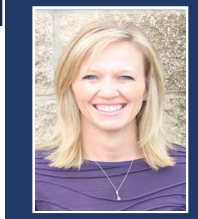
Multifamily Housing Update

NAHMA – March 9, 2023

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

MFH Leadership Introduction



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MFH Updates

- 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 Updates

- 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

MFH Updates

- Proposed Insurance Rule
  - The Agency is currently drafting a proposed rule that will implement needed changes to existing insurance requirements for Section 515/514/516 properties.
  - The proposed rule will align Agency requirements with housing industry standards. Items in the rule include:
    - Increased deductible limits based on a “not to exceed” amount rather than the current formula calculation;
    - Updated insurance coverage requirements to the industry standard of a percent of replacement value;
  - MFH expects the proposed rule will be published in the Federal Register for comments in Fall of 2023. Your comments will be welcomed as part of the rule making process.

Multifamily Physical Inspection Pilot Program

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New Physical Inspection Protocol – Why Change??

- RD has not updated the multifamily physical inspection protocol in over 15 years.
- With the realignment from states to regions there is an opportunity to make improvements to the protocol that will:

  (1) provide consistent, accurate and objective results,

  (2) provide staff with the information needed to predict and manage risk at an early stage; and

  (3) target scarce preservation resources where most needed.

Overview of the Multifamily Physical Inspection Pilot Program (MPIPP)

- The protocol being tested is based on professionally trained inspectors conducting inspections using the Mortgage Banker's Association (MBA) Inspection form 3.03.
- In October 2022, RD awarded the contract to perform the inspections and evaluate the protocol to Tribal1 and its subcontractor Building Inspection Services, Inc. (BISCO)
- Between December 2022 and August 2023, Tribal1 and (BISCO) will conduct 1,075 physical inspections and assess whether the Agency's proposed protocol produces accurate, objective, and consistent results at federally assisted multifamily RD projects in rural areas.

Overview of the Multifamily Physical Inspection Pilot Program (MPIPP)

- The new protocol has a proven track record - MBA Form 3.03 is already in widespread use throughout the industry by multifamily mortgage lenders and the GSEs; Fannie Mae and Freddie Mac.
- By Inspecting a sample of 1,075 projects, RD can be 95% confident that that we are capturing a good representation of our portfolio overall.
- Form 3.03 allows an inspector to choose between two rating standards, an MBA standard and the Fannie Mae standard, to rate the overall physical condition of a property. RD will test the Fannie Mae rating standard.
- The tenant file review and Management Compliance Review sections of the Supervisory Visit will continue to be conducted by RD staff virtually or in person.

Overview of the Multifamily Physical Inspection Pilot Program (MPIPP)

- The MBA Form 3.03 can be found at : https://www.mba.org/docs/default-source/cmf-policy/cmf_pol_mba_standard_inspection_form.xlsm?sfvrsn=808eab6c_1
- The new assessment form provides:
  - An overall rating of the current physical condition and maintenance practices at each property;
  - An evaluation of past and current trends in the condition and maintenance practices at the property,
  - An estimate of how much it will cost to repair any deficiencies/violations that need immediate attention.

Overview of the Multifamily Physical Inspection Pilot Program (MPIPP)

- Inspectors must fill out the following tabs on each report:
  - The General Info Tab
  - The Management Interview Tab
  - The Multifamily Tab
  - The Physical Condition and Deferred Maintenance Tab
  - The Photos Tab
  - The Fannie Mae Tab
  - The Rent Roll Tab

Overview of the Multifamily Physical Inspection Pilot Program (MPIPP)

- New protocol requires the inspector to inspect the same number of occupied and vacant units we inspect now.
- Inspectors will continue to assess borrower compliance with the physical accessibility requirements including required signage.
- If one or more of your properties was selected to take part in the MPIPP, you will be contacted by Tribal1/BISCO between December 2022 and August 2023 to schedule an inspection date.
- Inspections will be scheduled with at least 28-days notice unless all parties agree to schedule an inspection sooner than 28-days.

Flow of the Inspection Process

- Initial contact will be via an email or telephone call from Tribal1/BISCO with a follow-up email to confirm the date and time.
- The confirmation email will ask you to confirm some information about the building and unit count and provide all of the information you need to prepare.
- You will then be contacted by the inspector at 14 days and at 2 days prior to the inspection to make sure that you are ready to go.
- The MBA Form 3.03 requires the inspector to inspect all of the areas of a property covered in 7 CFR §3560.103 and requires the inspector to give an overall rating of the physical condition of the property from 1-5.

