

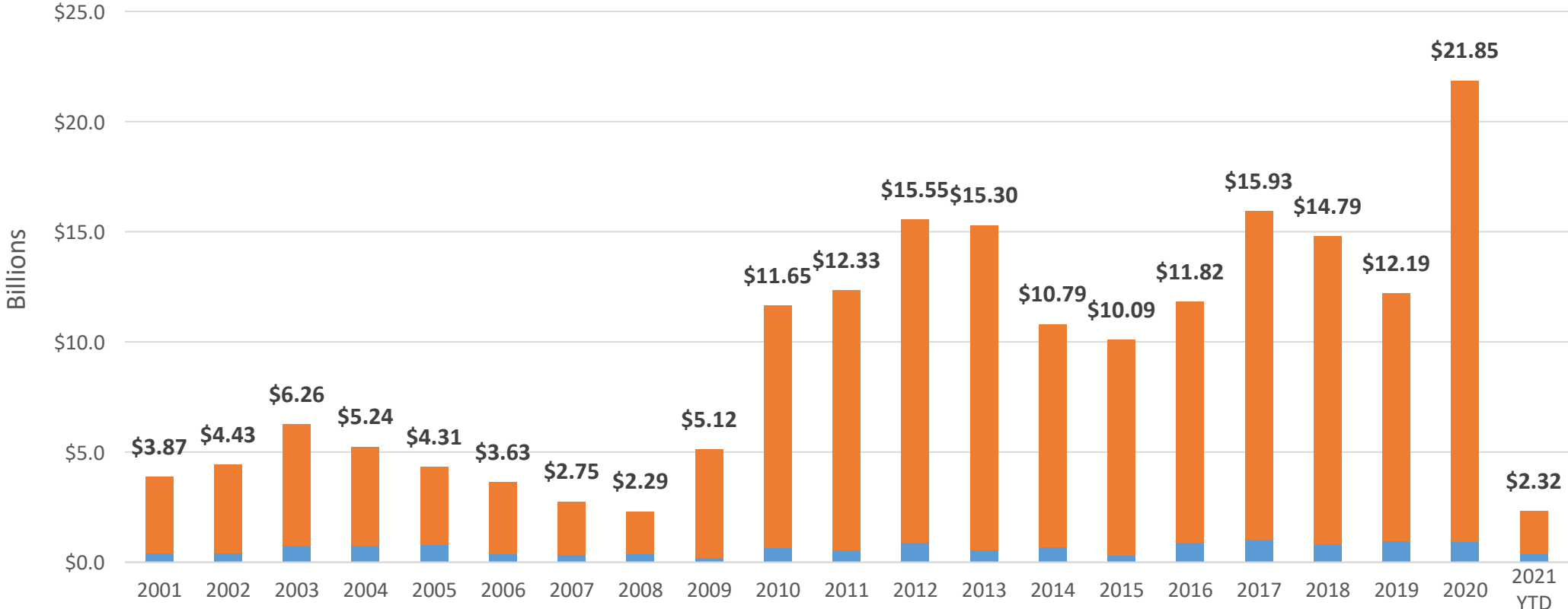
The HFA Institute 2021 - NCSHA

Section 542(c)

