Great Lakes

U.S. Department of Housing and Urban Development Newsletter - Michigan

Special points of interest!

- Multifamily Mortgage Insurance Programs
- Return to Learn
- What We Do
- Revised Procedures for Submission of HUD-9807
- Place the FHA number on all correspondence for faster processing

INSIDE THIS ISSUE:

SPECIAL FEATURE

HUD Multifamily Mortgage Insurance Programs

How FHA Insurance Can Help You

This issue of Great Lakes Multifamily provides a brief look at HUD Multifamily Housing Development programs, Construction Inspectors, property snapshots, tips for a smooth closing, and HUD development staff.

There are several different types of FHA mortgage insurance programs available to owners. These programs fall into two general categories: programs used to refinance existing loans or to acquire existing properties, and programs used for new construction and substantial rehabilitation.

Programs for Existing Properties

Many existing HUD properties can benefit from refinancing to take advantage of the current low interest rates. These benefits may include:

- Reducing debt service requirements
- Increasing cash flow to the project
- Generating funds for repairs
- Increasing the Reserve for Replacement Account
- Extending the term of the loan

The Section 223 (a)(7) and 223 (f) programs are the two FHA programs which provide mortgage insurance for existing properties not requiring substantial rehabilitation.

Multifamily Hub News Staff

Multifamily Hub Director
Barbara Chiapella

Director, Asset Management
Patricia Russie

Director, Development
Patrick Berry

Editor-In-Chief
Susie Sapilewski

Design, Layout, Advisor
Phillip Hebenstreit

The Multifamily Hub News is distributed to Hub clients as well as other interested parties.

Newsletter comments may be directed to Phillip Hebenstreit at Phillip_hebenstreit@HUD.GOV

Subscriptions: The Detroit Multifamily HUB, "Great Lakes Multifamily" newsletter is published on a quarterly basis and distributed free of charge to registered subscribers. To subscribe please go to this website:

www.hud.gov/subscribe/index.cfm
Select
The Michigan Multifamily Newsletter

Contact Information:

Detroit: (313) 226-4900
Grand Rapids: (616) 456-2100

Section 223(f)

>Refinancing of projects while taking advantage of a long-term mortgage of up to 35 years or 3/4 of the project's remaining economic life, whichever is less.
> Can be financed with Government National Mortgage Association (GNMA) Mortgage-Backed Securities and may be combined with low-income housing tax credits and/or tax exempt bond financing.
> Permissible to use this program so long as there is no substantial rehabilitation required or if it does not involve the replacement of more than one major system.
> Ability to take advantage of lower interest rates and extend the term of the mortgage.
> Potential of equity take-out within LTV less than 80%
> Reduced principal and interest which will generate additional cash flow.
> All repairs, both critical and non-critical, are mortgageable.
> Existing health care facilities (Skilled Nursing, Intermediate Care, Board and Care, Assisted Living) may be acquired or refinanced under the Section 232/223 (f) program.
> The Section 223(f) program may also be used for the refinancing of existing projects originally funded under HUD's Section 202 Direct Loan Program (usually in combination with a Section 8 Housing Assistance Payments Contract). Loan-to-value and debt service coverage requirements for such projects are slightly more generous than those for other projects processed under Section 223(f).

Mortgage insurance applications under 223(f) and 232/223(f) programs are processed using HUD's MAP (Multifamily Accelerated Processing) Procedures.

Find Great Lakes Multifamily online

http://www.hud.gov/local/mi/working/localpo/mfhsg.cfm

Section 223(a)(7)

> Provides simplified refinancing of HUD-insured multifamily projects.
> Results in the prepayment of the existing insured mortgage and generates the endorsement of a new, refinanced insured mortgage.
> Designed for existing HUD-insured MF projects, with or without Section 8 rental assistance.
> Offers the opportunity to lower the interest rate from the original loan, which will lower the principal and interest of the mortgage resulting in greater cash flow to the project.
> Repairs that may be required and increases to the Reserve for Replacement Account can be included in the mortgage amount.
> One-half of the application fee is refundable after a successful closing.
> There is no inspection fee.
> Allows for the extension of the original term of the mortgage under certain limited circumstances.

Project Mortgage Insurance applications under the 223 (a)(7) program are currently processed using HUD's TAP (Traditional Application Processing) procedures.

New Construction and Substantial Rehabilitation

There are also several FHA insurance programs used for New Construction and Substantial Rehabilitation. Sections 221(d)(3) and Section 221(d)(4) are used for multifamily rental or cooperative housing. Section 220 is used for multifamily rental housing in urban renewal and redevelopment areas, and Section 231 is used for multifamily rental housing to be occupied exclusively by independent seniors aged 62 and over. Section 232 is used for New Construction and Substantial Rehabilitation of health care facilities. The charts below highlight the characteristics of these programs.

Section 221(d)(3) and (d)(4) and Section 220

> Assist private industry in the construction or rehabilitation of multifamily rental or cooperative housing for moderate-income and displaced families by making capital more readily available.
> Allows for long-term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgaged Backed Securities.
> Section 221(d)(3) is used by nonprofit sponsors and Section 221(d)(4) is used by profit-motivated sponsors.
> Insured mortgages may be used to finance the construction or rehabilitation of detached, semidetached, row, walkup or elevator-type rental or cooperative housing containing 5 or more units.
> Section 220 contains most of the same features as the 221(d)(3) and 221(d)(4) programs but is limited to certain locations, including urban renewal and redevelopment areas as well as RC/EZ/EC's.

