



# Kentucky Housing Partner

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## Mr. HUD



Mr. HUD is off to another undisclosed location for the months of September and October. So in his absence, our dedicated editor asked me (Affordable Housing Guru) to fill in for him. And believe it or not, I already have questions from adoring fans:

Dear Affordable Housing Guru: Just what was that Miley Cyrus doing on the MTV awards? Totally Confused

Dear Confused: Ms. Cyrus was trying to shed her Hannah Montana image. And, as the Favorite Daughter of Kentucky's Favorite Son, we should totally support her....so done!!! She is No Longer Hannah Montana!

Dear Affordable Housing Guru: I understand many properties in Kentucky have taken advantage of the Interest Rate Reduction to greatly reduce the interest rate of the property's mortgage. My question is: are Mark-To-Market (M2M) properties eligible for the interest rate reduction? Wondering Owner

Dear Owner: M2M properties with an insured first are certainly eligible to request the mortgage servicer to process an Interest Rate Reduction. A reduction has the potential to increase surplus cash and increase the cash flow on the HUD Held Mortgage Restructuring Note (MRN). So....HUD would love to see more cash flow, so request an Interest Rate Reduction for your M2M property!

Mr. HUD wanted me to remind his adoring fans he will certainly be at the Multifamily Housing Conference on May 13-15, 2014. Michael Johnson and his Band of Merrymakers are actively planning a conference full of serious discussions of housing issues. Mr. Johnson is also planning to hold a full day instructional session on Monday, May 12, 2014. So be on the lookout for more information!

### Update Requirements for Prepayment and Refinance of Section 202 Direct Loans HUD Housing Notice 2013-17

The Section 202 Supportive Housing for the Elderly program provides rental housing to households in which the head of household is aged 62

and above. Over the 50 year history, 202 changed from loans to grants and the population served changed from moderate-income elderly households to very low-income elderly households.

## Section 515 Rural Rental Housing Annual Financial Statement Exemption

Per Housing Notice 2013-16, effective May 23, 2013, the owners of properties with Section 515 Rural Rental Housing loans from the United States Department of Agriculture (USDA) and a Section 515/8 New Construction HAP contract from United States Department of Housing and Urban Development (HUD) who have been required to submit annual financial statements to HUD will no longer be required to do so. Also, owners who purchase a property with a 515 loan and a 515/8 HAP contract will now execute a revised "Assignment, Assumption and Amendment Agreement of Section 8 Housing Assistance Payments Contract" which omits the financial statement being submitted to HUD. This Notice allows for a reduction in the financial burden of submitting multiple financial statements. These properties will only submit to USDA in their prescribed format.

The owners of all 515 Rural Rental Housing Program properties with 515/8 HAP contracts will remain subject to HUD's physical inspection requirements as well as standard Management and Occupancy Reviews.

### **Reduce Your Interest Rate Without Going Through a Full-Blown Refinance**

On April 22, 2013, FHA issued new guidance allowing select properties outside of the lockout period to benefit from historically low interest rates by requesting a rate reduction. The new guidelines apply to qualifying loans financed through the Section 223(f) or 223(a)(7) programs. The mortgage loan does not have to be in default to request the reduction.

A reduction in the interest rate will reduce the monthly principal and interest payment only. The maturity date will not be adjusted. For example, if you have a mortgage with a 5.5% interest rate and you have 20 years and 2 months remaining, your interest rate can be reduced to today's interest rates, but you will still have 20 years and 2 months remaining on your amortization schedule.

The lockout provisions for refinancing will not be waived. However, once the lockout period has passed, even if there are significant prepayment penalties for refinancing, you may request an interest rate reduction. Lenders are permitted to pay for a portion of the prepayment penalty through funds generated from trade profit (also known as "premiums" or "marketing gain").

Previously refinanced Section 202 projects can keep their MAHRA Act exemption. The debt service savings will remain in the project's operating account.

Processing time for an interest rate reduction is significantly faster than going through a traditional MAP refinance. After the HUD office receives a complete application, processing should be complete within 20 business days.

Contact your current lender for more details.

## Smart Appliances: Hot Water Hybrids



According to the US Department of Energy (DOE), water heating currently represents up to 17 percent of the overall national residential energy consumption. The water heater by itself is the second highest single energy user in the home, behind heating and cooling. Water heaters make up somewhere between 14% and 20% of the energy usage in the average home.

So what is a Hybrid heat pump water heater?