HUD Program Update

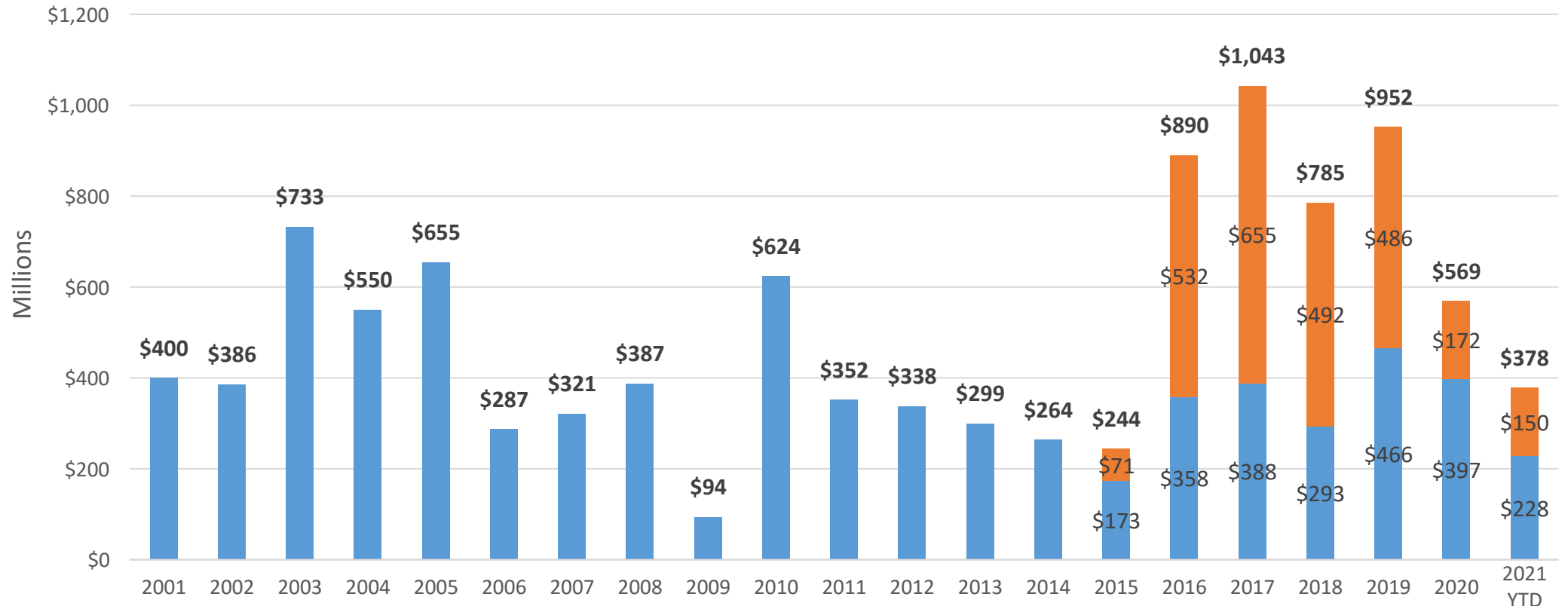
Patricia Burke, Director
HUD Office of Multifamily Production

FHA Multifamily Initial Endorsement Volume - 2001 to 2021



Total IE Count	656	761	1,226	1,071	805	826	597	412	588	1,091	1,254	1,537	1,707	1,066	925	899	1,057	860	699	1,140	116
Risk-Sharing IE Count	57	51	138	135	129	82	60	58	42	85	67	100	84	53	39	93	89	71	84	73	12
Basic FHA IE Count	599	710	1,088	936	676	744	537	354	546	1,006	1,187	1,437	1,623	1,013	886	806	968	789	615	1,067	104
Total IE Volume	\$3.87	\$4.43	\$6.26	\$5.24	\$4.31	\$3.63	\$2.75	\$2.29	\$5.12	\$11.65	\$12.33	\$15.55	\$15.30	\$10.79	\$10.09	\$11.82	\$15.93	\$14.79	\$12.19	\$21.85	\$2.32
Basic FHA IE Volume	\$3.47	\$4.04	\$5.51	\$4.47	\$3.53	\$3.27	\$2.40	\$1.91	\$4.92	\$10.99	\$11.80	\$14.68	\$14.74	\$10.12	\$9.78	\$10.92	\$14.90	\$13.96	\$11.24	\$20.93	\$1.94
Risk-Sharing IE Volume	\$0.40	\$0.39	\$0.75	\$0.77	\$0.78	\$0.36	\$0.35	\$0.38	\$0.20	\$0.66	\$0.53	\$0.87	\$0.56	\$0.67	\$0.31	\$0.90	\$1.03	\$0.83	\$0.95	\$0.92	\$0.38