Mortgage insurance applications under 221(d)(3), 221 (d)(4) and 220 are processed using HUD's MAP procedures. Cooperatives require use of TAP procedures.

Section 231

> Designed specifically to provide housing for independent seniors age 62 and over.
> Was long dormant but has seen renewed activity recently.
> Most aspects of this program are the same as the 221(d)(3) and 221(d)(4) program.
> Limited dining facilities are permitted but congregate housing of the sort once provided under HUD's former Retirement Services Center program are not permitted
> Mandatory meal programs are similarly not acceptable under this program.

Mortgage insurance applications under the Section 231 program are currently processed using HUD's TAP procedures.

Section 232 (Health Care Facilities)

> Insures mortgage loans to facilitate the construction and substantial rehabilitation of nursing homes, intermediate care facilities, board and care homes, and assisted-living facilities.
> Allows for long-term, fixed rate financing (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.
> Facilities must accommodate 20 or more residents who require skilled nursing care and related medical services, or those who, while not in need of nursing home care, are in need of minimum but continuous care provided by licensed or trained personnel.
> Assisted living facilities and board and care homes are also eligible and must contain a minimum of five accommodations or units.
> Section 232 Mortgage insurance applications are processed using HUD's MAP procedures.

Return to Learn

"Return to Learn" is another step in Govenor Granholm's effort to double the number of college graduates in the state. Getting people back in the classroom is vital to Michigan's economic growth and public prosperity, because states with the highest number of college graduates are also the states with the strongest economies and the lowest unemployment rates.

Govenor Granholm's website, www.michigan.gov/gov, will link prospective students to more than 25 participating colleges and universities in Michigan. In turn, each school will help students develop individualized "Return to Learn" plans that can guide them to degree completion.

Govenor Granholm is also trying to increase Michigan's current Education Credit from $1500 to $4000, which all Michigan residents may receive as a tax refund for college classes taken during the year.

What We Do

Supervisory Project Manager/MAP Team Leader (aka, Chief of Insured Production): Production Chief and Underwriter responsible for overall project development, from Pre-Application through Final Closing, for all FHA multifamily mortgage insurance programs; supervises the insured production team.

Multifamily Housing Representative: Coordinates processing of applications and helps "drive" all aspects of FHA multifamily insured project processing; and acts as HUD's single-point-of-contact for FHA lenders.

Architect/Cost Analyst: Reviews architectural/cost exhibits and HUD forms; examines engineering and other technical reports; recommends acceptance or rejection of A/E/C portion of the application Appraiser: Reviews Lender's Underwriting Summary; conducts desk review of the market study; inspects subject site and comparables to assess acceptability of the site or project for mortgage insurance and determined acceptability of rent and income estimates; reviews Lender's Phase I Environmental Assessment; prepares HUD Environmental Assessment and Compliance Findings for Related Laws (HUD-4128); For New Construction and Substantial Rehabilitation, reviews and determines replacement cost and makes preliminary determination of maximum insurable mortgage; recommends acceptance or rejection of the appraisal and market study.

Mortgage Credit Analyst: Reviews and determines: replacement cost (refinance and acquisition transactions); maximum insurable mortgage (final determination for New Construction and Substantial Rehabilitation, performs calculation for refinance and acquisition transactions); eligibility and acceptability of principals; credit and financial capability of principals; Previous Participation Certifications (2530); financial requirements for settlement; source (s) of funds to meet cash requirements. During and after construction period: Reviews draw requests and change orders; reviews and approves cost certifications.

Handy Tips for a Smooth Closing

It is said that time is money. This is true when it comes time to close on your new FHA Insured mortgage. You've gone through all the steps to get the mortgage you requested and now it becomes important to close in a timely manner. Too often important tasks are overlooked that delay closings. Here are some tips provided by Mark Levy of the Law Offices of Levy, Levy & Levy, at the 2005 Lender's Conference in Las Vegas:

1. Know your HUD Team and who the primary contact is for the closing in Multifamily Production. Understand the procedures of the office to ensure that all parties receive a closing package. Follow up with that individual to ensure that all the submitted closing documents were received. Stay in contact to determine the status of administrative clearance.

2. Ensure that complete closing packages are submitted. Partial packages can cause delay and confusion on the part of the reviewers. Include all title exception documents and a final draft of the mortgagor's attorney's opinion.

3. It is important to get things done prior to closing. Don't count on being able to resolve issues and fix documents on the day of the closing.

4. Lenders and borrowers should coordinate with third parties (title company, surveyor, city/county, and mortgagor's attorney). For surveys, the legal description in the survey must be identical to the legal description in the title policy; all easements reflected on the title policy must be reflected on the survey and vice versa. Make certain that the survey has been updated within 120 days of closing.

5. Make sure that the applicable HUD language is inserted into any organizational documents.

6. The zoning and building code letters should be within 30 days of closing.

These tips will assist in a smoother transition.