Flow of the Inspection Process

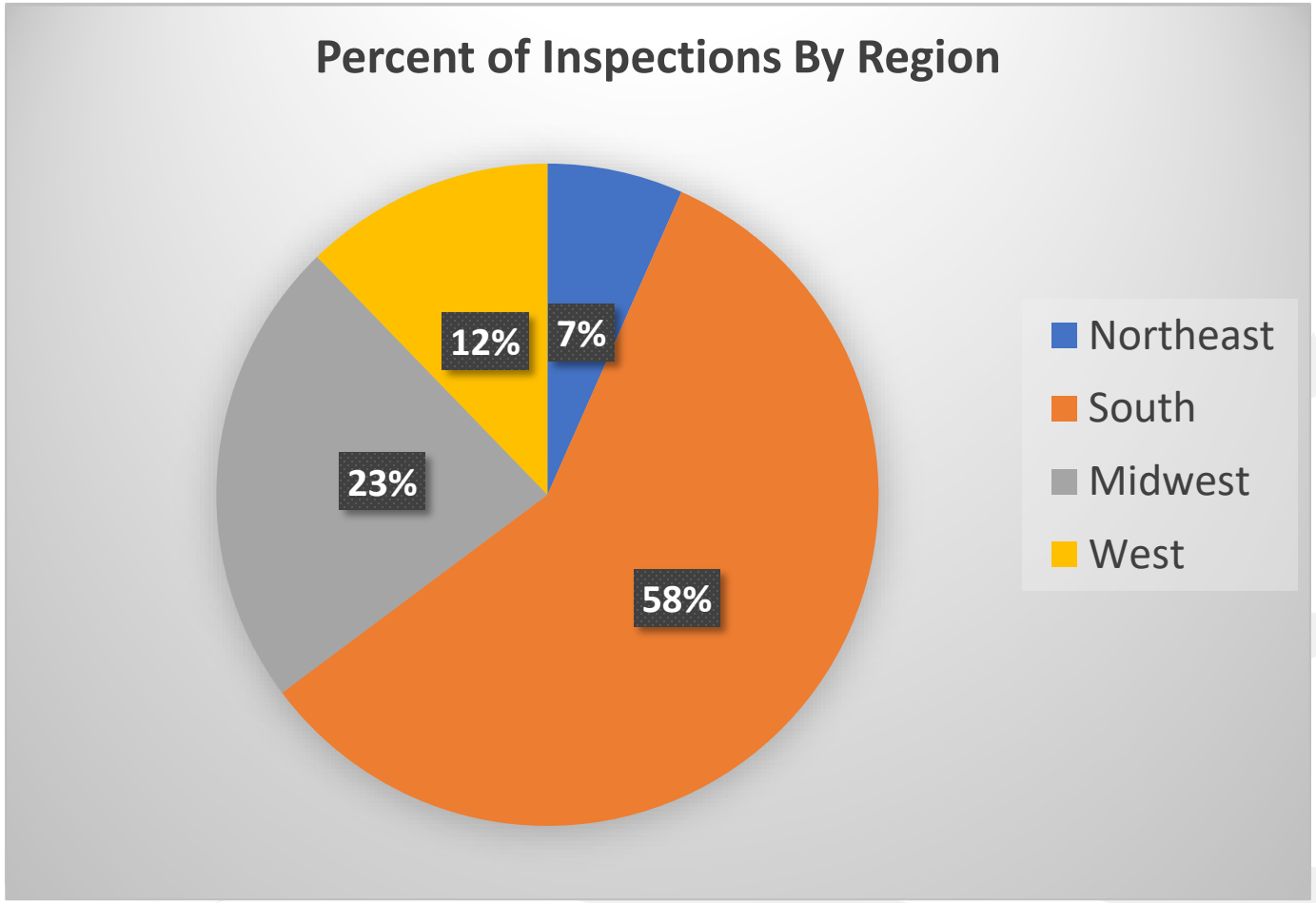
- The 1-5 rankings are primarily for internal use to help field management to organize workload and to determine best use of preservation resources.
- Unlike REAC scores they do not affect how often a property is inspected.
- If you have any questions regarding the inspection before or after it takes, please call or email Paul Falk Pfalk@tribal.one or (928) 863-0348.
- Once the inspection is completed the inspector sends it to Tribal1 for a quality control check.
- Tribal1 then sends the inspection to RD's Multifamily Assest Management Division (AMD) where another quality control check takes place.

Flow of the Inspection Process

- Once it is confirmed that the inspection was conducted within standard, MF AMD provides a copy to the Servicing Specialist responsible for review and action.
- During the MPIPP, Servicing Specialists continue to service projects as they do now.
- Per Chapter 9 of Handbook 3560-2, the Servicing Specialist will issue a letter to the borrower within 30 days of receipt of the inspection and provide a copy of the report and a summary of its conclusions.
- The cover letter to the report will also include a time frame for making repairs and how the methods the borrower must use to confirm that repairs were made.

