U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF MULTIFAMILY HOUSING



Use of the Limited Denial of Participation (LDP) - Housing Notice 14-05

The Office of Asset Management published a Housing Notice that provides clarity and instruction on an existing policy. The Notice specifies requirements & procedures for Multifamily field leadership to initiate proceedings for LDP's.

With this Notice, Multifamily intends to increase the use of the LDP process to ensure that borrowers that have made claims against the Insurance Fund are prevented from initiating new business with the Federal Housing Administration for at least one year.

Implementation of this notice will reduce the government's risk by restricting individuals or entities from participation in new business with the Department as a direct consequence of a failure to comply with HUD program requirements.

The Notice includes two correspondence templates which will create nationwide consistency:

- 1. *Request to show cause* sample letter for field leadership to send to a borrower, seeking an explanation of a failure to comply with HUD requirements.
- 2. Sample letter of a Notice of LDP describes the reasons for the sanction and gives instructions on how to contest.

Background

What is a Limited Denial of Participation (LDP)?

A limited denial of participation excludes an individual or entity from participating in a specific program or programs, within a HUD field office's geographic jurisdiction, for a specific period of time. A LDP is normally issued by a HUD field office but may be issued by a Headquarters office. The decision to impose a limited denial of participation is discretionary and based on the best interests of the federal government.

How does it work?

The Department maintains a list of individuals and entities that are subject to restrictions on doing business due to violating HUD requirements which caused a claim or a loss to the FHA Insurance Fund, or have failed to keep their property in acceptable physical condition. The Office of Multifamily Housing has not consistently pursued restrictions. This Notice provides procedures so that individual or entities doing business with The Office of Multifamily Housing are included on the listing, if appropriate. The list is maintained by the Departmental Enforcement Center and is posted on the HUD.GOV website.