Major Change in Section 202 and 202/8 Direct Loan Refinances

In November 2004, HUD issued Housing Notice H04-21 which makes significant changes to the way HUD refinances existing Section 202 and 202/8 Direct Loan properties. These changes now make it more advantageous for owners of Section 202 Direct Loan properties to refinance their properties, and make them both physically and economically sustainable for up to 35 years.

Key changes include the following: Project may be underwritten based on existing Section 8 or comparable rental subsidy contract rents -- even when those rents exceed market rents; Developer Fee is now available; underwriting debt coverage ratio is now reduced to 1.1; greater flexibility on funding up-front 3rd party report costs using the Replacement Reserve Account.

Advantages of refinancing TODAY include the following: Lower interest rates to today's historically low interest levels resulting in more robust cash flow for the long-term; potential reductions in rent as a result of better cash flow; improved physical condition of property; improved quality of life for residents who are the ultimate beneficiaries; Developer Fee.

Revised Procedures for Submission of HUD-9807 Mortgage Prepayment

In June 2004, HQ issued Mortgagee Letter 2004-21, which streamlined requests for insurance termination. The Deputy Assistant Secretary for Multifamily Housing Programs delegated specific authority to Multifamily Hub Directors for review and approval of certain selected FHA-insured loans. The selected mortgages include: Section 232; Section 241; Section 207; and Section 220. The Mortgagee Letter also contains Appendix 1 that lists each program type and whether or not prepayment authority has been delegated to the Multifamily Hubs.

If an owner is anticipating prepayment of their insured mortgage, the mortgagee should first determine whether Headquarters or the Hub has prepayment authority. If authority has been delegated to the Hub, the mortgagee should fax form HUD-9807 to the Hub Director. To expedite the review process, these requests should be faxed to the Detroit Multifamily Hub at 313-226-2002, Attention: Barbara Chiapella Upon receipt of a request for prepayment, staff in the Multifamily Hub will verify that the Hub Director has prepayment authority and initiate internal HUD processing of the request. This Mortgagee Letter is the first in a series that will revise the HUD 9807 submission requirements.

Subscribe to

Great Lakes Multifamily Online

In order to receive future issues subscribe online now!

GO TO:

www.hud.gov/local/mi/working/localpo/mfhsg.cfm

Select "The Michigan Multifamily Newsletter", fill in your email address and select OK. A confirmation email will be sent to your address. After confirming you will receive future newsletters in your inbox.

Privacy statement: We believe in protecting your privacy. When you register for a mailing list, we won't share your email address with anyone outside of HUD Multifamily.

RHIIP and You

The Rental Housing Integrity Improvement Project (RHIIP) webpage has been recently updated. Two of the new items on the website are the Winter issue of the RHIIP newsletter as well as a Summary of Questions received regarding Handbook 4350.3 REV-1 requirements. The Summary of Questions has been categorized by topic and is a very useful tool for managers when researching occupancy issues. The RHIIP website also contains a Calendar of upcoming RHIIP training and seminars. The RHIIP website is at:

www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm

Calculating Imputed Income

It has come to our attention that not all properties are calculating imputed income from assets the same way. Handbook 4350.3, Chapter 5, specifies in paragraph 5-7.F.1.b. "A percentage of the value of family assets based upon the current passbook savings rate as established by HUD." This paragraph also states that HUD has established this passbook savings rate at 2%. Please make sure your properties are using the correct imputed income rate when calculating tenant income.

TRACS Updates

Historically, TRACS has considered as active any tenant certification that is not more than 15 months old. Under the TRACS automation rule, the formula for calculating percent compliance has used a 14-month window. TRACS will soon change the formula to use a 15-month window. This will mean that more tenant certifications will be considered active and that fewer vouchers will have payments withheld for failing to meet the TRACS compliance standard.

Use of Reserve for Replacement Funds for Section 202 Refinancing

We have received a number of requests for the use of Reserve for Replacement funds by Section 202 projects to fund third party Lender reports for the refinance of these projects using the Section 223 (f) program. HUD Headquarters has advised that the provisions of Notice 2002-16, Revised Prepayment of Direct Loans on Section 202 and 202/8 Projects with Inclusion of FHA Mortgage Insurance guidelines allow for the use of these funds under the following conditions:

• Replacement Reserve funds may be withdrawn only by the Owner, and only to pay for appraisal, PCNA, or other third party Lender reports directly applicable to the Section 202 project being refinanced.

• Withdrawal may not exceed $20,000 per project or actual cost whichever is lower.

• The Owner must provide a current 10-year Replacement Reserve schedule.

• The requested withdrawal must not lower the end-of-year Replacement Reserve Account balance below $500 per dwelling unit at any time over the 10-year period.

• Only the Owner may withdraw funds from the Replacement Reserve for third party Lender reports. The Owner may not withdraw funds from the Replacement Reserve to pay for pre-development costs.

• These procedures are available only to Section 202 projects to be refinanced pursuant to Section 223(f), and not to refinancing under other Sections of the National Housing Act or conventionally refinanced projects.

Operating Cost Adjustment Factor (OCAF) Clerifications

Headquarters recently clarified how OCAF adjustments for properties that have completed a Mark-to-Market restructuring should be handled. The debt service on the new amortizing mortgage should be used in the OCAF calculations.

