



CARH

USDA Rural Development - Multifamily Housing

March 23, 2023

MFH Leadership Introduction



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MFH Field Operations Division – Regional Directors



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Donna O'Brien

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Byron Waters

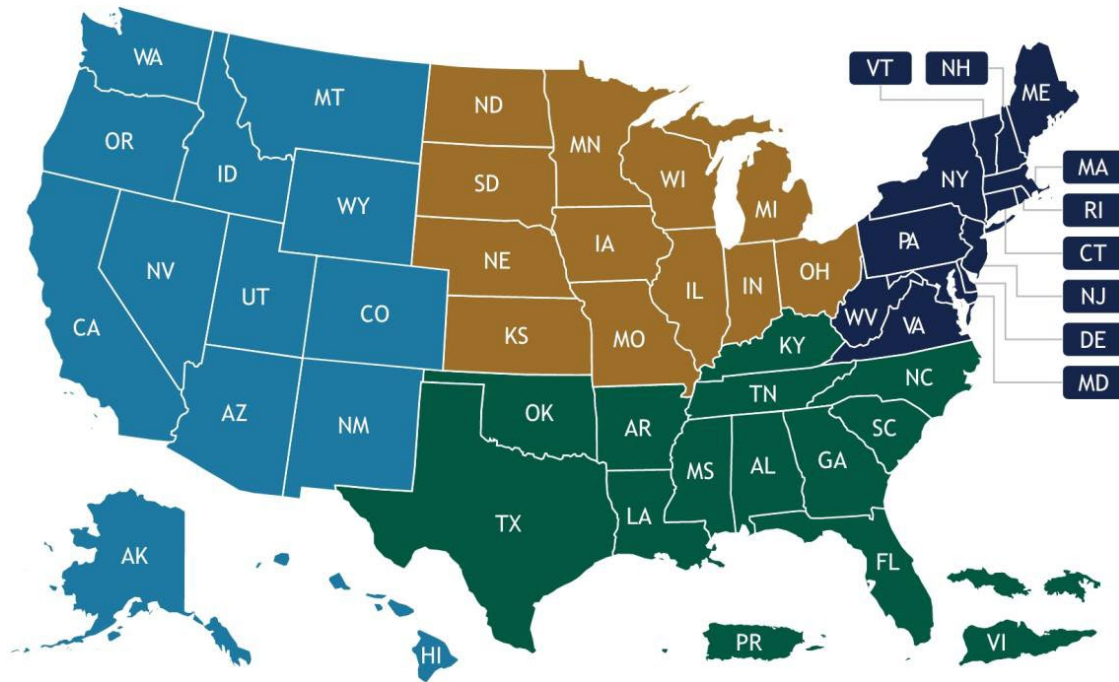
Southern Regional Director
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Becki Meyer

Western Regional Director
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MFH Field Operations Division – Regional Contacts



Our Field Operations Division maintains local relationships through regionally organized servicing teams and handles all day-to-day servicing of Multifamily housing properties to ensure that tenants have safe and affordable housing. The four regions and the contact information for each Regional Director follows:

