



# Rapid Response & Resolution Team Briefing

Room 6202

Thursday, January 12, 2017



# Addressing Troubled Properties



Improving our *internal processes* of *assessing properties and analyzing risk* so properties do not become troubled.



Improving our process of *inspecting properties* so troubled properties are identified earlier and more reliably and *improve our process of communicating the results to stakeholders*.



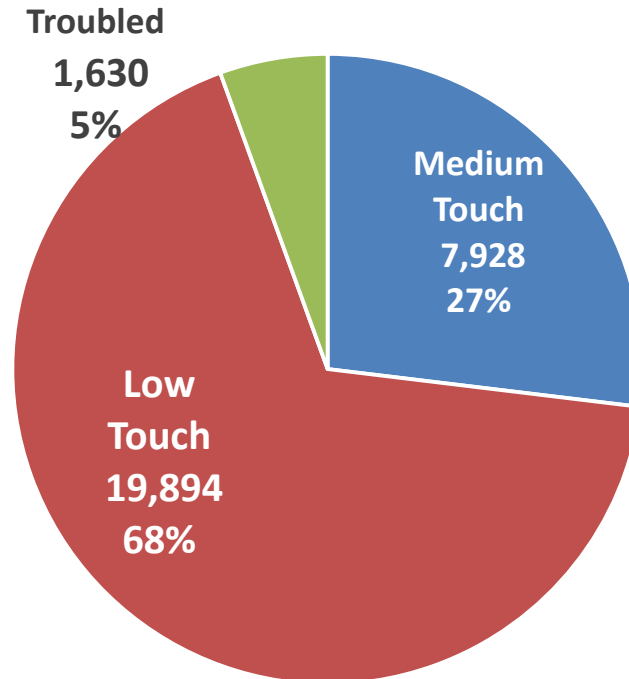
Improving our process of *enforcing and resolving* troubled properties and *working with owners* so HUD resources are used only on safe and healthy housing.

# Rating the Multifamily Portfolio

Troubled/High Touch projects have a risk factor that endangers the FHA Insurance Fund or HUD's mission of affordable housing.

- Financial problems
- Vacancy
- Compliance problems
- HAP ending

These projects are required to have an Action Plan in place to address the issue(s) and may be subject to enforcement action.



Potentially Troubled/Medium Touch projects have a slightly elevated risk to the FHA Insurance Fund or HUD's mission of affordable housing.

- New projects
- Signs of potential financial problems
- Compliance problem which has recently been corrected

These projects may have an Action Plan in place to address the issues.

Not Troubled/Low Touch projects do not present an active risk to the FHA Insurance Fund or HUD's mission of affordable housing.