Revised Policy – Pension Plans for Front-Line Staff

On February 25, 2005, the Office of Asset Management issued a change to Handbook 4381.5 REV-2, Chapter 6.38e(2)(c.), "Retirement Accounts for Front-Line Staff." The significant issues included in this change are:

• An increase in maximum contributions to pension accounts from five percent to ten percent maximum; and

• A decrease in the number of hours an employee must work to be considered full time for pension purposes.

Further information can be obtained from www.HUDClips.org, Notice H 05-08.

Just a reminder

When you refinance a property with HUD and obtain a new loan number, please remember to send in correspondence and reports with the new FHA number to cut down on processing time.

Headquarter's List of Useful Information on Inspections

Recently Headquarters provided field staff with a list of useful information we'd like to share with our readers.

- It's important that owners understand the REAC inspection process. If they know the 3-2-1 cycle of inspections they can prepare for an upcoming inspection. They should know that every year the random sample of units will be different so they should not just fix what was broken on the last inspection.
- If a property is under HUD approved rehab, we can postpone an inspection. We don't want to inspect while major work is in progress. However, we will not postpone an inspection in anticipation of rehab, TPA, HAP transfer, OHAP restructure, refinance or prepayment.
- If a property gets two REAC inspection scores under 60, we WILL take some kind of enforcement action. So if they get a first score UNDER 60, they should take the NOV/NOD from the DEC seriously. Again, they should not just fix what was on the previous inspection as we do an entirely new inspection with a new/different sample.
- Before we approve something in Headquarters or consider enforcement action for a troubled property, we review the administrative record. We now have more than 7 years of physical and financial information at our fingertips in REMS.
- We no longer will tolerate troubled properties. Our policy is to foreclose or sell the note or take appropriate enforcement action.
- If, when doing an inspection, the owner is unable to open a unit to be inspected because keys are not available, we will give a zero for that unit. Owners should have keys for all units for emergencies.
- Lots of interesting REAC information is on the REAC web site. One in particular is what items of inspection cause the most problems during an inspection. Reading this will help owners prepare for an inspection.
- We flag in 2530 if a property gets a score under 60 or fails to certify after an EH&S and referral to the DEC.
- We do not waive financial statements. Failure to file results in an immediate referral to the DEC. Again, the administrative record is important when considering enforcement action by the DEC.
- Overall REAC scores are improving. More scores above 90s, above 80s and fewer failing. That's the good news.
- As for as the REAC inspection is concerned, we make no exception for COOPs.

Charges for late Payments and Returned Checks

There appears to be some confusion about whether all subsidized properties can charge tenants for late payments and returned checks or whether this authority is limited to only some properties. To clarify, only the HUD Model Lease for Subsidized Programs (Family Model Lease) found in Appendix 4 of Handbook 4350.3 contains language (Paragraph 5) authorizing charges for late payments and returned checks. The HUD Model Leases for 202/8, 202 PAC, 202 PRAC and 811 PRAC properties do not contain this language. This issue was addressed in the May 24, 2005 Memorandum from Stillman Knight, subject: Summary of Questions from Handbook 4350.3 REV-1 Multifamily Mailbox. Below is the question and response.

149. Question: Can a 202/8, 202 PAC, 202 PRAC or an 811 PRAC property charge late fees as part of their rent collection policy? Can these properties charge a fee for a check that is not honored for payment?

Answer: No. The Section 202/8 and PAC lease (Appendix 4-B), the Section 202 PRAC lease (Appendix 4-C) and the Section 811 PRAC lease (Appendix 4-D) do not contain a provision allowing late fees or return check fees. A HUD legal opinion states that the regulations for 202 and 811 do not allow for fees and therefore none may be charged. Fees were intentionally omitted from the lease and the fees may not be added to a lease addendum or house rules.

Owners of properties inappropriately charging late fees must immediately stop doing so. In addition, any late fees improperly charged after May 2003, must, wherever possible, be reimbursed.

Computer Tip – Free Office Suite

Download a free Office Suite and word processor from:

www.openoffice.org

A high-speed connection is required for downloading, but the software can be freely distributed on a CD-R or CD-RW disc and installed on any modern computer.

Preservation Update

It is time to "toot our horn" so to speak and congratulate many owners who chose to preserve their properties as affordable housing over the past fiscal year. During this fiscal year, we preserved seven Section 236 properties totaling 1,533 units with average rehabilitation of $10,000 per unit and six Section 202 refinances totaling 596 units with average rehabilitation of $3,000 per unit Since the preservation committee was formed we have preserved thirty-eight properties totaling 5,460 units. Preserving affordable housing has become increasingly important as federal priorities have shifted and new money for affordable housing is in scarce supply. In Michigan, we have set a priority on offering preservation as a viable option for as many properties as possible. Over the past several years, we have begun to market our loan programs to properties with existing subsidy contracts with HUD. Over the next twelve months, HUD staff will continue to call owners and invite them into the office to discuss FHA refinancing as well as preservation programs that can be used in conjunction with refinancing. If you have an affordable property that you would like to refinance, please feel free to call Patrick Berry at 313-226-4900 x8155 to
discuss FHA's loan programs or Susie Sapilewski at 616-456-2100 x2138 to discuss preservation programs that can be used.

