Authority: Section 3507 of the Paperwork Reduction Act of 1995, 44 U.S.C. Chapters 35.

Dated: October 29, 2013.

Colette Pollard,

Department Reports Management Officer, Office of the Chief Information Officer.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No FR–5728–N–01]

Small Multifamily Building Risk Share Initiative: Request for Comment

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Notice.

SUMMARY: This Notice announces HUD's intent to implement an initiative under the Risk Sharing Program, authorized by section 542(b) of the Housing and Community Development Act of 1992, directed to facilitating the financing of small multifamily properties. Through this Notice, HUD solicits comment on the described initiative. Following receipt of comments and revisions, if any, as a result of those comments, HUD will solicit applications from high capacity Community Development Finance Institutions (CDFIs) and other mission-motivated financial institutions to participate in HUD's Risk Sharing Program.

DATES: *Comment Due Date:* January 3, 2014.

ADDRESSES: Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410–0500. Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. *Submission of Comments by Mail.* Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410–0500.

2. *Electronic Submission of Comments.* Interested persons may submit comments electronically through the Federal eRulemaking Portal at *www.regulations.gov.* HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the *www.regulations.gov* Web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Note: To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of this document.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable.

Public Inspection of Public Comments. All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m., weekdays, at the above address. Due to security measures at the HUD Headquarters building, an appointment to review the public comments must be scheduled in advance by calling the Regulations Division at 202–708–3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 800–877–8339. Copies of all comments submitted are available for inspection and downloading at *www.regulations.gov.*

FOR FURTHER INFORMATION CONTACT: Lynn Wehrli, Office of Multifamily Development, Office of Housing, Department of Housing and Urban Development, 451 7th Street SW., Room 6156, Washington, DC 20410; telephone number (202) 402–5210 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Relay Service at 800–877–8339.

SUPPLEMENTARY INFORMATION:

I. Introduction

The purpose of this Notice is to invite certain mission-oriented lenders (Applicants) to comment on the section 542(b) Risk Share Program initiative described in this Notice, and to participate in the proposed initiative as Qualified Participating Entities (QPEs) to increase the flow of credit to small multifamily properties and to demonstrate the effectiveness of providing Federal credit enhancement for refinancing and rehabilitation of small multifamily housing. Under this initiative, Applicants qualified as QPEs and relying on a 50 percent Risk Share arrangement with HUD, will be able to underwrite, originate, and service loans that (1) are on properties of 5–49 units, or (2) do not exceed the amount of $3,000,000.

A. Proposed Statutory Changes

In the President's Fiscal Year 2014 Budget request to the United States Congress, statutory changes to section 542(b) of the Housing and Community Development Act of 1992 (Section 542(b)) were requested that would, through loans originated by lenders that have demonstrated experience in affordable housing lending, remove affordability restrictions currently required under Section 542(b) in order to reduce the burden on owners who access this capital in order to provide affordable housing in their communities. The language would also authorize Ginnie Mae to securitize loans on small buildings made under Section 542(b). This change would significantly enhance the impact and utility of this initiative. If granted this authority by the Congress, HUD would invite Applicants that engage in Risk Sharing under the authority of this Notice to modify their agreements to take advantage of such new authority. In addition, HUD would implement a broader Small Building Risk Share Initiative through publication of regulations and/or guidance.

B. Program Description

Qualified CDFIs and other mission-driven lenders approved to participate in the initiative would be authorized to originate, underwrite, and service loans for HUD multifamily mortgage insurance for project refinancing, rehabilitation, substantial rehabilitation, or equity take outs, but exclude new construction. The cornerstone of the Risk Share Program is that the lender shares the insurance risk with FHA, and since lenders will cover 50 percent of the risk of loss under the Small Buildings initiative, it provides participants significantly more flexibility with respect to underwriting terms, parameters, and ongoing compliance than is found in other FHA insurance programs, such as the Multifamily Accelerated Program (MAP).

Upon presentation of appropriate certifications, HUD will endorse such loans for full mortgage insurance. Applicants will be responsible for the full range of loan management, servicing, and property disposition activities.

Through a Risk Sharing Agreement, QPEs may contract to assume 50 percent of the risk on each loan they underwrite. In turn, HUD will commit to pay 100 percent of the outstanding principal mortgage balance upon default of the loans and filing of a claim. The loss, if any, will be determined at a later date, and HUD and the Applicant will share such loss in accordance with the amount of risk assumed by each under the risk sharing agreement.

This document contains information on application requirements, the application process, the timeframe for decisions on applications, and additional program features. The pricing of FHA insurance for the Small Buildings Risk Share initiative remains to be determined, but will be provided in the Final Notice.

II. Background

A preliminary analysis of 2012 Rental Housing Finance Survey (RHFS) data (forthcoming) indicates there are approximately 587,000 small (5–49 units) multifamily rental properties in the United States, constituting more than one-third of occupied rental units across the nation (2011 American Community Survey). Small multifamily properties tend to be older, located in low-income neighborhoods, and to have lower median rents and higher shares of affordable units than larger multifamily rental properties. The RHFS also suggests that 58 percent of the landlords for this stock are individuals, households and estates compared to 8 percent of larger properties. The RHFS also suggests that 85 percent of large multifamily properties are mortgaged, while just 62 percent of small multifamily properties are mortgaged.

Worst case housing needs continue to grow at record rates. The number of renter households with worst case needs increased to 8.48 million in 2011, up from a previous high of 7.10 million in 2009. The high rate of growth in worst case needs observed in 2009 continues unabated. The number of worst case needs has grown by 2.57 million households since 2007—a striking 43.5 percent increase. The national scarcity of affordable units available for the renters who need them most continued to worsen. The number of affordable and available rental units decreased from 81 to 65 units per 100 very low-income renters and from 44 to 36 units per 100 extremely low-income renters between 2003 and 2011.

Long-term fixed rate mortgages made through this initiative will be especially valuable for smaller properties because such properties tend to command modest rents and owners are often unable to raise rents to cover upward interest rate adjustments without causing vacancies. Additionally, the mom and pop ownership of this inventory is facing even more constraints in accessing financing in recent years due to increasingly high credit standards and diminished lending in this area, following a significant reduction in community and regional banks in the wake of the 2008 recession.

HUD has chosen to limit participation to mission-driven nonprofit and public lenders, or consortia of for-profit private lenders which form a joint venture or similar formal arrangement with, and under the control of a mission-driven nonprofit or public lender, for the purpose of loan origination and servicing of affordable housing under this Risk Share Program initiative. In part, this reflects HUD's desire to balance Congressional intent for Section 542(b) to achieve a public purpose of financing affordable housing. CDFIs are private institutions that provide financial services dedicated to economic development and community revitalization in underserved markets. Frequently, CDFIs serve communities that are underserved by conventional financial institutions and may offer products and services that are not available from conventional financial institutions. Although CDFIs are generally small in asset size, studies have demonstrated that CDFIs can have meaningful positive effects on the low-and-moderate income communities that they serve.

The initiative being implemented by this Notice can serve to encourage eligible CDFIs to move into this lending market. One common problem facing non-depository CDFIs is that they do not have access to long-term funding, which may limit their ability to provide housing finance to their communities. Nonprofit or quasi-public loan funds and consortia can qualify as participating entities by demonstrating that they meet minimum criteria similar to those established in the 2010 Capital Magnets Fund Program including their designation as a non-profit or not-for-profit entity or public or quasi-public benefit corporation under the laws of the organization's State of formation, and their exemption from Federal income taxation pursuant to the Internal Revenue Code of 1986. Additionally they must demonstrate that at least 33 percent of their resources (i.e., budget or staffing) are dedicated to the Development and/or management of Affordable Housing.

III. Authority

Section 542(b) of the Housing and Community Development Act of 1992, as amended by Section 307 of the Multifamily Housing Property Disposition Reform Act of 1994, authorizes HUD to enter into risk sharing agreements with Qualified Participating Entities (QPEs). QPE is broadly defined in Section 542(b) to allow HUD to enter into agreements with a range of lenders.

As noted earlier, HUD is seeking comment on the proposed Initiative for a period of 60 days, prior to implementation. After the close of the public comment period, and following full consideration of comments submitted, HUD will issue another notice (the Final Notice) that will advise of the implementation of the Initiative and any changes made to the Initiative in response to public comment or further consideration of HUD of how the Initiative should be structured or implemented.

IV. Application Requirements

Applications submitted for participation in the Risk Share Program should address the following three components for qualification: Mission, Financial Capacity, and Application Narrative, as further described below. In addition they must include the required exhibits listed in Part D of this section.

A. Mission

An organization must demonstrate its suitability for the initiative by providing evidence of meeting any one of the following three organizational type descriptions in parts A.1. through A.3. below, and making the certification in part A.4. below.