The electric hybrid heat pump water heater is designed to absorb heat from the ambient air to transfer it into stored water to a desired temperature for home or commercial heating. It uses less energy to transfer heat than it does to generate heat, thus creating energy savings.

An electric hybrid heat pump water heater has at least two modes of operation. It can either work through traditional electrical resistance heaters drawing 4500 watts, or in the heat pump mode drawing as little as 550 watts of electricity.

Continued on Page 5

## Social Sarah



Fall is here! I just love this time of year. The hot and humid days of summer are past us, the weather is finally turning cooler, and soon enough the trees will be showing their pretty fall colors. It's time for bon fires, hoodies, and pumpkin flavored everything!

Do you know what this time of year also means? It's time to start planning for Housing Management Conference 2014. The committee has already met once and it was great for me to get to see some of my friends. Hopefully in my next article I can share some more information on what the committee has planned for the next conference. I really miss all of you all and hope to get out to

some more properties for visits. I hope everyone is getting to enjoy this beautiful weather. Until next time.....

*Social Sarah*



## Update Requirements for Prepayment and Refinance of Section 202 Direct Loans

Notice 2013-17 applies to all prepayments, refinances and sale/acquisition transactions of Section 202 Direct Loan projects where prior approval of HUD is required for prepayment. The Secretary shall approved prepayment of any indebtedness under the loan as part of a prepayment plan where the sponsor agrees to

operate the project until at least 20 years following the maturity date of the original loan where the terms are at least as advantageous to existing and future tenants as was stated by the original loan agreement and/or HAP contract.

The Notice does not apply to Transfers of Physical Assets (TPAs) where the Section 202 Direct Loan remains in place at the project.

Requirements for all Section 202 Direct Loan prepayments requiring HUD approval include:

Section 202 Prepayment Use Agreement to remain in place until at least 20 years following maturity date of original loan.

From the date Owner assumes financial responsibility, financial reports must be prepared according to Generally Accepted Accounting Principles (GAAP).

If there is a Section 8 project-based HAP in place, the Owner and Hub/PC director must agree to terminate the current contract and execute a 20-year Renewal Contract including the Preservation Exhibit included in the Notice.

If owner anticipates requiring a rent increase, it must be submitted prior to the prepayment application.

If the Section 202 project will be owned by a for-profit limited partnership and the has a Section 8 HAP contract that has limitations on distributions, the Section 202 Owner will remain subject to the six present annual distribution limitation.

Where HUD approval is required for prepayment, and the transaction involves a sale/acquisition, there will be no restrictions on the use of sales proceeds from the transaction that flow to the selling Owner, provided that the transaction meets the requirements of the Notice.

If repairs, rehab or retrofit, the owner must consider the use of "Energy Star" appliances and components.

In a refinance, the Owner may modernized or retrofit the project structures, common areas or units.

If there are any additions or rehabilitation, specific accessibility requirements apply.

Projects have specific ownership structure requirements – either a non-profit 501(c)(3) or (c)(4) for a For-profit Limited Partnership where the sole General Partner is owned and controlled by a non-profit entity (see Notice for specific allowances).

HUD may allow a project sponsor to use any Residual Receipts held for that project in excess of \$500 per unit for the cost of activities designed to increase the availability or provision of supportive services.

The prepayment transaction will require an environmental review.

All prepayments must meet tenant involvement requirements.

If significant repair work or rehab is planned as part of the prepayment, the proposal may require temporary relocation of tenants.

HUD may only approve the prepayment of a Direct Loan with an interest rate greater than six percent for the purpose of reducing the debt service payment for the project. The Notice is very specific about what the proceeds of such a refinance can go toward – such as rehab of structures, provision of social services, construction of an addition, Developer's Fee, etc.

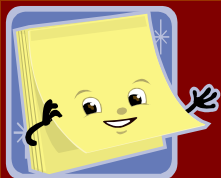
Direct Loans carrying an interest rate of six percent or less may request a prepayment in order to obtain new financing to address the physical needs of the project. There is no requirement that refinancing a Section 202 Direct Loan must include FHA mortgage insurance. Direct Loans may be refinanced using any third party source, as well.

The Notice can be found at:

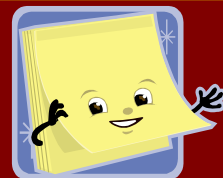
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/notices/hsg](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg)

For any questions, contact your Project Manager.





# Service Coordinator Notes



On August 15, the U.S. Department of Housing and Urban Development posted the Notice of Funding Availability (NOFA) for fiscal year (FY) 2013 funding for the Service Coordinators in Multifamily Housing for the Elderly/Disabled grant program. The amount available for new grants is \$7.5 million.

