

HUD's Multifamily Accelerated Processing or MAP Guide Industry Briefing, Session 3

2/2/21

John Panetti: Thank you for joining the Session Three of HUD's Multifamily Accelerated Processing, or MAP, Guide industry briefings.

Now I'd like to introduce Zack Skochko from HUD.

Zack Skochko: Thank you, John. Before we get started with our content today, we're going to review the transition rules between the 2016 and 2020 MAP guides. So effective now are Chapters 2 and 15 and processing efficiencies. So at this juncture, lenders must declare their choice of the MAP guide with each application submission.

There is no mixing of favored provisions and waivers to use a provision of the 2020 MAP guide may not be selectively utilized if you're choosing the 2016 MAP guide. In this juncture right now from February 2nd until March 18th, if you are selecting the 2016 MAP guide, you should have a very specific provision that is making this the best choice for your particular application.

If you have questions about that, you can ask us, but generally, the 2020 MAP guide was worked on so interactively with the industry that many of the change provisions are extremely favorable to lenders and the process, therefore, if you're choosing 2016, there ought to be a very specific provision that you are targeting and therefore, you may choose the 2016 up until March 18th.

We have an update since our last webinar. For Chapter 19 closing, it is going to be effective on March 18th for firm commitments. We previously had announced an earlier date, but that is no longer the case. Chapter 19 closing is going to be effective on March 18th for firm commitments. Our content today is going to be heavily focused on Chapter 19 and we will review all of those details in particular.

Effective March 18, 2021 the full transition is in effect. Lenders no longer need to declare what version of the map guide they're using as the 2020 MAP guide will be in full effect. We have additional webinars scheduled which we now have save the dates for both of these. Webinar number four is going to be a Chapter 9 environmental radon deep dive on February 25th from -- at 2:00 p.m. Eastern.

And as an update for this webinar, March 17th will be the Chapter 9 Section 106 delegation and historic preservation deep dive. And let me get caught up on my slides. So those are those two key dates that you should save a question for if you are interested in those two topics. We want to advise all MAP lenders that there will be a rerelease of the MAP guide forthcoming that corrects small errors or omissions and cross-references.

These are typically small items such as typographical errors, hyperlinks or just transposed words. Also, we will be releasing two recorded resources. One is the new Ask A Question feature as well as new user feature tutorials. Today's HUD presenters are going to be Ken Doresky for

Chapter 14, Irit Lockhart from Office of General Counsel on Chapter 19 closing and at that point, we're going to take Q&As for Chapters 14 and 19 only.

You can type your Q&A questions throughout each of these chapter's presentations and you activate the Q&A chat box in the very upper right-hand corner of the web application. If time permits, I will be presenting highlights of Chapter 4, 17 and 18. I'd now like to turn it over to Ken Doresky who's going to present Chapter 14.

Ken Doresky: Good afternoon. My name is Ken Doresky. I'm a senior underwriter in the Minneapolis satellite office. I joined the MAP guide team midstream during the revision process and was responsible for Chapter 14, the low-income housing tax credit chapter.

I want to thank Liz Artiega [ph], the initial author of Chapter 14, the HUD LIHTC branch chiefs for their input, headquarter staff for their support and the MBA li-tech committee for their suggestions and assistance. Today I'll be touching on five major changes to the LIHTC chapter.

Most other changes were clarifications of existing policy or minor in nature. First, timing of the initial operating deficit escrow was changed from the point and time -- or excuse me, to the point and time when HUD signs the permission to occupy rather than at initial endorsement and this is for LIHTC projects only.

Previously, the HUD required 100 percent of the initial operating deficit be contributed at initial endorsement even though it might not be needed for several months. So this change is expected to result in increased LIHTC equity pricing and should reduce equity bridge loan interest.

Next, HUD eliminated the requirement of a working capital escrow for substantial rehab projects with 90 percent or more Section 8 and 90 percent or more LIHTC when the lender can demonstrate there will be sufficient income generated by the property during the rehab period to cover items typically funded by the working capital escrow and when interim income is not being used as a source of financing in the project.

So basically, this new language will permit this exclusion without having to formally request a waiver. Next, HUD allowed an existing deferred developer fee to be considered as eligible debt in a refinancing except in a 223(a)(7) transaction subject to the following conditions, 1, the amount of the outstanding deferred developer fee is verified by documentation, for example, audited financial statements from the borrower, limited partner and/or investor member.

Number two, the borrower, limited partner and/or investor member must affirmatively consent to the use of loan proceeds for this particular purpose and to the refinancing in general. Number three, the lender's underwriting must support the inclusion of the deferred developer fee as a cost to refinance in addition to the first mortgage and/or any other eligible debt.

