

Appendix Q:

Mark-to-Market Requirements for Section 236 Transactions and Reuse of IRP

- I. 236 Program Description. Projects originally financed under Section 236 (236) received monthly Interest Reduction Payments (IRP) from HUD. The IRP covered the difference between (1) the monthly payments to principal, interest and Mortgage Insurance Premium (P & I & MIP) at the coupon rate, and (2) the monthly P&I without MIP at 1% interest. Admission to 236 projects was limited to families whose incomes did not exceed the 236 income limits.
 - A. As operating expenses increased, Section 8 project-based assistance became necessary in many 236 projects to keep units affordable to low and moderate-income families. Most 236 projects in the M2M inventory are now 100% Section 8 assisted.
 - B. All 236 Projects must continue to operate as 236 projects through at least the remaining term of the original 236 financing. Compliance with the guidance herein satisfies this requirement.

- II. Applicability of this Appendix. This Guidance is:
 - A. **Applicable to Full restructuring transactions** in which 100% of the units receive Section 8 project-based subsidy.
 - B. **Not Applicable to Lite transactions** - MF Housing processes requests to reuse IRP in Lite transactions based on MF Housing policy guidance.
 - C. **Not applicable to partially assisted 236 projects.** For partially assisted projects, contact Preservation Office staff in OAHP HQ.
 - D. **Rules for Reuse of IRP in M2M Restructuring.** The following rules are applicable to all forms of reuse:
 - E. IRP cannot be spent faster in a M2M restructuring than under the original schedule. The total IRP disbursed by any point in time must not exceed the total that would have been disbursed by that same point in time under the original payment schedule. To reiterate, the schedule for IRP reuse cannot be even a few months shorter than the remaining term, as doing so would violate a statutory provision (e.g., if 135 payments are remaining, one cannot round the period for reuse to 11 years (132 payments) because this would require faster use of funds than permitted; one can round to 12 years).
 - F. **The total amount of IRP available to the project cannot be increased**, but less than the full amount may be used.

- G. **IRP cannot be used to pay a Mortgage Restructuring Note or Contingent Repayment Note (M2M debt)** when there is no fully amortizing first lien mortgage.
- H. **IRP cannot be allocated partly to debt service** and partly to the reserve for replacement.
- I. **IRP must be paid out in level monthly disbursements** over the term of the reuse.
- J. **No 236 rents can be increased a result of a restructuring.** Rarely in M2M, current rents for a particular unit type will be found to be below market. Increasing rents for a particular unit type, even though the overall rents are going down, may conflict with applicable 236 program requirements. Contact the Relationship Manager if you determine that avoidance of those rent increases impacts project feasibility.

III. Eligible Reuses of IRP. IRP may be reused for:

- A. **Debt service payments** when an amortizing first will continue to exist after the restructuring. That first may be new FHA insured or conventional takeout financing or a modification of the existing insured or HUD-held 236 loan. New takeout financing must be fully amortizing by:
 - 1. a single amortization schedule, with IRP payments spread evenly over the full term of the new takeout financing, or
 - 2. two separately amortizing pieces (a bifurcated schedule) within a single loan and mortgage).
 - a) One piece pays off in a shorter period and may have a different interest rate than the other.
 - b) Example: a total loan of \$1,500,000. The A piece of \$1,000,000 has an interest rate of 6% and pays off in 11 years (generally equal to the remaining term of the original IRP schedule). The B piece of \$500,000 has a market interest rate and pays off in 30 years based on cash flow projections.
- B. **Deposits to the Reserve for Replacement account**, no matter what type of first mortgage financing will remain after the restructuring (new takeouts, modifications, or when no amortizing debt in first position).
 - 1. IRP may replace or supplement required deposits by the owner to the reserve for replacement.
 - 2. The amount of IRP to be deposited to the reserve for replacements must be supported by the PCA analysis.
 - 3. PAE's must not over-fund the reserve for replacement account in order to reuse all IRP available.