# OAMPO: Portfolio Snapshot

As of January 9, 2017

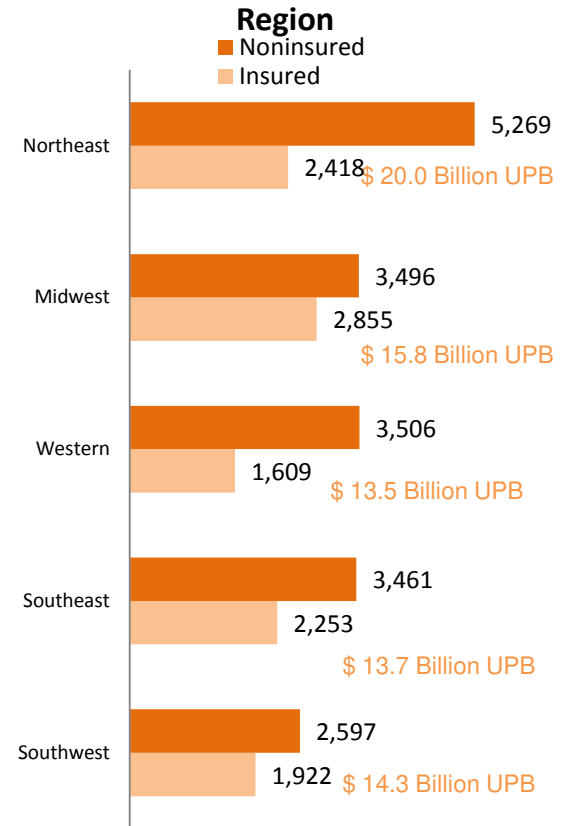
## Portfolio Summary

	Type	# of properties	Dollars/Units
<b>Insured UPB:</b> \$77,311,143,476 Total assets: 11,057	221(d)4	1,512	\$17.6 billion
	223(a)7	3,458	\$19.3 billion
	223f	4,541	\$31.9 billion
	542b/ 542c	1,319	\$6.9 billion
	Other	227	\$1.6 billion
<b>Non-Insured Portfolio:</b> 1,159,430 units Total Assets: 18,467	Assisted Only	10,272	849,232 units
	Assisted with CA/DL	7,417	223,199 units
	Other	1,186	86,999 units

## Insured Delinquencies – December 2016

	Projects	Amount	% UPB
DQ3 – 90 day	4	\$ 64,455,022	.08 %
DQ2 – 60 day	5	\$ 20,914,683	.03 %
<b>Total</b>	<b>9</b>	<b>\$ 85,369,705</b>	<b>.11%</b>

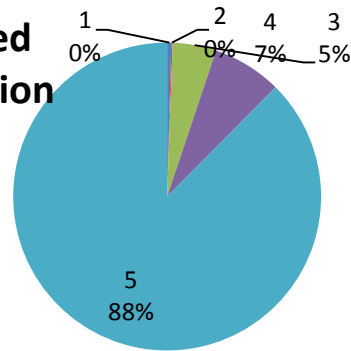
## Project Distribution by Region



## Insured Troubled Projects

As January 9, 2017

### Insured Troubled Project Distribution 699 projects



#### Insured Portfolio Rating Takeaways:

- Troubled Insured projects decreased to 699 this month from 720 last quarter
- Most offices saw decreases due to closed DEC referrals
- Southwest Region had staffing and assignment changes that account for large Kansas City increase
- Western Region is stabilizing post-Transformation

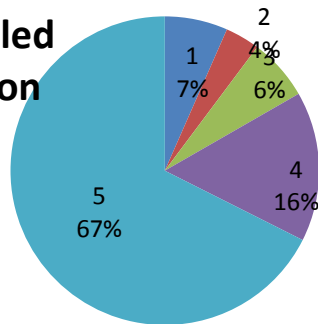
## Troubled UPB by Hub

	Jan 2017	Oct 2016	Change
<b>Fort Worth</b>	\$364.4 M	\$566.1 M	-36%
<b>Kansas City</b>	\$595.3 M	\$315.1 M	89%
<b>Chicago</b>	\$700.5 M	\$671.1 M	4%
<b>Detroit</b>	\$399.5 M	\$391.2 M	2%
<b>Minneapolis</b>	\$483.7 M	\$376.2 M	29%
<b>Atlanta</b>	\$637.6 M	\$742.2 M	-14%
<b>Jacksonville</b>	\$364.2 M	\$404.4 M	-10%
<b>New York</b>	\$107.7 M	\$76.5 M	41%
<b>Boston</b>	\$139.5 M	\$134.7 M	3%
<b>Baltimore</b>	\$769.1 M	\$970.0 M	-21%
<b>San Francisco</b>	\$873.9 M	\$1152.2 M	-24%
<b>Denver</b>	\$508.8 M	\$427.7 M	19%
	<b>\$5.9 B</b>	<b>\$6.2 B</b>	<b>-5%</b>

## Non-Insured Troubled Projects

As January 9, 2017

### NonInsured Troubled Project Distribution 910 Projects



#### Non-Insured Portfolio Rating Takeaways:

- Non-Insured Troubled increased from 860 last quarter
- Increase primarily due to additional attention on Preservation and underutilized HAP
- Southwest Region had staffing and assignment changes that account for large Kansas City increase

## Troubled Projects by Hub

	Jan 2017	Oct 2016	Change
<b>Fort Worth</b>	15	53	-72%
<b>Kansas City</b>	106	81	31%
<b>Chicago</b>	54	50	8%
<b>Detroit</b>	98	102	-4%
<b>Minneapolis</b>	44	43	2%
<b>Atlanta</b>	138	112	23%
<b>Jacksonville</b>	55	33	67%
<b>New York</b>	51	43	19%
<b>Boston</b>	42	40	5%
<b>Baltimore</b>	52	49	6%
<b>San Francisco</b>	150	162	-7%
<b>Denver</b>	105	92	14%
<b>Total</b>	910	860	6%