The Service Coordinator in Multifamily Housing Program provides funding for the employment and support of Service Coordinators in insured and assisted housing properties that were designed for the elderly or nonelderly persons with disabilities and continue to operate as such. Service coordinators help residents obtain supportive services from the community that are needed to enable independent living and aging in place. The deadline for applying for the NOFA is October 16, 2013.

Specific information regarding eligible applicants and other application information can be found here: <http://www.grants.gov/web/grants/search-grants.html>. Search by CFDA Number 14.191.

REMINDER: Semi-Annual Reports covering the period of April 1, 2013 to September 30, 2013, are due October 30, 2013. This includes the HUD-92456, Semi-Annual Performance Report Multifamily Housing Service Coordinator Program and the SF-425, Federal Financial Report.

If you have any questions regarding the Service Coordinators in Multifamily Housing Program, please contact Donna Dudgeon at 502-618-8117 or Sarah Andino at 502-618-8102.

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## Smart Appliances: Hot Water Hybrids

The goal is to provide hot water in the same way as a traditional water heater, but without sacrificing energy efficiency. Hot water is delivered without a warm up period and the units can work either in the heat pump mode or as a resistance water heater.

A drawback is that the unit is only currently available in 50 gallon and larger. While this is not ideal for most multifamily units, it would be a great addition to a community building. As technology increases I would suspect to see these units be produced in smaller sizes to be able to replace individual apartment units in the future.

Another drawback stems from the process of the unit creating hot water. In addition to dehumidification there is a slight cooling affect. While this will be beneficial in the summer, it may not be welcome in the winter. Some manufacturers have incorporated a "stop cold air" control that can allow the user to switch off the heat pump for a prescribed period of time during the winter.

The initial cost and installation of a heat pump water heater ranges between \$1500 and \$2,000. Professionals can search The Database of State Incentives for Renewables & Efficiency (DSIRE) to find dollar saving programs. DSIRE is "a comprehensive source of information on state, local, utility, and federal incentives and policies that promote renewable energy and energy efficiency."

# OAHP and Section 236 Properties

Article from the National Council of State Housing Agencies (NCHSA) website

On June 28, HUD Deputy Assistant Secretary for Multifamily Housing Marie Head released a memo announcing that effective July 1, the Office of Multifamily Housing will launch a centralized processing model for the majority of Section 236 preservation activities through the Office of Affordable Housing Preservation (OAHP) in HUD Headquarters. In an effort to expedite the HUD approval process for preservation transactions, Section 236 owners will no longer submit applications to the Multifamily Hub or Program Center. OAHP will continue to coordinate with these local offices, however, recognizing that they have established relationships with local industry members and have significant knowledge about the properties in their portfolios.

These changes will affect only Section 236 preservation transactions submitted to HUD Headquarters on or after July 1. Any preservation transactions that have been submitted to a Multifamily field office prior to July 1 shall remain with that field office for final processing. Furthermore, once all approved transactions for any Section 236 property have been executed, the property shall remain within the Multifamily Office of Asset Management servicing portfolio in HUD headquarters. Field Office servicing of the property will remain unchanged.

This modification of HUD's current Section 236 transaction procedures is authorized under a Re-Delegation of Authority memorandum signed by FHA Commissioner Carol Galante on June 28, 2013. The new procedures are designed to streamline how Section 236 prepayment applications and related requests are processed, and to dedicate HUD staff specifically to oversee the complex work involved in these transactions. These changes are procedural in nature. With the exception of the issuance of the Re-Delegation of Authority memorandum, HUD has not made nor requested any change in any other current Departmental policies, nor has HUD sought or made any change in any current statutes or regulations governing how these transactions are evaluated and approved.

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**What you may not know about APPS (Active Partners Performance System) and e2530 and Paper 2530 processing, but should...**

The following was posted on July 24, 2013, to the "What's New" link located in the navigation menu on the APPS Homepage:

The only internet browser that is compatible with APPS is IE 8 or lower. Google chrome and other types of browsers are not compatible with APPS.

Did you know...

- If you own or manage multiple HUD properties, flags on any of these properties will have an effect on your 2530 submissions and could keep you from doing future business with HUD. To keep on top of any flags, have your APPS Coordinator or User run an APPS Flag Report. If you have flags, work with your HUD Project Manager to get them cleared as quickly as possible. If you don't have an APPS Coordinator or User go to the Multifamily Coordinator and User Registration page at the following link to register.