And then finally, four, in no event will the deferred developer fee be considered as eligible debt in a 223(a)(7) transaction. Next, HUD reduced the initial 20 percent LIHTC equity pay-in from a hard 20 percent to a minimum of 10 percent LIHTC equity with the other 10 percent provided via equity bridge loan proceeds.

The primary reason for this change was that sometimes borrowers did not offset the entire cash contribution and ended up being in violation of the HERA requirement of escrow and LIHTC proceeds. Additionally, this is expected to result in increased LIHTC equity pricing and because most deals use the equity bridge loan structure, reducing the initial equity pay-in or having an earlier equity bridge loan contribution did not increase the risk in our view.

Finally, HUD extended the equity bridge loan repayment requirements to be consistent with industry standards. In the case of equity bridge loans provided by private or profit lenders, repayment must now occur at the earlier of the filing of IRS Form 8609 or 1 year after final endorsement for 221(d)(4) or 220 loans or 1 year after the end of the repair period for 223(f) loans.

Ten years still applies to equity bridge loans provided by not-for-profit, public sector or private -- or excuse me, quasi-public sector entities. And with that, that concludes the changes to Chapter 14 and I'll pass it to Irit Lockhart who will be presenting Chapter 19. Thank you.

Irit Lockhart: Thanks, Ken. Hi, everyone. My name is Irit Lockhart. I am a closing attorney in the Denver regional office with OGC and I am going to walk everyone through the new Chapter 19 today. We're going to focus primarily on the new protocols that are included in part one of the new chapter, but we'll do a cursory overview first.

So just generally, to clarify for everyone, I think most on the call are familiar given that we went through PRA, but Chapter 19 is the closing guide reincorporated back into the MAP guide now as Chapter 19. And the overarching goal in the new Chapter 19 is to improve uniformity and transparency in how we, as one HUD multifamily and the Office of General Counsel, handle the closing process.

It also fulfills our PRA requirements and ensures greater collaboration both within HUD and with our external participants. We want to clarify, and it's included in Chapter 19, that Chapter 19 is applicable to all multifamily closings, both MAP and TAP. So that's going to include our Section 213 collaborative program as well.

And as Zack mentioned, the effective date for all of Chapter 19 is firm commitments issued on and after the general effective date for the new MAP guide which is March 18, 2021. As I mentioned, we're going to focus on the new protocols today, but before, we want to mention that significant effort was made to rewrite and restructure the closing guide to improve its clarity and organization and we certainly hope that you all will benefit from that effort.

One other point of clarification that is separate and apart from the published chapter is that the General Counsel's memo from March 16, 2020, the Paul Compton memo, on closing during the Covid-19 pandemic, that memo and its instructions remain in effect. So all of the pieces, whether it be custodial requirements and certification requirements, those are all going to remain in effect and override any conflicting provisions in the published Chapter 19 until HUD resumes normal operations.

We'll just move right into the new protocols. They're primarily contained in 19.1.2 and again, the goal is transparent and standardized closing protocols from firm commitment through closing and endorsement of your loans. We're trying to set expectations and create a more standardized process for communicating amongst all participants in the transaction.

This is the result of a yearlong dialogue. Between the private bar, lenders, multifamily and OGC we recognized that there was a need for significant improvement to the protocol provisions within the guide and to standardizing the field operations both within OGC and multifamily and that's what we're trying to achieve with this new chapter.

The first major shift that you'll see is in 19.1.2.3.A. This is a new communication standard. I know some regions have already sort of implemented this, but it's a HUD hello letter and the idea is that the closing coordinator, within multifamily, is going to send a hello communication to the lender within two business days after HUD issues the firm commitment.

That hello letter is going to be standardized across the country and include contact information for your closing coordinator and your initial OGC point of contact. It's also going to request very specific information from the lender to begin structuring the timeline for the loan-getting to closing.

The second step in the new closing protocol is going to be the lender's required response to the hello letter. Some of the information that's going to be requested includes the lender's preferred closing date and any dates within the week of that preferred date that the parties are not available to close.

It's also going to request external deadlines, things like LIHTC and bond-sending deadlines and some other information to help HUD in determining a proper timeline for closing the loan. One important thing to note is that the timeline needs to be consistent with the Chapter 19 benchmarks which we're going to talk about more today and then obviously, you all can read the fine details within the published chapter.

The third step in the new closing protocol process is HUD's determination of what we're referring to as the tentative closing date. So the closing coordinator and the OGC point of contact, which is going to be a supervisor or manager in the locality where the project is located or within the region, will review the lender's request, the response to the hello letter and at that point, that a mutually agreed upon tentative closing date.

