will contain a list of potential assets (Form 2.9), which may be assigned to the PAE when the conflict of interest review has been completed. The PAE will complete the short form of conflict of interest certification (Form 2.2) for each of these assets and return it to OAHP for review.
- D. **Assignment of Assets.** After completing review of the Form(s) 2.2 and assessing the PAEs capacity, OAHP forwards the following materials to the PAE for the official assignment of assets:
1. Schedule of Projects. This schedule lists the asset(s) being assigned to the PAE and includes the type of asset (Lite, Full, or Comp Review). Two originals of this list are included. The PAE signs and dates both, and returns one to OAHP within two (2) business days from the date of receipt. The date the PAE signs the Schedule becomes the Acceptance Date of the asset(s) and that date should be entered into the M2M MIS system by the PAE.
 2. Asset file folders. OAHP provides a file for each asset that contains the information on that asset that was received from the HUD Multifamily Hub or Program Center.
- E. **Change of Asset Status.** To implement a change in asset status, such as from Lite to Full, or to remove an asset from the M2M program, the PAE must complete a Form 2.16 for the change in, or removal of, the asset. Note that when an asset assigned as a Lite changes to a Full, the PAE must obtain the new election from the owner before the Form 2.16 can be approved.
- F. **Properties on Hold.** PAEs may request a property be placed "on hold" due to impediments to the restructuring that are completely outside the PAE's control (and generally could not have been anticipated) that prevented the PAE from completing any work on the restructuring for a period of over 30 days. The hold action will freeze the property for all PRA required dates, including incentive dates.

1. The PAE shall request a property be placed on hold using the PAE PRA Hold Request, Form 2.17, which is submitted to the Debt Restructuring Specialist.
 2. The request to place a project on hold must include a description that is sufficient enough to justify the recommendation. The description should be brief, but sufficient enough to explain the problem, making it clear that the PAE is unable to move forward with processing.
 3. The PAE may request an effective hold begin date up to 60 days prior to the date the Form 2.17 is submitted, or the date due diligence is completed, whichever is later.
 4. OAHP will consider exceptions to these timeframes for extenuating circumstances for those projects where a retroactive hold may be warranted.
 5. The HQ's Director of Preservation, or his/her designee, is the final approving official for all Form 2.17 requests. The Debt Restructuring Specialist and Preservation Office Director will receive a confirming e-mail of the HQ Director of Preservation's, or his/her designee's, decision. It is Debt Restructuring Specialist's responsibility to advise the PAE of the decision. The PAE should not assume approval has been or will be granted prior to receipt of the confirming e-mail.
 6. Once a property is taken off of hold or a decision is made to convert to an Action Other than Closing, the Debt Restructuring Specialist and Preservation Office Director will receive an e-mail directing the appropriate action and a copy of the signed 2.17. It is their responsibility to advise the PAE and fax the PAE a copy of the executed Form 2.17.
 7. A copy of the approved Form 2.17 must be attached to all future invoice requests for incentive payments.
- G. Increased Costs for Hold Properties.** The PAE must submit a Form 2.15, OAHP Waiver, to the Debt Restructuring Specialist if the hold period will result in increases in the PAE base fees, third party reports or travel costs above those amounts allowed in the PRA.
1. Any Form 2.15 waivers that exceed PRA allowed amounts by \$15,000 or more must be submitted by the OAHP Preservation Office to the PAE Coordination Manager for approval by OAHP's Director of Preservation.
 2. A copy of the approved Form 2.17 should accompany the Form 2.15 waiver request.

3. The PAE compensation guidelines outlined below for deals reentering the M2M Program from a prior ATOC status may be applied to projects reentering from a prior hold status.
4. A copy of the approved Form 2.15 and the Form 2.17 must be attached to future invoices if invoiced base fee, third party report or travel costs exceed PRA allowed amounts.

H. Properties Reentering M2M. For projects reentering the M2M Program where the third party reports are less than 18 months old, the PAE must complete a Form 2.16, Letter from PAE to Request Change of Asset Status, and check the box “Reentry Project”.

1. When completing Form 2.16 for a reentry project, in the boxes under “Please explain the reason,” the PAE must:
 - a) Identify each of the remaining milestones and their projected completion date (either indicate specific dates, e.g., month/date/year, or the number of days by which each remaining milestone will be completed from the date the asset is reactivated by OAHP HQs).
 - b) Provide explanation to support that the project is now in a position to close.
 - c) Identify the base fees paid to date.
 - d) State the amount of additional base fees to complete the restructuring. If individual property circumstances warrant deviating from the fee guidance indicated below, the PAE must provide a detailed explanation to justify the fee.
 - e) Identify amounts needed for third party reports and travel costs, if the additional amounts will exceed the maximum amounts provided for in the PRA. Indicate the costs previously paid to date.
 - f) Attach the “M2M Critical Dates Tracking” for the subject project.
 - g) The owner’s “Contract Renewal Request Form” must accompany the Form 2.16, unless OAHP notifies the PAE that it has already received the owner’s election to reenter the M2M Program.
2. The PAE must submit the completed Form 2.16 to the appropriate OAHP Preservation Office for processing.
3. Once approved by the OAHP Preservation Office, the Form 2.16 will be submitted to OAHP HQ’s PAE Coordination Manager for review and approval.

