

National Housing & Rehabilitation Association 2011 Annual Meeting

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General



- HUD has a seat at the Adult Table.
- Advocate
- This Administration has attracted committed, smart, energetic staff. The talent pool in Democratic Administrations is much broader and is being utilized to enforce the message of pro-activity/problem solving.

General



- HUD has begun to honor precedents.
- On at least four occasions, this firm had been told that we were not to discuss “what you got” with other people – “do not stand up in that seminar and talk about it or we will get you next time”.

General



- Early Start – Part of a Rule
- Deferring some flexible subsidy loan repayments – Now Standard
- Ability to subordinate a portion of a Section 202 loan
- Definitions of “useful life” - LIPHRA

Partial Payment of Claims



- What is it?
- Underperforming, healthy properties
- For Syndicators
- For Owners
- For Lenders
- The Partial Payment of Claims (“PPC”) process required tweaking to be an effective tool for preservation.

Partial Payment of Claims



- Denial of PPCs has generally resulted in project failure and full HUD-FHA claim payments.
- Done 17, 3/4 LIHTC
- Minnesota, Colorado, Texas, Michigan, Georgia, Florida, Arizona
- Sometimes with New GP



- PPC reviewed by both field office and headquarters in a complex application process.
- Reviews had been very often opposite. The field offices more often support PPC approvals while headquarters had taken a more conservative view.



- Used for more than 15 years to avoid HUD payment of the full mortgage insurance claim
- Loan is re-sized to a sustainable level
- Insured mortgagee receives payment on a partial claim and retains the balance as an insured loan
- Recast
- HUD receives a second mortgage – Like Mark-to-Market
 - Due on Sale/Refinance /20 years
 - Same Term as 1st
 - Treasury Rate
 - Can be sold



- HUD had relied upon three PPC Handbook criteria to deny PPCs : (i) 5% of UPB, (ii) the PPC amount is limited to three times an owner's cash contribution after final endorsement, and (iii) the PPC cannot exceed 50 percent of the outstanding loan amount.
- These criteria served to eliminate from PPC preservation many projects owned by competent owners.
- Second now waiveable – non profit
- HUD Goals Now Dual:
 - Money
 - Preservation

Some Issues



- Assignment Fee
- Lockouts and Prepayment
- Interest rate on first loan – 1.25 Basis points over 10 yr Treasury
- Structurally sound – REAC/Capital Needs
- Management
- No fault of Owner/Manager/2530/APPS
- 1.20 DSC (Letter of Credit) (M.I.P)



- Out of Pocket costs to owner possible
- Conversion of deferred management fees
- Tax issues (material modification)
- Use Agreement – 20 years
- LURA
- 30/80
 - End of Day looks a lot like Mark-to-Market
 - without Section 8
 - Reserve versus operating expenses