Happy Holidays from the Michigan Department of Housing

Asset Management Corner

Management Agent Meetings
The Michigan HUB has instituted a new practice of scheduling meetings with large management agents to discuss issues that pertain to their properties or HUD policies. These meetings will be conducted bi-monthly and will include all HUD staff who have responsibility for oversight of the agent's portfolio. We believe that these meetings will increase the level of communication between the HUD staff and the management agents allowing for a better working arrangement. If your company is selected, you will receive formal notification in the mail and will have an opportunity to add any pertinent agenda items. Please call Susie Sapilewski at 616-456-2100 x2138 if you have any questions about this new activity.

APPS (Active Partners Performance System)
REMINDER: By this time, all management agents and owners of Multifamily properties should have input their baseline organizational information into the APPS system on-line. As you are aware, this system has replaced the paper versions of HUD Form 2530, Previous Participation. Paper copies of this form will no longer be accepted at this point in time. You can obtain further information about this new requirement at the following web address:

www.hud.gov/offices/hsg/mfh/apps/appsmfhm.cfm.

Hurricane Katrina Efforts
First and foremost, HUD extends a hearty THANK YOU to all of the management agent and owners who worked with us so diligently on gathering the information on vacancies throughout the State of Michigan. HUD and MSHDA jointly were able to quickly establish a database that was used by FEMA to place persons effected by the hurricane. Recently, HUD has instituted a national database to capture vacancy information similar to that developed in Michigan. This will allow the federal government to respond more efficiently and provide needed services to affected parties in future national disasters. If you wish to provide updates to your properties information, please go to the following website:

http://www.fema.gov/disasters

Matching Tenant Data in Assisted Housing Programs

In the Federal Register of November 29, 2004, HUD provided notice of a matching program involving comparisons of information provided by applicants or participants in any HUD rental housing assistance program authorized under various statutes and independent sources of income information available through the National Directory of New Hires (NDNH) maintained by HHS. The rental housing assistance programs included are those covered by: The United States Housing Act of 1937; Section 202 of the Housing Act of 1959; Section 221(d)(3), 221(d)(5), or 236 of the National Housing Act; Section 811 of the Cranston-Gonzales National Affordable Housing Act; and Section 101 of the Housing and Urban Development Act of 1965.

The matching program will be carried out only to the extent necessary to (1) Verify the employment and income of individuals participating in the above identified programs to correctly determine the amount of their rent and assistance, and (2) after removal of personal identifiers, to conduct analyses of the employment and income reporting of individuals participating in HUD's rental housing assistance programs.

Based on an evaluation of the costs and benefits of disclosures made to PHAs and the adequacy of measures used to safeguard the security and confidentiality of information disclosed, HUD may expand the use of this computer matching program to disclose employment and income information of tenants to private housing owners, management agents, and contract administrators that administer HUD rental assistance programs. This matching information will be used to reduce or eliminate improper assistance payments.

Issuances

Notice H 05-08, Revised Retirement Accounts for Front-Line Staff
Notice H 05-06, Reinstatement and Extension of Notice 97-31, Lead-Based Paint: Notification of Purchasers and Tenants in HUD-Insured, HUD-Held, and HUD-Subsidized Housing
Notice H 05-05, Reinstatement and Extension of Notice 96-19, Telecommunications Service Contracts between Telecommunications Service Providers and Project Owners
Notice H 05-04, Reinstatement and Extension of Notice 97-49, Backing-Out Trustee Sweep Savings Before Calculating Annual Adjustment Factors for Projects which Originally Received a Financial Adjustment Factor and whose Bonds were Refunded
Notice H 05-03, Guidance on Asset Management Issues Concerning Bond Financed Section 8 Projects
Notice PDR-2005-02, Transmittal of Fiscal Year 2005 Income Limits for the Public Housing and Section 8 Programs
Notice PDR-2005-3, Transmittal of Fiscal Year 2005 Income Limits for the Section 221(d)(3)BMIR, Section 235, and Section 236 programs
Federal Register, May 19, 2005, Privacy Act of 1974; Notice of a Computer Matching Program
Federal Register, May 16, 2005, Uniform Relocation and Real Property Acquisition for Federal and Federally-Assisted Programs; Fixed Payment for Moving Expenses; Residential Moves
Federal Register, February 28, 2005, Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program; Fiscal Year 2005; Notice
Federal Register, February 28, 2005, Final Report of HUD Review of the Fair Housing Accessibility Requirements in the 2003 International Building Code; Notice
Mortgagee Letter 05-24, Electronic Payment of the Annual Recertification Fee and Downloading of the Yearly Verification Report via the FHA Connection
Mortgagee Letter 2005-23, Amended Late Request for Endorsement Procedures
Mortgagee Letter 2005-21, HUD's Energy Action Plan and Energy Efficient Mortgages
Mortgagee Letter 2005-20, Electronic Payment for Section 236 IRP Contracts
Mortgagee Letter 2005-10, Increase in High Cost Percentage for FHA-Insured Multifamily Housing and High-Cost Areas

Mortgagee Information Bulletin #2
Development Division

The Michigan State Multifamily Hub is implementing this informational bulletin to keep mortgagees up to date with changes or news from our HUB relating to development issues. We're happy to cover any issues in the bulletin on which you have questions; current plans are to issue the bulletin on an as-needed basis.

