
CHAPTER 2. MAINTENANCE OF DATA AND PROCESSING
UNDER THE AUTOMATED SYSTEM

2-1 Departmental Data Sources

The automated Previous Participation Review System (PPRS) has data from sources maintained by:

A. HUD's Office of Inspector General (OIG)

The PPRS accesses the OIG Names Indices System (ONIS) for the purpose of matching names where there has been or presently is an investigative case or an audit pertaining to a name on a HUD-2530 transaction.

B. The General Services Administration (GSA)

Information involving individuals and firms who are currently suspended or debarred by Federal Executive Branch Agencies are inputted into the 2530 system, monthly, from GSA's "Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs."

C. Headquarters' Participation & Compliance Division

Inputs data on individuals and firms who have been issued Limited Denials of Participation sanctions by HUD field offices or the Deputy Assistant Secretaries for Multifamily and Single Family Housing. Other administrative sanctions such as Civil Money Penalties and OIG referrals on certain investigations, indictments, convictions and audits. Principals with other adverse information are also inputted into the 2530 system such as names of sanctioned individuals and firms provided by the Resolution Trust Corporation (RTC).

D. All HUD Field Offices

1. Data to be inputted. Principals participating in Departmental programs whose participation and performance fall under any of the elements which are criteria for withholding approval or disapproval as set forth in 24 C.F.R. Sections 200.229 and 200.230.

These criteria are as follows:

- a. All mortgage default(s) or assignment(s) or foreclosure(s), without regard to cause.
- b. Violation of the Regulatory Agreement or non-compliance with any other obligation to HUD that has not been corrected to the satisfaction of the MPRC, at the time of its consideration.
- c. Suspension or termination of payments under any HUD assistance contract.
- d. Default under an obligation covered by a surety or performance bond and/or claims(s) under an employee fidelity bond.
- e. Unresolved findings(s) as a result of HUD or other governmental audits or investigations.
- f. A criminal record or other evidence that the principal's previous conduct or method of doing business has been such that his/her participation in the project would make it an unacceptable risk from the underwriting standpoint of an insurer, lender or governmental agency.
- g. With respect to any HUD-insured or HUD-assisted or Section 202 project, work stoppage for a period in excess of 20 working days, or in the case of an insured project, failure to achieve final endorsement of the mortgage where the project has been substantially completed for more than 90 calendar days, but documents for closing including

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cost certification have not been filed with HUD; such is chargeable to the fault or neglect of the principal.

- h. Any serious and significant violation by a management agent of a project management contract where the contract required HUD or other governmental agency approval at its inception.
- i. Submission of a false or materially incomplete HUD-2530.
- j. Any other significant violation of or non-compliance

with regulations, programs or contract requirements of HUD, Farmers Home Administration or a State or local government's Housing Finance Agency in connection with any insured or assisted project. For example:

- (1) below average and unsatisfactory management reviews, unauthorized secondary financing or unauthorized transfer of physical assets, and unsatisfactory physical inspections.
- (2) violations or deficiencies that were the basis for the issuance of an LDP.

NOTE: Principals participating in Departmental programs whose participation and performance fall under any of the above cited criteria for withholding approval or disapproval MUST be flagged (entered) in the PPRS. These items, however, are to be entered only after the timeframe imposed by the field office, in its notice to the responsible parties, has elapsed and a determination made that there has been no satisfactory response. A satisfactory response should address the findings and provide an acceptable timetable for resolution. If, however, a satisfactory response is subsequently received, the flag should be immediately removed from the system.

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2. Data Not To Be Inputted. Principals participating in Departmental programs whose participation and performance does not fall under any of the elements which are criteria for withholding approval or disapproval as set forth in 24 C.F.R. Sections 200.229 and 200.230. Other examples:
 - a. Names of owners or managers for problems, such as high vacancy rates, if it can not be attributed to mismanagement on their part.
 - b. Entries solely for the purpose of threatening or otherwise attempting to leverage the Department's position.

E. Fair Housing and Equal Opportunity

1. Determining compliance with the Department's Fair Housing and Equal Opportunity requirements is the

responsibility of the Regional Director (or successor position) for Fair Housing and Equal Opportunity. Where voluntary compliance with HUD program requirements or conciliation of fair housing matters is not achieved in the field, the matter is referred to Headquarters for consideration of enforcement action/findings of reasonable cause. Examples of noncompliance or violations are:

- a. Failure to comply with the Fair Housing Act or Executive Order 11063, HUD's Affirmative Fair Housing Marketing regulations or an Affirmative Fair Housing Plan; and
- b. Violation of Title VI of the Civil Rights Act of 1964, section 109 of the Housing and Community Development Act of 1973, section 504 of the Rehabilitation Act of 1973, or the Age Discrimination Act of 1975.

