



SOUTHWEST MORTGAGEE  
ADVISORY COUNCIL

# SWAC Virtual Meeting

December 3, 2021



OFFICE OF HOUSING

# HQ Update: Multifamily Production

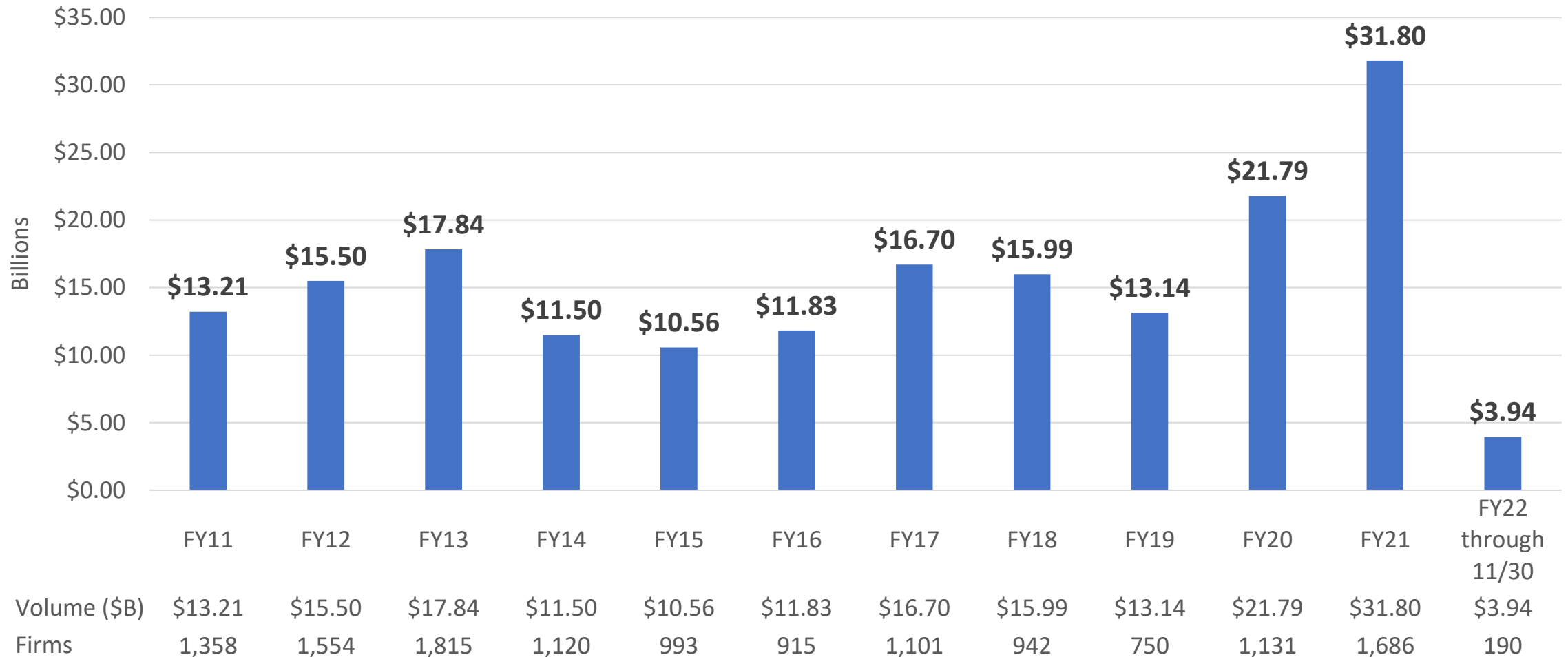
OFFICE OF MULTIFAMILY HOUSING PROGRAMS

**SWAC Conference – December 3, 2021**

Thomas Bernaciak, Acting Director, Office of Multifamily Production

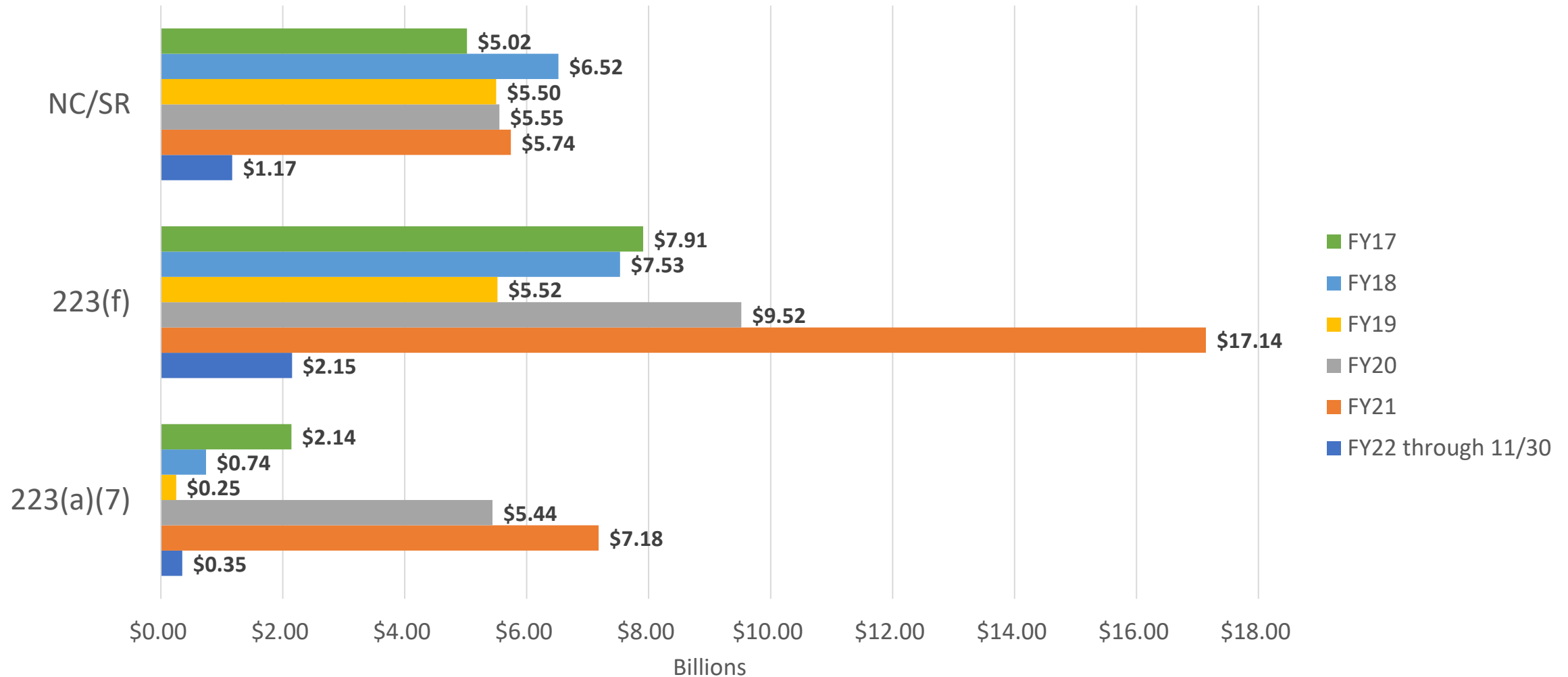
# Firm Commitment Volume

## FY11 – FY22 through 11/30/21

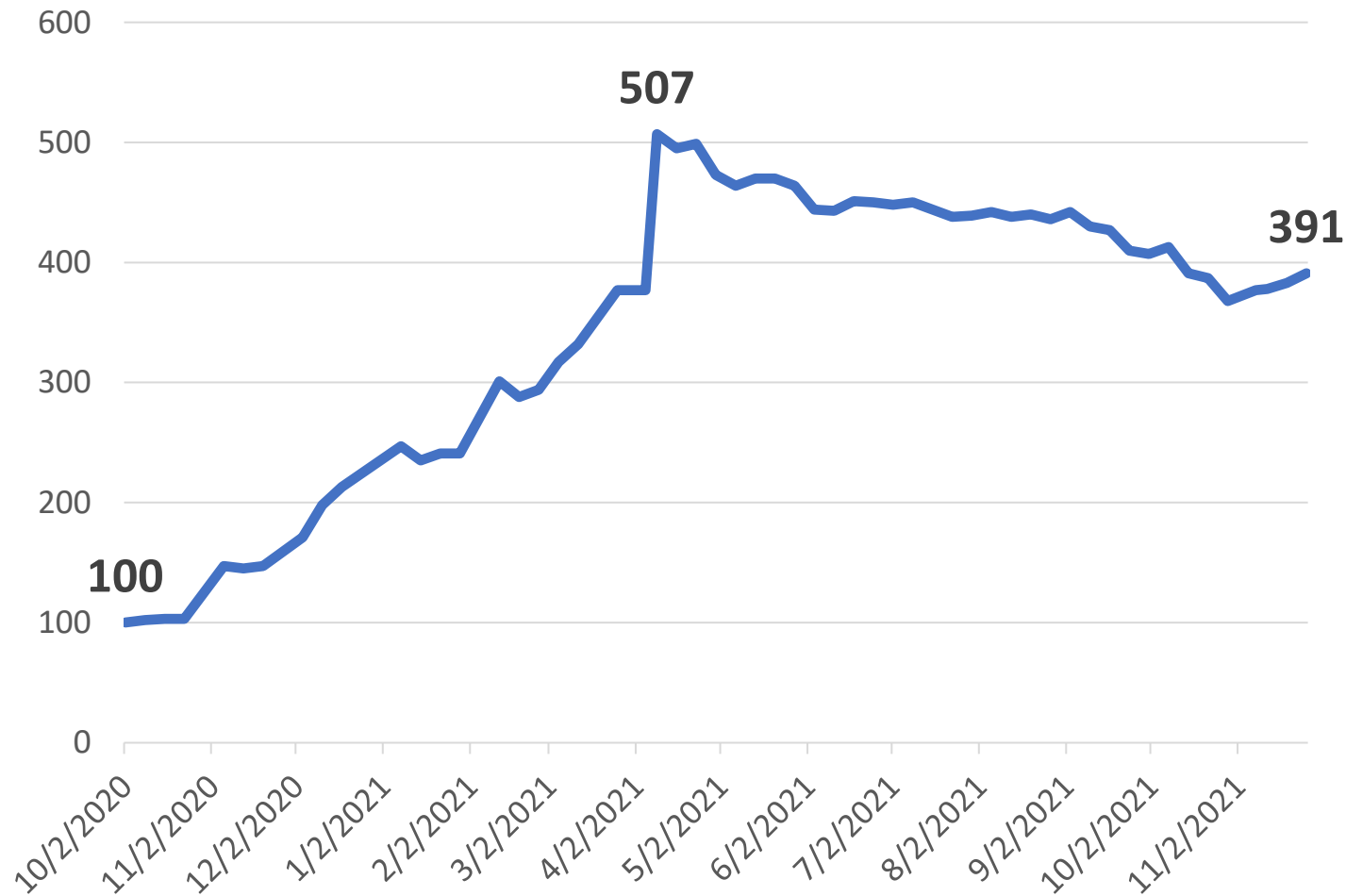


# Firm Commitment Volume by Program/SOA

## FY11 – FY22 through 11/30/21



# Application Queue Growth Since 10/2/2020 Implementation



**All pre-3/18 (2020 MAP Guide effective date) applications have been assigned; new assignments follow 3/18 queue priorities**

**266 applications currently in-processing by HUD (full capacity)**

**391 applications currently waiting in the queue (an additional 147% of capacity)**

# FHA Catalyst: Multifamily Applications Module

- **Mortgagee Letter 2021-26 (published Nov 10) requires the use of the *FHA Catalyst* portal for application submissions, effective Dec 10**
- Additional training was provided to lenders on Dec 1 & 2
- To request access:
  - Visit [www.hud.gov/catalyst](http://www.hud.gov/catalyst), click “Multifamily Applications”
  - Download “Lender Access Request Form”, email completed form to [FHACatalystMF@hud.gov](mailto:FHACatalystMF@hud.gov)
- For account or technical assistance, contact the FHA Resource Center by emailing [answers@hud.gov](mailto:answers@hud.gov) or call 1-800-CALL-FHA