4. Upon OAHP HQ's approval of the Form 2.16, an e-mail will be sent to the PAE and the OAHP Debt Restructuring Specialist advising that the project has been reactivated.

I. **PAE Compensation for Properties Reentering M2M.** In every reassignment of a reentry project, the PAE is required to fulfill all the requirements of their PRA. While the following provides guidance on PAE compensation based on the age of the third party reports at the time of reentry and addresses the need for an updated or new PCA report or appraisal, the PAE remains obligated to complete the necessary due diligence. For example, the PAE must obtain and review more recent financial statements; review changes in the partnership structure; review updated REAC scores and property management reviews; obtain updated input from the local HUD office, local government officials, etc.

1. When an appraisal is less than six months old at the time of reentry:

a) If only the due diligence component was previously paid, the PAE is entitled to the following additional payments:

- i. The reactivation fee of \$2,500 for properties reentering from a prior AOTC status (not applicable to properties reentering from a prior hold status).
- ii. The underwriting component of the base fee,
- iii. The closing component of the base fee, and
- iv. The submission and 8 and 9 month closing incentives, as outlined in the PRA.

b) If the due diligence and underwriting components were both previously paid, the PAE is entitled to:

- i. The reactivation fee of \$2,500 for properties reentering from a prior AOTC status (not applicable to properties reentering from a prior hold status).
- ii. The closing component of the base fee, and
- iii. The submission and 8 and 9 month closing incentives, as outlined in the PRA.

c) If none of the base fee was previously paid, then the PAE is entitled to the due diligence, underwriting, and closing components of the base fee, plus all the incentives, as outlined in the PRA.

d) In the unusual instance where the PAE has been paid the full base fee for a property reentering from a prior AOTC status, the PAE is entitled to:

- i. The reactivation fee of \$2,500 for properties reentering from a prior AOTC status.
 - ii. The 120-day closing incentive, as outlined in the PRA.
 - iii. On a project specific basis, the closing component of the base fee.
2. When an appraisal is 6-12 months old at the time of reentry:
 - a) If only the due diligence component was previously paid, the PAE is entitled to the following additional payments:
 - i. The underwriting component of the base fee.
 - ii. The closing component of the base fee, and
 - iii. The submission and closing incentives, as outlined in the PRA.
 - b) If the due diligence and underwriting components were both previously paid, the PAE is entitled to:
 - i. Half the underwriting component of the base fee (the PAE will be required to make calls to confirm the appraisal and the PCA report are representative of the market and of the property. If those calls lead to the PAE recommending an update to the appraisal and the PCA report, the OAHP PAE Coordination Manager may agree to a larger fee, plus
 - ii. The closing component of the base fee, and
 - iii. For incentive fees,
 - a. The closing incentive for closing within 120 days of reassignment, as outlined in the PRA, is available for properties entering from a prior AOTC status.
 - b. The submission and closing incentives, as outlined in the PRA, are available for properties reentering from a prior Hold status.
 - c) If none of the base fee was previously paid, then the PAE is entitled to the due diligence, underwriting, and closing components of the base fee, plus all the incentives, as outlined in the PRA.
 - d) In those instances where the PAE has been paid the full base fee for a property reentering from a prior AOTC status, the PAE is entitled to:
 - i. The reactivation fee of \$2,500 for properties reentering from a prior AOTC status.
 - ii. The 120-day closing incentive, as outlined in the PRA.

- iii. On a project specific basis, the closing component of the base fee.
3. For properties reentering M2M with an appraisal that is 12-18 months old at the time of reentry:
 - a) A \$2,500 fee for updating the due diligence, plus
 - b) The underwriting component of the base fee (the PAE will be required to get an update to the appraisal and the PCA report), plus
 - c) The closing component of the base fee, and
 - d) The submission and closing incentives, as outlined in the PRA.
4. For properties reentering M2M with an appraisal that is more than 18 months old at the time of reentry, the PAE will be entitled to:
 - a) The full base fee (the restructuring process must be restarted from the beginning, with new due diligence reports required), and
 - b) All the incentives, as outlined in the PRA.

