

HUD Housing & FHA Monthly Review



ANNOUNCEMENTS

Commissioner Galante Announces Last Day at HUD

In August, Carol Galante announced her intention to leave HUD to join the faculty at the University of California, Berkley. The FHA Commissioner and Assistant Secretary for Housing notified Housing/FHA staff that October 24th will be her last day at HUD.

Commissioner Galante came to HUD in 2010 as the Deputy Assistant Secretary for Multifamily Housing, before being named the acting FHA Commissioner and Assistant Secretary for Housing in June 2011. She was confirmed by the Senate in December 2012 to serve as the FHA Commissioner and Assistant Secretary of Housing.

Commissioner Galante stepped into the role of Assistant Secretary of Housing and FHA Commissioner just as the toll the legacy portfolio was taking on the MMI Fund became apparent. Under Commissioner Galante's leadership, FHA navigated a turbulent time in the mortgage industry. By working hard to establish the right pricing, increase recoveries on distressed assets, and better manage risk. FHA has turned the corner on its losses and has significantly improved the financial health of the MMI Fund--by nearly \$15 billion in 2013 alone. Galante has said, "I cannot think of a more challenging and exciting time to serve as FHA Commissioner."



In an effort to make doing business with the FHA easier, Commissioner Galante was committed to a rewriting and consolidating of all mortgagee letters and housing notices into single FHA Handbook, the first section of which was released this week (see below, *Origination through Post-Closing/Endorsement*). Her tenure saw the celebration of FHA's 80th anniversary and she also oversaw the development and release of *Blueprint for Access*, FHA's effort to expand access to credit to underserved borrowers which was released last summer. Under her leadership, the Office of Housing developed a comprehensive risk management infrastructure through the Office of Risk Management and Regulatory Affairs and organized the formation of a new Office of Housing Counseling. Ms. Galante has also played an important role in key Administration initiatives, including Choice Neighborhoods, the Rental Assistance Demonstration (RAD) and interagency alignment efforts.

Biniam Gebre, General Deputy Assistant Secretary for the Office of Housing, will lead the Office of Housing and FHA after Commissioner Galante's departure as Acting Assistant Secretary. Biniam will continue making progress on the Office of Housing's goals including enhancing our quality assurance framework and embedding housing counseling into the mortgage origination and servicing process.

In January, Commissioner Galante will assume the I. Don Turner Distinguished Professorship in Affordable Housing at the University of California, Berkley, where she will also serve as the Director of the Berkley Program in Housing and Urban Studies and co-chair of the Fisher Center of Real Estate Policy Advisory Board.

Vista Agreement to support tenant Organizations

On Thursday, August 28, 2014 an agreement between HUD and VISTA (part of CNCS) was signed. This Agreement provides \$2 million to AmeriCorps VISTA in order to build the capacity of nonprofit organizations that will address the preservation of HUD Section 8 Project-Based affordable housing throughout the United States. As a result, approximately 50 AmeriCorps VISTA members will be placed in FY 2015 and FY 2016, for a total of 100 AmeriCorps VISTA members, at organizations in at least 20 sites throughout at least 10 states.

POLICY DEVELOPMENTS**SINGLE FAMILY HOUSING*****NEW* Publication of New Section of the Single Family Housing Policy Handbook (SF Handbook)**

On Tuesday, September 30, the Office of Single Family Housing published the Origination through Post-Closing/Endorsement section of the SF Handbook. Originally posted for stakeholder feedback in October 2013 as *Application through Endorsement for Title II Forward Mortgages*, this is the first completed section of FHA's larger SF Handbook effort. This section covers Single Family Housing loan origination and underwriting policies, as well as the requirements for post-closing/endorsement for Title II Forward Mortgages. The policies in this section become effective for FHA Case Numbers assigned on and after **June 15, 2015*** This lead time allows mortgagees and other stakeholders time to make any necessary systems and process changes. Other SF Handbook sections and sub-sections are, or have been, posted for feedback on FHA's SF Drafting Table web page. These sections and sub-sections will be published in the future and incorporated into the overall SF Handbook (HUD Handbook 4000.1) to achieve a single, authoritative source of Single Family Housing policy.

- Link to the Handbook:

<http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>

**The Origination through Post-Closing/Endorsement section of this Single Family Handbook is effective for all Case Numbers assigned on or after June 15, 2015, except as follows. FHA will be publishing a Federal Register notice soliciting comment relating to Paragraph (4)(j) of II.A.8.d.vi.(C) "Streamline Refinances." Following consideration of comments received in response to this Federal Register notice, FHA will announce any changes to these provisions and the effective date of those paragraphs.*

Servicing Section of the Single Family Housing Policy Handbook Posted for Stakeholder Feedback

On September 11, the Office of Single Family Housing posted for feedback the draft *Servicing* section of the SF Handbook. The *Servicing* section covers policies from post-endorsement through conveyance or the end of the mortgage insurance contract term. When published, the *Servicing* section will consolidate most servicing policy into a single source, providing FHA loan servicers with a comprehensive resource. Guidance on filing claims for FHA mortgage insurance benefits, and real estate owned, or other disposition methods will be posted for feedback in the future, and when published, will be in a separate SF Handbook Claims & Disposition section. The feedback period for this section has been extended through **November 14, 2014.**

- Feedback Single Family Drafting Table:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/SFH_policy_drafts/servicing

Draft Loan Quality Assessment Methodology Posted for Stakeholder Feedback

On Tuesday, September 16, the Office of Single Family Housing posted its draft Loan Quality Assessment Methodology (Defect Taxonomy) for stakeholder review and feedback. This proposed new methodology would revise the way in which Single Family evaluates and communicates underwriting defects. The new methodology includes criteria which will be more descriptive—identifying a limited number of specific defects, their related sources/causes and levels of severity. Categorizing loan defect severity levels will provide greater clarity to lenders on the defects

that are deemed significant by FHA, versus defects that are not as significant, but should still be monitored and addressed by mortgagees. Additionally, assessing the quality of loans under this framework will allow lenders to more easily address the root causes of defects and create better quality loans in the future. The Loan Quality Assessment methodology is one part of FHA's *Blueprint for Access* strategy announced earlier this year to expand access to mortgage credit for more underserved borrowers. Feedback will be accepted through **October 15, 2014**.