IV. Determining the Optimum Reuse

- A. **OAHP** expects that the most efficient reuse of the IRP will usually be as debt service on one piece of a bifurcated loan. Any deal that models the IRP reuse using the bifurcated approach is therefore not required to model and compare alternate IRP reuse scenarios.
- B. However, the PAE still has responsibility for determining the optimum approach for each restructuring. After completion of modeling using the 236 bifurcation model, the PAE may convert the baseline bifurcation model to the standard model and try modeling the deal with IRP to reserve for replacements or a single amortizing first (see G. below).
 - 1. In determining the optimum approach for a specific project, the PAE should consider the entire deal, including but not limited to: the size of the FHA claim payment (or write-down if HUD-held), use or avoidance of exception rents, and the amount of IRP reused by the project.
 - 2. If the PAE recommendation is other than the bifurcation model, the PAE must address the options considered and conclusions reached in the narrative and retain copies of all relevant models. (The PAE cannot recommend an alternate reuse without first completing the 236 bifurcation model and comparing the results.)

V. Mandatory Modeling with the 236 Bifurcation Model

- A. **When beginning to restructure a 236 project that has not been previously modeled**, the PAE must use the 236 Bifurcation Model posted on OAHP's Webpage. (If an earlier version of the model has already been started, contact OAHP's MIS Department for assistance in converting to the bifurcated model.)
- B. **The 236 bifurcation model includes three 236 specific pages: Scheduled IRP, Bifurcation, and IRP Closing Exhibits.** It also includes flags, notes and changes to some descriptions/labels of columns or rows to clarify whether references to loan amount and debt service refer to the A piece, B piece, or both (especially on the DS & Loan Sizing and 2nd Loan Pro Forma pages). If there will be new FHA insurance, the MIP figure shown will be based on the total loan amount (A + B pieces) because all MIP will be paid by the owner out of cash flow.
- C. **Original IRP Schedule** – The PAE must input the monthly IRP payment amounts and dates from the original/current IRP schedule (obtained from the current lender/servicer) into the IRP Schedule worksheet. Do not just multiply the monthly IRP payment now being paid by the remaining term of the first. IRP amounts changed each year in the original schedule so inputting just the current payment will overstate the IRP amount available.
 - 1. The model calculates the total IRP available for reuse based on the anticipated closing date entered by the PAE on the Loan Input page. As that date is changed in the model, the funds available will also be adjusted automatically.

This will assist OAHF and the PAE in insuring that IRP funds are not overestimated.

2. Cell G8 asks for the first month that IRP is available for use toward the new mortgage. Enter the first day of the second month after the date of the mortgage. The first payment to principal and interest is also generally due on the first day of the second month after the date of the mortgage. The model automatically computes the maximum annual amount of IRP available per year and other data on this page.
- C. Definitions of A and B-piece:** The M2M underwriting model sizes the A-piece using the IRP payments and the B piece using cash flow/operations. All references in Appendix Q to the A piece of a bifurcated loan apply to the portion of the total loan amount sized based on IRP payments. The loan amount supportable by the IRP will typically be larger than the amount supportable by cash flow/operations and in some cases (especially deals requiring exception rent) there will be no B piece supportable by cash flow/operations.
- D. Sizing the A-piece - Bifurcation Page -** The model feeds the interest rate entered for the B piece from the DS and Loan Sizing page into C8 here. If the interest rate on the A piece is different (will often be lower, especially if bond financed) enter that rate instead. Enter the loan term to amortize the A piece. The model calculates the debt supportable by even monthly payments of IRP as debt service and prepares an amortization schedule for the A piece. The A-piece (IRP) will generally be sized based on:
1. the shortest possible amortization schedule in complete years, but never shorter than the remaining term of the original 236, (partial year amortizations, e.g., 15.5 years are not acceptable);
 2. a lower interest rate reflecting lender's consideration of direct payment of IRP by HUD, the full faith and credit of the federal government, and, in many instances, favorable terms related to bond financing;
 3. the full available IRP amount (i.e., no vacancy or collection losses deducted from IRP);
 4. a debt service coverage ratio of 100%; and
 5. do not deduct payments for MIP when sizing the A piece. If the new loan will be FHA insured, the model calculates MIP required on the total loan amount (both the A and B piece) and all MIP will be paid by the owner out of cash flow (see sizing the B piece below.)
 6. Since the 236 statute does not permit payment of IRP funds to owners, items c), d), and e), above cannot be adjusted by the PAE.
- C. Sizing the B-piece:** The B piece will generally have an amortization period, interest rate, and other terms reflecting standard M2M processing. However, the PAE should select a DSCR for the B-piece that reflects consideration of the fact that the DSCR on the A-piece is 100% (provides no cushion) and that, if FHA insurance is proposed, the total MIP for A and B pieces will come from cash flow.