1. Be currently certified as a CDFI by the CDFI Fund [1]; or

2. Meet minimum criteria similar to those established in the 2010 Capital Magnets Fund Initiative promulgated by the US Treasury; specifically to be a Nonprofit, Public, or Quasi-Public loan

[1] In order to be certified as a CDFI, an institution must satisfy several statutory and regulatory requirements, including that it have a primary mission of promoting community development, that it provides development services in conjunction with equity investments or loans, and that it serves certain targeted areas or populations. The CDFI certification requirements are more fully elaborated in the statute and the CDFI program regulations. See 12 U.S.C. 4702(5) and 12 CFR 1805.201. The CDFI Fund does not regulate the CDFIs that it certifies, nor does it evaluate their safety and soundness, either during the certification process or the awards application process. Thus, certification by the CDFI Fund does not represent a determination that a CDFI is in sound financial condition, although it does represent a determination by the CDFI fund that the entity satisfies the statutory requirements of being a CDFI.

fund having as one of its principal purposes the development or management of affordable housing. The organization must be able to demonstrate that:

a. It has been designated as a non-profit or not-for-profit entity or public or quasi-public benefit corporation under the laws of the organization's State of formation;

b. It is exempt from Federal income taxation pursuant to the Internal Revenue Code of 1986;

c. Its incorporating documents, mission statements or other board-approved documents provide evidence that the organization is involved in the development or management of Affordable Housing; and

d. At least 33 percent of its resources (i.e., budget or staffing) are dedicated to the development and/or management of affordable housing. The Applicant entity must meet the eligibility requirements on its own behalf. While it may, for example, look to the activities of subsidiary entities that it controls, it may not rely upon the track record of any other affiliated entities, including its parent company; or

3. Be a joint venture or similar formal arrangement between two or more for-profit private lenders and either a CDFI or Nonprofit, Public, or Quasi-Public entity that meets the criteria in paragraphs 1 or 2 above. The consortium's activities must be limited to loan origination and servicing of affordable housing under this Risk Share Program, and be controlled by the non-profit or public purpose partner entity. The consortium's organizational documents, financial structure, oversight, and business plan, detailing management of identities of interest and internal conflict resolution, must be approved by HUD prior to participation in the initiative; and

4. Certify that:

a. The Department of Justice has not brought a civil rights suit against the applicant, and no such suit is pending;

b. There has not been an adjudication of civil rights violation in a civil action brought against the applicant by a private individual, unless it is operating in compliance with a court order, or in compliance with a HUD-approved compliance agreement designed to correct the areas of noncompliance; and

c. There are no outstanding findings of noncompliance with civil rights statutes, Executive Orders, or regulations as a result of formal administrative proceedings, or the Secretary has not issued a charge against the applicant under the Fair Housing Act, unless the applicant is operating in compliance with a consent order or compliance other agreement with HUD designed to correct the areas of compliance.

B. Financial Capacity

1. *Overall Financial Capacity.* Applicants must be able to effectively cover their share of the transaction risk in the event of a claim. They must also be able to provide HUD with confidence that they have a successful track record of loan underwriting and loan performance, because the 542(b) program delegates underwriting and monitoring activities to the QPE.

All lenders under this initiative must be approved as FHA lenders. An FHA Lender Approval Application Form 92001–A can be downloaded from HUD's Web site at: *http://portal.hud.gov/hudportal/documents/huddoc?id=92001-a.pdf.* To become an FHA lender, applicants must have a minimum adjusted net worth of $1,000,000 and submit audited financials to verify compliance. The officer who will be in charge of the FHA operation must have at least 3 years of experience in FHA mortgage operations and cannot have concurrent outside or self-employment in the mortgage or real estate industry or related field. Additional requirements can be found on HUD's Web site: *http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr.*

2. *Minimum Financial Capacity Standards.* In addition, all lenders under this initiative must meet certain minimum financial capacity standards similar to those promulgated by the Federal Housing Finance Agency (FHFA) in 2010 as conditions for CDFIs to become members of the Federal Home Loan Banking System, specifically net asset ratio, earnings, loan loss reserves, and liquidity. Applicants must demonstrate that they have each of the following:

a. A 20 percent net asset ratio. (Any Applicant not meeting the 20 percent requirement can provide HUD with additional information demonstrating why, in the context of the business conducted by that entity, its net asset ratio is consistent with the concept of operating in a sound financial condition. This may include a discussion of temporarily and permanently restricted capital and its impact on financial condition.)

b. Average annual income in excess of average annual expenses for the past three calendar years.

c. A minimum 30 percent ratio of loan loss reserves to loans and leases 90 days or more delinquent, including loans sold with full recourse. (Any Applicant not meeting the 30 percent requirement can provide HUD with additional information demonstrating why, in the context of the business conducted by that entity, its level of loan loss reserves is consistent with the concept of operating in a sound financial condition).

d. An operating liquidity ratio of at least 1.0 for the four most recent quarters and for one or both of the two preceding years, where the numerator of the ratio includes unrestricted cash and cash equivalents and the denominator of the ratio is the current liabilities for the period in question.

3. *Demonstration of Financial Capacity.* Applicants can demonstrate their financial capacity according to the requirements above by providing:

a. A complete FHA Lender Application, and

b. A Certification that there have been no enforcement actions, no criminal, civil, or administrative proceedings, and no liabilities, lawsuits, or judgments that would materially hinder financial feasibility.

4. *Certification of Capacity:*

a. For CDFIs that are members of Federal Home Loan Banks, a letter from the Federal Home Loan Bank confirming membership.

b. For all other applicants, a description of the amount and sources of funds the Applicant has available to support multifamily housing programs. If funds are earmarked for specific projects or programs, or otherwise have a contingent liability, indicate amounts and purposes of those liabilities. Indicate how much of the funds are unrestricted, how those funds are governed (e.g., approval of the board of directors or state or local government) and the eligible uses of these funds. Identify any funding sources available to supplement existing projects that are not achieving break-even status. Indicate the overall percentage of total unrestricted funds to total debt and the percentage of liquid unrestricted funds to total mortgages outstanding. Describe the collateral the Applicant will use if it does not have the authority to pledge its full faith and credit to back debentures issued against claims. Describe the circumstances or conditions under which other governmental entities or public bodies have access to the Applicant's funds. Describe the mechanism for disposing/resolving audit findings. Identify any periodic reports required for the board of directors and/or other organizational oversight body.

C. Application Narrative

The application must include:

1. *Narrative.* Narrative of no more than 15 pages addressing the items described below. Applicants should be careful to craft responses so that they clearly address the issues and the minimum financial capacity standards set forth above (pages 10–11). Responses should summarize the detailed information that may be found in the applicant's operating, administrative and quality control manuals.

a. *Organizational History.* Describe the history and organizational background of the Applicant. Indicate how long it has been in existence, its mission, when it began to finance multifamily loans, and an overall description of its multifamily lending activities.

b. *Multifamily Portfolio Information.* Indicate how many multifamily loans on small properties have been financed within the past 10 years (dates specified), by year. Include the number and type of projects (family, assisted living, cooperative, etc.) and units in each, type of loan (first mortgage, second, gap loan, credit support, new construction, rehabilitation, refinancing with or without repairs, etc.) and original mortgage amounts, outstanding principal balances, status (current, in default, foreclosed, in workout) and location (urban/suburban/rural).

Describe the types of residents served in your projects (family, elderly, etc.). Indicate the median income within the Applicant's operating jurisdiction, the percent of units occupied by households with incomes below 80 percent and 50 percent of that median, and the average size of families served in projects not targeted to the elderly.

c. *Other Portfolio Information.* Provide a summary of the organization's portfolio of properties other than the multifamily properties described above, that have been financed within the past 10 years (dates specified), by year. Include the number and types of projects, type of loan (first mortgage, second, gap loan, credit support, new construction, rehabilitation, refinancing with or without repairs, etc.) and original mortgage amounts, outstanding principal balances, status (current, in default, foreclosed, in workout) and location (urban/suburban/rural).

d. *Contingent Liabilities.* Provide a list disclosing all contingent liabilities in the organization's book of business.

e. *Staff Capacity.* Identify the skills (general background and years of experience in that skill and with the Applicant) of personnel currently employed by the Applicant who will have key responsibilities under the pilot initiative. [Do not attach resumes.] Include in-house loan processing, loan management and technical staff (e.g., architects, engineers, substantial rehabilitation inspectors, cost analysts, mortgage credit analysts, appraisers, market analysts, loan management, servicing and property disposition personnel), technical review personnel, the person(s) responsible for making overall underwriting decisions (the chief underwriter) and the person responsible for overall loan management, servicing and disposition, including workouts.

Indicate how long this staff capacity has existed in the Applicant's organization and the amount of attrition and turnover during the past two years, especially any turnover in key management positions.

If any of the above mentioned in-house activity or other loan processing or management functions are performed by contract personnel, provide the Applicant's qualification requirements for such personnel, procedures followed by the Applicant for monitoring performance of, and for reviewing and evaluating work products of, contract personnel, and the experience of the Applicant personnel responsible for the monitoring, review and evaluation of contract services.

Describe the counsel on staff or retained by the Applicant who is experienced in real estate transactions, bankruptcy, litigation and foreclosure to conduct mortgage loan closings, assist in the preparation of endorsement packages, and provide legal services in dealing with underwriting and servicing matters requiring legal advice or action.

f. *Technical Capacity.*

i. *Architect, Engineering and Cost.* Describe the A&E and Cost services the Applicant provides in the development of plans and specifications and the role it plays in reviewing the final plans and specifications submitted for their projects. Describe the depth of review and the approach to resolving concerns with respect to the documents.

Describe any substantial rehabilitation/repair inspection procedures and requirements for project completion and guarantee/warrantee/latent defect inspections. For loans involving substantial rehabilitation advances, describe the process and criteria for releasing advances.

If any architectural, engineering or cost functions are contracted out, describe the qualification and experience requirements for contractors in each skill. Describe the controls in place to ensure quality work performance and products whether performed by in-house staff or contractors.

ii. *Valuation.* Describe the qualifications of the Applicant's appraisers and their experience in preparing appraisals for multifamily housing, and specifically affordable multifamily housing. Provide the qualifications of the individual responsible for reviewing those appraisals and his/her authority to make changes in the appraisal documents and/or conclusions.

When any appraisal functions are contracted out, describe the qualification and experience requirements for contract appraisers and the Applicant's controls in place to assure quality work performance and products.