- Loan Quality Assessment Methodology Draft Content for Feedback:

http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_POLI_LQA.pdf

- Single Family Drafting Table:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/SFH_policy_drafts

***NEW* FHA Short Refinance Program Extension**

On Wednesday, October 1, the Federal Housing Administration announced its intent to extend the FHA short refinance program for underwater borrowers. This program is part of the making home affordable program. FHA plans to issue additional program details by December 2014.

MULTIFAMILY HOUSING

OCAFs

On Thursday, October 2, Multifamily Housing published the FY2015 OCAFs. This new Federal Register Notice contains the Operating Cost Adjustment Factors (OCAFs) for Fiscal Year (FY) 2015. OCAFs are required by Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA). The OCAFs will be used in calculating rent adjustments upon renewal of Housing Assistance Payments contracts under MAHRA, and calculating annual rent adjustments under both MAHRA and the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRA). HUD used the same methodology for calculating the FY 2015 OCAFs as was used in FY 2014. The Office of Policy Development and Research (PD&R) provided the OCAFs to the Office of Multifamily Housing. The OCAFs are slightly higher than FY14 OCAFs.

Link to Fed. Register Re: OCAFs:

<https://www.federalregister.gov/articles/2014/10/02/2014-23475/certain-operating-cost-adjustment-factors-for-2015>

New Better Buildings Challenge Incentive

On Friday September 26, the Office of Multifamily Housing Programs released a memorandum on a new Better Buildings Challenge incentive (nondirective). HUD MF has established the Project Rental Assistance Contract (PRAC) Shared Savings incentive to address one of the market and policy barriers that Owners/Agents experience in "greening" their properties. Participation in this incentive is limited to Better Buildings Challenge-eligible MF properties only.

- Link to Memo:

http://portal.hud.gov/hudportal/documents/huddoc?id=BBC_revision.pdf

Affirmative Fair Housing Marketing Plan Review Clarification Memo

On Monday September 22, the Office of Multifamily Housing Programs released a memorandum that clarifies Affirmative Fair Housing Marketing Plan Review and Approval Guidance (nondirective). This memorandum provides clarification regarding the review and approval of a multifamily property owner's Affirmative Fair Housing Marketing Plan (AFHMP) and supersedes the May 15, 2014 Office of Asset Management memorandum on this topic. On April 14, 2014, the Office of Fair Housing and Equal Opportunity (FHEO) published a memorandum that clarifies when updated AFHMPs need to be submitted to FHEO for review and approval.

- Link to memo:

http://portal.hud.gov/hudportal/documents/huddoc?id=Clarification_AFHMPs.pdf

Large Loan Risk Mitigation Policy Revision

On Thursday, September 4, the Office of Multifamily Housing published a Mortgagee Letter and Housing Notice to revise the current large loans policy. This Mortgagee Letter and Housing Notice revises Mortgagee Letter 2014-04 and Housing Notice 2014-13. These revisions are intended to provide greater clarity and thus enhanced understanding of the requirements on the part of both industry and HUD staff.

- Link to ML:

<http://portal.hud.gov/hudportal/documents/huddoc?id=14-18ml.pdf>

Update to Tenant Participation Notice – appeals process

On Friday, September 5, The Office of Multifamily Housing Programs published a Housing notice that supersedes Notice H 2012. Procedures for tenants to appeal findings of complaints filed with the Hub or Program Center (Hub/PC) have been added to Section F. The Department of Housing and Urban Development’s regulations governing tenant participation in multifamily housing projects are found at 24 CFR Part 245 Subpart B. These regulations reflect the Department’s commitment to tenant participation, individually and through legitimate tenant organizations as defined in 24 CFR 245.110. The Department believes that tenant participation is an important element to maintaining sustainable projects and communities. This Notice addresses available sanctions and the use of civil money penalties as tools to enforce the Department’s commitment to tenant participation.

- Link to Housing Notice:

<http://portal.hud.gov/hudportal/documents/huddoc?id=14-12hsgn.pdf>

HEALTHCARE PROGRAMS**Implementation of pay.gov for Program Fees**

On Thursday, September 18, the Office of Healthcare Programs published Mortgagee Letter 2014-20, which announced a change in the collection process for Section 232 program fees for all Section 232 insured projects. Section 232 mortgage insurance is available on mortgages that finance residential healthcare facilities, such as nursing homes, assisted living facilities and board and care facilities.

- Link to ML 2014-20:

<http://portal.hud.gov/hudportal/documents/huddoc?id=14-20ml.pdf>

Interim Rule Extending Quarterly and Annual Financial Reporting Deadlines

On Tuesday, September 15, the Office of Healthcare Programs published an interim rule that extends the quarterly and annual financial reporting deadlines for operators participating in FHA’s program for insurance of health care facilities under section 232 of the National Housing Act.

This rule will bring the operators in-line with the reporting periods prescribed in HUD’s Uniform Financial Reporting Standards.

- Link to rule:

<https://www.federalregister.gov/articles/2014/09/16/2014-22069/federal-housing-administration-fha-section-232-healthcare-facility-insurance-program-aligning>

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