The important thing to remember with the tentative closing date is that it is tentative and it's subject to change if any of the benchmarks in Chapter 19 are not adhered to or other exigent circumstances.

There's going to be a communication from the closing coordinator back to the lender providing the tentative closing date and if the tentative closing date is within the specified timeframe, it'll also provide via sign-in of the HUD closing attorney and instructions for lender's submission of a draft closing package, which leads us to our next point which is the lender submission deadline for a draft closing package.

Chapter 19 requires that in order to maintain a tentative closing date the closing package needs to be complete and submitted to HUD 30 business days prior to the tentative closing date that's been selected. When we say complete at that point, we mean that the draft packages must include all checklist items except for items that are identified as near closing documents and the package needs to include redlines against the HUD forms as published on HUD clips.

If packages are submitted late or they're deficient, they may be returned and the tentative closing date may need to be rescheduled. Once the draft closing package is submitted and routed as ready to the HUD closing attorney by the closing coordinator there's going to be outreach from the assigned HUD closing attorney to lender's counsel explaining their general availability.

That communication will be made within two days following the closing coordinator's approval for OGC and multifamily technical staff to start review of a ready draft package and again, the HUD closing attorney will be available to discuss specific legal issues and be available for any calls that are necessary in order to address legal issues as they come up.

The chapter also now specifies more of the process on the distribution of HUD comments. We want to make sure that everyone's prepared and anticipates that the HUD closing coordinator is most likely going to be distributing all comments on behalf of HUD, both legal comments and housing comments together with instructions for the lender and lender's counsel's resubmission.

So anticipate that although there is some discretion as resources are determined that the HUD closing coordinator may distribute technical comments we may also receive legal comments from OGC directly, but we anticipate that for the majority of closings, the closing coordinator will be distributing all comments at one time.

Chapter 19 now provides a submission deadline in order to maintain a tentative closing date. To maintain a tentative closing date, lender via lender's counsel primarily needs to submit a complete resubmission within five business days from the date that HUD distributed comments.

We strongly recommend that lender and lender's counsel provide a narrative explanation of how comments are being resolved or embed those responses in the checklist with the attorney comments and there is a requirement that whenever possible redlines against the original submission be provided with the resubmission so that we can easily track the changes.

Once the resubmission comes in and it's complete and all comments have been addressed the HUD closing attorney and the multifamily technical staff are responsible for rendering a determination to the closing coordinator that the package is now substantially complete. That's a defined term in 19.1.2.4(j) and it is a prerequisite to the transition from a tentative closing date to a confirmed closing date.

Substantial completeness, for intents and purposes, means everything is ready to close except near closing documents, signatures and dates. So things like pay.gov receipts, settlement statements, the standing certificate, certified registration. We all know that those things are coming in near closing and those are specifically excluded from the definition of substantial

completeness, but everything else needs to be ready with the draft before HUD will make that transition.

Once the closing coordinator receives the determination that the drafts are now substantially complete the closing coordinator will coordinate with all parties, both external and internal, to confirm the closing date. At that point, once a closing date is confirmed and set the closing coordinator will provide the lender and all other parties with instructions and deadlines for submitting the signature package.

That's going to retain its regional variation, at least for now with Covid-19, and then instructions for near closing documents and the chapter specifically dictates that those near closing documents need to be submitted to HUD in draft form at least 4 business days prior to the confirmed closing date in order to maintain a confirmed closing date.

There is a new benchmark in the chapter for resolution of remaining issues and comments, particularly on those near closing documents and to maintain a confirmed closing date, identified deficiencies need to be resolved at least one business day prior to the submission of the final closing docket to HUD.

We want to mention that there are specific requirements for changing closing dates. I think one of the overarching narratives that needs to be maintained for everyone is that these benchmarks are what we believe are necessary in order for HUD to get through all of the business that we do have on deck but they're not intended to be bright lines, they're intended to be benchmarks and where we can accommodate a day here or a day there.

Everyone intends for that to happen, but when we plot out all of the dates and what's necessary in order to get these loans to closing given our current resources and constraints, some of these deadlines are going to start to feel firm because we just don't have a lot of leeway.

As far as changing closing dates, the housing and OGC will evaluate change requests both internal and external and again, to the extent that you all can adhere to those submission standards and deadlines in the chapter, that will greatly assist us in avoiding changes to set closing dates.

As far as the final closing docket goes, we specified the content and delivery requirements in 19.1.3.5. Two sets of hard copies are still required and again, the Covid-19 memo remains in effect as far as the custody of those documents currently and we've specified a deadline for submitting the electronic transmittal of the final closing docket which is 14 calendar days after closing.