# Rapid Response & Resolution Team Recommendations

## Office of Asset Management & Portfolio Oversight

- Approve the draft amended language in Section 225 of the Appropriations Act and the draft Housing Notice to allow for streamlined procedures;
- Approve the proposed interpretive rule that clarifies HUD's interpretation of the regulation at 24 C.F.R. § 5.703 and the Multifamily Housing Notice implementing the rule;
- Revisions to the Section 8 Housing Assistance Payments (HAP) Contract;
- Improve HUD's ability to assess risk related to environmental concerns, preventing harm to HUD-assisted tenants due to site contamination and property loss and harm caused by flooding
- Review the current process for assignment of Section 8 Housing Assistance Payments (HAP) contracts;
- Assess the current Multifamily Risk Rating system and its historical data to determine patterns and trends in asset ratings, adequacy of the criteria used and to Identify changes needed to improve the process;
- Develop a system with the ability to identify and review financial information for a common owner;



# Rapid Response & Resolution Team Recommendations

## Office of Asset Management & Portfolio Oversight

- Review the Management and Occupancy Review process and HUD Form 9834;
- Training on available systems for the DEC Analysts and Account Executives to identify trends when reviewing financials;
- Improve the hand-off process between Multifamily Production, Office of Recapitalization and Office of Asset Management and Portfolio Oversight;
- Prepared a draft document describing the show cause process;
- Create a toolkit for detailing best practices for engaging residents, local officials, stakeholders, tenants' rights organizations, and media around a troubled asset and HUD's response
- Establish Field Working Groups in each region to engage with local government staff where a relationship is not strong between HUD Multifamily/PIH staff and the local government;
- Create a process for HUD partners to inform residents and stakeholders on the status of progress in addressing troubled properties;
- Provide ongoing Annual Financial Statement review training to Account Executives and REAC Analysts;
- Update the regulations at 24 CFR 200.857 to reflect current practices involving the DEC's handling of physical referrals that conflict with requirements in the Appropriations Acts

# Rapid Response & Resolution Team Recommendations

## Office of Asset Management & Portfolio Oversight

### Internal Processes

- Develop a framework for elective referrals to the DEC;
- Develop a framework for elective referrals to the Office of Inspector General (OIG);
- Update the FASS system to allow for the ability to print financials at one time for Multifamily;
- Create a working group to review all FASS referral flag criteria, clarify the Account Executive review process when referred to the DEC, and develop elective referral guidance;
- HUD should improve its protocols and processes for monitoring properties that receive subsidies for one or more HUD program offices;
- Move the Risk Systems for both PIH and MF from the existing tools to Secure Systems to establish a common platform to manage the risk-based approach while allowing HUD-wide access to data/reports for appropriate users and identify areas of overlap among programs;
- The DEC and Multifamily Housing (MFH) are negotiating the revisions to the September 30, 2013, protocol.

# Rapid Response & Resolution Team Recommendations

## Real Estate Assessment Center (REAC)

- Implement a Risk-based EH& S Abatement Verification Policy (Multifamily and PIH);
- Inspect Under-60 Properties after a Three-day Notice;
- Increase Scoring Weight of Units and Re-examine Point Deduction Caps;
- Expand Photo Capability in the Inspection Process to Level 1 and Level 2 Deficiencies and a Panoramic Photo of the Property;
- Include Carbon Monoxide Detectors in the Inspection Process;
- Health and Safety (H&S) Deficiency Abatement Requirements and Water Ponding, and Missing Lead-based Paint Disclosure Forms and Inspection Report as it Relates to the Lead Survey Questions;
- Take Enforcement Action to Protect Tenants Before the 45-Day Appeal period is Over for Properties that Score under 30 with EH& S Deficiencies;
- Require Electronic EH& S Certification (MF), EH& S Abatement within 24 Hours (Multifamily).