I. DAP Input required for commitments

The HUD Field Offices are required to issue commitments now out of the DAP (Development Application Processing) system. To expedite our processing of the commitment, we ask that you fully complete all parts of the HUD form-2264. To help our office expedite the DAP we are asking for your assistance in the following manner:

1. Valuation Input-The DAP system requires expense data to be entered on a per unit per year basis when completing the HUD 92264. Given that appraisers are already using per unit expenses on the HUD 92274, it would be helpful if the same figures were transferred to the HUD 92264. This will assist HUD staff in completing the data entry, ensure accurate results, and should not entail additional effort for the appraiser or lender.

2. A & E Input-

For a 223(F) application please ensure you include:

a. Number of parking spaces

b. Site Square Feet

c. Construction Type for each building (High-rise, Walk-up, Elevator, etc..) Also include the Structural Component, i.e.: slab on grade/basement/masonry.

d. Gross Square Foot for each building.

e. Repair Costs with dollar amount for each item (Critical and Noncritical Repairs).

f. Needs Assessment Fee

g. Surveyor's Fee

For a 221(D)(4) and 221(D)(3) application:

a. Please make sure the 2328 and 92226 (if applicable) and the 92013 is filled out in its entirety.

b. Include Architects Fee

c. Show Engineering Fees

d. Include Developer's Fee (if applicable)

e. CNA's (Break Down By Cost)

3. Mortgage Credit Input-

Need credit reports for all sponsors, the mortgagor entity, principals of the mortgagor, business concerns, the general contractor, and if applicable, the housing consultant.

A credit report must be submitted for a newly formed mortgagor entity, DAP will not allow us to make a final recommendation until all the required credit reports are included.

Your efforts to have the above items completed will help the Michigan Multifamily Hub in expediting your commitments in DAP.

If you have any questions regarding this bulletin, please contact Patrick Berry at (313) 226-4900 extension 8155.

Occupancy Questions
Asset Management Division

Q. What is the difference between a service animal, a pet, and a companion animal?

A. An assistance animal (also referred to as a "service animal," "support animal," or "therapy animal") is defined as an animal that works, provides assistance, performs tasks for the benefit of a person with a disability, or provides emotional support that alleviates one or more identified symptoms or effects of a person's disability (Chapter 2, Paragraph 2-44). These animals perform many disability-related functions, as indicated in Chapter 2, Paragraph 2-44. Pets are not assistance animals and do not meet the definition of assistance animal. See the Glossary for the definition for Assistance Animals and for Common Household Pet. While HUD does not have a definition for companion animal, the animal could be treated as an assistance animal if it meets that definition. If the animal does not meet the definition for an assistance animal, it would be considered a common household pet.

Q. Chapter 4, Paragraph 4-12, F.2, states that the owner must review the Affirmative Fair Housing Marketing Plan (AFHMP) every five years and update the plan whenever there are substantial changes and seek HUD approval. Does the owner have to prepare a new AFHMP every five years or just whenever there are substantial changes?

A. The owner has to review the AFHMP every 5 years and update as needed to ensure compliance with HUD's Affirmative Fair Housing Marketing Regulations at 24 CFR 200.620. The plan must be revised whenever a substantial change takes place or the local Consolidated Plan is updated. If an owner makes changes to the plan, he/she must submit a revised plan to HUD for approval. If there are no changes to the plan, then the owner needs to document project records to indicate that the AFHMP was reviewed but no changes were necessary. In addition to the Handbook reference Paragraph 4-12, F.2, see form HUD-935.2, AFHMP, item 8, Review and Update.

Q. Are co-ops with Section 8 units required to use a waiting list?

A. Yes. Co-ops with Section 8 are required to use a waiting list.

Q. Can a husband and wife presently living in the same unit as head and co-head occupy two units without being divorced or legally separated? They want to live in separate apartments as two heads of family. Is this allowed?

A. Handbook 4350.3, paragraph 3-5.D states "The unit for which the family is applying must be the family's only residence." Therefore, if the husband and wife are not divorced or legally separated, they cannot both receive subsidy.

HOUSING ASSISTANCE FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)
New Medicare Prescription Drug Coverage As of August 19, 2005

If you have Medicare and get housing assistance from HUD, you need to know:
1. Starting January 1, 2006, Medicare prescription drug coverage will be available to everyone with Medicare.
2. You may qualify for extra help paying Medicare prescription drug costs.
3. You won't lose your housing assistance if you qualify for this extra help.
4. Even if you don't qualify for extra help, you should join a Medicare prescription drug plan by May 15, 2006.

1. What is a Medicare prescription drug plan?
A Medicare prescription drug plan provides insurance coverage for prescription drugs and will be available to everyone with Medicare. These plans will be offered by insurance companies and other private companies, and will cover both generic and brand-name prescription drugs. You can choose the plan that meets your needs.

There are two types of Medicare prescription drug plans. There will be prescription drug plans that add coverage to the Original Medicare Plan. There will also be prescription drug coverage that is part of Medicare Health Plans (Medicare Advantage and Medicare Cost Plans). You would get all of your Medicare health care through these plans.