PAE Payment Process

Section 2-3

- A. **Invoicing Forms/Detailed Guidance.** Detailed invoicing guidance is available in the M2M PAE Invoicing Material binder (dated June 2004). Copies of this binder will be distributed to each PAE. This binder includes:
 1. The invoicing processing flow and timeline.
 2. The forms applicable to the invoicing process, their purpose and the processing flow of these forms. Electronic copies of the forms (with the exception of Form SF 3881) are available via the OAHP web site at: <http://www.hud.gov/OAHP/readingrm>.
 3. Various guides to assist the PAE in invoicing base fees, incentives, third party reimbursables, travel, etc.
 4. Sample invoices to demonstrate the proper method of invoicing various travel scenarios.
 5. References Form 2.13, Asset Payment Authorization, which has subsequently been eliminated inasmuch as the PRA clearly outlines the maximum fees that are eligible for payment.
- B. **Additional Guidance.** PAEs should direct requests for additional guidance and/or clarification on invoicing issues to their Debt

Restructuring Specialist Manager or the OAHP Resource Desk at resourcedesk@oahp.net.

C. General Overview.

1. Pre-Invoicing Activities. Upon execution of the PRA, OAHP will send the PAE a Form 2.12, which will provide invoicing instructions, the PAE contract number and the address of the OAHP Preservation Office to which they are to submit monthly invoices. OAHP will also provide guidance to the PAE on completing Form SF 3881, a form used to collect payee and financial institution information so that payments can be made electronically.
2. Asset Specific Invoicing. Form 2.14A is the general invoicing form used to request payment for asset specific restructuring activities. Form 2.14A includes Schedule A, which is used to track current and prior payments to the PAE to ensure that the fee structures established in the PRA are not exceeded.
3. Non-Asset Specific Invoicing. Form 2.14B is used by the PAE to request reimbursement for restructuring activities that pertain to more than one asset or to the PAE as a whole. The PAE should receive OAHP approval of these items prior to incurring costs.
4. Travel Reimbursement. OAHP will reimburse the PAE for both asset specific and non-asset specific travel. When requesting travel reimbursement, the PAE must attach a separate Government Travel Voucher for each individual requesting reimbursement of travel expenses. This Government Travel Voucher must accompany Form 2.14A or 2.14B, whichever is applicable.
5. Waivers. Invoices may not exceed the maximum amounts set forth in the PRA unless the PAE requests, and OAHP approves, a Form 2.15 waiver.
 - a) All waivers that exceed PRA allowed amounts by \$15,000 or more must be submitted to OAHP's PAE Coordination Manager for approval by HQ's Director of Preservation or his/her designee.
 - b) The approved request will be forwarded to the appropriate Preservation Office, who will maintain the original in their files, and provide a copy to the PAE.
 - c) If the request is denied by OAHP Headquarters, it will be returned unsigned to the appropriate Preservation Office with an explanation as to why the request was not approved. The Preservation Office will provide a copy to the PAE.

6. Invoice Submission. The PAE should submit a single original invoice and appropriate supporting documentation to the applicable OAHP Preservation Office. PAEs should submit only one Form 2.14A for each asset and/or one Form 2.14B for all non-asset reimbursables during the course of a month.
7. OAHP Review and Approval. Invoices will be reviewed and approved by the appropriate OAHP Preservation Office. Once the invoice is deemed acceptable for payment, the invoice will be submitted to the Voucher Specialist in OAHP Headquarters (HQs) for processing of the payment. Any amounts disallowed by OAHP will be explained to the PAE by the OAHP Invoice Specialist in the appropriate OAHP Preservation Office.
8. Payment. Once HUD requests the U.S. Department of Treasury to make a deposit to the PAE's account, OAHP HQs staff will issue an e:mail to the PAE. This e:mail specifies the invoices being paid and the approved invoice amounts. It also indicates that payment should be expected within 5 business days of the PAE's receipt of this notification.

Business Forms

Section 2-4

- 2.1 PAE Conflict of Interest and Civil Rights Action Certifications (Standard Form)
- 2.2 PAE Conflict of Interest and Civil Rights Action Certifications (Short Form)
- 2.3 - 2.6 Reserved
- 2.7 PAE to OMHAR Transmittal Letter re: Conflict and Capacity Review
- 2.8 Reserved
- 2.9 List of Potential Assets
- 2.10 - 2.11 Reserved
- 2.12 Transmittal Letter from OAHP HQ to the PAE with Invoicing Instructions
- 2.13 Reserved
- 2.14A PAE Payment Invoice – Asset Specific
- 2.14B PAE Payment Invoice – Non Asset Specific
- 2.15 OAHP Waiver Form
- 2.16 Letter from PAE to OAHP to Request Change of Asset Status
- 2.17 PAE PRA Hold Request