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2. If Headquarters decides to proceed/finds reasonable cause, the Assistant Secretary for Fair Housing and Equal Opportunity may initiate suspension/debarment action or recommend a Limited Denial of Participation under 24 C.F.R. Part 24. If limited denial or suspension/debarment actions are undertaken, the names of the principals involved, who have participated or may be reasonably expected to participate in a HUD multifamily program, should be immediately forwarded to the Participation and Compliance Division for inclusion in the automated HUD-2530 system. Thereafter, if that principal applies for HUD-2530 approval at any field office, the case will be forwarded to Headquarters for appropriate action by the MPRC.

2-2 When To Input Data Into The 2530 System

- A. When the review of project files and other program area files discloses problems or difficulties consistent with the criteria for withholding approval or disapproval (see 2-1(D)(1) above), the names of each principal including firm names and individual names responsible for the difficulties must then be identified. For example, both owners and management agents may share responsibility for unsatisfactory management review reports.

Note: In no event shall the 2530 process be used in a disciplinary or a punitive manner against principals.

- B. The principal's name and social security number (SSN) or tax identification number (TIN) must be entered into the system for each occurrence of a problem or deficiency within a project or a number of projects. For example, if there is a management problem and an owner problem, there should be an entry for each problem even if there is an identity of interest. Another example would be violations or deficiencies that were the basis for the issuance of an LDP.

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These names must be entered into the automated system as soon as a determination is made that the problems or difficulties identified will not be satisfactorily resolved. (See NOTES under 2-1(D)(1)(j)). Failure of one office to flag problems or deficiencies could result in other field offices' approval of someone who has not acted responsibly in prior HUD or FmHA projects.

Note: In the past an "error" message may have been displayed when a principal's name was entered more than once by the same office. The PPRS will now allow each field office to input up to 99 entries on a principal. The system now also has the ability to match names and SSNs or TINs individually or in conjunction with each other. Since this process is new the data base does not currently contain SSNs or TINs. This data base will grow over time as new flags are inputted into the system. Therefore, inputs for name matches should be done using both the principal's name and SSN or TIN. The use of SSNs and TINs should reduce the number of false name matches.

- C. The reason for entering the name, together with the identity of the project involved, should be part of the comments on the Data Entry Screen (See the Operators Guide, Chapter 3, Step 8).

Note: At this phase, specific HUD-2530's have not been received for processing and field counsel review for sufficiency of evidence is not required. The effect of entering a principal's name into the system is not a determination that the principals will be denied HUD-2530 approval, nor does it mean the principal is suspended or debarred. It means that any principal whose name is entered and who files a HUD-2530 must have

the case forwarded to Headquarters for an approval decision.

- D. The Housing/Multifamily Director or his/her designee is required to concur on any entry other than defaults.

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2-3 Removing Data From the 2530 System

Field offices should implement a regular review schedule of its entries in the PPRS and a monitoring system should be established whereby periodic reports are generated showing updates and the reason for each flag being in the system, and routed to the Housing/Multifamily Director or his/her designee for review and removal from the system, when warranted. To facilitate the purging of data the Office of Information Policies and Systems will provide the field with quarterly reports of entries in the system.

2-4 Processing of HUD-2530's

- A. When the field office receives application exhibits including HUD-2530's, the HUD-2530 must be date stamped (logged-in) on the day it is received. Forms not signed or dated by the principals must be returned and not processed any further. All HUD-2530's received in error by other program offices must be hand-carried to the Housing/Multifamily Director or his/her designee the day they are received. A log should be established for tracking HUD-2530's through the review process. (See 1-3 for further processing instructions).

Note: All properly completed and executed HUD-2530's received by the Department must be processed. A HUD-2530 may be withheld or withdrawn from processing only at the request of a principal of the submitting entity.

- B. All cases must be processed (approved in the field or sent to Headquarters) within three working days from the date received. Two exceptions to the timeframe will be permitted.
 - 1. The first exception is for cases which must be referred to the Participation Control Officer. (See 2-6).
 - a. If your office is responsible for the name match being in the system and an explanation is necessary, up to a ten-day turnaround is

acceptable.

