

Draft, Revised MAP Guide  
February 27, 2015

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<p><b>Chapter 1 – Introduction</b></p> <p>1.1 MAP and the Guide</p> <p>1.2 Purposes of MAP</p> <p>1.3 Brief Summary of MAP</p> <p>1.4 Relation of MAP to Handbooks, Notices and Regulations</p> <p>1.5 Workload Management</p>	<ul style="list-style-type: none"> <li>• Guide updated to include organizational and processing changes since last publication in 2011, including introduction of terms “Regional Center” and “Satellite Office” to replace Multifamily Hub and Program Center.</li> <li>• Introduction to Workload Sharing</li> </ul> <p>Clarifications on</p> <ul style="list-style-type: none"> <li>• Selling or transferring Firm Commitments</li> <li>• Construction responsibilities</li> <li>• Jurisdictional and “originating office” responsibilities</li> <li>• Waiver processing</li> </ul>
<p><b>Chapter 2 – Lender and Underwriter Qualifications</b></p> <p>2.1 Introduction</p> <p>2.2 Lender Qualifications</p> <p>2.3 Standards Required for Qualification</p> <p>2.4 Loan Consultants/Loan Brokerage</p> <p>2.5 MAP Lender Underwriting and Construction Loan Administration Requirements</p> <p>2.6 Electronic Capability and Internet Access</p> <p>2.7 Identity of Interest</p> <p>2.8 MAP Lender Application Package</p> <p>2.9 Limitation on Requirements</p> <p>2.10 Monitoring by Asset Management and Counterparty Oversight Division</p> <p>2.11 MAP Underwriter Approval Standards</p> <p>2.12 MAP Lender Underwriter Trainee Approval Requirements</p> <p>2.13 MAP Underwriter Transfers</p>	<ul style="list-style-type: none"> <li>• Technical clarifications regarding application submission requirements</li> <li>• Clarification given with regard to allowances for loan correspondent / loan brokerage</li> <li>• All references to Lender Qualification and Monitoring Division (“LQMD”) were removed and replaced with the Division’s new title, Asset Management and Counterparty Oversight Division (“AMCOD”)</li> <li>• Details added regarding policy implementation for underwriter approval, underwriter trainee approval, and underwriter transfers</li> <li>• The Chief Underwriter Model is added</li> <li>• Significant additions detailing policy surrounding Identity-of-Interest relationships including secondary financing, guidance for identity-of-interest servicing. Appendices with definitions and examples were added.</li> </ul>
<p><b>Chapter 3 - Programs</b></p> <p>3.1 General Program Requirements</p> <p>3.2 New Construction/Substantial Rehabilitation Program Requirements</p> <p>3.3 Section 221(d)4 Mortgage Insurance for Rental and Cooperative Housing – New Construction and Substantial Rehabilitation</p> <p>3.4 Section 220 Mortgage Insurance for Rental Housing for Urban Renewal and Concentrated Development Areas – New Construction and Substantial Rehabilitation</p> <p>3.5 Section 231 Mortgage Insurance for Rental Housing for Elderly Persons – New Construction and Substantial Rehabilitation</p> <p>3.6 Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Projects</p> <p>3.7 Section 207/223(f) Mortgage Insurance for Purchase or Refinancing of Existing Multifamily Rental Housing</p> <p>3.8 Section 223(a)(7) Refinancing of Existing Insured Mortgages</p> <p>3.9 Property Insurance Requirements</p> <p>3.10 Large Loan Risk Mitigation Policies</p>	<ul style="list-style-type: none"> <li>• Technical corrections and clarifications provided throughout the chapter, including clarification and re-emphasis on the prohibition against mandatory meal services in new FHA mortgage insurance transactions.</li> <li>• Implemented updated policy previously issued through Letters and Notices.</li> <li>• Language clarifying age-restricted housing: <ul style="list-style-type: none"> <li>➤ for Multifamily insured programs other than Section 231, FHA’s long standing policy is re-stated, 62+ Head-of-household, cannot discriminate against non-elderly family members.</li> <li>➤ For projects with Low Income Housing Tax Credits and no Project-based rental assistance, the exemption for Housing for Older Persons (55+ for 80% of the units) may be considered.</li> </ul> </li> <li>• Guidance added for Section 241(a) Supplemental Loans</li> <li>• The Section 223(f) eligibility thresh-hold is re-affirmed as 3 years of operating history in order to support the valuation for Market Rate properties. Tax Credit and Project-based Section 8 properties will require 6 months stabilized occupancy.</li> <li>• Simplification of Large loan policy and minor changes to reflect recovery of real estate fundamentals and credit markets.</li> </ul>