Describe the controls in place to ensure that all appraisers, in-house or contract, meet program certification and licensing requirements and that all appraisals will be completed pursuant to the Uniform Standards of Professional Appraisal Practice.

iii. *Market Analysis.* Applicants must demonstrate that the market will support each project undertaken under the Small Buildings Risk Sharing initiative. Describe the Applicant's practice for ensuring that a market exists for the proposed project. State whether the Applicant conducts its own market analyses or relies upon studies submitted by the developer/sponsor. Describe who (position) reviews the studies, whether prepared by the Applicant's staff or outside professionals, and the qualifications of individuals used. State whether market findings of the principal analyst can be modified or overridden and by whom. Please note whether or not the Applicant's practice deviates from that recommended by the National Council of Housing Market Analysts.

iv. *Mortgage Credit.* Describe the background, qualification and experience in banking, accounting, financing or commercial lending of the individual responsible for the financial analysis portion of loan processing. Describe how the work of the credit/financial analysis will be integrated with that of the overall underwriting analysis and whether, and/or under what conditions, the analyst's recommendations or findings may be modified. State whether Applicant conducts its own mortgage credit analyses or uses contractors and the Applicant's controls to ensure quality performance. Describe whether or not the conclusions can be modified or overridden and by whom.

v. *Environmental.* All projects insured under the 542(b) Risk Sharing Programs must comply with the environmental requirements of 24 CFR Part 50, and it is anticipated that QPEs will use consultants to compile environmental information and prepare environmental analysis for submission to HUD. Describe the qualifications of the environmental consultants responsible for supplying environmental information and analysis to HUD. Any specializations in subjects such as Historic Preservations should be noted. Environmental consultants should have experience in preparing Environmental Reports in accordance with Chapter 9 of FHA's MAP Guide. The Phase I Environmental Site Assessment (ESA) must be prepared by an Environmental Professional as described in ASTM E 1527–05 (or most recent edition.) Describe the controls in place to ensure quality work performance and products.

g. *Operating Procedures.* Provide a flow chart indicating how project-related decisions are made within the Applicant's organization. Include the following elements and a brief description of the Applicant's operating procedures for each of the following: Loan origination, processing, market analysis, underwriting, loan approval, closing, cost certification, substantial rehabilitation administration, loan management, and loan servicing and property disposition functions. Indicate who (position) is responsible for what functions and when those functions are performed. Describe the Applicant's internal controls to assure compliance with Applicant procedures.

i. *Cost Certification.* Describe the Applicant's cost certification process and its controls to ensure the absence of fraud and misrepresentation. Describe how the Applicant will ensure that costs are legitimate and that all project improvements are in place prior to accepting the certification. Indicate how the cost certification process addresses mortgage excesses and if there are mandatory mortgage prepayments.

ii. *Loan Approval.* If a loan committee or similar body approves loans (including the board of directors), state whether the Committee can override the recommendations of the primary underwriter. If so, describe under what circumstances and what documentation is required to support the override.

Describe the composition of the Committee. If there is a minimum loan amount or other circumstances under which loans are not referred to Committee, describe the circumstances and describe that approval process. If loans are normally not referred to a Committee, indicate who has the approval authority and his/her position/role/function within the Applicant. If loans are subject to review and/or approval by an entity outside of the Applicant, describe such circumstance and the review/approval process.

iii. *Loan Servicing.* Describe the Applicant's overall loan servicing system including its ability to track loans individually, delinquent loan servicing system, procedures to physically inspect and evaluate mortgaged properties, and procedures to control and monitor borrower bankruptcy proceedings, claims filing procedures, and foreclosures. Describe how the Applicant will enforce the regulatory agreement. Describe the degree to which portfolio oversight is computerized and periodic reports are provided to management, including the board of directors. Describe the background and experience of the individuals responsible for loan servicing. If contract personnel are used, describe the in-house monitoring procedures used to assure quality performance by the contractors. Describe the Applicant's requirements for project audits and reviews, qualifications for auditors and procedures for resolving management review and financial audit deficiency findings.

iv. *Loan Monitoring and Workout Procedures.* Describe in detail the Applicant's loan monitoring protocol including staffing, frequency of reporting, report review, borrower contact and follow up and any other related activity. State the number of workout plans the Applicant has developed over the last 5 years. Describe several (at least 5) cases for which the Applicant developed and implemented workout plans for defaulted projects during the last 5 years, the circumstances that led to the workout, the elements of the workout agreement and how well that project is performing against the workout plan. If an Applicant has had no experience with workouts, describe how a workout plan would be developed and identify any tools or strategies the agency would propose to use to establish the elements of a workout agreement.

v. *Investment Policies.* Describe how investment decisions are made within the Applicant's organization and the level at which they are made. Describe the procedures in place to generate and monitor financial reports, changes in fund balances, and changes in financial position. Describe procedures in place for the prompt notification to HUD of negative changes in the Applicant's financial position.

D. Exhibits

The following are required:

1. A copy of the Applicant's administrative manual, if available, covering its investment policies and overall business and financial practices.

2. A certification from the Applicant that it will at all times comply with the financial requirements for this initiative and, where applicable, maintain required reserves in a dedicated account in liquid funds (i.e. cash, cash equivalents, or readily marketable securities) in a financial institution acceptable to HUD.

3. Copies of audited financial statements for the Applicant's last 3 fiscal years. Provide a written disclosure of any material changes in financial positions that have occurred since the latest financial statement. Sample debenture form issued by the Applicant. HUD reserves the right to request additional information from the Applicant in order to verify that it has satisfied these requirements. Applicant will promptly supplement the application with any relevant information that comes to Applicant's attention prior to HUD's decision on whether to approve or deny the application.

V. Decision on Applications

For applications received within 120 days of the effective date of the Final Notice, HUD will prioritize the review and subsequent negotiations with CDFIs that are eligible for and have been approved to become members of a Federal Home Loan Bank. HUD shall act on an application within approximately 30 days of the date HUD deems the application to be complete, either by denying the request based on the criteria provided in this Notice, or by approving the Applicant as eligible to initiate negotiations with HUD to enter into a Risk Share Agreement.

VI. Program Details

A. How the Initiative Works

Qualified QPEs are authorized to underwrite and process loans. HUD will provide full mortgage insurance on affordable multifamily housing projects processed by such QPEs under this initiative. By entering into Risk Sharing Agreements with HUD, QPEs contract to reimburse HUD for 50 percent of any loss from defaults that occur while HUD insurance is in force.

B. Commitment Authority Availability

Commitment Authority availability is provided by the Congress on an annual basis for all multifamily and health care insured loans, including those in the Risk Sharing Program. In rare circumstances it may become necessary for HUD to notify Risk Share partners that HUD is approaching its congressionally determined subsidy volume cap and provide instructions for reservation and obligation of subsequent Commitment Authority.

C. Execution of Master Risk Sharing Agreement (RSA)

Execution by the Applicant of a Risk Sharing Agreement is a prerequisite to participation in this initiative, because it governs the rights and obligations of HUD and the QPE. The letter from HUD to the Applicant approving its participation in the Risk Sharing Program will transmit the Master RSA for execution by an authorized representative of the Applicant (i.e., one who is so designated in the application). The original signed RSA and an electronic copy must be returned to HUD Headquarters, Office of Insured Multifamily Housing Development. Headquarters will transmit a copy of the executed Master RSA to the applicable designated office of the QPE.

D. Program Requirements under the Proposed Small Buildings Risk Sharing Initiative

1. *Affordable Housing Requirements.* All projects insured under the Risk-Sharing Program, including this initiative, must qualify as affordable housing.

a. Affordable housing must meet the standards of the Risk Sharing Program, (as is generally consistent with the requirements of the Section 42 Low Income Housing Tax Credit program). Specifically, projects financed with Risk Share loans must be:

i. Projects in which 20 percent or more of the units are rent-restricted and initially occupied by families whose income is 50 percent or less of the area median income, with adjustments for household size; or

ii. Projects in which 40 percent or more of the units are rent-restricted and initially occupied by families whose income is 60 percent or less of the area median income with adjustments for household size.

b. These affordability requirements will be satisfied primarily through an affordability restriction placed on title. Rent-restricted units will be required to bear rents that are consistent with the above requirements and must be occupied by households whose income at the time of occupancy makes them eligible for such units. No ongoing income recertification of a given renter household will be required after initial income eligibility has been established.

2. *Eligible Projects.*

a. *Project Size.* Projects must consist of 5–49 rental dwelling units (including cooperative dwelling units) on one site. The site may consist of two or more noncontiguous parcels of land situated so as to comprise a readily marketable real estate entity within an area small enough to allow convenient and efficient management. These units may be detached, semi-detached, row houses, or multifamily structures.

b. *Loan Size.* Loans with principal amounts of $3,000,000 or less are eligible for projects of any size.

c. *Substantial Rehabilitation.* Substantial Rehabilitation is any combination of the following work to the existing facilities of a project that aggregates to at least 15 percent of project's value after the rehabilitation and results in material improvement of the project's economic life, livability, marketability, and profitability:

i. Replacement, alteration and/or modernization of building spaces, long-lived building or mechanical system components and/or project facilities.

ii. Substantial rehabilitation may include but not consist solely of any combination of minor repairs, replacement of short-lived building or mechanical system components, cosmetic work, and/or new project additions.

d. *Existing Projects.* Financing of existing properties without substantial rehabilitation is permitted.

i. If the property is a QPE-financed loan to be refinanced, and such refinancing will result in the preservation of affordable housing, refinancing is permissible when (1) project occupancy is not less than 93 percent, including consideration of rent in arrears, based on the average occupancy in the project over the most recent 12 months, and (2) the mortgage does not exceed an amount supportable by (a) the lower of the unit rents being collected under the rental assistance agreement, or (b) the unit rents being collected at unassisted projects in the market area that are similar in amenities and location to the project for which insurance is being requested.

e. *Single Room Occupancy (SRO).* SRO projects are eligible for insurance in the Risk Sharing initiative. Units in SRO projects must be subject to 30-day or longer leases, but rent payments may be made on a weekly basis in SRO projects.

f. *Board and Care/Assisted Living Facilities.* Board and Care/Assisted Living Facilities that provide continuous protective oversight and assistance with the activities of daily living for frail elderly or other persons needing such assistance may be insured. These facilities typically provide room and board as well as oversight and assistance and contain a central kitchen and dining area, although meals may be catered off site.

g. *Elderly Projects.* Projects specifically designed for the use and occupancy by elderly families are eligible. An elderly family means any household in which the head or spouse is 62 years of age or older, and also any single person who is 62 years of age or older.