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- b. If your response is in the form of a denial recommendation, in addition to appropriate documentation, you must also receive an advisory memorandum from your counsel.

NOTE: Appropriate documentation for cases involving defaults will be the project Analysis Worksheet Form 9815 and the Failing Project Checklist Form 5815. For management reviews and physical inspections, the summary of the findings will be sufficient.

- c. If you are awaiting documentation/verification of adverse information from FmHA or State finance agencies.
2. The other exception is for the Consultant in the Sections 202 and 811 Capital Advance Programs. HUD-2530's are received with the sponsor's acceptance of fund reservation.
- C. If a principal inquires as to why his/her HUD-2530 was sent to Headquarters for further processing do not suggest to the principal that the HUD-2530 was denied or indicate that the principal is in some difficulty with the Department. The reasons for a name match are varied and are generally easily resolved. The MPRC or the Participation and Compliance staff have the responsibility to decide whether the principals will be approved and until that decision is made, other activities involving the principals, with the exception of new commitments, may proceed as usual unless you have information that dictates otherwise. (See Chapter 3).
- D. When HUD-2530's are submitted to Headquarters, the field office should provide any information it may have concerning the reason for the problem or difficulty such as: length of ownership and/or management; how the project was acquired; amount of capital contributions, etc. Such information would be helpful to the MPRC in

making a determination. Further, you must review the principal's explanation on projects under the purview of your office and provide comments, observations and recommendations for the benefit of the MPRC.

2-5 Field Office Approval

Notwithstanding whether there is negative information disclosed by a State Agency's or FmHA's contact, or the HUD-2530 information, all names and SSNs or TINs on the HUD-2530 should be entered into the automated system in accordance with the Operations Guide, (see 1-3(F) and (G)).

NOTE: It is crucial to follow the Guide's instructions that backslashes be used between the names of individuals being cleared through the system. Operators are required to enter an "I" or a "C" in front of each name signifying that the name is that of an individual (I) or company (C). When an "I" is entered a backslash will be required or the system will not carryout processing of the name. The system will continue processing of company names after the "C" is entered without any backslash requirement.

When the system reports that the principal may be granted HUD-2530 approval and there are no qualified certifications or other adverse information (e.g., defaults, foreclosures or assignments) disclosed on Schedule A of the HUD-2530, the field office staff takes the hard copy printout from the system and attaches it to the HUD-2530, and delivers it to the Supervisor who signs Part II of the Certificate and places a check in Block A. Supervisory review also includes a determination that all principals have been listed on the HUD-2530 (see 1-3 (B)) and that all such names have been entered into the PPRS for a possible name match. The Housing/Multifamily Director may then issue an approval under the authority of the Participation Control Officer in Headquarters. If either Blocks B, C or D under Part II is checked, the HUD-2530 is sent to Headquarters for further review. (See 2-6 below).

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- A. Housing/Multifamily Director approval is accomplished when he/she checks the "yes" block in the "APPROVED" section next to his/her signature and date in Part II of the HUD-2530. Such approval action must only be handled

by the Housing/Multifamily Director or his/her Deputy.

- B. Approved HUD-2530 are copied and distributed to the mortgagee and all other necessary parties in the normal manner. A copy of the HUD-2530 along with the automated system printout is then placed in the project processing file in the case of proposed construction, or project management file in the case of existing projects where it is permanently maintained. The original signed HUD-2530, with the approval, is placed in the Washington Docket by field Counsel who is responsible for verifying that all necessary principals have received HUD-2530 clearance. (See 2-SC below). Do not send copies of any approved HUD-2530's to Headquarters.
- C. Field Counsel shall add to their closing checklists the 2530 clearance for each principal involved in the transaction. The field office Housing/Multifamily Director will provide these clearances for your office.

At an initial or initial/final closing, it is the Chief Counsel's responsibility to verify that all principals have received HUD-2530 clearance. A closing may not take place until the Chief Counsel has verified that the principals have received HUD-2530 clearance.

NOTE: To avoid crisis situations, closings should not be scheduled unless you are in receipt of an approved HUD-2530.