1. Lines 66-69 of the 2nd Loan Pro Forma breakout the DSCR used in sizing the B piece and the overall DSCR based on the total loan amount (A and B). These calculations can assist PAEs in demonstrating to potential lenders that the loans meet their basic underwriting standards.
2. Lines 126-140 provide additional information to assist in determining adequacy of coverage levels for operating expenses, CRP, IPF, etc.
3. To achieve the necessary overall debt coverage on the B piece, the PAE will sometimes determine that no additional debt is supportable by cash flow, eliminating the B piece. It is still appropriate to use IRP to support first mortgage debt and continue to use the bifurcation model. (This will often occur when the restructured project requires exception rents but may also occur at market rent levels.) If there is no B piece, the PAE must adjust the term of the M2M debt to match the term of the first with only an A piece.
4. The OPG generally limits total amortizing debt after a restructuring to the appraised value of the property at the time of restructuring. The PAE should request a waiver of the OPG to exceed that limit when the bifurcated loan amount supportable by IRP and cash flow exceeds the appraised value.

VI. Optional Modeling of other Reuses of IRP

- A. The PAE may (not required) choose to model other IRP reuse scenarios in addition to the baseline bifurcation approach (e.g., IRP to the reserve for replacement account or a single amortizing first). To do so, the PAE must convert the baseline 236 bifurcation model to the standard M2M underwriting model. Refer to step by step instructions for conversion on the last worksheet page (“Create Standard Model”) of the 236 bifurcation model.
- B. When modeling IRP payments to the reserve for replacement account, the amount to be reused must be disbursed evenly over either:
 1. the term of the post-restructuring first lien (fully amortizing) mortgage, or
 2. the term of the M2M Mortgage Restructuring Note when it is in first lien position (no amortizing first lien), or
 3. the remaining term of the original 236. This may be appropriate where there are high anticipated reserve needs early in the loan term, and/or the need to build up the reserves and accumulate interest on reserves. Note: When deposits to the reserve are frontloaded in this way, the PAE must consider and address how reserve needs will be funded in the period after the exhaustion of the IRP.

VII. Updating IRP Amounts Prior to Issuing the Restructuring Commitment. The PAE must always update the model to reflect any changes in the estimated closing date prior to issuing the Restructuring Commitment and again prior to Closing. When the closing date is changed in the model, the amount of IRP available will automatically be updated as well as the sizing of the A piece. The PAE must include specific

language in the Restructuring Commitment regarding potential changes to the loan amount resulting from changes in closing dates (see J. below).

VIII. Closing Responsibilities Tied to IRP Reuse.

A. **No HUD Multifamily Housing involvement is necessary if IRP reuse goes:**

1. for payments to the Reserve for Replacement account, or
2. to support debt on new takeout financing that is a 223(a)(7) refinance or a 236 mortgage modification.

B. **OPG Appendix N Attachment 7** provides specific guidance on preparing the 290 form for a 223(a)(7) refinance when the loan has a bifurcated amortization schedule. (PAEs should enter the total amount of the first P&I payment due (total of A & B) in Item 14 and print to the right "SPECIAL AMORTIZATION REQUIRED". This notifies HUD's accounting staff to refer to the Mortgage Note and manually load the amortization schedules into the F47 data system.) Paragraph J. below provides language to be included in the Restructuring Commitment addressing required IRP related closing documents.

C. **OAHP and the PAE must coordinate** the IRP decoupling and reuse with Multifamily (MF) Housing staff in the appropriate HUD Hub or Program Center when IRP goes to support debt on new takeout financing that is neither a 223(a)(7) refinance nor a 236 mortgage modification. MF Housing refers to this reuse as "decoupling" the IRP from the original 236 loan so it can support other, amortizing, first lien debt. PAE coordination and follow-up with the owner and the local HUD office on the decoupling is essential. OAHP does not have legal authority to close the IRP reuse aspects of those deals – Housing must be involved. (Concern about coordination is not, on its own, an acceptable justification for re-using IRP instead for deposit to the Reserve for Replacement account.) If MF Housing must decouple the IRP:

1. The PAE must promptly notify MF Housing when IRP decoupling is required and request that MF complete the decoupling approval letter and prepare the appropriate closing documents.
2. The PAE must provide MF Housing with the M2M underwriting model for review.
3. The PAE must include language conditioning approval and closing on MF Housing's approval of decoupling consistent with the terms and conditions set forth in the Restructuring Commitment (see J. below)
4. The PAE must review MF Housing's decoupling approval letter and verify that it is consistent with the terms and conditions set forth in the Restructuring Commitment. Any discrepancies (e.g., a difference in the proposed IRP reuse schedule) must be resolved prior to closing.
5. MF Housing's Field Counsel will prepare the appropriate decoupling documents for execution at closing and oversee their execution.