Western Region

Becki Meyer, Regional Director

MFHFODWest@usda.gov

AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Midwest Region

Eric Siebens, Regional Director

MFHFODMidwest@usda.gov

IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI

Southern Region

Byron Waters, Regional Director

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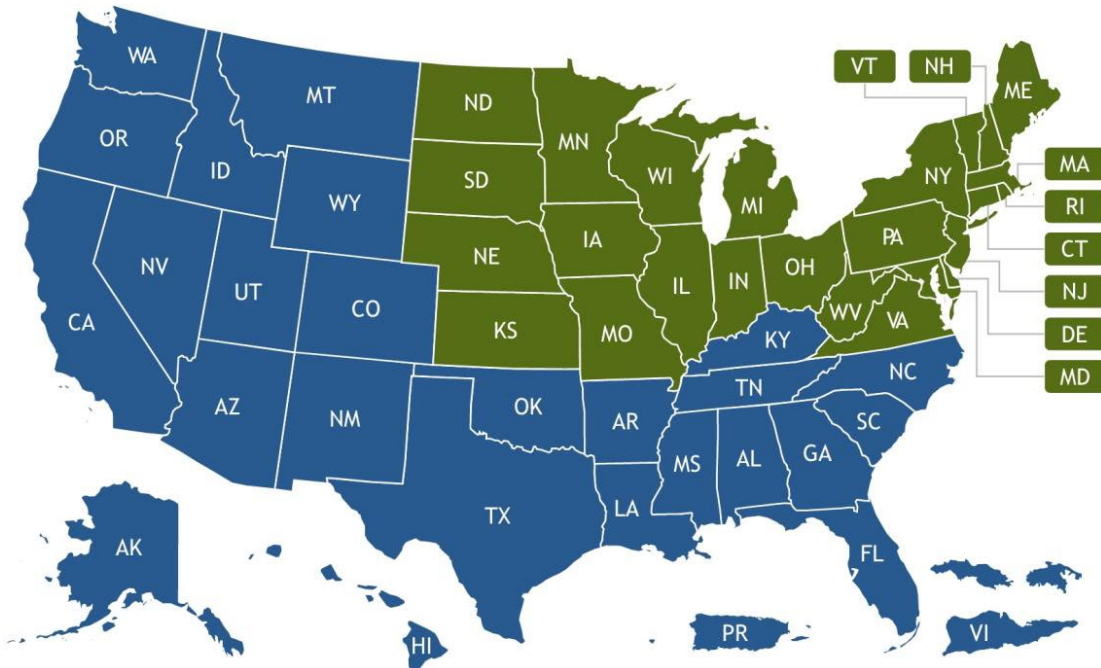
Northeast Region

Donna O'Brien, Regional Director

MFHFODNortheast@usda.gov

CT, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV

MFH Production & Preservation Division - Contacts



Production & Preservation Division (P2) processes, underwrites, and closes all multifamily direct, preservation, and guaranteed loan transactions. P2 supports all Multifamily Housing Programs including 515, 538, Multifamily Preservation and Revitalization (MPR), prepayments, and preservation efforts. P2 also oversees Notice of Solicitation of Applications (NOSA) drafting and administration efforts for Farm Labor Housing, Housing Preservation Grants, MPR, technical assistance, and 515. The email contact information for P2 follows:

Processing and Report Review Branch 1

MFHprocessing1@usda.gov

CT, DE, IA, IL, IN, KS, MA, MD, ME, MI, MN, MO, ND, NE, NH, NJ, NY, OH, PA, RI, SD, VA, VT, WI, WV

Processing and Report Review Branch 2

MFHprocessing2@usda.gov

AK, AL, AR, AZ, CA, CO, FL, GA, HI, ID, KY, LA, MS, MT, NC, NM, NV, OK, OR, PR, SC, TN, TX, UT, VI, WA, WY

MFH Contact Information

- Central Phone Number
 - 800-292-8293
- MFH Website
 - Direct Web Address: <https://www.rd.usda.gov/multifamily>
 - [MFH Organization Structure](#) is located on the bottom of the site and is updated bi-weekly
 - A [sortable list of Servicing Specialists](#) for specific properties is located on the site

MFH Fiscal Year 2023 Budget

- Rental Assistance - \$1,487,926,000
- Rural Voucher Program - \$48 million
- Section 538 Guarantee - \$400 million
- Section 515 Rental Housing - \$70 million
- Section 515 Rental Housing (Repair, Rehabilitation, New Construction)- \$13,377,000
- MFH Preservation - \$36 million
- Farm Labor Housing Loans and Grants - \$14,084,000

MFH Fiscal Year 2023 Budget

- SuperNOSA
 - Section 515 Preservation
 - Multifamily Preservation & Rehabilitation (MPR)
 - FLH New Construction & Preservation
 - 515 Subsequent Loans
 - [Industry Listening Session: February 8, 2023](#)
- Technical Assistance NOFA Funding Round
 - Anticipated April 2023
 - [Industry Listening Session: February 9, 2023](#)
- 538 Guaranteed NOSA Update (rolling applications)
 - Anticipated March 2023
 - [Industry Listening Session: February 7, 2023](#)