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<p><b>Chapter 4 – Application Processing</b></p> <p>4.1 Introduction 4.2 Stages of Application 4.3 Lender Processing 4.4 HUD Processing</p>	<ul style="list-style-type: none"> <li>• Minor technical clarifications made throughout the chapter</li> <li>• Implementation of policy previously published through Letters and Notices</li> <li>• Introduction to the Single Underwriter Model under HUD Processing</li> <li>• Incorporates Standardized Narrative, electronic checklist formats and “Wheelbarrow” data sheet, all part of HUD’s ongoing progress moving toward electronic and streamlined processing improvements.</li> </ul>
<p><b>Chapter 5 and 6 – Architectural and Construction Analysis</b></p> <p>5.1 Qualifications, Responsibilities, and Approval of Lender’s Representative 5.2 Classification of Work and Eligible Construction Activities 5.3 Required Architectural Services and Documentation by Construction Activity 5.4 Architectural Standards and Other Criteria 5.5 Construction Contracts 5.6 Streamlined Processing Instructions for Sections 220, 221(d), 231 and 241(a) New Construction and Substantial Rehabilitation 5.7 New Construction, Standard Processing – Concept Meeting through Firm Commitment 5.8 Firm Commitment through Initial Endorsement – New Construction 5.9 Substantial Rehabilitation, Standard Processing – Concept Meeting through Initial Endorsement 5.10 Processing for refinance of Acquisition, Section 223(f) and 223(a)(7) and 241(a) for Repairs and Alterations 5.11 Cost Estimating for Lenders 5.12 Cost Package for Firm Commitment 5.13 HUD Procedures</p>	<ul style="list-style-type: none"> <li>• Changes implement previously published policy.</li> <li>• Changes that will be implemented by separate Housing Notice and Mortgagee Letter and the final version of this Guide to improve and standardize the physical assessment of properties, promote energy efficiency, and implement the CNA eTool for preparation of capital needs assessments and accessibility requirements.</li> <li>• Guidance given to role in HUD’s new Single Underwriter Model.</li> <li>• Guidance is provided to recognize energy efficiency in expense underwriting.</li> <li>• Clarification on guidance regarding remaining useful and economic life as it relates to amortization and future capital needs of the improvements.</li> <li>• Revised definition of substantial rehabilitation and the “two systems” rule.</li> <li>• The draft MAP Guide proposes an increase in the per unit repair limit to \$15,000 per unit (from \$6,500, established in and not updated since 1983) multiplied by the applicable high cost factor. To keep pace with inflation in the construction industry, this repair threshold will be indexed and increased annually by the same inflation factor used annually to adjust the overall per unit statutory limits, as published by the Consumer Finance Protection Bureau.</li> <li>• Implementation of policy relating to the definition and use of construction classes of work as defined in the International Building Code for Existing Structures (2012).</li> <li>• Policy guidance on ASHRAE Level 2 Energy Audits for all properties greater than 10 years of age.</li> <li>• Introduction of a 3-tiered classification of repairs for purposes of Fair Housing Accessibility Compliance and determining whether Architectural analysis and a General Contractor (and contracts) are required.</li> <li>• Use of AIA Form of Construction Contract for certain level of repairs under Section 223(f) in now permitted and/or required.</li> </ul>