2-6 Determination by the Participation Control Officer

The authority of the field office Housing/Multifamily Director to issue HUD-2530 approvals does not apply to all cases. Exceptional cases must be referred to the Participation Control Officer in Headquarters for either final action or referral to the MPRC, (see 24 C.F.R. Section 200.226). Exceptional cases are HUD-2530's where:

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- A. Principals listed on it have been identified by the automated system as being required to be referred. Part II, Internal Processing, must be executed by the Field Office and forwarded to Headquarters with the hard copy printout.
 - B. Principals listed have a history of adverse or unsatisfactory performance as indicated by either the HUD-2530, or as a result of the inquiries to the Farmers

Home Administration (FmHA) or State Finance Agency. These cases must be accompanied by a complete report to the Participation Control Officer with sufficient evidence to support the disapproval. (See 2-4(D)).

2-7 Approvals: Scope and Duration; Modifications and Withdrawals

- A. Approvals will not be modified or withdrawn except in cases where the principal is subsequently suspended or debarred from further participation in any HUD program under 24 C.F.R. Part 24, or is found by the MPRC to have obtained approval based upon submission of a false, fraudulent or incomplete report or HUD-2530 submitted to HUD. In such cases, the MPRC may take such action including modification or withdrawal of approval, as it determines to be in the best interests of the Department and the public. For the purpose of this section, the term approval includes conditional approval.
- B. Principal(s) are not required to file a new HUD-2530 for the same project unless they modify or change their interest or role or withdraw and then seek to reenter. For example, a management agent, once approved, may continue to manage the same project year after year and each time he/she requests HUD approval to renew, amend, modify or extend his/her management contract, he/she does not need a new HUD-2530; he/she only needs approval of the management certification by the Housing/Multifamily Director. In the insured programs, commitments, for example, may be extended and further HUD-2530 approval is not required.

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- C. If, after HUD-2530 approval is obtained, a principal suffers reverses and serious problems with his/her further participation, it is an underwriting or Compliance problem and not subject to HUD-2530 procedure. If a principal has become an unsatisfactory risk since approval, the Field Office will determine if the cause for the condition is a subject for mortgage credit or an administrative sanction under 24 C.F.R. Part 24 (See Chapter 5).

2-8 Master List files in the Field Office

Principals with numerous projects and a long record of participation in HUD multifamily programs may elect to use the Master List System. 24 C.F.R. Section 200.222 .

- A. Master Lists are not for specific projects and are, therefore, not entered into the automated system or processed for approval, but rather are maintained as a source of information for future processing of HUD-2530's filed by the principals for specific projects. The master list is reviewed to see if the principal disclosed any adverse information on HUD, FmHA or State Housing projects.
- B. Do not encourage principals with less than 20 previous projects to file a Master List. Principals file a master list with the Participation Control Officer in Headquarters with one copy to each field office with whom he/she does business.
- C. Master Lists must never leave the field office. They are administratively confidential and are subject to the Privacy Act. After a principal has filed a Master List, each new submission of a HUD-2530 becomes an update of the list on file and includes any changes that have occurred in the principal's record since the date the Master List was signed.

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- D. If the Master List file becomes thick and contains numerous submissions, the office should request the principal(s) to file a revised, updated Master List. Substitution Master Lists are compared to the old and if they appear to be complete and accurate, the old lists are removed and destroyed. They must be updated annually.

2-9 Responding to Inquiries from Headquarters

- A. Inquiries from Headquarters must receive the prompt attention of field staff. Responses should be made within 5 work days. Delays by one office can defeat another office's production targets or goals by delaying approvals of principals who have a previous participation record with the corresponding office. Slow responses also have an adverse impact on the work of the MPRC.
- B. The Housing/Multifamily Director or his/her designee is responsible for assigning the response to the appropriate staff specialist with the response being assigned a high priority for completion. The response is for the signature of the Housing/ Multifamily

Director or his/her (supervisory level) designee.

- C. The assignment should be logged and monitored by the Housing/Multifamily Director or his/her designee, who makes sure that the response is not delinquent.
- D. Electronic cc:Mail may be used in lieu of memoranda. Facsimiles of documents may also be used in emergency situations.

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2-10 Requests for Assistance or Exceptions from Headquarters

- A. For interpretation of regulations or processing problems, the field office staff may telephone the Participation and Compliance Division in Headquarters, for assistance.
- B. Field staff may also contact the Participation and Compliance Division for requests for expediting clearances in cases of emergency. Such requests should be infrequent, and will only be done on an exception basis.
- C. The Participation Control Officer is authorized to waive the signatures on HUD-2530's in certain circumstances 24 C.F.R. Section 218(b) where all principals cannot sign or certify on the form and the principal's record has been disclosed or obtained from other sources. Read the regulations carefully before making such requests.

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