MFH Fiscal Year 2023 Budget

- Section 515 RRH Subsequent Loans
 - \$70M of Section 515 Loan Funds for FY23
 - Round One - Applications Received by April 30, 2023; Round Two – Additional Funding Availability to-be Published in a later NOSA
 - Stakeholder Information Session on March 23, 2023; 2:00-3:00 PM ET
 - [Listening Sessions](#) Registration Link

Presidents MFH Fiscal Year 2024 Proposed Budget

- The Budget continues to request a general provision that requires funding for new construction under all the MFH programs
 - +\$200 million for the Multi-Family Housing (MFH) Loans;
 - \$130 million for Sec 515 direct loans
 - \$70 million for MFH Preservation and Revitalization program
 - The Budget continues to seek permanent authority for the MFH MPR program
 - +\$30 million for FLH loans and \$8 million in grants
 - +\$162.2 million to provide Rental Assistance, included ARPA renewals
 - The Budget continues to request decoupling to help with managing maturing mortgages and preserving affordable housing.
 - -\$10 million from the Vouchers program (\$38 million requested), as the budget continues to request new Vouchers through HUD

Asset Management Division (AMD)

Policy Updates:

- LEP UL - Improving Access to Services by Persons with Limited English Proficiency
- Proposed Rule on Reserve Account - Comment Period Ended 3/9
- Proposed Rule on Modernization of Insurance/Repairs
- Proposed Rule on Smoke Alarm requirements in the Section 515, 514 and 516
- Final Rule on Extension of Time and Required Disclosure for Notification of Nonpayment of Rent in Multi-Family Housing (MFH) Direct Loan Programs (30 Day Notification)
- Tenant Notification Listening Session - Submit Comments by 3/24/2023

Asset Management Division

Multifamily Housing Physical Inspection Pilot Program (MPIPP) Update:

- Tribal1/BISCO is contracted to perform 1075 inspections in 2023.
- The proposed protocol is based on professionally trained inspectors conducting inspections using the Mortgage Banker's Association (MBA) Inspection form 3.03 (already in widespread use throughout the industry) and the Fannie Mae rating system.
- Inspections started in December and will be completed in August.
- Borrower gets 28 days notice of inspection, two follow up reminders
- 240 inspections have been completed/approved to date, with 300 pending in March.
- Assigned MFH staff will follow up with any findings to be corrected.

MFH Simple Transfer Pilot Program

- Published in the [Federal Register](#) on December 9, 2022:
- Goal: Reduce transfer application requirements for properties that meet certain requirements and encourage preservation activity by offering three additional transfer options:
 - Option 1: Simple Transfer with Expedited Ownership Change Required
 - Option 2: Simple Transfer with Rehabilitation
 - Option 3: Simple Transfer with Future Rehabilitation/Recapitalization Plan (Two-Step Transfer)
- Following the launch in December, the pilot program is off to a great start with strong interest from customers.

MFH Simple Transfer Pilot Program

Current Pipeline:

- 29 FOD Referrals (NE- 11, West- 10, MW- 7, South- 1)
- 20 Consultations Completed
- 6 Applications Received
- 1 Withdrawn Application
- 1 Closing Branch Submission

How long does miscellaneous information unrelated to rent calculations need to be kept in the tenant file?

Miscellaneous information from the last 3 years or since the last Agency monitoring visit or compliance review, whichever is longer, should be maintained in the current tenant file.

As non-current items are purged from the active tenant file, keep in mind the following items must be retained and easily accessible for Agency review:

- Original signed and dated application
- Original tenant certification documenting eligibility or waiver, if applicable
- Security Deposit receipt
- Move-in inspection
- Special situations – grievances, waivers (income, unit size/type, survivor, etc.)

Refer to HB2 Chapter 6 Attachment 6-J for other current items that must be retained.

How far back to properties need to keep the wait list?

Waiting lists cannot be disposed of or destroyed.