[https://hudapps.hud.gov/public/wass/public/participant/partreg\\_page.jsp](https://hudapps.hud.gov/public/wass/public/participant/partreg_page.jsp)

- A new REAC Inspection software (4.0) has been implemented. With the release of this new software APPS cannot retrieve REAC scores on properties inspected with the new software. HUD is aware of the problem and is working with REAC on a fix. Until the fix is complete, APPS Coordinators will need to manually enter 2013 REAC inspection scores when updating their Previous Participation in APPS.

**Owner-Adopted Admissions Preferences for Individuals or Families Experiencing Homelessness**

The Department recognizes that chronic homelessness has affected families as well as individuals. It has expanded its initiative to reduce homelessness by revisiting the language in 24 CFR 5.655 (c) (1)-(c) (5), *Section 8 project-based assistance programs: Owner preferences in selection for a project or unit.*

The Office of General Counsel, Multifamily Housing, has broadened its interpretation of 24 CFR 5.655. It has been determined, that with HUD approval, owners can adopt an admission preference outside of those cited in the CFR. When adopting a preference to house homeless families, owners must consider project: eligibility, requirements, Tenant Selection Plans (TSP), Affirmative Fair Housing Marketing Plans (AFHMP), using a Homelessness Definition, limiting preferences to people referred by a partnering organization, use of Alternating Selection, Identifying preference-qualified applicants currently on the project's waiting list, verifying preference eligibility, property designations, and ensuring Fair Housing compliance.

Owners must submit a written request for an admissions preference to the local HUD Field Office, update the project TSP, and submit an updated AFHMP. . Refer to HUD Notice H2013-21, *Implementation and approval of owner-adopted admissions preferences for individuals or families experiencing homelessness*, for the requirements on submission and approval of admission preferences.

## Coming Back Home

(by Mike Crockett, August 21, 2013 [mikecrockett@hotmail.com](mailto:mikecrockett@hotmail.com))

An oversight after a surgical procedure in an Indiana hospital in 2006 left 66 year old Robert "Sam" Spade with a shunt remaining in his spine for three days. By the time the mistake was discovered an infection had taken hold inducing spinal meningitis and other problems. A critical life and death struggle ensued leaving damage that would haunt Sam for the rest of his life but the former restaurant owner survived. After some recovery in the hospital he was transferred to a nearby nursing home for rehabilitation but it soon became clear that his previously existing conditions and the new complications were going to require long term care.

Sam's sister Karen took over as his primary caretaker and had him moved south to a nursing home in their hometown of Middlesboro, Kentucky where she could visit him daily. This is where the story usually ends. Frequent visits by a relative to a loved one in long term nursing care. Often this stretches out over years and sometimes decades, but Karen and Sam took a different path.

**"The best nursing home in the world can't provide the quality of care that a loved one can give." was the way Karen Spade summed it up.** She praised the healthcare facility in Middlesboro where Sam, now 73 years old, was a resident. "They had him spoiled. They would pamper him but they also closely managed his medications and other medical treatments. It was very good care, the best he could get from a nursing home, but I was convinced that he could have better."



Karen was contacted by the Kentucky Transitions Program who administers the Money Follows the Person (MFP) Program for the state of Kentucky. The program has four main objectives:

- Get more people out of institutions and into family, home, and community based living.
- Work to change the rules and management of Medicaid funds so that money can be used more easily in the home, family, and community environment.
- Try to make home and family based solutions using Medicaid programs a real choice for families.
- Be watchdogs over the quality and types of care provided by Medicare funds outside of institutions.

Karen learned from the MFP staff that she could bring Sam out of the nursing home provided he got the type and level of care he needed to stay in good health. With funds from the Money Follows the Person Program a house across the street from her residence was modified for her brother to fit his needs and allow him to live in his own home. The Section 8 Housing Choice Voucher Program helps pay the rent.

Karen provides the care with help from qualified professionals including those from the local home healthcare agencies.

**Sam Spade has made remarkable progress since moving into his own home in February of 2013. His energy and weight have stabilized. Insulin is no longer needed to manage his diabetes. His sister Karen watches over him.**



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# OAHP and Section 236 Properties



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Applicable transaction requests that will be evaluated and processed by OAHP include:

- Requests for prepayment of FHA-insured and HUD-held Section 236 loans;
- Requests for HUD approvals on state agency Section 236 loans;
- Interest Rate Payment (IRP) decouplings;
- Flexible Subsidy deferrals;
- Post-transaction unit rent-setting;
- Unit rent increases of greater than 10 percent;
- Determination of excess income compliance;
- Housing Assistance Payment (HAP) assumptions;
- Issuance of Tenant Protection Vouchers (TPVs) and Enhanced Vouchers (EVs);
- Nonprofit fees and sales proceeds;
- Modifications to LIHPRHA/ELIHPA use agreements; and
- Unit conversion requests.