Even if you don't use a lot of prescription drugs now, you still should consider enrolling in a Medicare prescription drug plan. Research shows that as we age,most people need prescription drugs to stay healthy. For most people, joining a Medicare prescription drug plan during the initial enrollment period beginning November 15, 2005 means you will pay a lower monthly premium than if you wait to join after the initial enrollment period. Others with limited incomes and resources need to apply.

2. Do you qualify for extra help paying for prescription drug costs?
You may qualify for extra help if you have limited income and resources. If you have Medicaid, a Medicare Savings Program, or SSI, you will automatically receive extra help and do NOT need to apply for it. Others will need to apply for it.

What are the income limits?
■ If your annual income is below $14,355 (or $19,245 if you are married and living with your spouse), you may qualify for extra help. These amounts may be higher if:
■ you provide at least half of the support of other relatives living in your household, or
■ you reside in Alaska or Hawaii, or
■ you are working
There are also income exclusions for the working blind and disabled.

What are the resource limits?
■ To get the extra help with Medicare prescription drug plan costs, your countable resources generally must be valued below $11,500 (or $23,000 if you are married and living with your spouse). The resource limits include $1,500 per person for burial expenses. Resources include the value of things you own. Some examples of countable resources are:
■ real estate (other than your primary residence)
■ bank accounts, including checking, savings and certificates of deposit
■ stocks
■ bonds, including U.S. Savings Bonds
■ IRAs
■ mutual funds
■ cash at home, or anywhere else

(continued next page)

■ Some things are not counted as resources, such as:

■ your primary residence

■ your vehicle(s)

■ your household goods and personal possessions

■ resources you could not easily convert to cash, such as farm machinery and livestock, jewelry and home furnishings

■ federal income tax refunds

■ property you need for self-support, such as rental property, or land you use to grow produce for home consumption

■ life insurance policies owned by an individual with a combined face value of $1,500 or less. An individual and spouse could have a total of $3,000.

Starting the end of May and through August 16, 2005, the Social Security Administration (SSA) is sending people with certain incomes an application for extra help paying for Medicare prescription drug coverage. If you receive this application, fill it out and return it in the postage-paid envelope. If you don't receive an application in the mail but think you may be eligible, you can request one by calling SSA at 1-800-772-1213. Beginning July 1, 2005, you can also go to www.socialsecurity.gov on the web to apply online. You will receive a notice in the mail that tells you if you qualify for extra help. You can have your state decide if you qualify for extra help instead of SSA. You can go to your local Medicaid office and apply using their application and process, but you will get a decision more quickly if you use SSA's application instead of your state's.

If you qualify for extra help

■ you need to join a Medicare prescription drug plan in your area that meets your prescription drug needs. You can enroll in a plan beginning November 15, 2005. If you don't choose and enroll in a plan by May 15, 2006, Medicare will enroll you in a plan so you don't miss out on this important coverage.

If you don't qualify for extra help

■ you can still join a Medicare prescription drug plan that meets your prescription drug needs. You will have to pay a monthly premium (generally around $32 per month in 2006), the deductible, and copayments. You can enroll in a plan beginning November 15, 2005.

■ and you don't currently have prescription drug coverage that is at least as good as a Medicare prescription drug plan, you should enroll in a Medicare prescription drug plan by May 15, 2006, to pay a lower premium. If you don't enroll in a Medicare prescription drug plan by this date, you may have to wait to enroll until the November 15–December 31 enrollment period of each year. You will also have to pay at least 1% more per month for your premium for every month you wait to enroll. You will have to pay this higher premium for as long as you have Medicare prescription drug coverage.

3. If I have a Medicare approved drug-discount card, do I need to sign up for the low-income subsidy and a Medicare prescription drug plan in order to continue receiving help paying for my prescription drugs?
Yes, you need to apply for the subsidy and enroll in a Medicare drug plan. The benefits under the Medicare approved drug-discount card and transitional assistance program will stop on May 15, 2006 or on the date you enroll in a Medicare prescription drug plan, whichever date is earlier. If you do not apply for the low-income subsidy and enroll in a Medicare prescription drug plan, you will not continue receiving Medicare's help paying for your prescription drugs. If you have questions about your Medicare benefits, you can contact one of the sources of help listed at the end of this document.

4. Will I lose my housing assistance if I apply and qualify for extra help paying for the new Medicare prescription drug plan costs?
No. You won't lose eligibility for housing assistance, but your portion of the rent may be increased as your prescription drug spending decreases. Even with the increase in your rent, the amount you save because you have the extra help paying for your Medicare prescription drug plan costs is greater than the decrease in your rental assistance. No one will be worse off if he/she has the extra help paying for the Medicare prescription drug plan costs.

After you learn the amount of extra help you qualify for, you should discuss how this may affect your rent with the agency that handles your rent determination. By doing this, you will know whether or not your rent may increase at your next recertification. You are not required to report your participation in the Medicare prescription drug plan program until your family income and composition are recertified. There is no need to report your participation prior to that time.

5. How will my housing assistance be affected if I qualify for extra help?
Below are examples of how two households would be affected by the new Medicare prescription drug plan coverage.