I think this next change is going to be a welcomed change for everyone, mail closings are now standard. So if there's a lender request for a mail closing, that request is generally going to be honored regardless of the type of loan that's being closed except when the regional center director and multifamily and the OGC regional counsel determine that an in-person closing is necessary because of the complexity of the transaction.

For those mail closings, the final closing docket must be submitted to HUD two days prior to the confirmed closing date. That's going to be everything except the documents that we know may not be delivered until closing day, primarily the title policy and the recording package. That gets us through the new closing protocols.

We also want to touch on just a few other things and then we'll open it up for questions. We want to highlight, in 19.2.2, the revised Davis-Bacon section.

It provides detailed procedures for how multifamily staff will communicate with the Office of Davis-Bacon Labor Standards, lender, lender's counsel and the HUD closing attorney related to the selection of applicable wage rates for our new construction and substantial rehab projects and this section was updated to minimize recurring wage rate issues that upend closing timelines.

So hopefully between that and the new guidance, both from DBLS and DOL, we're looking forward to fewer issues during the closing process on wage rates. In 19.4.1.6, there is the expanded policy on form and closing chapter change requests. We've defined what it means to make a substantive change.

This slide's got the wrong term in it, but a substantive change is defined as any modification to an OMB-approved form that's not a matter of form completion. So not the selection of alternatives, not the completion of brackets or the filling in of blanks but actual changes to the text of the form that are not called for and any deviation from the requirements of Chapter 19 itself.

And what we want to highlight for you is that any substantive change requests requires lender's counsel or the lender to prepare and submit a written justification supporting the requested change and we would strong prefer that that request come in with or prior to the issuance of the firm commitment and we want to note that if any substantive change requests come in after the issuance of the firm commitment, your closing dates, whether it's your preferred closing date, your tentative closing date or your confirmed closing date may be impacted and we'll explain a little bit of why in a second.

We want to clarify the interplay between HUD-2 waiver requests of programmatic directives and substantive changes to HUD forms or Chapter 19.

For any HUD-2 waiver requests that would necessitate a substantive change to a HUD form or a deviation from Chapter 19, we are clarifying in the chapter that multifamily will not be approving those HUD-2 directive waivers unless OGC and housing also agreed to the related substantive change and that may include a required multi-tiered headquarters review depending on the nature of the change that's requested.

Specifically, if a substantive change request is based on compliance with state or local laws, so if the substantive change is necessary to comply with state or local law, the decision of whether to approve that change is going to be made at the regional level between the regional center director and regional OGC.

Those changes need to be supported with full legal citations and documentation and preferably a narrative explaining why the change is absolutely necessary rather than permitted by state or local law. Conversely, business-oriented substantive change requests that are not based on compliance with state or local laws require multi-tiered headquarters review.

We've expanded on this a little bit, but you'll be familiar with the requirements based on the existing closing guide. One thing we want to highlight is that we've clarified that communication with headquarters related to those substantive change requests need to be channeled through the field office that's handling your closing.

That's it on substantive changes. We also want to highlight the new provisions on the subordination agreement public, which is a relatively new form and we want to make sure that everyone's on the same page that requested changes for state or local law to the subordination agreement-public will be handled at the regional level and again, that requires legal citations and analysis as to why the change is necessary to comply with state or local law.

In addition to state and local law allowances, the regional center director, under the form subordination agreement-public, has the authority to allow for deal-specific changes to certain provisions and those allowances are provided for in the form, early maturity of subordinate loans and compounding interest.

Any other requested changes that are not necessary to comply with state or local law need to be processed pursuant to the substantive change request procedures in 19.4.1.6, which would include a headquarters multi-tiered review. We want to highlight the policy that's specifically mentioned in the construction contract section that the AIA A201, which is an incorporated form in the HUD construction contract, may not be altered except for removal of binding arbitration provision.

If there are any side agreements, those side agreements need to contain HUD supremacy conflict language and we are also now requiring additions and deletions reports to the AIA forms, both the A201 and the B108. I think those are the major changes we wanted to cover today on Chapter 19 and we'll turn it over for any questions. Thank you all so much.

Chris Tawa: Great. Thank you so much, Irit. There are a number of questions that have come in. The first question I'm going to ask Tom, if you're able to answer this one, so you might want to unmute. So they're asking about the effective dates. So the question is if the preapplication was approved under the 2016 guide, is the firm submission also 2016 regardless of when it was submitted or does the submission, after March 18th, change that to the 2020 guide?

Tom Bernaciak: Right. So the existing guidance is -- at least what we've been saying, is that if a preapplication is approved, the application was submitted and you had an implied letter, then we would -- that would be using the 2016 guide. So that would be a tentative [inaudible] selecting the 2016 guide.