Section 236 transaction requests that will not be evaluated and processed by OAHP include:

- FHA-insured refinancing applications; and
- Requests for 236-related Payment of Partial Claims (PPCs) and the modification of HUD-held Section 236 loans.

The memo includes detailed information on the roles and responsibilities of, and resources available to Section 236 property owners under HUD's preservation strategy. In this section, the memo clarifies that for transactions involving any Section 236 loan held by a state HFA and which is not FHA-insured, the property owner should contact the state HFA that holds the loan in question. OAHP will process related requests for Section 236 transactions on state agency projects.

## Coming Back Home

(by Mike Crockett, August 21, 2013 [mikecrockett@hotmail.com](mailto:mikecrockett@hotmail.com))

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Coordinators from the Kentucky Department of Medicaid Services, Division for Community Alternatives, coordinates home visits to help with his care. The Kentucky Transitions Program uses the experiences and resources found from examples like Sam Spade to help others move from inside nursing homes into community based affordable housing with resources already allocated for their care.

The MFP program is being expanded by the Affordable Care Act so more help and more funding is on the way. You can learn more about the Money Follows the Person program by contacting the Medicare Service Center by telephone at (800) 633-4227 or by computer at [www.Medicaid.gov](http://www.Medicaid.gov). Ask or search for Money Follows the Person.

**The new options being demonstrated by Sam Spade and his sister Karen will provide ways for people to stay closer to their community, family, and loved ones, while still getting the long term care they need to be as healthy as possible.**



### Going Green Christian Care's Project Chapel House and Friendship House of Louisville



Chapel House and Friendship House of Louisville are located on Christian Care Community's downtown campus. Through performance contracting the properties received the following improvements:

- New interior, exterior , and resident lighting
- New plumbing fixtures
- New boilers
- New chillers/tower/pumps/PTACs/roof top unit

Five hundred residents of Chapel House, Friendship House, and Christian Health center are on their way to not only enjoying a new energy efficient campus but a more comfortable one as well.

Without sufficient cash flow for the approximately 2.7 million dollar project, traditional financing was not an option. With performance contracting the improvements will be paid from with the savings from the energy efficient improvements over a 15 year loan term. This energy savings performance contract is with Johnson Controls. The properties are projected to save about 26 percent in utility costs.

# Updates



## Change 4 to Handbook 4350.3

Change 4 to Handbook 4350.3 REV-1 "Occupancy Requirements of Subsidized Multifamily Housing Programs" is updated to include information on use of the Enterprise Income Verification (EIV) system; Violence Against Women Act (VAWA) requirements; Supplemental Information to Application for Federally Assisted Housing; and Rent Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs; Final Rule and requirements relating to admission of individuals subject to State lifetime sex offender registration requirements.

Please be on the lookout for HUD to issue a new transmittal clarifying some of the changes that have been made.



## PBCA Contract

No significant changes have occurred. On October 10, 2013 a judge will hear appeals. Currently, Kentucky Housing Corporation (KHC) is the only contract administrator (CA) that has bid on Kentucky for this round. If the court rules in favor of HUD, KHC is in a good position to become the CA. We do not have a confirmed time line of when we can expect KHC to resume all duties.



## Violence Against Women Reauthorization Act of 2013

The Violence Against Women Act (VAWA) has been included in the updates that are part of the Change 4 to Handbook 4350.3 REV-1. VAWA provides statutory protections for victims of domestic violence, dating violence, sexual assault, and stalking. Such protections apply to families receiving rental assistance under HUD's public housing and tenant-based and project-based Section 8 programs. The new guidance in the handbook does not discuss changes made through the Violence Against Women Reauthorization Act of 2013, one of which extends the Act to cover all HUD programs.

Read about the Violence Against Women Reauthorization Act of 2013 in the Federal Register link below. The comment period for the Act ends October 7, 2013.

<https://www.federalregister.gov/articles/2013/08/06/2013-18920/the-violence-against-women-reauthorization-act-of-2013-overview-of-applicability-to-hud-programs>



## Form HUD-9250

A new 9250 has been released. No changes have been noted but there is a new expiration date. The new form may be found by clicking on the link below.

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/forms/hud9](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms/hud9)

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