



U.S. Department of Housing and Urban Development

Michigan State Office
Office of Housing
Patrick V. McNamara Federal Building
477 Michigan Avenue
Detroit, MI 48226-2592
Tel. (313) 226-6280

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Issue

Mortgagee Informational Bulletin #11

The Detroit Multifamily Hub has implemented this informational bulletin to keep mortgagees up to date with changes or news from our Hub relating to development issues. We're happy to cover any issues in the bulletin on which you have questions; the bulletins are issued on an as-needed basis.

PCNA Concerns

The Detroit Multifamily Hub has been experiencing its heaviest pipeline in quite some time. As a result, the Hub has approved several new third party PCNA providers; as well as reviewing many PCNAs from long time providers. The Detroit Hub has found that the PCNA reports are often lacking required repairs, thus leaving the project owner, the lender and HUD vulnerable to unexpected repair costs after closing. The Detroit Hub is asking lenders to make sure that the PCNA providers they hire are aware of the need to thoroughly review the project and note all critical and non-critical repairs. The Detroit Hub is now requiring that one of its Construction Analysts inspect every 223(f) and 223(a)(7) property for which a loan application has been submitted prior to issuance of a firm commitment. Any PCNA found to be lacking will result in the application being removed from processing until such time that the PCNA can be revised to include all missing repairs. In addition, the Construction Analysts in the HUD office request that PCNA providers be more specific in their PCNAs when describing repairs and request that as much detail as possible be provided concerning the location of repairs.

Occupancy After Closing

The Detroit Multifamily Hub has seen a few deals recently where the application notes occupancy at a certain level acceptable to HUD; however, immediately after closing, the occupancy rate is vastly lower. As a result, the Detroit Multifamily Hub will be adding an additional special condition to all of its commitments (except for new construction/substantial rehabilitation where the project is not yet occupied) requiring that prior to closing, an updated rent roll be provided detailing the project's occupancy level. The special condition will read as follows:

The owner must submit an updated rent roll dated no more than 2 weeks prior to closing detailing the occupancy level at the project. If HUD determines that the updated rent roll shows a significant change in occupancy from that submitted at the time of application, then this commitment shall be of no force or effect and may be canceled by HUD.

Waiver of Three Year Rule

On July 27, 2009, HUD issued Housing Notice 09-08, which grants temporary authority to Multifamily Hub Directors to grant waivers of the Three-Year Rule for Section 223(f) applications. This Notice technically expired on January 31, 2010. The Detroit MF Hub has been informed by HUD Headquarters that an extension of this Notice is currently in the works and that all applications submitted requesting the waiver of the three year rule should be processed in the normal course of business, without interruption or delay due to the expiration of the Notice.