Section 542(c) HFA Risk-Sharing Initial Endorsement Volume - 2001 to 2021

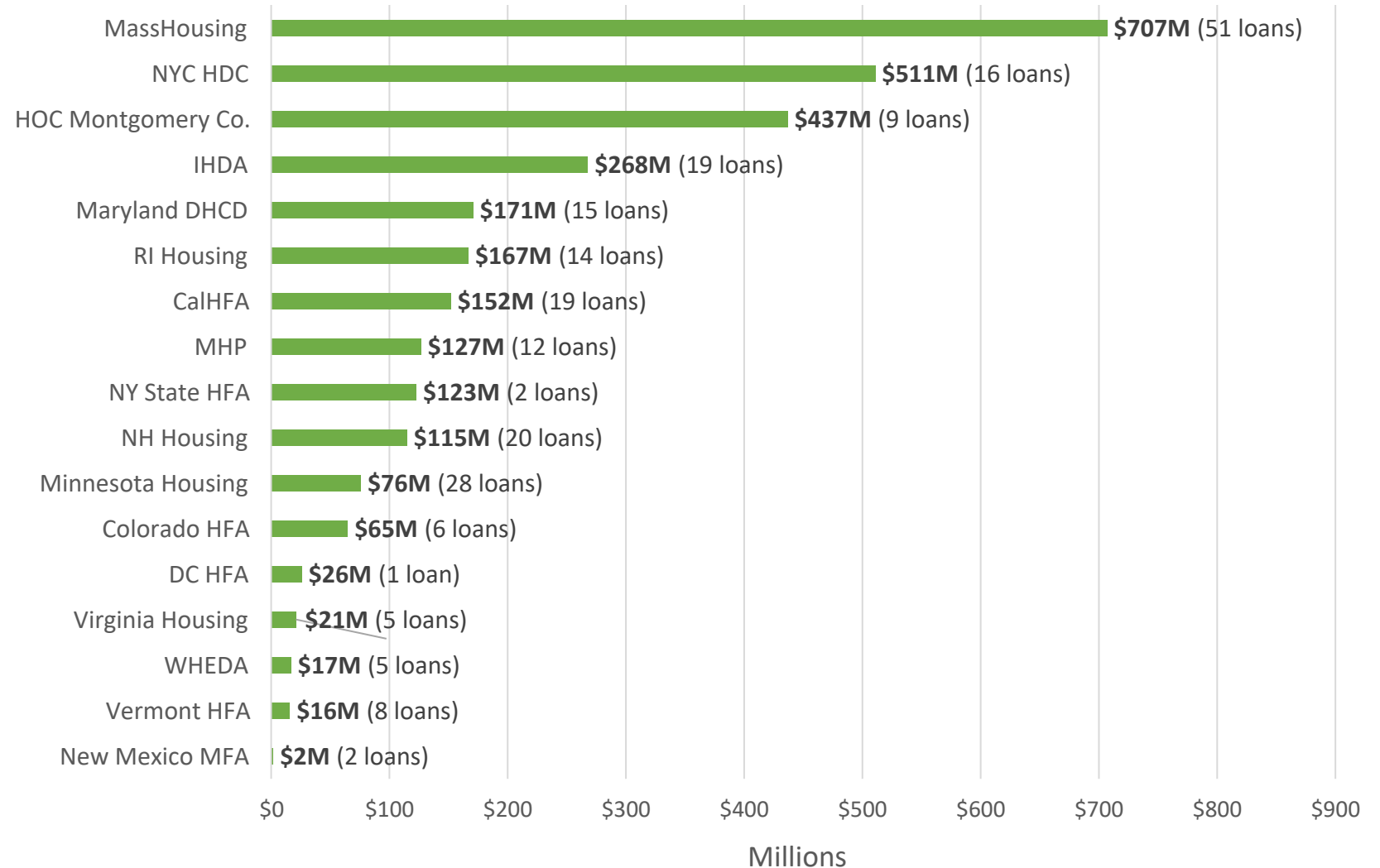


Total IE Count	58	52	133	90	97	59	50	54	20	77	49	53	51	38	33	93	88	70	84	71	12
Traditional (non-FFB) IE Count	58	52	133	90	97	59	50	54	20	77	49	53	51	38	27	44	38	27	37	47	8
FFB IE Count	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	49	50	43	47	24	4
Total IE Volume	\$400	\$386	\$733	\$550	\$655	\$287	\$321	\$387	\$94	\$624	\$352	\$338	\$299	\$264	\$244	\$890	\$1,043	\$785	\$952	\$569	\$378
FFB IE Volume	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$71	\$532	\$655	\$492	\$486	\$172	\$150
Traditional (non-FFB) IE Volume	\$400	\$386	\$733	\$550	\$655	\$287	\$321	\$387	\$94	\$624	\$352	\$338	\$299	\$264	\$173	\$358	\$388	\$293	\$466	\$397	\$228

Most active HFAs

- 38 HFAs are approved to participate in the program
- 17 HFAs closed a 542(c) loan in the past 3 years

Section 542(c) HFA Risk-Sharing Initial Endorsement Volume by HFA - last 3 years (2/1/18 to 2/1/21)



Revised Risk-Sharing Regulation

- Final Rule published 12/22/20, effective 1/21/21; first substantive change since the program was authorized in 1992
- Better aligns Reg with policies of other HUD programs, reflects current industry and HUD practices, and conforms to statutory amendments
- Provides HUD with greater flexibility to operate the program efficiently and clarifies other program provisions
- Gives Level I HFAs expanded program delegation

Revised Risk-Sharing Regulation – key changes

- Level II HFA underwriting standards must be recertified by HUD every 5 years and will be benchmarked against applicable MAP standards (we will be requesting current standards shortly from all Level II HFAs)
- FHA Commissioner may require revisions to HFA's standards for certain non-compliances, along with other expanded sanction options
- Level II large loans (\$50M+ at present) require FHA prior approval

Revised Risk-Sharing Regulation – key changes

- Regulatory waivers no longer required for:
 - Balloon loans (Level I only) – 17-year minimum term, 40-year maximum amortization period