Mrs. Smith gets Medicare's extra help: her monthly prescription drug bill is $200. Mrs. Smith has Medicare, lives alone, and receives $798 per month in Social Security benefits. She doesn't receive Medicaid. She receives both food stamps and HUD housing assistance. She regularly pays $250 monthly for medical expenses, $200 of which is for three prescription drugs. Her HUD subsidized rent is $162 a month.

Under a Medicare prescription drug plan, Mrs. Smith will pay no monthly drug plan premium, no deductible, and her co-payments for her three prescription drugs total $9. Her monthly medical spending is now $59 ($50 for other medical bills + $9 for prescription drug co-payments) for a monthly savings of $191.

Because Mrs. Smith's out-of-pocket medical costs have gone down, her food stamps will be $5 less than they were when she paid for all of the cost of her prescriptions out of pocket and her HUD subsidized rent will increase to $219 a month (a $57 increase). Even though her food stamps decreased and her HUD subsidized rent increased, she has $129 more cash in her pocket each month.

Lucy gets Medicare's extra help: her monthly prescription drug bill is $51.
Lucy has Medicare, lives alone, and receives $798 per month in Social Security benefits. She doesn't receive Medicaid or food stamps. She regularly pays $147 monthly for medical expenses, $51 of which is for three prescription drugs. She receives HUD housing assistance and her HUD subsidized rent is $193 a month.

Under the Medicare prescription drug plan, Lucy will pay no monthly prescription drug plan premium, no deductible, and her co-payments for her three prescription drugs total $9. Her monthly medical spending is now $105 ($96 for other medical bills + $9 for prescription drug co-payments) for a monthly savings of $42. Because Lucy's out-of-pocket medical costs have gone down, her HUD subsidized rent will increase to $205 a month (a $12 increase). Even though her HUD subsidized rent increased, she has $30 more cash in her pocket each month.

Mrs. Smith 's Household

	Without Extra Help Paying Medicare Rx Drug Plan Costs	With Extra Help Paying Medicare Rx Drug Plan Costs	
Income	$798	$798	
Food stamps	+$15	+$10*	(food stamps decrease $5)
Medical spending	-$250	-$59	(medical spending declines by $191)
Rent payment**	-$162	-$219	(rent increases by $57)
Net impact	**$401**	**$530**	**(bottom line: $129 more cash in her pocket)**

* $10 is the minimum monthly benefit for eligible people living alone.
** Rent payment reflects rent as 30% of adjusted income.

Lucy's Household

	Without Extra Help Paying Medicare Rx Drug Plan Costs	With Extra Help Paying Medicare Rx Drug Plan Costs	
Income	$798	$798	
Medical spending	-$147	-$105	(medical spending declines by $42)
Rent payment*	-$193	-$205	(rent increased by $12)
Net impact	**$458**	**$488**	**(bottom line: $30 more cash in her pocket)**

* Rent payment reflects rent as 30% of adjusted income.

For more information about Medicare prescription drug coverage…

Read the "Medicare & You 2006" handbook you get in the mail in October 2005. It will include more detailed information about Medicare prescription drug plans, including which plans will be available in your area. After that time, if you need help choosing a Medicare prescription drug plan that meets your needs, you can

■ Visit www.medicare.gov on the web and select "search tools" to get personalized information.

■ Call your State Health Insurance Assistance Program (SHIP). (See your copy of the "Medicare & You 2006" handbook for their telephone number) You can also call 1-800-MEDICARE (1-800-633-4227), or look at www.medicare.gov on the web to get their telephone number. TTY users should call 1-877-486-2048.

■ Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

There are programs for people with limited income and resources who live in Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. Programs vary in these areas. To find out more about their rules, call your State Medical Assistance Office, visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

Receive this newsletter via email list-serv

Michigan Multifamily (MI-HUD) has setup an e-mailing system called a list-serv to communicate with Owners, Managers and Residents of Michigan Multifamily properties. An electronic copy of this newsletter called Great Lakes Multifamily will be sent to mailing list subscribers quarterly, as well as, other important information from time-to-time. To subscribe please visit

http://www.hud.gov/subscribe/index.cfm
Click Michigan under State Mailing Lists
Select **The Michigan Multifamily Newsletter**
Enter your email address and select **OK**.

If you later wish to unsubscribe, follow these same directions and check mark the box I am already a subscriber. Please remove me from the Michigan Multifamily Newsletter mailing list.

SUBSCRIBE

TO "GREAT LAKES MULTIFAMILY" ONLINE!

in order to receive future issues subscribe online now

GO TO:

http://www.hud.gov/subscribe/index.cfm

CLICK ON:

THE MICHIGAN MULTIFAMILY NEWSLETTER

Enter your email address. You'll receive an email asking you to confirm your registration and once confirmed you'll receive notice of all new "Great Lakes Multifamily" issuances!

To cancel, simply enter your email address and click the checkbox

Housing and Urban Development

HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management and accountability and forge new partnerships—particularly with faith-based and community organizations—that leverage resources and improve HUD's ability to be effective on the community level.

U.S. Department of Housing and Urban Development
Office of Multifamily Housing
477 Michigan Avenue
Detroit, MI 48226-2592

Detroit: (313) 226-4900
Grand Rapids: (616) 456-2100

Happy Holidays