3560.154(i) Purging waiting list

Procedures used by borrowers to purge waiting list must be documented in the project's management plan and must be based on the length of the waiting list or the extent of time an applicant will be expected to wait for housing.

At a minimum, borrowers must document removal of any names from the waiting list with the time and date of the removal. If an electronic waiting list is used, borrowers must periodically print out electronic waiting lists or preserve backup copies showing how the waiting list appeared before and after the removal of each name.

Gig Economy Income

What is the Gig Economy?

- The IRS defines Gig Economy as activity where people earn income providing on-demand work, services or goods, often through an app or website.
 - Most often in reference to jobs working with a rideshare company or making deliveries: Uber, Lyft, Door Dash, Uber Eats

How is Gig Economy Income Calculated?

- The same as other self-employed individuals (independent workers) - **net income** from the operation of a business or profession [Handbook 2-3560, Attachment 6-A, *Item (b)(2)*]
 - Utilize tax returns (Form 1040 and Schedule C, E, or F)
 - If no tax return, utilize payment Apps, bank statements, audited or non-audited financial statements, etc.
 - Allowing for business deductions and straight line depreciation, if applicable
- If the net income from a business is negative, it must be counted as zero.

Field Operations Division

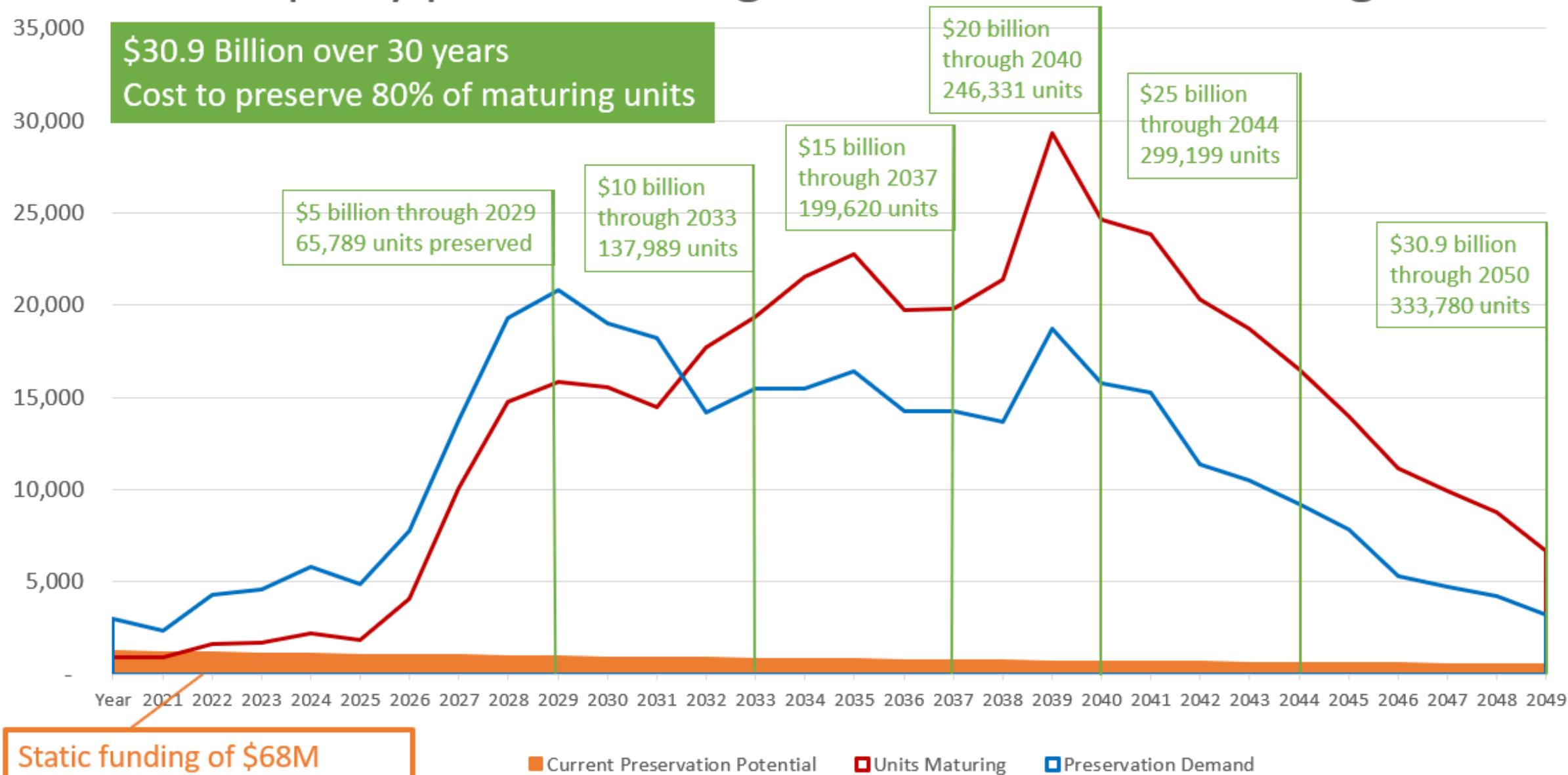
Budgets

- Fiscal Year 2023 Highlights
 - Reduced review timeframes (>60 day review reduced by over 50%)
 - Rent Changes – 89.6%
 - Greater than \$25 – 80.4%
 - Average Rent Change – \$54.30

MFH Preservation Analysis

- Current preservation resources are insufficient and will become catastrophically so in 2027
- Current preservation demand exceeds the number of maturing mortgages:
 - Most properties start preservation efforts before maturity date
 - Poor physical condition/need for rehab is a major driver
 - MFH has a current pipeline of 171 properties
- Costs based on current preservation expenses averaging \$56,000 per unit
- Data assumes 3% inflationary increase per year
- Preservation goal/estimated demand is 80% of loan maturities
- In 2032, loan maturities exceed preservation goal/demand because properties in urgent need were already preserved