3. *Ineligible Projects.*

a. *Transient Housing or Hotels:* Rental for transient or hotel purposes. For purposes of this initiative, rental for transient or hotel purposes means:

i. Rental for any period less than 30 days, or

ii. Any rental, if the occupants of the housing accommodations are provided customary hotel services such as room service for food and beverages, maid service, furnishing and laundering of linens, and valet service.

b. *Projects in Military Impact Areas:* If the HUD local Office determines that a project is located in a military impact area, the project shall not be insured under this program.

c. *Retirement Service Centers:* Projects designed for the elderly with extensive services and luxury accommodations and that provide for central kitchens and dining rooms with food service or mandatory services are not permitted in the Risk-Sharing Program.

d. *Nursing Homes or Intermediate Care Facilities:* Nursing homes and intermediate care facilities licensed and regulated by State or local government and providing nursing and medical care are prohibited.

4. *Local Land Use Requirements.* Projects insured under this initiative must meet applicable zoning and other State/local government requirements.

5. *Prohibition on GNMA Securitization.* Issuance of Government National Mortgage Association (GNMA) mortgage-backed securities is currently prohibited for projects insured under the Risk Sharing Program.

6. *Appraisal Standards.* Certified General Appraisers licensed in the State in which the property is located must complete all appraisal functions. All appraisal functions must also be completed in accordance with the Uniform Standards of Professional Appraisal Practices.

7. *Environmental Review.* All projects insured under the 542(b) Risk-Sharing Programs must comply with the environmental requirements of 24 CFR Part 50. HUD will conduct the environmental reviews in accordance with Chapter 9 of the MAP Guide. QPEs must assume all responsibilities of the Lender under Chapter 9 of the MAP Guide, which include making various

submissions related to contamination and the environmental laws and authorities listed at 24 CFR 50.4. The QPE, and the owner and its contractors must not commit or expend funds for or undertake any activities that would have an adverse environmental impact, limit the choice of reasonable alternatives, or prejudice the ultimate decision on the proposal until HUD has issued a Firm Approval Letter for the project. The Firm Approval Letter will include any special conditions, procedures and requirements resulting from the Environmental Review. Finally, the QPE must advise HUD of any proposed change in the scope of the project or any change in environmental conditions and shall ask HUD to conduct a supplemental environmental review for such change.

8. *Labor Standards.* Davis Bacon prevailing wage requirements are not applicable to the 542(b) Risk Sharing program.

9. *Byrd Amendment (Lobbying).* The Byrd Amendment requires disclosure by mortgagors of lobbying activities for programs involving loan guarantees by the Federal government. Form LLL must be submitted with the closing docket required in paragraph 6–2 so that HUD can compile the material under the annual report required by the Byrd amendment.

10. *Reinsurance.* A QPE may obtain reinsurance for the portion of the risk of loss assumed by the QPE subject to the following requirements:

a. Neither HUD's nor the QPE's position shall be subordinated to the rights of the reinsurer;

b. The reinsurance may not be used to reduce any reserve or fund balance requirements that are required to be maintained under this initiative; and

c. Such reinsurance does not incur an obligation to the Federal Government.

11. *Nondiscrimination and Equal Opportunity in Housing and Employment.* The mortgagor must certify to the QPE that, so long as the mortgage is insured under the Risk Sharing Program, it will:

a. Not use tenant selection procedures that discriminate against families with children, except in the case of a project that constitutes housing for older persons as defined in Section 807(b)(2) of the Fair Housing Act (42 U.S.C. 3607(b)(2);

b. Not discriminate against any family because of the sex of the head of household and;

c. Comply with the Fair Housing Act, as implemented by 24 CFR Part 100; Titles II and III of the Americans with Disabilities Act of 1990, as implemented by 28 CFR Part 35; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), as implemented by 24 CFR Part 135; the Equal Credit Opportunity Act, as implemented by 12 CFR Part 202; Executive Order 11063, as amended, and implemented by 24 CFR Part 107; Executive Order 11246, as implemented by 41 CFR Part 60; other applicable Federal laws and regulations issued pursuant to these authorities; and applicable State and local fair housing and equal opportunity laws. In addition, a mortgagor that receives Federal financial assistance must also certify to the QPE that, so long as the mortgage is insured under this part, it will comply with Title VI of the Civil Rights Act of 1964, as implemented by 24 CFR Part 1; the Age Discrimination Act of 1975, as implemented by 24 CFR Part 146; and Section 504 of the Rehabilitation Act of 1973, as implemented by 24 CFR Part 8.

Such certification does not preclude HUD, the QPE, or a HUD-delegated agent from monitoring or reviewing the project's compliance with nondiscrimination or equal opportunity requirements including, but not limited to, preparing or updating an Affirmative Fair Housing Marketing Plan or maintaining records of housing applicant or resident race, national origin, or disability status

VII. Firm Approval Letter Processing

A. General

The QPE will submit as part of its request for issuance of a firm approval letter, a request for the HUD-retained reviews and other findings to the Multifamily Hub or Program Center with jurisdiction for the location of the project, to include:

1. The QPE's HUD mortgagee number,

2. A Phase I Environmental Site Assessment, Environmental Report, and other documentation required by Chapter 9 of the FHA MAP Guide. (A Firm Approval Letter may not be conditional on subsequent environmental review), and

3. Sufficient information about the project for the HUD Office to conduct the previous participation, intergovernmental and other HUD-retained reviews.

Successful completion of the HUD retained reviews results in issuance by HUD of a Firm Approval Letter.

B. Processing

1. *Initial Processing*

a. *QPE's Mortgagee Number.* The FHA mortgagee number is the identifier for the QPE in the Federal Housing Administration Subsidiary Ledger (FHASL) system, and in the Development Application Processing (DAP) System. The Multifamily Hub or Program Center should use the mortgagee identification number on all correspondence.

b. *New Application Processing.* The Multifamily Hub or Program Center is responsible for entering basic project data in the DAP system to create a new application and FHA project number when the request for Firm Approval Letter is received. (See Chapter 3, Entering and Tracking FHA and Risk Sharing Applications, of the DAP User Guide for HUD Staff). The QPE will provide detailed information related to the project's location, number of units, and other identifying materials necessary.

c. *Project Number.* The project number is based on the location and program identifier (Section of Act Code) and contains the following identifying information:

i. *Office Prefix.* 3-digit prefix identifies the specific geographic location of the project.

ii. *Number Series.* Projects insured under Section 542(b) will have project numbers beginning at the number 98001 and proceeding to 98999.

iii. *Program identifier.* Use either YQE for existing projects, or YQR for new substantial rehabilitation as the Section of Act code.

2. *Environmental Review.* All projects insured under the 542(b) Risk-Sharing Programs must comply with the environmental requirements of 24 CFR Part 50. QPEs must make various submissions with the request for issuance of a Firm Approval Letter related to contamination and the environmental laws and authorities listed at 25 CFR 50.4, in accordance with the Lender requirements of Chapter 9 of the MAP Guide. HUD will conduct the environmental reviews in accordance with Chapter 9 of the MAP Guide. The QPE and the owner and its contractors must not commit or expend funds for or undertake any activities that would have an adverse environmental impact, limit the choice of reasonable alternatives, or prejudice the ultimate decision on the proposal until HUD has issued a Firm Approval Letter for the project. A Firm Approval Letter cannot be conditioned on subsequent environmental review and approval of the property. The Firm Approval Letter shall include any special conditions, procedures, and requirements resulting from the Environmental Review.

3. *Intergovernmental Review.* The QPE is responsible for sending the form SF–424 to the appropriate State Single Point of Contact (SPOC) if the State has selected the mortgage insurance

programs for review under the intergovernmental State Review Procedure (SRP) and the project proposes insured advances. Substantial rehabilitation projects with insured advances are covered only if there is (1) A change in land use, (2) an increase in project density, or (3) a change from rental housing to cooperative housing. The Catalog of Federal Domestic Programs number for the Risk-Sharing Program is 14.189. **Note:** Many States do not review insured projects under these procedures. If the State has not elected the mortgage insurance programs for review, the QPE should submit a statement to that effect. If comments are received from the SPOC, the following applies:

a. When the SRP results in favorable comments or a recommendation for approval:

i. The Office may issue the Firm Approval Letter if all other HUD-retained review requirements are met.

ii. The Office must apply the ''non-accommodation'' procedures if, for other reasons, the Office will not issue the Firm Approval Letter (e.g., adverse environmental review).

b. When the SRP results in negative comments or a recommendation for disapproval:

i. If the Office agrees with the SRP, it will tell the QPE what changes are necessary before the Firm Approval Letter may be issued, or that no Firm Approval Letter may be issued.

ii. If the Office disagrees, paragraph 3 below applies and the Office will advise the QPE that the Firm Approval will be held until the 15-day ''Non-accommodation'' period ends.

c. ''Non-accommodation'' of SRP comments. The Office must notify the State and provide a 15-day period before the Office may approve and issue a Firm Approval Letter, or disapprove a project if:

i. The Office does not accept an SRP recommendation, or

ii. The QPE notifies HUD that it elects not to approve the project.