We are looking at that transition period in light of the entire Federal Nexus question with regard to Chapter 9. So you'll -- we are going to take a look at that the next couple of days and have

further guidance on some of the permutations that may arise come early next week. So we'll keep you informed on that. Thank you.

Chris Tawa: Great. Thanks, Tom. This next question is for either Ken or David. They're saying in Chapter 14.7.a.2, it mentions that the 92013(c)(1) that the link doesn't work. And so they're wondering should this be the low-income housing tax credit wheelbarrow instead of the 92013(c).

Ken Doesky: This is Ken. That is intended to be the LIHTC wheelbarrow. Not sure exactly where the 92013(c) came from, but we'll make sure that's corrected and the correct link is included.

Chris Tawa: Great. Thanks, Ken. The next question is for Irit. So you might want to unmute again, Irit. "Did HUD intend to require that draft closing packages be provided 30 business days prior to the target closing date?" They're saying, time periods longer than 10 business days are usually expressed in calendar days.

Irit Lockhart: Yes. The decision to go with business days for that deadline was intentional. You'll notice that throughout the chapter business days are used regularly and that is primarily to assist the closing coordinators in evaluating timelines and deadlines, but yes, that was intentional and that is a 30 business-day requirement to maintain your tentative closing dates.

Chris Tawa: Great. Thanks, Irit. This next question is for Ken. So Ken, they're asking -- they're saying, in Chapter 14.10.E, it says that the working capital waiver is not allowed for projects with a greater than 90 percent low-income housing tax credits only, that the slide presented seemed to say that it was that greater than 90 percent low-income housing tax credit only was okay to get a waiver. I'm just wondering if they misread or misheard the slide.

Ken Doesky: Okay. Thanks for the question and sorry for the confusion. I'll just restate this that [inaudible] the requirements of a working capital escrow for substantial rehab projects that have both 90 percent or more Section 8 and 90 percent or more LIHTC when the lender can demonstrate there's sufficient income generated by the property during the rehab period to cover the items typically funded by the working capital escrow and when interim income is not being used as a source of financing.

So basically, what we were trying to do was when a project had these characteristics, they would not be required to request a waiver anymore of the working capital escrow. Now, we have a deal that's just 90 percent LIHTC and it has no Section 8 and you meet these other requirements, you can sure submit a waiver and we'll consider it.

Chris Tawa: Great. Thank you. The next two questions are for Irit. The first one, Irit, is they're asking for any HUD's forms that have been altered, for example, words crossed out by the client, is a rider or supremacy clause still required?

Irit Lockhart: That's a loaded question. So it's a HUD form and these are substantive changes. So not just the completion of the form as called for in the form of published, that's going to be a

substantive change that requires HUD approval pursuant to the Chapter 19 requirements and the level of approval or the layers of approval are outlined in the chapter.

If HUD approves that substantive change, we wouldn't have a conflict provision or rider over that. The forms and the non-form documents that do require conflict language we've attempted to identify those intensives in the chapter in the discussion of those non-form documents, things like the disbursement agreement and -- I'm forgetting another one that we just talked about, but if we require conflict language --

Oh, side agreements on construction contracts, if we require conflict language in a non-form document, that's going to be specified in the chapter.

Chris Tawa: Great. Thanks. The next question for you, Irit, is can a draft closing package be submitted prior to rate lock? And if not, can a draft closing package continue to be submitted prior to issuance of the rate lock amendment?

Irit Lockhart: Yes. We anticipate that draft closing packages will come in prior to an approved rate lock amendment, the one being to note is that you will not receive a substantively complete designation in a transition to a confirmed closing date until the rate lock amendment is approved and all the documents have been updated to reflect the amendment.

Chris Tawa: Great. Thank you. Another question for you, Irit, will the HUD AR get copied on the Hello Communications. So they're aware the property is going to closing.

Irit Lockhart: I would certainly hope so and will plan to include the account executives in the template for the closing coordinators.

Chris Tawa: Great. Thank you. I don't have any other questions that has come in at that this time. Have any of the presenters mistaken gotten questions directly to them?

Ken Doresky: Chris, this is Ken Doresky. I haven't got any questions directly to me that I'm aware of, but I will just say I got a message that Harry Wallman [ph] asked about the 92013(c) and that actually is -- the wheelbarrow is being renamed to that form. So for your information.

Chris Tawa: That makes a lot of sense, thank you for clarifying that.

Irit Lockhart: I also want to make one clarification, this is Irit. I want to clarify that while we anticipate the HUD closing coordinator is going to be responsible for distributing both OGC and multifamily comments that's triggering the resubmission deadline to maintain the tentative closing date, if there are issues identified during the HUD closing attorney's review that they feel like require significantly time and say the HUD closing attorney wants to discuss those and give a heads-up to lender's counsel, that process, which is pretty organic and pretty natural and established now, that outreach will continue, it'll just be the formal distribution of comments that goes from the closing coordinator to the participants.