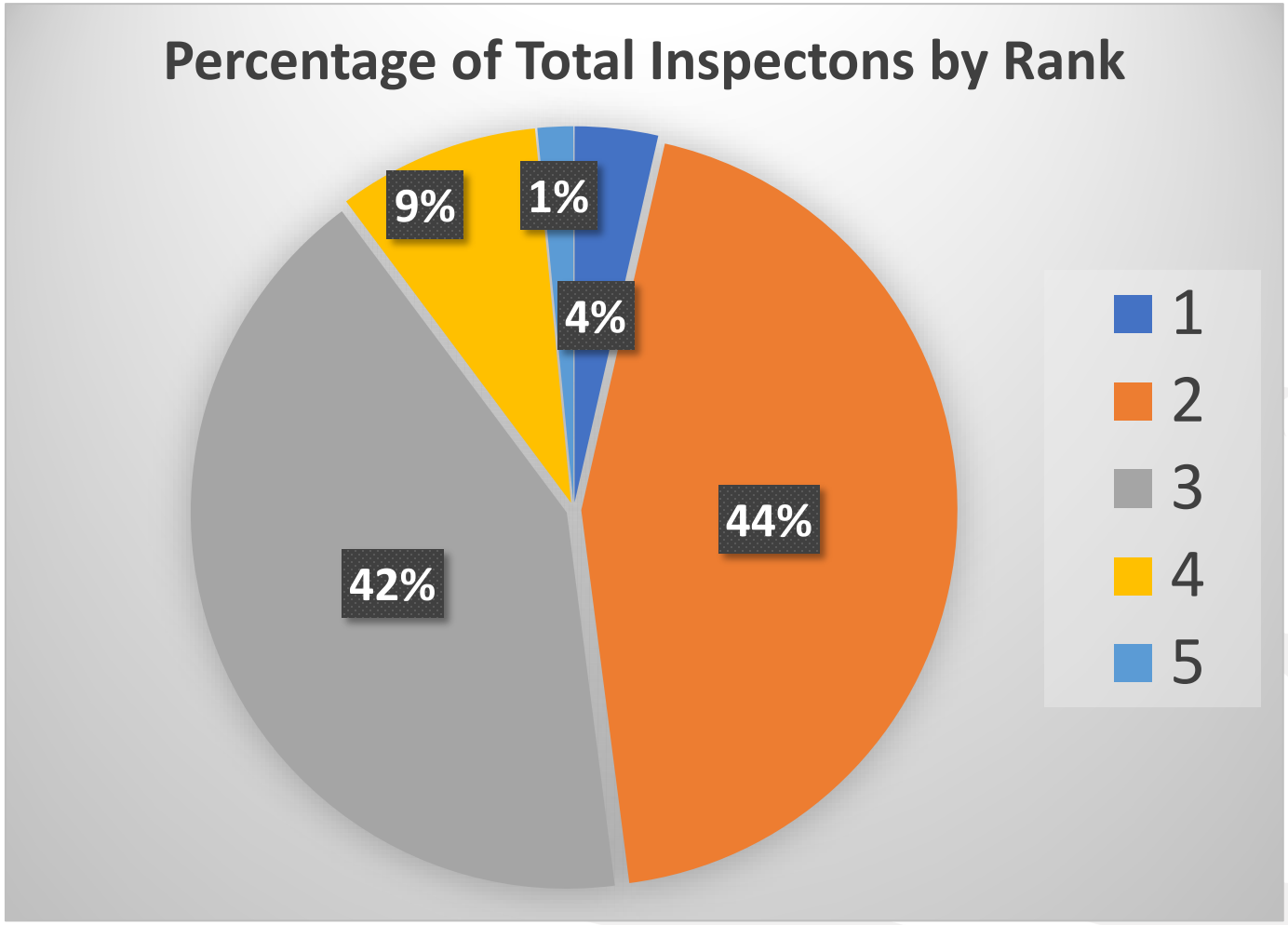
Number and Percentage of Inspections by Region

Region	# of Inspections	% of Total
Northeast	13	6.63%
South	114	58.16%
Midwest	45	22.96%
West	24	12.24%
Total	196	100.00%



Number and Percentage of Inspections by Rank

Inspection Rank	Number of properties	Percentage of Total
1	7	3.57
2	87	44.39
3	82	41.84
4	17	8.67
5	3	1.53
Total	196	100.00