Property preservation goal versus current funding



Asset Management Division (AMD)

- For tenant protections the RD Voucher program will help tenants by providing a rental subsidy that will supplement the tenant's rent payment. Very-Low to Low-income tenants in the prepaying property are eligible to receive a voucher that they may use at that property or take to any other rental unit in the United States that passes RD inspection and where the owner will accept an RD Voucher, with the exception of rental units in subsidized housing like USDA Section 521 Rental Assistance, HUD Section 8 and public housing where two housing subsidies would result.
- The RD Voucher Program is currently a demonstration program and does not have a regulation, but RD will be issuing an updated proposed rule to codify the design features of the Rural Development Voucher Program (RDVP), including the eligibility of tenants, including ensures that tenants are not rent overburdened and that appropriate funds are used to assist the maximum number of eligible tenants, the eligibility of the voucher unit, inspection requirements, and the calculation of the subsidy amount. Publication of the rule will allow public input and the incorporation of industry-learned best practices in program delivery.

Decoupling: Why its Needed

- Current statute requires a property to have a Section 515 mortgage to receive Section 521 Rental Assistance (RA)
- If the Section 515 mortgage is paid off through prepayment or maturity, the property can no longer receive RA.
- Keeping RA in place requires keeping the Section 515 mortgage in place, which makes it difficult to take on additional debt for recapitalization and requires complicated subordination agreements. To address this issue, RHS Multifamily currently defers the debt for 20 years under the Multifamily Preservation and Revitalization Demonstration (MPR).
- Debt deferral poses a substantial credit risk due to the 20-year balloon note, is expensive from a credit subsidy perspective, and is not a sustainable long-term preservation path for these properties.
- If decoupling were permitted, deferral costs would decrease because some properties will leverage sufficient debt and equity to pay off the 515 debt rather than deferring it, and properties be preserved more efficiently and affordably with less credit risk.