Chris Tawa: Great. Thanks, Irit. I have another question that's come in for you, Irit, will the preview of legal issues still be allowed prior to firm commitment issuance? And if so, to whom should the request be made?

Irit Lockhart: Sure. So that's specified in Chapter 19. If there is a particularly sticky or complex or novel issue that you all, as external participants, feel is appropriate for early legal review, that request should be made to the regional center or satellite office that's processing your loan for firm commitment and the regional center director or their designees will evaluate that request and determine whether they think it's appropriate for OGC to look at early.

If they do, they will advance that request to OGC. So it should go to multifamily first and they will evaluate whether to advance that to OGC as an early review.

Chris Tawa: Great. Thank you. I don't have any other questions that have come in. Do we want to cover the other material that's suggested? We're quite ahead of schedule.

Zack Skochko: Sounds good. Thank you.

Chris Tawa: Okay. So we'll make Zack the presenter as that he's doing the rest.

Zack Skochko: Okay. Thank you very much for your questions on Chapter 14 and 19. We had a number of general questions that I'll address verbally here. So this is our third webinar series and we've -- in webinar one, two and three were -- are all recorded and we'll all be available soon. We're going to do those all at once.

So you're going to -- we're going to be posting the recorded session as well as these slide decks very soon. That's one of the things on our to-do list now that webinar three has come to -- is coming to an end. Another item is I just wanted to let everybody know the location of the MAP guide.

It is shown right here on this screen. The shortcut really is just to -- it's going into Google and typing HUD MAP guide and this URL will be the first result shown typically as well at the very bottom of this screen, you're going to see the archived guide books. So during this transition process, you're still -- many lenders are still going to have an application subject to the 2016 MAP guide, that has not disappeared.

You can find it in the archived guide book's link at the very bottom of the screen. Another feature, before we get to the additional chapters we have today, is the Ask A Question tool that we're going to be launching. In the next few weeks, this new resource will be our virtual help desk. This slide shows the place where you can ask additional questions that come up after you've left this webinar.

The Ask A Question, or AAQ, virtual help desk is accessible by going to the hudexchange.info website then to program support and where you can access Ask A Question. Don't forget that after you confirm who you are on step one that on step two when the system asks you what your question is about, you're going to be choosing MAP guide.

So that's an important point, because we are harmonizing this approach with many other aspects of HUD. So the HUD MAP guide is going to be one of several paths. So make sure that your question is routed properly by selecting HUD MAP guide as the topic. Once we actually launch the HUD MAP guide AAQ all questions must be submitted to the -- through the MAP guide AAQ.

We'll be having a recorded resource on this available shortly. So more information is coming soon. Now, we're going to -- I'm going to cover highlights from Chapter 4, 17 and 18. If we have time, we may be able to take some questions from them as well, but I'm going to give you the -- what we think are the highlights from these three chapters.

Chapter 4, Section 4.2.1.5, we clarify the extension policy for firm commitments and the process for reopening commitments that have expired. Specifically, we've corrected the reopening fee from the 2016 guide and we've provided some criteria for reopening an application. So you can see that reference there and read more about that change.

In Section 4.2.2.1, we clarified information about when a concept meetings are required. You know, in general, they're not required but strongly encouraged for new construction or rehabilitation applications based upon experience with the Covid-19 era. They are optional for affordable housing and they're required for LIHTC (d)(4) New PILOT program.

In Section 4.3.1(e), we've updated the threshold amounts for large loan borrowers under HUD's prior credit approval quality to \$500 million. Previously, that was \$250 million and this was changed with Mortgagee Letter 2018-09. So we've now harmonized the 2020 MAP guide with that existing mortgagee letter that was out there.

One item to note about this, when -- anytime a policy changes from a dollar threshold from \$250 to \$500 there's going to be some borrowers in between during that transition period that were already under prior credit approval.

Please understand that HUD considers these borrowers to still be under prior credit approval and you should contact HUD headquarters technical support if you have a specific borrower case with a situation that is occurring and we can provide you specific guidance for that borrower group.

That concludes Chapter 4's highlights, now I'm going to cover Chapter 17 highlights. On Chapter 17, we added language to confirm the ability to include guest suites as per Notice 2018-10. We're updating the guide to reflect that current policy. You can reference that at 17.2.B.1.

And at 17.3.1.B, we've eliminated the gross sell-off value as part of Criterion 3. We took a second look at this and determined it was largely theoretical versus practical and really not helpful in assessing or mitigating the risk in determining a final loan amount. So we've updated - - we've eliminated that aspect.