# Portfolio Performance During the Pandemic

## As of June 2021

**Default rates are down; claims have stayed low.**

- The overall MF 60+ day default rate has continued to fall to less than 1%
- 28 loans are currently in 60+ default with UPB of \$338 million (0.30% of current MF book of \$112 billion UPB), consistent with pre-pandemic levels
- Year over year the Multifamily 60+ default rate has decreased from **0.91%** in August 2020 to **0.30%** in August 2021
- Current claim rate is **0.003%**, consistently low since 2014
- No new loan forbearances, and borrowers are repaying amounts due



# Other Topics

- Guidance in Process:
  - DSR Escrow
  - Cost Not Attributable
  - Surplus Cash
  - Termination of Covid FAQ's
  - MAP Guide Errata
- AAQ
- Section 202/811 Capital Advance
- LIHTC 221(d)(4) PILOT
- Completion of Repairs on Section 223(f) Deals





OFFICE OF HOUSING

# Office of Multifamily Housing Programs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

# Southwest Region News

## New Regional Director

- Christie Newhouse

## Hiring News

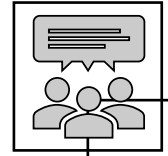
- Victor Lopez, Technical Branch Chief
- Veronica Simpson, Underwriter
- Lee Sanders, Underwriter
- Bobby Young, Appraiser
- Asset Management Hiring
- Updated org chart will be provided

## Team Realignments

- Some changes to underwriting teams
- New teams took effect on November 8<sup>th</sup>
- Underwriters will keep all assigned applications

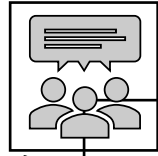


# Concept Meeting Schedule



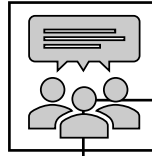
Tuesday

- Market Rate
- 11:00 AM & 1:00 PM



Wednesday

- Market Rate
- 1:00 PM & 2:00 PM



Thursday

- Affordable: 11:00 AM
- Market Rate: 1:00 PM

## Request a Concept Meeting If...

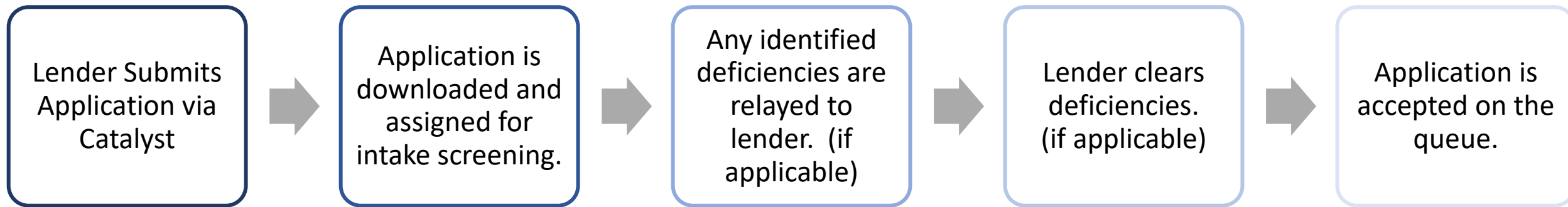
- New construction/sub-rehab
- For 223(f)s:
  - No or limited HUD experience
  - Occupancy issues
  - Environmental issues
  - Changes in affordability
  - Unique situations

Send all concept meeting packages to [SWConcepts@hud.gov](mailto:SWConcepts@hud.gov).

Concept meetings will continue to be held via conference call until further notice.