HUD will notify the QPE at the same time, stating when the 15-day period ends and that a Firm Approval Letter may be issued or the project rejected after the 15-day period ends. **Note:** All notifications between the QPE and the Multifamily Hub or Program Center must be in writing.

4. *Issuance of Firm Approval Letter.*

a. *Firm Approval Letter.* Upon positive completion of the HUD-retained reviews, the Multifamily Hub or Program Center will issue a Firm Approval Letter.

i. *Contents.* The Firm Approval Letter will, among other things, identify the risk levels to be assumed by the QPE as 50 percent, and by HUD as 50 percent.

ii. *Endorsement upon Completion of Closing Docket.* The Firm Approval Letter also states that, absent fraud or material misrepresentation by the QPE, provided the QPE is in good standing at the time of the requested endorsement, and subject to reduction of the mortgage amount, if required, HUD will endorse the project mortgage upon receipt of the complete closing docket;

iii. *Possible Conditions for Approval.* Finally, the Firm Approval Letter may contain conditions for approval. The QPE and mortgagor must evidence their acceptance of the Firm Approval Letter and any conditions by signing and returning the Firm Approval Letter to the Multifamily Hub or Program Center.

iv. *Expiration.* The Firm Approval Letter will expire after 60 days if the project has not reached initial endorsement for insured advances projects, final endorsement for existing projects, or start of substantial rehabilitation for insurance upon completion projects,

5. *Extension of Firm Approval Letter.* The Hub or Program Center may extend a Firm Approval Letter upon written request of the QPE with supporting documentation.

i. *Transmittal of Addendum to Risk Sharing Agreement (RSA).* The Multifamily Hub or Program Center will prepare and transmit with the Firm Approval Letter, an addendum to the RSA reflecting the insurance risk share to be borne by the QPE and HUD, in the amount of 50 percent each.

ii. *Required Documentation.* In cases where the subsidy layering review is not delegated to the Housing Credit Agency and HUD review is required, the Firm Approval Letter will require the QPE to submit the required documentation for that review before the QPE approves the loan under its own procedures if that documentation was not submitted with the request for HUD-retained reviews.

iii. *Copy to QPE.* The Multifamily Hub or Program Center shall send a copy of the Firm Approval Letter to the QPE.

6. *Rejection of Project.* The Multifamily Hub or Program Center must notify the QPE in writing if the project is not approvable due to location in a military impact area or for an adverse environmental condition requiring rejection that cannot be mitigated.

VIII. Program Processing

A. QPE Processing, Underwriting, and Substantial Rehabilitation

The QPE may use its own underwriting standards and loan terms and conditions, as disclosed and submitted with its application, to underwrite and approve loans without further underwriting by HUD.

1. *QPE Responsibilities.* The QPE is responsible for the performance of all functions except the HUD-retained functions specified in this notice. After acceptance of an application for a loan to be insured under this initiative, the QPE must, among other things:

a. Determine that a market for the project exists, taking into consideration any comments from the Hub/PC relative to the potential adverse impact the project will have on proposed or existing Federally insured and assisted projects in the area;

b. Establish the maximum insurable mortgage and review plans and specifications for compliance with QPE standards;

c. Determine the acceptability of the proposed mortgagor and management agent;

d. Ensure the project is in compliance with all applicable nondiscrimination and equal opportunity laws (see program requirement 11 under Section VI of this notice);

e. Make any other determinations necessary to ensure acceptability of the proposed project;

f. Carry out all responsibilities of the Lender in connection with HUD's environmental review in accordance with Chapter 9 of the Multifamily Accelerated Processing (MAP) Guide; and

g. Ensure that any required subsidy layering review is completed by the applicable Housing Agency or HUD prior to loan approval.

2. *Substantial Rehabilitation Period.* The QPE is responsible for inspections during substantial rehabilitation, processing and approving advances of mortgage proceeds during substantial rehabilitation, review and approval of cost certification, and closing of the loan.

3. *Inspections during Substantial Rehabilitation.* The QPE must inspect projects at such times during substantial rehabilitation as the QPE determines. The inspections must be conducted to ensure compliance with the contract documents.

4. *Lead-Based Paint.* Risk-Sharing projects must comply with the lead-based paint requirements in 24 CFR Part 35, specifically subparts A, B, G, and R (Lead Disclosure Rule and Lead Safe Housing Rule), as applicable, as well as 40 CFR Part 745 Lead: Renovation, Repair, and Painting Program. QPEs are responsible for monitoring and for ensuring that lead-based paint requirements are followed.

5. *Insurance of Advances.* Periodic advances are permitted in the Risk-Sharing Program. In periodic advances cases, progress payments approved by the QPE and both an Initial and Final endorsement on the mortgage are required.

a. Advances may only be used for projects involving substantial rehabilitation.

b. In approving advances, the QPE must ensure that the loan is kept in balance, and advances are approved only if warranted by substantial rehabilitation progress evidenced through QPE inspection, as well as in accord with plans, specifications, work write-ups and other contract documents. QPEs must also make certain that other mortgageable items are supported with proper bills and/or receipts before funds can be approved and advanced for insurance.

6. *Insurance upon Completion.* In insurance upon completion cases, only the permanent loan is insured and a single endorsement is required after satisfactory completion of substantial rehabilitation or repairs. Existing projects without the need for substantial rehabilitation are only insured upon completion.

a. *Substantial rehabilitation.* The QPE approval of insurance upon completion project must prescribe a designated period during which the mortgagor must start substantial rehabilitation. If substantial rehabilitation is started as required, the approval will be valid for the period estimated by the QPE for substantial rehabilitation and loan closing, including any extension approved by the QPE.

b. *Existing projects without substantial rehabilitation.* Existing projects with or without repairs are insured upon initial closing. QPEs may permit noncritical repairs to be completed after endorsement upon establishment of escrows acceptable to the QPE. Noncritical repairs are those repairs that do not:

i. endanger the safety and well-being of tenants, visitors and passersby,

ii. adversely affect ingress and egress, or

iii. prevent the project from reaching sustaining occupancy.

7. *Cost Certification.* To ensure that the final amount of insurance is supported by certified costs. The mortgagor and general contractor, if there is an identity of interest with the mortgagor must execute a certificate of actual costs, in a form acceptable to the QPE, when all physical improvements are completed to the satisfaction of the QPE.

a. *Auditing.* The cost certification provided by the mortgagor must be audited by an independent public accountant in accordance with requirements established by HUD.

b. *HUD Review.* Except for the first trial cases (described at IX.10 below), HUD will not review cost certifications prior to Final Endorsement. Cost certification documents will be looked at as part of HUD's periodic, programmatic monitoring of the QPE's Risk Sharing activities.

8. *Other Requirements:* The mortgagor must furnish:

a. Assurance of completion in accordance with any requirements of the QPE as to form and amount, and

b. Latent defects escrow or other form of assurance as required by the QPE to ensure that latent defects can be remedied within the time period required by the QPE.

9. *Recordkeeping.* The mortgagor and the substantial rehabilitation contractor, if there is an identity of interest with the mortgagor, must keep and maintain records of all costs of any substantial rehabilitation or other cost items not representing work under the general contract and to make available such records for review by the QPE or HUD, if requested.

10. *Project Information.* QPEs are responsible for providing information about Risk Sharing projects to HUD for statistical, programmatic, and monitoring purposes. The project information is submitted with the closing docket at initial closing for insurance of advances cases, and/or final closing for insurance upon completion cases. When a substantial rehabilitation project will be insured upon completion (i.e. no initial endorsement), project information must be submitted to the Multifamily Hub or Program Center when substantial rehabilitation begins. The cover letter should specify the substantial rehabilitation start date.

IX. Closing and Loan Endorsement

A. *QPE Closing and HUD Endorsement of Loan.* Before disbursement of loan advances in periodic advances cases, and in all cases after completion of repairs or substantial rehabilitation (or completion of processing for existing projects requiring no repairs), the QPE must hold a closing and submit a closing docket with required documentation to the Multifamily Hub or Program Center (Hub/PC) with jurisdiction for the project's location. The submission will include, among other things, the mortgage note which the Hub/PC Director will endorse for insurance. Prior to closing, the QPE must ensure that the following property and mortgage requirements have been met:

1. *Property Requirements—Real Estate.* The mortgage must be on real estate held:

a. In fee simple;

b. Under a renewable lease of not less than 99 years; or

c. Under a lease executed by a governmental agency, or other lessor approved by the QPE, that has a term at least 10 years beyond the end of the mortgage term.

2. *Title.*

a. *Eligibility of Title.* Marketable title to the mortgaged property must be vested in the mortgagor on the date the mortgage is filed for record.

b. *Title Evidence.* The QPE must receive a title insurance policy (or other acceptable title evidence in the jurisdiction if title policies are not typical) that ensures that marketable title is vested in the mortgagor, that a survey acceptable to the QPE has been performed, and that no existing impediments to title concern, or exist on, the property.