Field Operations Division Updates

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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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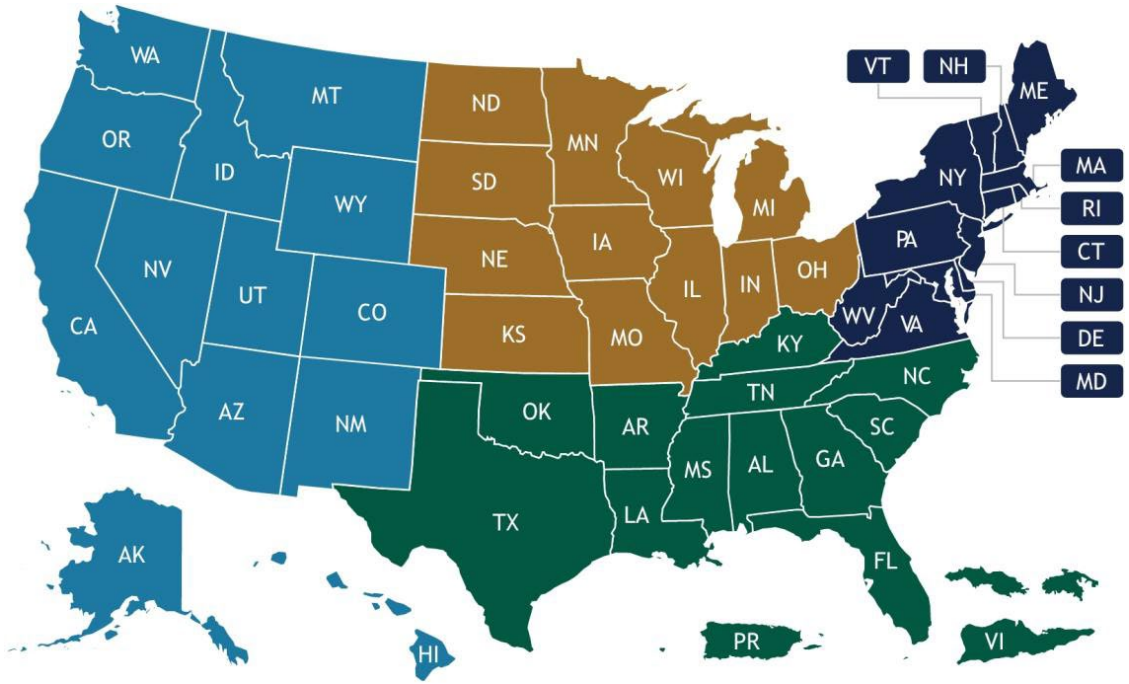
Field Operations Division

- Leadership Meetings
  - Stronger Owner/Agent Partnership
  - Increased collaboration with other MFH Divisions
  - Portfolio Management
  - Customer Service

- FY 23 Proposed Budget Numbers

Field Operations Division

- Electronic Submission of Documents



The four regions and the contact information for each region follows:

Western Region
MFHFODWest@usda.gov
AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Midwest Region
MFHFODMidwest@usda.gov
IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI

Southern Region
MFHFODSouth@usda.gov
AL, AR, FL, GA, KY, LA, MS, NC, OK, PR, SC, TN, TX, VI

Northeast Region
MFHFODNortheast@usda.gov
CT, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV

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)

MFH Simple Transfer Pilot Program

- Following the launch in December, the pilot program is off to a great start with strong interest from customers.
- Interested borrowers should contact the assigned FOD specialist to request a consultation call. To find the FOD specialist, visit this link and select the file under the heading **Multifamily Housing 514 & 515 Property Assignments**. The specialist is listed in the column “Assigned To.”
- Reminder: Standard transfers will continue to be referred to the appropriate Processing and Report Review Branch in the MFH Production and Preservation Division.

Helpful Links, Information, and Contact

- For additional program information, please visit the MFH Programs homepage at:

Multifamily Housing Programs | Rural Development (usda.gov)

- For questions, comments, and feedback please contact Dan Rogers, Director of Production & Preservation at:

Daniel.Rogers2@USDA.gov
Stephanie.Vergin@usda.gov

External Partnership Meeting

- **Presentation Slides from January 26, 2023, Meeting:** Multifamily Housing Partnership Updates

- **Next Meeting is Tentatively Scheduled for April 20, 2023, at 3:00 p.m. Eastern Time.** A link to that meeting will be sent out via GovDelivery once we get closer to the date.

GovDelivery

What is GovDelivery?

GovDelivery is a marketing platform and communications cloud custom-built for government. It allows USDA Rural Development Multifamily Housing to easily provide program updates to our partners across the country via email.

We will be using **GovDelivery** for all general Multifamily Housing updates.

To ensure you are receiving these updates, please sign-up for GovDelivery at https://public.govdelivery.com/accounts/USDARD/subscriber/new?email=&commit=Sign+Up

Closing Remarks