# Application Submissions

## Intake Process



Our goal is to get through this process in less than 10 business days

**In FY21 the SW Region received an average of 9 applications a week for a total of 457 applications.**

# Application Queue

## Average Days in Queue

SOA	Average Days in Queue
Affordable NC/SR	24
Market NC/SR	69
Affordable 223f	70
Market 223f	96
Affordable 223a7	42
Market 223a7	46
241a	57
<b>Total</b>	<b>69</b>



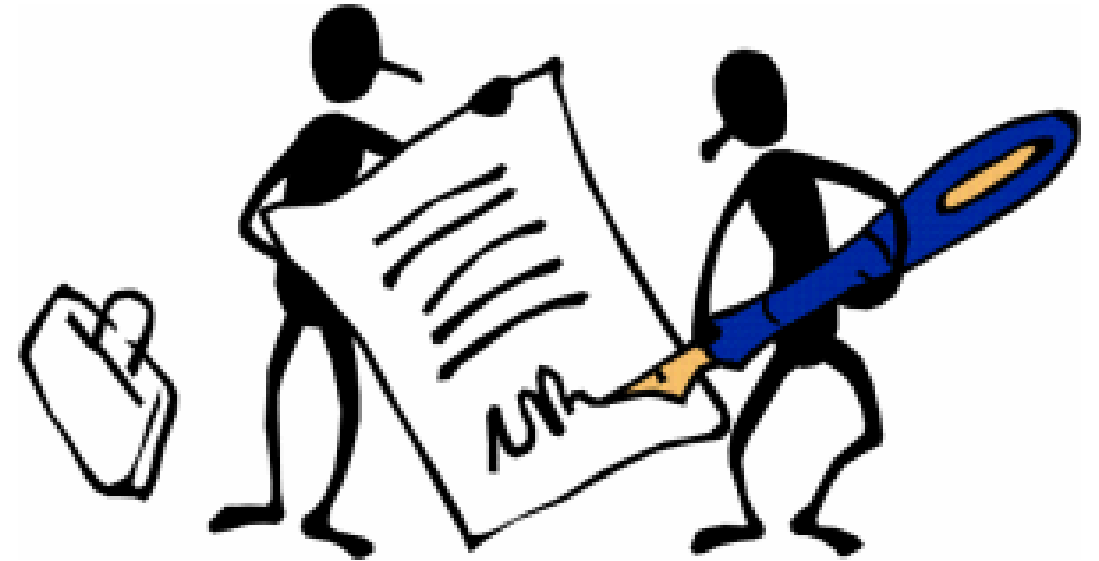
## Queue Breakdown

SOA	Loan Committee	Number of Applications
Market NC/SR Pre-Apps/Straight-to-Firm	National	8
Market NC/SR Pre-Apps/Straight-to-Firm	Regional	30
Market NC/SR Firm Apps	National	1
Market NC/SR Firm Apps	Regional	2
Affordable 223(f) Apps	Regional	1
Affordable 223(f) Apps	N/A	15
Market 223(f) Apps	National	5
Market 223(f) Apps	Regional	12
Market 223(f) Apps	N/A	16
Affordable 223(a)(7) Apps	N/A	2
<b>Total Applications in Queue</b>		<b>92</b>



# Closings

- FY 21 represented an unprecedented volume of closings in the SW; almost all the closings were split between two closing coordinators.
- In FY 22 we are continuing to work with our closing partners to make sure closings run smoothly, some things to keep in mind:
  - Communicate directly with your closing coordinator, not OGC
  - Be upfront about hard closing deadlines (including during underwriting)
  - Amendments should be submitted well before your closing date, unless unavoidable
  - Try to limit amendments to 2 per commitment



# Hot Topics in the Southwest



Quality of Applications



Lack of MF Experience or Recent MF Experience for Developers



Green MIP Repair Timeframe & Reporting Responsibilities



Request for Start of Construction Before Application/Commitment



Expiration of Letters of Credit for Escrows



Completion of Non-critical Repairs



# Frequent Environmental Issues with FHA Projects



New Pipeline Requirements

Floodways on Project Site

Environmental Assessment Factors

Early Start

# New Pipeline Requirements (MAP 9.6.19.B)

## All Projects

- Identify pipelines within & adjacent to property that transport flammable/combustible liquids/gases at pressure **>200 psig**
- Confirm no structures, common areas, parking or other improvements within **10-feet** of pipeline **easement** for such pipelines