3. *Mortgage Provisions.*

a. *Form.* The mortgage and note must be executed on a form approved by the QPE for use in the jurisdiction in which the property is located. The note must provide that the mortgage is insured under Section 542(b) of the Housing and Community Development Act of 1992. The note must also specify the risk of loss assumed by the QPE and by HUD, at 50 percent and 50 percent each.

b. *Mortgagor.* The mortgage must be executed by a mortgagor determined eligible by the QPE.

c. *First Lien.* The mortgage must be a single first lien on property that has first priority for payment and that conforms to property standards prescribed by the QPE.

d. *Single Asset Mortgagor.* The mortgage must require that the mortgagor is a single asset, sole purpose mortgagor.

e. *Amortization.* The mortgage must provide for complete amortization (i.e., regularly amortizing) over the term of the mortgage. Commencement of amortization must be the month following HUD's endorsement of the loan. Amortization may not commence prior to HUD loan endorsement.

f. *Use Restrictions.* The mortgage must contain a covenant prohibiting the use of the property for any purpose other than the purpose intended on the day the mortgage was executed.

g. *Hazard Insurance.* The mortgage must contain:

i. A covenant acceptable to the QPE that binds the mortgagor to keep the property insured by one or more standard policies for fire or other hazards which are stipulated by the QPE;

ii. A standard mortgagee clause making loss payable to the QPE must be included in the mortgage;

iii. The QPE is responsible for ensuring that insurance is maintained in force and in the amount required by this paragraph and by the mortgage;

iv. The QPE must ensure that the insurance coverage is in an amount which will comply with the coinsurance clause applicable to the location and character of the property, but not less than 80 percent of the actual cash value of the insurable improvements and equipment. If the mortgagor does not obtain the required insurance, the QPE must do so and assess the mortgagor for such costs; and

v. These insurance requirements apply as long as the QPE retains an interest in the project and final claim settlement has not been completed or the contract of insurance has not been otherwise terminated.

vi. If the property is located in a Special Flood Hazard Area identified by the Federal Emergency Management Agency and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968 (NFIA), the QPE must ensure that the property is covered by flood insurance during the term of the mortgage in an amount equal to or greater than the least of the following: (1) the development or project cost less estimated land cost; (2) the maximum limit of coverage made available for the type of property under the NFIA; or (3) the outstanding principal balance of the mortgage.

h. *Modification of Terms.* The mortgage must contain a covenant requiring that, in the event the QPE and owner agree to a modification of the terms of the mortgage (e.g., to reflect a reduction of the interest rate if reductions are realized in the underlying bond rates for the project), any subsidized rents would be reduced in accordance with HUD guidelines in effect at the time.

i. *Regulatory Agreement.* The mortgage must contain a provision incorporating the Regulatory Agreement by reference.

4. *Mortgage Lien and Other Obligations.*

a. *Liens:* At the initial and final closing of the loan, the mortgagor and the QPE must certify, and the QPE must determine, that the property covered by the mortgage is free from all liens other than the insured mortgage, except that the property may be subject to an inferior lien(s) as approved by the QPE, as long as the insured mortgage has first priority for payment.

b. *Contractual Obligations:* At the final closing of the loan, the mortgagor and the QPE must certify, and the QPE must determine, that all contractual obligations in connection with the mortgage transaction, including the purchase of the property and the improvements to the property, are paid. An exception is made for obligations that are approved by the QPE and determined by the QPE to be of a lesser priority for payment than the obligation of the insured mortgage.

5. *Execution of Regulatory Agreement.* The QPE and the mortgagor must execute and record a Regulatory Agreement in a form acceptable to HUD, a standard form of which will be developed. The Regulatory Agreement must include an addendum requiring the mortgagor to comply with the requirements of the Risk-Sharing Program for as long as the Commissioner insures the mortgage.

6. *Submission of Closing Docket.* The QPE must submit the closing docket, representations and certifications, to the Hub/PC, transmitted by letter signed by an authorized official identified in the Risk-Sharing Agreement. An original and one electronic copy must be submitted. The closing docket, each page numbered in the upper right corner with the HUD project number, must contain specific project information, and accompanied by a check for the first year's Mortgage Insurance Premium.

a. *Project Information.* Project information concerning the mortgage amount, location, number and type of units, income and expenses, rents, rents as a percentage of area median income, project occupancy percentage, value/replacement cost, interest rate, type of financing, tax credit use (if applicable), and similar statistical information will be provided.

b. *Initial Closing for Insured Advances.* If an initial closing docket is required, it should be submitted by the QPE and must include the information and certifications requested in this notice. The Hub/PC will review the initial closing docket in a manner similar to its review of the final closing docket.

c. *Final Closing:* After substantial rehabilitation completion of the project or completion of critical repairs (noncritical repairs may be made after final endorsement with establishment of appropriate escrows acceptable to the QPE) and execution of a certificate of actual cost (for both insurance of advances and insurance upon completion), the QPE will submit a closing docket to the Multifamily Hub or Program Center for final endorsement. The final closing docket must include the information and certifications required by this notice along with the QPE's updated project information if submitted for initial endorsement.

7. *Local HUD Office Review of Closing Dockets.* The Hub/PC has primary responsibility for review of closing dockets and ensuring that projects are endorsed for insurance. The Hub/PC has 5 working days to complete this process except for the sample of projects that the Office chooses for pre-endorsement monitoring, which has a 10-day deadline. However, every effort should be made to endorse projects as quickly as possible.

8. *Certifications.* Multifamily Housing staff will review all closing dockets for completeness, including the QPE's certifications that:

a. Written approval was obtained for all HUD-retained reviews; and

b. All nondiscrimination, equal opportunity, and equal employment opportunity requirements were followed;

c. The QPE reviewed and approved the mortgagor's Affirmative Fair Housing Marketing plan;

d. Processing, underwriting (including a determination that a market exists for the project), cost certification (at final closing only) and closing were all performed according to the QPE's standards and requirements;

e. For insurance of advances cases, advances were made proportionate to substantial rehabilitation progress;

f. The property is free of all liens other than the first mortgage except for inferior liens approved by the QPE; and

g. All contractual obligations are paid.

9. *Other Information.* The Hub/PC will review each closing docket for among other things, the presence of the QPE's project information, amortization schedule; a copy of the Risk-Sharing Agreement with any prior amendments or addendums; certified copies of the mortgage (deed of trust), mortgage (deed of trust) note (with the risk of loss to be assumed by the QPE and HUD specified on the face sheet); a copy of the QPE-approved cost certification; a copy of the Regulatory Agreement between the QPE and the mortgagor; and a hazard insurance policy (and flood insurance policy where required) with a clause making the loss payable to the QPE; (for final endorsement of insured advances), a copy of the QPE-approved schedule of insured advances equal to the Risk Sharing mortgage documenting the date and amount of each of disbursement during the substantial rehabilitation

period. The Hub/PC will also determine that certifications and other documents committing the QPE were signed by QPE officials identified in the Risk-Sharing Agreement.

10. *Local HUD Office Monitoring Functions.* The Hub/PC will perform pre-endorsement monitoring by reviewing a limited sample of the first three insured advances cases and cost certifications. The Office has a total of 10 working days to review the submission and endorse the mortgage for insurance for these sample cases. In the case of these initial submissions HUD has the authority to make an appropriate adjustment to the amount of mortgage insurance up to and including final endorsement. However, it is anticipated that adjustments would be made only in very rare cases (as they are rare for HUD-processed projects). The review is to ensure that the QPE has used its own procedures for insured advances and cost certification. Except where Headquarters has required a particular QPE to use HUD's procedures for advances and/or cost certification, QPEs do not have to comply with HUD's handbooks and instructions.

a. *Insurance of Advances.* Check to see whether advances were consistent with substantial rehabilitation progress, whether the loan remained in balance by comparing actual disbursements against a project completion schedule, and whether disbursements were supported by bills and/or receipts.

b. *Cost Certification.* Review the QPE's cost certification to ensure that the amount to be insured is supported by costs actually incurred and approved by the QPE.

11. *HUD Endorsement.* After review of the closing docket and other materials, the Multifamily Hub or Program Center must do the following:

a. *Endorsement:* Unless the loan is one of the first three initial cases submitted for HUD review before endorsement, the Hub/PC Director will endorse the credit instrument within 5 workdays after accepting the closing docket. The original endorsed credit instrument must be returned by certified mail, return receipt requested.

b. *Mortgage Insurance Premium (MIP):* The Hub/PC must issue an Official Receipt for the initial year's MIP from the QPE (mortgagee). The MIP for the Risk-Sharing Program is different than HUD's other mortgage insurance programs.

c. *''Closing Memorandum.''* The Hub/PC staff is responsible for preparing the HUD–290 in DAP based on project data consistent with the closing docket. The Hub/PC Director, Operations Officer, or a person officially delegated to act for the Director signs the HUD–290.

i. Include original with the original closing docket to be transmitted to Headquarters.

ii. Include a copy with the conformed closing docket to be transmitted to the Hub/PC for the monitoring phase.

d. *Contents of HUD–290 Closing Submissions:* Within 5 workdays of endorsement, the Hub/PC must submit copies of the following documents to the HUD Headquarters Office of Multifamily Insurance Operations:

i. ''Closing Memorandum'' form HUD–290 signed by Director or designee;

ii. ''Official Receipt'' form HUD–27038 for the first mortgage insurance premium;

iii. Schedule of Collections form HUD–3416 documenting the deposit of the first mortgage insurance premium;

iv. Mortgage note or deed of trust including endorsement panel signed by officials of the QPE and HUD;

v. Amortization schedule consistent with the terms described on the mortgage note or deed of trust;

vi. Copy of the Risk Sharing Agreement with any prior amendments, and Addendum to the Risk Sharing Agreement for the subject project; and

vii. For final endorsement of insured advances only, a copy of the QPE-approved schedule of insured advances.

12. *Transmittal of Washington Closing Docket.* The Risk Sharing original closing docket is processed in the same manner as the Washington Docket is for projects insured under the National Housing Act except that the contents of the docket, including amortization schedule, must comply with the requirements of the Section 542(b) Risk Sharing Program. The closing docket must be delivered within 30 workdays of endorsement to Headquarters, Office of Housing, Chief, Records Management Branch (HOAMP), B–264, including:

a. The cover memorandum and original HUD–290; and

b. The closing docket prepared by QPE, with each page numbered.

13. *Recordation.* At the time of Initial Endorsement, in the case of insurance of advances, or at the time of Final Endorsement in the case of insurance upon completion, the QPE shall make certain that the mortgage, the Regulatory Agreement, and the Uniform Commercial Code financing statements are properly recorded, and filed in all required locations.