In Section -- in the same Section 17.3.1.B, we've eliminated the feasibility test for Criterion 5. We took a second look at this and the language was not clear and we eliminated it. Moving on to Section 17.3.2.A we're making -- made a change that we're permitting the general operating reserve to be funded up to 25 percent but no less than 15 percent of the annual carrying fee as determined by cooperative borrower and underwriting.

This reduced HUD's risk and was reviewed to be noncontroversial. In Chapter 17, again, 17.5.2, we're aligning the commercial space underwriting with Chapter 17, that is evaluation chapter and permitting occupancy at 90 percent. This syncs up with Chapter 17 with the other chapters in the MAP guide and provides some overall congruency.

Chapter 17.5.2.B.3, we made a change that we eliminated the requirement for Level C Market Analysis. We instead permit A, B or C depending on market complexity and again, we're trying to harmonize this with the guidance in Chapter 7 without increasing the risk to HUD. Now for Chapter 18, in Section 18.3.3.A, we've clarified that Criterion 10 accrued by unpaid interest on the payoff is considered eligible debt.

We're clarifying this with existing policy that was -- had many questions on. That concludes our presented chapters. If anyone does have questions on 4, 17 or 18, please -- we have a few more moments, we can answer those questions now if you'd like.

Chris Tawa: Great. Thanks, Zack. I have a question for you that came in. They were asking about concept meetings and they said, are concept meetings required for 223(f), the 3-year waiver transactions with cashout?

Zack Skochko: Let -- there's a number of changes on the concept meetings. We're going to address that in writing. So we're going to postpone that question to more of a written format.

Chris Tawa: Okay. Thanks, Zack. I have a question for Ken. So you might want to unmute, Ken. You were talking about upper tiers and lower tier partners and they were just wondering if you could clarify what that is, clarify upper tier and lower tier partners, please.

Ken Doresky: I think we mentioned upper tier partners in Chapter 14, not sure what this exactly is in reference to, but I think we note them as a limited partner or a managing general partner as an upper tier entity. I don't know if we distinguished between a lower -- or we mentioned even a lower tier entity, but I still doubt it'd be anything else, but if you want to clarify your question, feel free to contact me.

Chris Tawa: Great. Thanks. I have a question for Irit. Irit, they're asking, will HUD allow us to request a closing date earlier than the 30 business days if everyone feels that timeline can be met? For example, on an (a)(7) with no new survey.

Irit Lockhart: Yes, generally. So the idea behind the benchmarks that are in Chapter 19 is that that is the framework that HUD feels is achievable for the overall pipeline of projects that we're managing.

If the -- if everyone handling the project agrees at a project-by-project level that a closing date can be achieved, there's discretion within the chapter to still maintain a specific date even if a benchmark is missed, there's just less of a probability that that is achievable for HUD, particularly given how busy some of our offices currently are and the other workload items that everyone has to manage.

So we strongly encourage everyone to work within the framework that there is discretion at a deal-by-deal level as things move along to adjust timelines if everyone agrees that it's appropriate.

Chris Tawa: Great. Thanks, Irit. Please remember to type in the Q&A box if you have any other questions. I don't have any new questions at this point and time, but please feel free to type in the Q&A box and we have some time to be able to address those right now. I know somebody asked if we could go back to the slide that listed the upcoming training date. Zack, I think you're controlling that. So I think it's right at the beginning. Thanks.

Zack Skochko: So there was a number of questions on when registration will open up. For these, soon. We're actually working on that this afternoon and tomorrow trying to get the process in place to get that out on HUD Exchange, get the registration links open and get that -- get those the ability to register [inaudible].

We have our content and our speakers finalized and the dates finalized for the speakers to be available. So now the next step is actually getting it out there, but you're getting the very first notice of what those dates will be and registration is without -- I think the email comes from HUD Exchange. So be on the lookout for an email address coming from that, I would say in the next week or so.

Chris Tawa: Great. Thanks, Zack. I have had a couple more questions come in. The next two are for Irit. So Irit, they're saying, I believe that I understood the closing documents need to be submitted in final form two days prior to closing, however, will HUD allow the lender to submit a revised closing statement if we have received a last-minute invoice or fee that needs to be added?

Irit Lockhart: So I think this tails back to the last question we had, which is that the deadlines in the chapter are benchmarked, they're intended to allow HUD to provide a transparent and consistent processing platform for everyone. If the change is acceptable to HUD and everyone agrees that it's still workable and there's no issue, I don't anticipate that a confirmed closing date would be moved at that point.

I think, in all likelihood, that would get reviewed and approved and it would still allow us to facilitate the confirmed closing date, but it's all factually dependent -- or is the background material there, is it something that housing anticipated or in agreement with?