## New Construction and Sub-Rehabs

- Assess above- & below-ground pipelines within **1-mile** of the property that transport flammable/combustible liquids/gases >200 psig

## If Pipelines Identified

- Obtain pipeline diameter & maximum allowable operating pressure. Refer to MAP Guide Appendix A to determine baseline **Pipeline Impact Radius (PIR)**

## Projects within PIR

- Provide engineering report to assess Thermal Radiation & Blast Overpressure. HUD requires mitigation to address issues and **may reject** project if no mitigation is possible



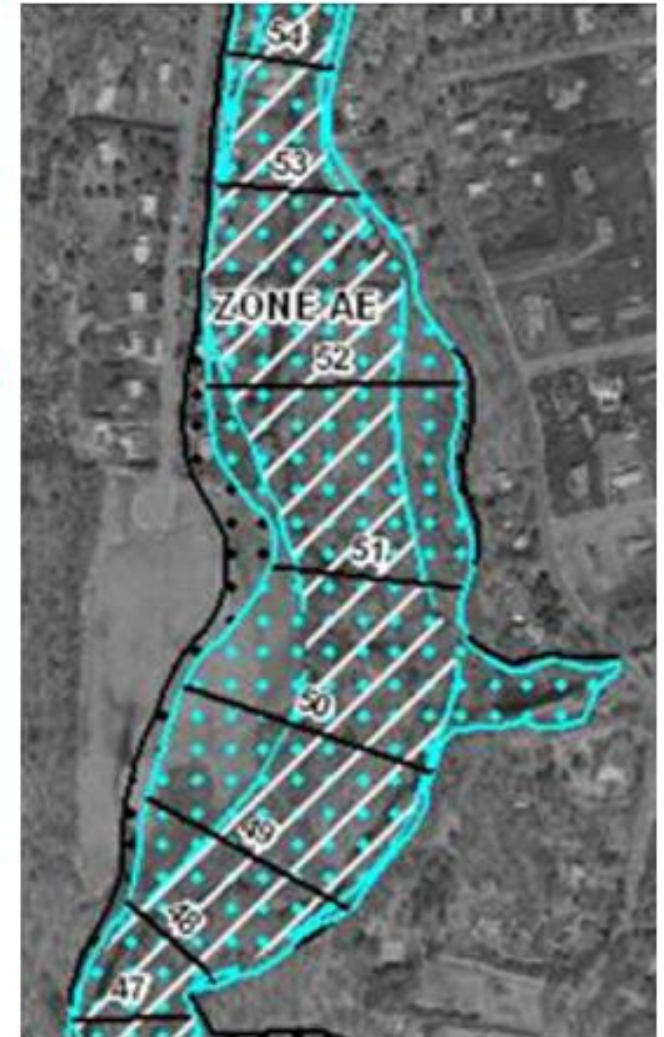
# On-site Floodway

HUD assistance is **prohibited** for a housing site with a Floodway [24 CFR § 55.1(c)(1)]

Only two exceptions to floodway prohibition apply to MFH:

Incidental Portion [§ 55.12(c)(7)] – but **only if no improvements** are in the Floodplain (“100 year,” or “500 year” if critical action) *and* **no construction in a wetland**

LOMA/LOMR [§ 55.12(c)(8)] – but site cannot contain **wetlands** *and* entire site must be covered by LOMA/LOMR





# EA Factors

The NEPA Environmental Assessment (EA) is holistic and encompasses all the **EA Factors** (plus Purpose & Need, Existing Conditions & Trends, Cumulative Impacts, etc.)