X. Program Monitoring

Periodic program monitoring will be performed at two levels: (1) The Multifamily Hub or Program Center (Hub/PC) with jurisdiction for the QPE, and (2) HUD Headquarters. HUD will conduct compliance monitoring in accordance with the QPE's own approved procedures for origination, underwriting, processing, servicing, management and disposition procedures, as well as compliance with HUD regulations and guidelines. Annual certifications will be required to verify that the necessary staffing, procedures, and measures of financial capacity addressed in the QPE's application for participation in the initiative remain in effect. Other HUD offices may monitor QPEs and projects in accordance with their delegated authority including compliance with nondiscrimination, equal opportunity, labor, and environmental protection requirements. Monitoring will be performed on a remote and on-site basis primarily consisting of post-endorsement compliance reviews. The HUB/PC with jurisdiction for the QPE will have primary responsibility to conduct periodic on-site monitoring to determine overall compliance with program requirements.

HUD Headquarters' primary responsibility will be overall program evaluation and the review of documentation pertaining to continued compliance of the QPE with program eligibility requirements, including monitoring of the dedicated account, where applicable, and other financial requirements. As appropriate, HUD Headquarters, including the Lender Qualification and Monitoring Division, the Multifamily Office of Asset Management, and the Multifamily Claims Branch may also be involved in conducting reviews of specific QPEs to determine compliance with applicable requirements.

XI. Project Management and Servicing

General

The QPE is responsible for providing loan servicing and project management in conformance with the Risk-Sharing Agreement and the terms of the required Regulatory Agreement.

1. *QPE Responsibilities.* As it relates to project management and loan servicing, the responsibility of the QPE shall include, but not be limited to:

a. *Execution and Enforcement of Regulatory Agreement.* Execution and enforcement of a Regulatory Agreement between the mortgagor and the QPE that is recorded upon the closing of the Risk Sharing Loan and which:

i. Includes a description of the property;

ii. Is binding upon the mortgagor and any of its successors and assigns and upon the QPE and any of its successors for the duration of the insured mortgage. The QPE may not assign the Regulatory Agreement;

iii. Requires the project owner to make all payments due under the mortgage and, where necessary, establish escrows and reserves for future capital needs;

iv. Requires the project owner to maintain the project as affordable housing;

v. Requires the project owner to maintain the project in good physical and financial condition;

vi. Requires the project owner to maintain complete project books and financial records, and provide the QPE with annual audited financial statements after the end of each fiscal year;

vii. Requires the project owner to comply with the Fair Housing Act, Titles II and III of the Americans with Disabilities Act of 1990; section 3 of the Housing and Urban Development Act of 1968, the Equal Credit Opportunity Act, Executive Orders 11063 as amended by Executive Order 12259, Executive Order 12246, other applicable federal laws and regulations issued pursuant to these authorities, and applicable state and local fair housing and equal opportunity laws; and, if the mortgagor receives federal financial assistance, requires the project owner to comply with Title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, and Section 504 of the Rehabilitation Act of 1973, and HUD's regulations issued pursuant to these laws;

viii. Requires the project owner to operate as a single asset mortgagor entity; and

ix. Requires the project owner to make project books and financial records available for HUD's Inspector General and FHA Commissioner and his/her duly authorized agents, and/or Government Accountability Office (GAO) for review with appropriate notification.

b. *Physical Inspections.* Performing annual physical inspections of the project and providing a copy of the inspection reports upon request to the local Hub/Program Center. If the project receives a less than satisfactory rating and/or if the project is not in safe and sanitary condition, the QPE must provide a summary to HUD of actions required, with target dates to correct unresolved findings.

c. Analyzing project annual audited financial statements and providing HUD with a summary of any unresolved or negative findings, including a summary of corrective actions planned, with target dates. Providing HUD with an annual audited financial statement of the QPE in accordance with the requirements of 24 CFR § 85.26 Non-Federal audit and OMB Circular A–133 ''Audits of States, Local Governments, and Non-Profit Organizations''.

2. *Record Retention:* Records pertaining to the mortgage loan origination and servicing of the loan must be maintained for as long as the mortgage insurance remains in force. Records pertaining to a mortgage default and claim must be retained from the date of default through final settlement of the claim and for a period of no less than 3 years after final settlement.

XII. Mortgage Insurance Premiums and Financial Systems

QPEs are responsible for processing Risk Sharing project applications and approving them for HUD mortgage insurance. The Hub/PCs record project information in the Development Application Processing (DAP) system and provide HUD Headquarters with data needed to establish the insured case in the FHA Subsidiary Ledger (FHASL) System. The Multifamily Insurance Operations Branch (MFIOB) is responsible for tracking the portfolio of HUD insured projects and managing the collection of Mortgage Insurance Premiums (MIP). The MFIOB will bill QPEs for all premiums and applicable late fees and interest charges due subsequent to the MIP payment made at Initial Endorsement.

1. *Establishing the Insurance in Force Record.*

a. *Projects with Insured Advances*

i. *General*—Projects endorsed with insured advances provide for HUD mortgage insurance coverage of funds disbursed during the substantial rehabilitation period.

ii. *Initial Endorsement*—The Initial Endorsement of the mortgage note is performed by the Hub/PC and normally occurs prior to the start of substantial rehabilitation. Projects become part of the HUD- insured portfolio at this time.

(1) *QPE Responsibilities Prior to Initial Endorsement Include:*

(a) Collecting the Initial MIP—Prior to submitting projects to the Hub/PC for Initial Endorsement, the QPE will collect an MIP payment equal to the prescribed percentage of the insured amount as required by the Percentage Share of Risk. The QPE will instruct the mortgagor to make the MIP check payable to the U.S. Department of Housing and Urban Development;

(b) Preparing the Closing Docket—The QPE will prepare a closing docket in accordance with instructions contained in this notice. The closing docket will include the mortgage note, amortization schedule, and risk-sharing agreement; and

(c) Submitting the Endorsement Request to the Hub/PC—The QPE will mail the MIP along with the Closing Docket to the Hub/PC for endorsement of the mortgage note. These must be mailed within 15 days of closing.

(2) *Multifamily Hub/Program Center Initial Endorsement Responsibilities Include:*

(a) Preparing the Official Receipt—The Hub/PC will deposit the MIP on the day received and prepare and distribute the Official Receipt, form HUD–27038 documenting the MIP payment and form HUD–3416 ''Schedule of Multifamily Project Collections'' documenting the deposit of the MIP payment;

(b) Updating the DAP System—The Hub/PC will update the project data in the DAP system within 2 days of Initial Endorsement and prepare the form HUD–290 ''Multifamily Closing Memorandum'' to create the FHASL insurance in force file;

(c) Reporting to the Multifamily Insurance Operations Branch (MFIOB)—Within 5 days of receipt of the Closing Docket from the QPE, the Hub/PC must forward documents required to establish the insurance record to the MFIOB. One copy each of the form HUD–290 ''Multifamily Closing Memorandum'', amortization schedule, mortgage note, copy of the Risk-Sharing Agreement, form HUD–27038 ''Official Receipt'' and form HUD–3416 ''Schedule of Multifamily Project Collections''; and

(d) Copies of these documents will also be incorporated in the official Docket that the Hub/PC must submit to Headquarters. The Hub/PC will submit the Official Receipt for the initial premium payment to the Office of Finance and Accounting (OFA).

(3) *MFIOB Action.* The MFIOB will process information received from the Hub/PC to establish the project in the FHASL System. The creation of a newly insured project in FHASL also requires certain information from the official receipt issued by the Hub/PC for receipt of the initial insurance premium. The FHASL record will be used to generate the annual MIP billings.

iii. *Final Endorsement*—Projects with insured advances will be finally endorsed by the Hub/PC after completion of substantial rehabilitation. The terms of the mortgage note may be modified at this time as a result of substantial rehabilitation and cost certification.

(1) *QPE Responsibilities Prior to Final Endorsement:*

(a) Preparing the Closing Docket—The QPE will prepare closing docket and submit project information in accordance with instructions contained in this notice. The docket will include the mortgage note, amortization schedule, Risk-Sharing Agreement and any modifications to the original note, copy of the QPE-approved schedule of insured advances equal to the risk-sharing mortgage; and

(b) Submitting the Endorsement Request to the Local HUD Office—The QPE will mail the Closing Docket to the Hub/PC for Final Endorsement of the note.