 - Underwriting above-market Section 8 rents (Level I only), under certain conditions
 - Equity take-outs (Level I only), under certain conditions
 - Substantial rehabilitation definition has been updated

2020 MAP Guide highlights

- Incorporates existing Housing Notices/Mortgagee Letters
- Relocation (Chapter 3)
 - Guidance for unassisted properties with temporary relocation
- Construction Analysis (Chapter 5)
 - Eliminates two-system rule from sub rehab definition
 - Sub rehab is now \$15,000/unit x annual High Cost Factor
- Green MIP (Chapter 6)
 - New chapter
 - Energy Star for existing buildings no longer accepted

2020 MAP Guide highlights

- Valuation (Chapter 7)
 - Eliminates control of cap rate by debt constant
 - Full re-write of leasehold guidance
- Environmental (Chapter 9)
 - Lender submission of HEROS is mandatory
 - Choice Limiting actions begin at pre-app or firm app, not concept meeting
- LIHTC (Chapter 14)
 - Repayment of deferred developer fees – surplus cash note not required
 - 20% initial equity pay-in can be 10% cash + 10% equity bridge loan
 - EBL term extension

2020 MAP Guide highlights

- Closing (Chapter 19)
 - Permits changes to Subordination Agreement due to State/Local law and affordability
 - Closing by mail now standard, with some exceptions
 - Tentative closing date established shortly after firm commitment

Risk-Sharing Program Priorities

- **Update Risk-Sharing Program Handbook** – update 25-year-old Handbook to incorporate Regulatory changes and current practices
- **Bring Risk-Sharing onto existing HUD systems** –
 - **FHA Catalyst** – web-based lender portal for secure, centralized, electronic submission of applications and related documents
 - **FASS and MDDR** – asset management systems for servicer submission of property financial information and delinquency/default reporting

Risk-Sharing Program Priorities

- **Expand Risk-Sharing usage** – work with NCSHA to identify and address barriers to participation by more HFAs
- **Training** – develop training agenda for HFAs and HUD staff
- **Continue HFA Snapshot Reviews** – HUD's DEC will continue to conduct Snapshot Reviews of HFAs