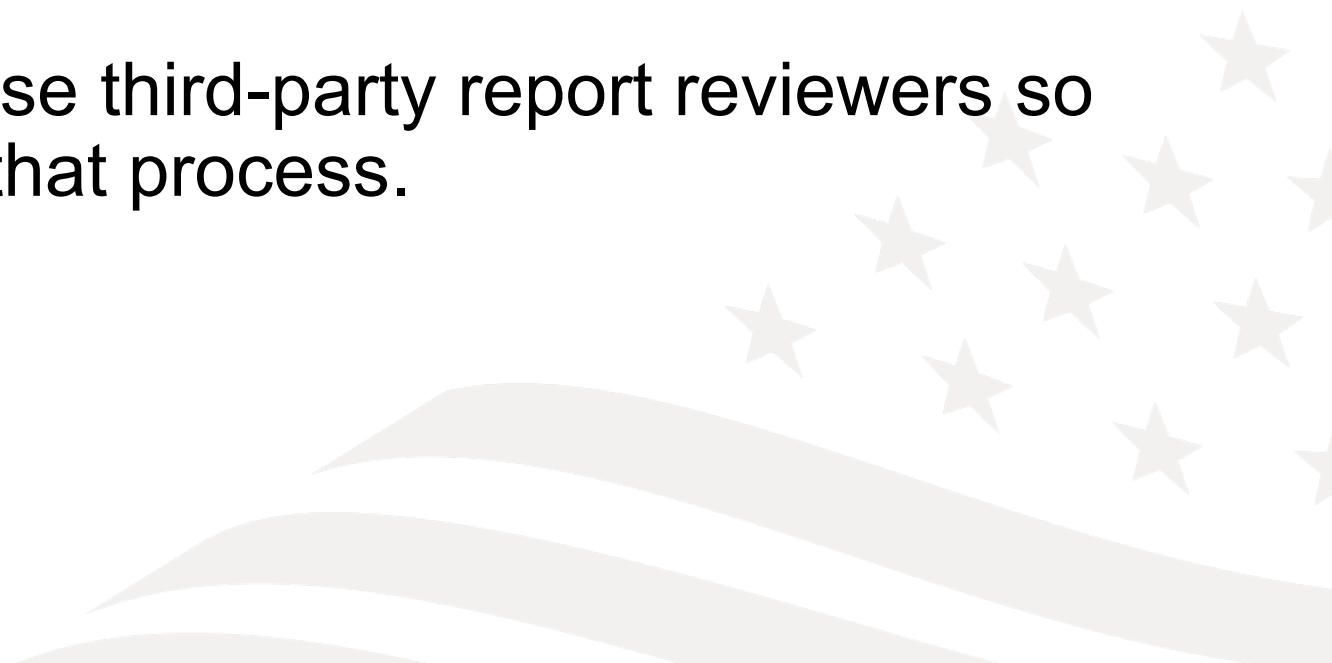
Decoupling: How it Facilitates Preservation

- RA is important to achieve rents that will support recapitalization. RA is often included in state housing finance agency prioritization for receipt of low-income housing tax credits and other local resources.
- When the Section 515 mortgage matures or prepays, the debt load at the property is reduced, allowing borrowers to take on additional third-party debt to facilitate recapitalization.
- We expect that decoupling will have broadest appeal in properties that have either 100% rental assistance in place or partially rent assisted properties with strong market demand for the unassisted units.
- The stable revenue from these properties/markets will attract debt and equity investment at very favorable commercial rates, and lead to the preservation of more properties than our current MPR program does, and by extension lower demand for vouchers needed at the time of property loss.
- When and if decoupling is permitted, we would not recommend removing deferrals as a program option because there will be properties that will require the depth of assistance deferrals provide in order to be preserved. The credit risk in these instances will be balanced with mission risk.

Decoupling: Stakeholder Engagement

- Strong Congressional Interest identified in the FY23 Appropriations Act to decouple RA from Section 515.
- Departmental Directive
 - Hold 3 Listening/Stakeholder Sessions; within six months of Act
 - Report back to the Committees on implementation plan
- Session Information Forthcoming

Section 538 Questions and Recommendations

- Increase the Loan to Cost percentage to 85%
 - Allow refinancing?
 - Share their underwriting queue with Lenders, for increased transparency on deals in pipeline and fiscal year dollars available in the budget?
 - Encourage you to hire in-house third-party report reviewers so that RD maintains control of that process.
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Closing Remarks