But the chapter is designed to allow for some flexibility to accommodate the variety of last-minute changes that we know can occur, but the goal is to have as much finalized as possible ahead of the confirmed closing date and that's why that deadline is published.

Chris Tawa: Great. Thank you. Another question for you, Irit, they're asking about closing indexes being updated as well, are closing indexes being updated as well? And if so, is there a timeline on publication?

Irit Lockhart: Is that the -- I think that might actually be a question for Zack or Tom. I think that's a reference to the MAP guide index.

Tom Bernaciak: Yeah. This is Tom. So we are actually updating those indexes. That's an ongoing workstream and we should have those done soon.

Chris Tawa: Great. Thanks, Tom. You can leave your mike on, because the next question's for you as well. They're asking, please clarify what you mean when you said you need a reason to submit under the 2016 MAP guide until March 17th. Would HUD reject an application they feel doesn't have a strong enough reason or would the fact that reports were engaged under the 2016 guide count?

Tom Bernaciak: Yeah. So I think -- so there's a misunderstanding here and I perhaps created some confusion where none existed. The whole idea of our grace period, the period from December 18th to March 18th, is to recognize that the reports will have been completed prior to that time and that if reports and underwriting is developed using the 2016 MAP guide, then the 2016 MAP guide, upon election of the lender, can be used for processing.

So that's a given and that is a provision that we've developed to allow for that specific instance where there was uncertainty of the publication date. Lenders have to make the decision they allow for that 90-day grace period to permit the use of the older guide. We do think, however, that the 2020 guide carries much more flexibilities to the lenders; right?

So we do expect that the 2020 guide will be the default election going forward in terms of what lenders -- what choice selection will be made notwithstanding those deals that have been processed in October and November. Decisions were to be made and then underwriting decisions were made at that point.

So the default going forward, because of the flexibilities of the 2020 guide, will be using the 2020 guide. Again, that is a lender's election. So there's no waiting, there's no decision as to whether or not there's a valid reason, they simply decide we're using 2016 or we're using 2020, that's that.

I'll caveat that by saying, as I indicated before, that there are federal Nexus issues in Chapter 9 that we do want to thresh out in terms of how Chapter 9 relates to this entire election process. So we will be looking at that and will have those permutations threshed out by the end of this week, certainly before the community call on Tuesday; okay?

Chris Tawa: Great. Thanks, Tom. Irit, another question for you, they're just looking for confirmation on an acronym. You used the acronym "PRA" and they just want to confirm that that means Paperwork Reduction Act. Is that what you mean when you use that acronym PRA?

Irit Lockhart: That is what we mean but we also are using that acronym in the context of the overall OMB notice and comment requirements that are attached to that. So the goal is to have the chapter reincorporated into the MAP guide to allow public notice and comment and to provide that vehicle for the closing requirements as opposed to having it be an internal document.

Chris Tawa: Great. Thanks, Irit. The next question is about AAQ, I'm going to answer that one since I do know the answer to that. They're asking, will all questions and answers be available for viewing in the Ask A Question desk? And the answer to that is no, that's a place where you, as a lender, can type in your question, it's sent over to HUD, they provide an answer and they send that back directly to you.

So it's not something that the public can see, but HUD will be using those Q&As to generate future either training opportunities or maybe they need to publish a frequently asked questions document. So they will be using the data that they received from those questions to determine what are areas that the -- that you may be confused about or just need more information, but the general answer to that is no, those questions and answers are not available for viewing in the AAQ desk.

We did get another question and they're not sure if this is the right place to answer it, but since we do have a little time we figured we could ask it anyways. It might go to Tom, I'm not 100 percent, but they're asking, does HUD anticipate publishing guidance on use of the 2021 ALTA survey requirements which are going into effect later this month? Is that something anybody can talk about?

Zack Skochko: I can look into that.

Chris Tawa: Okay. Any other questions that have come in or anything else that any of the speakers might want to expand on or clarify? I don't have any other questions that have come in formally through this system. Zack, do you want me to hand it back to you to wrap this up?

Zack Skochko: Okay. Thank you very much to our presenters, especially Ken Doresky and Irit Lockhart for their great overview of Chapter 14 and 19. Be on the lookout for the registration and emails for the webinar number 4 and 5 on Chapter 9, the radon and Section 106 historic delegation as well as the links to the recordings and slide decks for webinars 1 through 3.

I anticipate those come out in the next five or six business days. So be on the lookout and thank you very much to all for your attendance. Thank you for attending this webinar. We hope you will have or will register for the third session, MAP guide industry briefing series -- or I'm sorry, the fourth.

(END)