(2) *Multifamily Hub/Program Center Final Endorsement Responsibilities:*

(a) Preparing the Closing Memorandum—The Hub/PC will update the DAP System and prepare the form HUD–290 within 2 days of endorsement. The form HUD–290 will reflect any changes to the mortgage terms that existed at the time of the Initial Endorsement; and

(b) Reporting to MFIOB—Within 5 days of receipt of the Closing Docket from the QPE, the Hub/PC must forward one copy each of the Final Endorsement HUD–290, Mortgage Note, Amortization Schedule, Schedule of Insured Advances equal to the final mortgage, Risk-Sharing Agreement and Modification Agreement, if applicable

(3) MFIOB Actions. The MFIOB will process closing docket information received from the Hub/PC to process the final endorsement in FHASL.

b. *Projects Insured Upon Completion*

i. *General*—Projects endorsed with insurance upon completion are processed for insurance after completion of substantial rehabilitation, or purchase, or refinance with or without repairs for existing projects. Initial and Final endorsement of these cases occurs simultaneously.

ii. *Initial/Final Endorsement*—Insured upon completion projects become HUD-insured at the initial/final endorsement.

iii. *QPE Responsibilities Prior to Initial/Final Endorsement:*

(1) Collecting the Initial MIP—Prior to submitting projects to the Hub/PC for Initial/Final endorsement, the QPE will collect an MIP payment equal to the ''Prescribed Percentage for Calculating QPE's Annual MIP'' times the loan amount. The QPE will instruct the mortgagor to make the MIP check payable to the U.S. Department of Housing and Urban Development;

(2) Preparing the Closing Docket—The QPE will prepare a Closing Docket in accordance with instructions contained in this notice. The docket will include the mortgage note, amortization schedule and Risk-Sharing Agreement; and

(3) Submitting the Endorsement Request to the Hub/PC—Within 15 days of closing, the QPE will submit the MIP along with the Closing Docket to the Hub/PC for endorsement of the mortgage note.

iv. *Multifamily Hub/Program Center Initial/Final Endorsement Responsibilities:*

(1) *Preparing the Official Receipt*—The Hub/PC will deposit the MIP on the day received and prepare and distribute the Official Receipt and Schedule of Collections documenting the MIP payment in accordance with Handbook 4110.1, REV–1;

(2) *Preparing the Closing Memorandum*—The Hub/PC will update project data in the DAP System within 2 days of the Initial or Final Endorsement and prepare the form HUD–290;

(3) *Reporting to MFIOB*—Within 5 days of receipt of the Closing Docket from the QPE, the Hub/PC must forward documents required to establish the insurance record to the MFIOB;

(4) *Copies of Documents*—Submitting one copy each of the form HUD–290, mortgage note, amortization schedule, the Risk-Sharing Agreement, Official Receipt, and Schedule of Collections to MFIOB; and

(5) *Official Docket*—Copies of these documents will also be incorporated in the official Docket that the Hub/PC must submit to Headquarters. The Hub/PC will submit the Official Receipt for the initial premium payment to the Office of Finance and Accounting (OFA) in accordance with instructions contained in Handbook 4110.1 Rev.

v. *Processing Closing Docket Information.* The MFIOB will process the closing docket information received from the Multifamily Hub/Program Center to establish the project in the FHASL System.

2. *Annual Premium Billing and Record Change:* Official records on HUD-insured multifamily projects are maintained by the MFIOB in the FHASL System at HUD Headquarters. This organization also is responsible for billing and collecting annual mortgage insurance premiums. MIP is billed and collected in advance and under certain circumstances, in connection with termination of FHA mortgage insurance or prepayments, refunds of unearned premiums will be made to the QPE for the mortgagor's account. All modifications to the mortgage that take place after final endorsement, as well as mortgage servicer changes, will be recorded in the FHASL system.

a. *Annual Premiums:* QPEs will be billed for all annual premiums due after the initial premium. All premium payments will be made through pay.gov in accordance with Mortgagee Letter 2012–16.

i. *Interim Premiums Pre-Amortization*—Premiums calculated on the total insured amount will be due on the first day of the month of each anniversary of the initial endorsement that occurs prior to the date of first payment to principal. These interim premiums are only relevant for projects with insured advances where the first payment to principal date is more than 12 months after initial endorsement. The due date for interim premiums will be the first day of the month in which the anniversary of the initial endorsement occurs.

ii. *Annual Premiums Post-Amortization*—The annual MIP payments, beginning with the first payment to principal, will be calculated in accordance with the amortization schedule prepared by the QPE and supplied to HUD and the MIP Percentage taken from the Closing Memorandum prepared by the Hub/PC. The first regular annual premium will be due on the first day of the month in which the first payment to principal occurs. This first billing (as well as subsequent annual premiums) will be calculated by multiplying the ''Prescribed Percentage for Calculating QPE's Annual MIP'' by the average outstanding principal balance during the upcoming 12 months following first payment. This payment will reflect an adjustment to deduct any portion of the last interim premium paid that covers a period after first payment.

Example:

Mortgage Amount = $2,000,000
MIP Percentage = .45
% Commitment Type = Insured Advances
Initial Endorsement—1/2/2012
Initial premium for period 1/1/2012–12/31/2012 ($2,000,000 × 0.45%) = $9,000
Date of First Payment to Principal 7/1/2012
Post amortization MIP due 7/1/2012 covering period 7/1/2012–6/30/2013
MIP due equals average outstanding balance from amortization schedule ($1,950,000) × 0.45% = $8,775
Less amount of initial MIP for 7/1/2012–12/31/2012 = −$4,500
Total Due 7/1/2012 = $4,225

Thereafter, until maturity or termination in this notice, MIP payments will be due on the first day of the month of each anniversary of the first payment to principal. The billings will be mailed to the servicing mortgagee of record approximately 45 days before the due date.

b. *Billing Statement and Reconciliation.* A sample billing statement is shown as in HUD Handbook 4590.1, Appendix 16. This form is to be returned along with the payment.

3. *Method of Payment:* Annual mortgage insurance premium payments must be made through pay.gov.

4. *Late Fees and Interest Changes:* All payments must be received no later than 15 days after the due date. Payments received after this will incur additional charges.

a. *Late Fees*—All premiums received by HUD more than 15 days after the due date will be assessed a 4 percent late charge.

b. *Daily Interest Charges*—Premiums that remain unpaid more than 30 days after the due date will accrue daily interest from the due date until paid at the rate prescribed by the Treasury Fiscal Requirements Manual.

HUD will bill for interest and late fees each month until the charges are paid.

5. *Post Final Endorsement Modifications*

a. The Applicant will provide the Hub/PC with a copy of the Modification Agreement along with a copy of the revised Amortization Schedule;

b. Updating the DAP System—The Hub/PC will update the DAP System within 2 days of receipt of notification of the modification agreement;

c. The Hub/PC will forward copies of the modification agreement and amortization schedule, and revised form HUD–290 to MFIOB;

d. The MFIOB will update FHASL to reflect the modified mortgage terms. Future premium billings will be calculated on the new terms; and

e. The Applicant will be responsible for notifying HUD of any change in the project Servicing Mortgagee. Up-to-date mortgagee information is needed in order for HUD to properly direct premium billings and other project related correspondence. Mortgage changes will be accomplished by completing and forwarding form HUD-92080, ''Mortgage Record Change'' to: U.S. Department of Housing and Urban Development, Multifamily Insurance Operations Branch, PO Box 44124, Washington, DC 20026–4124.

6. *Termination of Insurance:* The Applicant must remit annual Mortgage Insurance Premiums until the mortgage reaches maturity or is terminated through one of the following actions:

a. The mortgage is paid in full;

b. A deed to the HFA is filed for record;

c. An application for initial claim payment is received by the Commissioner; or

d. The contract of insurance is otherwise terminated.

7. *Cessation of Obligation to Pay MIP.* The obligation to pay MIP will cease upon receipt by HUD of either of the following:

a. A completed ''Insurance Termination Request for Multifamily Mortgage'' form HUD–9807. Requests for voluntary termination must be accompanied by the original credit instrument. When the termination is approved, the insurance endorsement will be cancelled and the credit instrument returned to the QPE. The instructions on form HUD–9807 are to be followed;

b. The obligation to pay MIP will cease in the event a deed is filed for recordation, or an application for initial claim payment is received by the Commissioner; or

c. If the Contract of Insurance is terminated by payment in full or is terminated by the QPE on a form prescribed by the Commissioner, after the date of first payment to principal, the Commissioner shall refund any unearned MIP paid for the period after the effective date of the termination of insurance. The unearned portion of MIP will be refunded to the QPE for credit to the mortgagor's account.

XIII. Evaluation of the Initiative

One of the principal purposes of the initiative is to determine whether, by providing Federal credit enhancement for refinancing and rehabilitation of small multifamily housing, the initiative is successful in increasing the flow of credit to small multifamily properties. HUD will, therefore, undertake an evaluation of the initiative to determine the success of the initiative.

XIV. Findings and Certifications

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) and assigned OMB control number 2502–0500. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to the environment has been made for this notice in accordance with HUD regulations at 24 CFR Part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available for public inspection between 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington DC 20410–0500. Due to security measures at this HUD Headquarters Building, an advance appointment to review the FONSI must be scheduled by calling the Regulations Division at 202–708–3055 (not a toll free number).

XV. Solicitation of Comment on Notice and President's 2014 Budget

HUD welcomes comment on all aspects of the proposed initiative. In addition, comments are solicited on the President's Fiscal Year 2014 Budget Request legislative proposal to expand the Risk Share Program to more broadly support Small Building Finance under Section 542 (b) by allowing Risk Share lenders to apply to become Ginnie Mae issuers. Please note, however, that the proposed changes in the 2014 Budget Request proposal are not presumed to have been enacted, nor are they necessary for purposes of the implementation of this Small Buildings Risk Sharing proposal.

Dated: October 29, 2013.

Carol J. Galante,

Assistant Secretary for Housing—Federal Housing Commissioner.

[FR Doc. 2013–26328 Filed 11–1–13; 8:45 am]

BILLING CODE 4210–67–P

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Service

[FWS–R5–R–2013–N146; BAC–4311–K9]

Sunkhaze Meadows National Wildlife Refuge and Carlton Pond Waterfowl Production Area, Penobscot, Kennebec, and Waldo Counties, ME; Final Comprehensive Conservation Plan

AGENCY: Fish and Wildlife Service, Interior.

ACTION: Notice of availability.

SUMMARY: We, the U.S. Fish and Wildlife Service (Service), announce the availability of a final comprehensive conservation plan (CCP) and finding of no significant impact (FONSI) for the environmental assessment (EA) for Sunkhaze Meadows National Wildlife Refuge (NWR) and Carlton Pond Waterfowl Production Area (WPA), located in Penobscot, Kennebec, and Waldo Counties, Maine. The CCP describes how we will manage the refuge and WPA for the next 15 years.

ADDRESSES: You may view or obtain copies of the CCP by any of the