The EA is a **clear-eyed** analysis of a site's pros & cons - No site is "perfect"

EA Factors address the **core** of what makes a particular site suitable for housing

Neutral or even "beneficial" EA Factor can often be **improved** upon (modified)

Adverse EA Factor should be "**fixed**" (mitigated, modified or avoided)



# Early Start

Early Start = limited work before Initial Endorsement

**Generally prohibited** but assessed on a case-by-case basis

Required:

- Environmental Review must be complete in HEROS
- Must have Firm Commitment
- MFH Director must document valid reason for granting

Examples of early start activities

- Clearing and grading – e.g., Adjustments to surface drainage or grades on subject site **due to** site work/grading work on neighboring site
- **Minor** demolition
- Environmental remediation and other preliminary site work that are **not substantial in scope**
- Utilities serving multiple **proximate parcels might** require installation of a main across the subject site



# Connect with the SW

Regional Website: <https://www.hud.gov/states/shared/working/southwest/mf>

SWConcepts@hud.gov

- Schedule Concept Meetings

SWProduction@hud.gov

- Submit FHA number requests and general correspondence

MFSWPProductionAppeals@hud.gov

- Submit appeals to pre-application and firm decisions

SWConstruction@hud.gov

- Submit PTO requests, change orders, draw requests, non-critical repair escrow releases, construction inspections, COVID escrow releases, etc.

MFSouthwestMARS@hud.gov

- Submit Monthly Accounting Reports (MARs)

MFSouthwest@hud.gov

- Submit Asset Management routine servicing requests and correspondence including IRRs

# FY21 Concept Meetings

## Concepts by State

Proposed State	Number of Concepts
AR	6
IA	5
KS	5
LA	24
MO	30
NE	12
NM	8
OK	10
TX	153
<b>Grand Total</b>	<b>253</b>

## Concepts by SOA

**NC/SR**

**206**  
Concept  
Meetings

**223(f)**

**45**  
Concept  
Meetings

**241(a)**

**2**  
Concept  
Meetings



# Firm Commitments Issued

## FY 2021

SOA	Number of Firms Issued	Mortgage Amount	Number of Units
220	2	\$149,862,800	437
221d4	73	\$1,844,708,500	13,325
231	1	\$11,606,800	122
223a7	75	\$1,255,755,130	14,074
223f	174	\$2,896,070,500	29,390
<b>Grand Total</b>	<b>325</b>	<b>\$6,158,003,730</b>	<b>57,348</b>



## FY 2020

SOA	Number of Firms Issued	Mortgage Amount	Number of Units
223a7	78	\$1,148,069,700	12,984
223f	90	\$1,382,603,700	14,272
NC/SR	82	\$2,114,681,907	16,096
<b>Grand Total</b>	<b>250</b>	<b>\$4,645,355,307</b>	<b>43,352</b>

# Closings

## FY 2021







SOA	Number of Closings	Mortgage Amount	Number of Units
223a7	93	\$1,526,968,800	16,842
223f	148	\$2,520,136,400	25,484
Final NC/SR	65	\$2,001,636,035	14,635
Initial NC/SR	74	\$2,018,031,300	14,239
<b>Grand Total</b>	<b>380</b>	<b>\$8,066,772,535</b>	<b>71,200</b>

## FY 2020

SOA	Number of Closings	Mortgage Amount	Number of Units
223a7	52	\$710,432,800	8,130
223f	74	\$1,087,204,300	11,245
Final NC/SR	71	\$1,576,161,756	14,183
Initial NC/SR	70	\$1,809,429,000	13,843
<b>Grand Total</b>	<b>267</b>	<b>\$5,183,227,856</b>	<b>47,401</b>

# Construction Snapshot

## Southwest Region Construction Activity Snapshot As Of October 2021

-  **202 Capital Advance**  
\$3.7M; 33 Units
-  **220 NC/SR**  
\$43.8M; 149 Units
-  **221D4 NC/SR**  
\$5.1B; 37,388 Units
-  **223F Refi/Purch**  
\$23.8M; 196 Units
-  **231 NC/SR**  
\$35.7M; 266 Units
-  **241A Addtn/Imprvmt**  
\$10.6M; 60 Units

192 Properties  
\$5.2B FHA Mortgage Insurance  
38,092 Units

