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Issue

Mortgagee Informational Bulletin #7

The Michigan State 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.

I. 223(f) Non-critical Repairs:

1. In order to manage the possibility of cost overruns, the Michigan Hub is requiring three (3) cost estimates for any single repair item of \$25,000 and above. These estimates should include labor and materials and be no more than 90 days old at the time of closing. If submitted and over 90 days old, the bids will have to be reconfirmed in writing by the submitting contractor.
2. When a draw is requested for a repair item, the Michigan Hub will only release up to the cost identified in the commitment. Once the entire scope of work reaches 90% of the total repair dollars, and it is demonstrated there are sufficient funds remaining in the repair escrow, these funds may be drawn for cost overruns.

II. Mortgage Credit Guidance:

To assist our mortgagees/owners in preparing Cost Certifications the following provides some guidance that will help to expedite processing of future submissions.

1. Review Cost Certification Review Worksheet Form HUD (2331-A), make sure line items in cost certification correspond with this form and/or form HUD-92264.
2. Final completion date indicated by the date that HUD's representative signs the Trip Report, (Form HUD-5379), this date will be the effective date for cost certification. However, the mortgagor has the option of including all soft costs incurred up to 60 days beyond the effective date. This date is selected by the mortgagor and will be the "cut-off date" for soft costs. Mortgagor's balance sheet and operating statement date must agree with the selected cut-off date.
3. Notify HUD in writing of your intended cost certification cut-off date as soon as possible.

4. The purpose of all liabilities must be fully explained in the notes to the financial statements. This information must include repayment requirements for any liabilities.
5. Proration of taxes and insurance may be included along with bills/invoices for each. Bonding should not be included.
6. Provide calculations for incentive payments and liquidated damages.
7. Set up a pre-cost certification conference with our office at 90% completion, to clear up any concerns. The following should be in attendance: mortgagor/owner, general contractor and their accountants.

Note: A Cost certification conference should be scheduled earlier than 90% completion if sponsors and general contractors are new to the process and have never prepared a cost certification.

HANDBOOK REFERENCES – 4470.2, IG200.4, Chapter 14 of the MAP Guide

III. PCNA Reserve for Replacement Schedule:

1. Due to concerns that increased deposits in many cases may not be attainable, the Michigan Hub has determined that we will no longer accept escalating Reserve for Replacement Schedules as a normal practice. Therefore, in order for us to consider a schedule with other than level deposits to the Reserve for Replacement account, we will need to know why escalating payments are necessary, and how the NOI will be achieved to cover the escalating payments.

IV. Labor Issues/Closings:

1. In order to expedite the closing process, all of the issues identified by labor must be resolved prior to the submission of closing dockets. Effective immediately, the Detroit Multifamily Hub will not accept the draft mortgage loan closing documents for review for the final closing, unless all outstanding labor issues have been resolved to the satisfaction of our Labor Relations Department and our Department has been duly notified.
2. In an effort to streamline the mortgage loan closing process and review timeframe, our Hub will allow the electronic submission of the draft mortgage loan closing document. There will be some restrictions, which will be discussed at a later date. We anticipate starting this process in May, 2009.

V. Resources:

We were notified of a new resource available to the HUD Multifamily Lending Community. The site, HudMap.net, was designed to allow lenders, consultants, and HUD staff to exchange information on programs, conferences, and training events. The site will feature a forum for questions, a blog for industry discussions, and a third party search page.