6. MF Housing staff in the field should contact the appropriate Headquarters MF Housing staff for assistance:
 7. The HUD Closing attorney must promptly submit the new IRP schedule and documentation (to avoid delays in future IRP payments) to HUD's Office of Accounting Operations at HUD-CFO, Program Accounting Division, Room 3226, 451 7th St. SW, Washington DC 20005.
- D. **Language for Restructuring Commitment** and 223(a)(7) Firm Commitment (if applicable). The owner must be provided complete, written notification of the 236 requirements so that there is a clear record of what documentation is required for execution and all parties are clear on their responsibilities.
1. M2M Restructuring Commitment - Suggested wording for Item 13 of the Restructuring Commitment (Special Conditions), including identification of documentation required for closing, follows in J.3. below.
 2. 223(a)(7) Firm Commitment - If the proposed takeout financing will be FHA insured under 223(a)(7), the language in J.3. below must also be included by the PAE in the special conditions section of the 223(a)(7) Firm Commitment.
 3. The following describes how the PAE should complete the suggested language that follows for the appropriate Commitments:
 - a) For ALL 236 projects, insert the language in A through D below plus the applicable paragraph from E below plus the applicable paragraph from F below.
 - b) Instructions and guidance for the PAE is provided within [brackets] and should not be included in the final document/conditions.
 - c) Insert data as instructed where italicized and underlined.
 - d) Where attachments are required, we have provided [instructions] identifying where to find those draft documents. Number them in accordance with the instructions in the Restructuring Commitment (e.g., Attachment 1, 2, 3, etc).

IX. Special Conditions for projects originally financed under Section 236.

- A. **Effective** enter closing date the 236 basic rents for this project are enter new section 8 rents by bedroom size.
- B. **Effective** enter closing date the 236 market rents for this project are : enter new section 8 rents by bedroom size. [same as A above]
- C. **These new 236 rents, as well as the new Section 8 rents must be reflected by the owner on the Rent Schedule, form HUD-92458**, which must be submitted with the Owner's first voucher for payment under the new HAP Contract.
- D. **The Owner** is required to continue to operate the project as a 236 through enter date , except that if new takeout financing is provided that requires decoupling the

- IRP from the 236 loan to support payments toward other debt, this date shall be as specified in the decoupling approval and contract documents executed at Closing. [Insert the later of the following dates: 1) the end of the original 236 mortgage term, 2) the end of the new 223(a)(7)/236 mortgage term (if a bifurcated loan, use the term related to the IRP payments), or 3) the end of the modified 236 mortgage term]
- X. Regulatory Agreement and M2M Rider. [Insert one of the following paragraphs, based on the anticipated take-out financing reflected in this Restructuring Commitment as Item E (and renumber subparagraphs appropriately).]
- A. **This 236 loan is being refinanced pursuant to 223(a)(7).** At Closing, the Owner must execute the following documents:
1. **New 236 Regulatory Agreement, copy attached.** [Use the 7-77 edition of the same form number as the original Agreement (e.g., HUD 93135 for NP, 93136 for LD), unless the type of mortgagor entity will change as a result of a TPA. Hard copies can be obtained from OAHP's Closing Team. Electronic files for those forms are available in Standard Legal Documents section, OPG Chapter 7 on the OAHP website (not available from HUDCLIPS).]
 2. **M2M Rider** to the 236 Regulatory Agreement, copy attached. [Copies available from the Standard Legal Documents section, OPG Chapter 7 on the OAHP website.]
 3. The same form of Regulatory Agreement and Rider required for the first will be executed for the M2M Mortgage Restructuring Note and Contingent Repayment Note.
- B. **This 236 loan is being modified (not paid off)** and the existing 236 Regulatory Agreement will remain in place. At Closing, the Owner must execute:
1. M2M Rider to the 236 Regulatory Agreement, copy attached. [Copies available from the Standard Legal Documents section, OPG Chapter 7 on the OAHP website.]
 2. The same form of Regulatory Agreement and Rider required for the first will be executed for the M2M Mortgage Restructuring Note and Contingent Repayment Note.
- C. **This 236 loan is being paid off** (or written off if HUD held) and refinanced with takeout financing that is not a 223(a)(7) insured loan. [(e.g., 221(d)(3) or (4), 223(f), conventional, Risk Sharing)]. The basic M2M Rider to the Regulatory Agreement will be executed at Closing [not the 236 Rider].
1. If the takeout is FHA insured (223(f), 221(d)(3) or (4)), the local HUD office processing the loan application will address the appropriate documentation (e.g., Regulatory Agreement) for the new first in their approval and ensure those documents are executed at Closing. The PAE attorney must prepare the following documents for execution at Closing:

- a) (The basic Rider to the Regulatory Agreement – as a supplement to the Regulatory Agreement prepared by MF Housing. [not the 236 Rider]
 - b) Regulatory Agreements and Riders for the M2M Mortgage Restructuring Note and Contingent Repayment Note. Use the same form of Regulatory Agreements that MF Housing prepares for the new FHA insured first, and the basic M2M Rider for each.
2. If the new takeout is not FHA insured, use the form HUD-92465 and the basic M2M Rider to the Regulatory Agreement [not the 236 Rider] for the M2M Mortgage Restructuring Note and Contingent Repayment Note.
- D. **This 236 loan is being paid off or totally written off and there will be no amortizing loan in first lien position after the restructuring.** The original Regulatory Agreement will be released. Use the form HUD-92465 and the basic M2M Rider to the Regulatory Agreement [not the 236 Rider] for the M2M Mortgage Restructuring Note and Contingent Repayment Note.

X.IRP Reuse. [Insert one of the following paragraphs, based on the anticipated reuse of IRP reflected in this Restructuring Commitment as Item F (and renumber subparagraphs appropriately).]

- A. **IRP will be reused for payments** to the Lender for debt service on insert “the new 236 insured financing pursuant to 223(a)(7)” or “the modified 236 mortgage”. [Go to 2. below if IRP reuse goes to support any other type takeout financing.]
1. HUD will disburse from time to time for the benefit of the Project, IRP Funds in the aggregate amount of \$_insert cumulative total \$ being reused _, to be disbursed as __insert total # of monthly payments__ level monthly payments of \$_insert monthly amount__, except that in no event shall the amount committed for reuse exceed the actual IRP amount remaining and available for reuse from the original 236 project allocation as of the actual closing date. These amounts are based on IRP available assuming a projected closing date of _insert estimated closing date used in analysis. If the actual closing date changes the total IRP and monthly amounts will be adjusted by the PAE and this Commitment must be amended accordingly.
 2. The contract for reuse is reflected in the 236 regulations at 24CFR236.501 which provides as follows: “This subpart shall constitute the interest reduction payment contract between the mortgagee and the Commissioner with respect to a mortgage insured under section 236 of the National Housing Act. The endorsement of the mortgage for insurance shall constitute the execution of the interest reduction payment contract with respect to the mortgage being insured.”
 3. Upon Closing, the PAE Closing Attorney must provide HUD’s Office of Accounting Operations (HUD-CFO, Program Accounting Division, Room

3226, 451 7th St. SW, Washington DC 20005) with copies of the following documentation:

- a) the IRP Closing Exhibit page of the 236 bifurcation model. (If IRP reuse is not based on results of this model, prepare and submit a new payment schedule for the approved reuse; and a copy of the original amortization schedule.)
 - b) a copy of this Restructuring Commitment; and
 - c) the operative 236 Regulatory Agreement.
4. If the original 236 mortgage is HUD-held and will be modified as part of the restructuring, a copy of the IRP documentation must also be sent to Data Prompt Services (HUD's servicer for HUD-held loans) so they can adjust their monthly billing to HUD for future IRP payments. Submit to Data Prompt Services, 11911 Tech Rd., Silver Spring, MD 20914-1961.
- B. IRP will be reused for payments** to the new Lender for debt service on an amortizing first lien loan that is neither a 223(a)(7) of a 236 nor a modification of an existing 236 loan. MF Housing staff must process the IRP reuse for this project. (MF Housing refers to this as “decoupling” the IRP from the original 236 loan so it can support other, amortizing first lien debt.) The owner must promptly submit a request for decoupling to the local HUD MF Housing office with jurisdiction so that they can simultaneously process the IRP decoupling. The PAE will provide MF Housing with information from the M2M underwriting model for use in reviewing the decoupling request. This Commitment is conditioned upon MF Housing’s approval of the IRP decoupling as described herein and the owner’s execution, at Closing, of contract documents which implement the IRP decoupling and reuse of IRP as follows:
1. HUD will disburse from time to time for the benefit of the Project, IRP Funds in the aggregate amount of \$_insert cumulative total \$ being reused _, to be disbursed as __insert total # of monthly payments__ level monthly payments of \$_insert monthly amount__ except that in no event shall the amount committed for reuse exceed the actual IRP amount remaining and available for reuse from the original 236 project allocation as of the actual closing date. These amounts are based on IRP available assuming a projected closing date of _insert estimated closing date used in analysis. If the actual closing date changes the total IRP and monthly amounts will be adjusted by the PAE and this Commitment must be amended accordingly.
 2. The PAE must verify that the terms and conditions of MF Housing’s decoupling approval letter are consistent with this Commitment. Any discrepancies must be resolved prior to Closing (e.g., if different amortization schedule, etc.). MF Housing’s Field Counsel will prepare the appropriate decoupling documents for execution at Closing and handle that aspect. [Do NOT attach the 236(s) grant and use agreement! – the Decoupling Approval will include copies of the appropriate, different documents for the owner to sign]

3. Upon Closing, the PAE Attorney must retain copies of the decoupling approval letter and the executed documents related to the decoupling for the docket file. MF Housing's Field Counsel will provide the necessary paperwork to implement the change in IRP payments related to the decoupling to HUD's Office of Accounting Operations (HUD-CFO, Program Accounting Division, Room 3226, 451 7th St. SW, Washington DC 20005).
- C. **IRP will be reused for payments** to the Lender for deposit into the Project's Reserve for Replacement Account (the "Reserve Account").
1. HUD will disburse, from time to time, for the benefit of the Project, IRP Funds in the aggregate amount of \$insert cumulative total \$ being reused , to be disbursed as insert total # of monthly payments level monthly payments of \$insert monthly amount except that in no event shall the amount committed for reuse exceed the actual IRP amount remaining and available for reuse from the original 236 project allocation as of the actual closing date. These amounts are based on IRP available assuming a projected closing date of insert estimated closing date used in analysis. If the actual closing date changes the total IRP and monthly amounts will be adjusted by the PAE and this Commitment must be amended accordingly.
 2. At closing, the Owner must enter into a 236(s) Grant Agreement and 236(s) Use Agreement. These documents address the statutory requirement that the owner continue to operate the Project as a 236 for a period not less than the remaining term of the original 236 mortgage. Copies of the grant and use agreements are attached. An IRP reuse schedule reflecting the above terms and conditions will be an exhibit to the 236(s) Grant Agreement. [Copies available from the Standard Legal Documents section, OPG Chapter 7 on the OAHF website (entitled M2M 236(s) grant agmt and use agmt).]
 3. Upon Closing, the PAE Closing Attorney must provide HUD's Office of Accounting Operations (HUD-CFO, Program Accounting Division, Room 3226, 451 7th St. SW, Washington DC 20005) with copies of the following documentation:
 - a) the new payment schedule for reuse of IRP (may use the schedule attached as exhibit to the 236(s) Grant Agreement);
 - b) the original amortization schedule (to cross reference the new schedule with the original project allocations);
 - c) a copy of this Restructuring Commitment; and
 - d) (4) copies of the executed Grant Agreement and Use Agreement.
 4. If the original 236 loan will remain HUD held, a copy of the documentation must also be sent to Data Prompt Services (HUD's servicer for HUD-held loans) so they can adjust their monthly billing to HUD for future IRP payments. (Submit to Data Prompt Services, 11911 Tech Rd., Silver Spring, MD 20914-1961.) This will occur either when:
 - a) a HUD held 236 mortgage is modified, or

- b) a HUD held 236 is totally written off and new takeout financing (amortizing debt) is not originated.