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<p style="text-align: center;"><b>Chapter 6 - Cost Processing - content has been included in Chapter 5</b></p>	<p>The following changes to previous Cost Chapter have been incorporated in Chapter 5:</p> <ul style="list-style-type: none"> <li>• Addition of Sections 231 and 223(a)(7) under Lender’s Responsibilities and Deliverables</li> <li>• New requirement for Reserve for Replacement deposit calculations for waiver approvals</li> <li>• New section added detailing the streamlined processing deliverables.</li> <li>• CNA Limits for Substantial Rehabilitation projects has been added</li> <li>• Elimination of guidance for site not attributable (SNA) and cost not attributable to dwelling use from the calculation for maximum mortgage amount when Criterion 4 is not a factor in determining the maximum loan amount.</li> <li>• Definition provided for Furniture, Fixtures and Equipment (FF&amp;E)</li> <li>• Policy clarification on inclusion of builder’s risk insurance with General Requirements and inclusion in residential CNA</li> <li>• Clarification on requirements for calculation of reserve-for-replacement deposits and PCNA requirements in 10 year increments.</li> <li>• Independent Lender review of repair costs in PCNA is a required Firm stage deliverable</li> </ul>
<p><b>Chapter 7 – Valuation Analysis &amp; Market Study Requirements</b></p> <p>7.1 Introduction</p> <p>7.2 Selection of Appraisers and Market Analysts</p> <p>7.3 Third Party Appraiser and Market Analyst Qualifications</p> <p>7.4 Market Study Applicability and Requirements</p> <p>7.5 Content and Format of the Market Study</p> <p>7.6 Appraisal Requirements</p> <p>7.7 Estimating Project Income</p> <p>7.8 Operating Expense Estimates and Determination of Net Operating Income (NOI)</p> <p>7.9 Site Analysis</p> <p>7.10 Pre-Application Stage for Sections 220, 221(d) and 231</p> <p>7.11 Firm Commitment Processing for Sections 220, 221(d) and 231 (New Construction)</p> <p>7.12 Firm Commitment Processing for Section 223(f)</p> <p>7.13 Substantial Rehabilitation Processing for Sections 220, 221(d) and 231</p> <p>7.14 Calculating Operating Deficits</p> <p>7.15 Leaseholds/Ground Leases</p> <p>7.16 Tax Abatement Procedures</p> <p>7.17 Project Based Section 8 and LIHTC Processing</p> <p>7.18 Appraisal Review Policy and Requirements</p>	<p>Revised to address existing guidance and Statutory authority:</p> <ul style="list-style-type: none"> <li>• Clarification regarding the relationship between HUD appraisers in the single underwriter model and USPAP appraiser guidelines.</li> <li>• HUD review appraiser participation in Hub and National Loan Committee, and Environmental reviews.</li> <li>• USPAP Standards 4 and 5 are removed.</li> <li>• Clarification regarding updated appraisals.</li> </ul> <p>Technical revisions and clarifications:</p> <ul style="list-style-type: none"> <li>• “Ground Lease” section is substantially rewritten. The previous version pre-dated the Section 223(f) program. Clarifies valuation treatment of leasehold estates, provides for waivers only for public entity lessors, and restates the requirement that any waivers of the standard form lease addendum must be approved by HUD HQs.</li> <li>• Reference provided for National Registry of State Certified Appraisers.</li> <li>• Guidance regarding the lender’s responsibilities for reconciling significant differences between the appraisal and the market study.</li> <li>• Clarification on Market Study reporting</li> </ul>

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	<p>requirements regarding unit features, net rents, tenant paid utilities and any rent subsidy.</p> <ul style="list-style-type: none"> <li>• Clarification on technical requirements of sub-market data for the type of housing proposed, defining the economic and demographic characteristics of the target market in terms of income levels, household size, and age range of prospective residents.</li> <li>• New sub-section added for valuation considerations unique to projects designed for elderly persons.</li> <li>• Implementation of policy on commercial space and income limitations.</li> <li>• Clarification of treatment of expenses under Criterion 3 and 5.</li> <li>• Clarified definition of responsibilities for determining remaining economic and loan term.</li> </ul>
<p><b>Chapter 8 – Mortgage Credit Compliance, Underwriting Procedures and Processing Requirements</b></p> <p>8.1 Introduction</p> <p>8.2 Borrower Types – Single Asset Borrower Entity</p> <p>8.3 Who is a Principal</p> <p>8.4 Investigating Credit and Character</p> <p>8.5 Evaluating Financial Capacity – Analysis of Financial Statements</p> <p>8.6 Prior Approval of Controlling Principals/Borrowers With Insured Balances - \$250 Million or 25 or More Commercial Real Estate Assets</p> <p>8.7 Secondary Financing</p> <p>8.8 Required Application Processing Exhibits and Lender and HUD Responsibilities</p> <p>8.9 Term of Mortgage and Commencement of Amortization</p> <p>8.10 Sections 220, 221(d), 231, 241(a) Firm Commitment Processing – Determining Mortgage Amounts, Cash Requirements and Related Items</p> <p>8.11 Sections 223(a)(7) and 223(f) Firm Commitment Processing – Determining Mortgage Amounts, Cash Requirements and Related Items</p> <p>8.12 Firm Commitment Processing with Grants/Loans</p> <p>8.13 Insurance Upon Completion</p> <p>8.14 Determining the Estimated Cash Requirements for Completing the Project</p> <p>8.15 Bond Financed Projects</p>	<ul style="list-style-type: none"> <li>• The chapter has been reorganized to simplify content and reduce duplication.</li> <li>• Some previously published guidance and requirements have been included in the Appendices for chapter 8.</li> <li>• The definition and roles of a “principal” has been clarified, to address credit review of controlling, “passive”, and nonprofit principals, and ownership structures.</li> <li>• Technical clarification on financial requirements and investigation.</li> <li>• Prior Credit Approval for large portfolio borrowers is incorporated.</li> <li>• Implementation of updated guidance and technical clarification on secondary financing and tax credits.</li> </ul>
<p><b>Chapter 9 Environmental Review and Requirements</b></p> <p>9.1 Introduction</p> <p>9.2 Procedures</p> <p>9.3 Contamination Analysis</p> <p>9.4 HUD Staff Responsibilities in Reviewing Cases Requiring Remediation</p> <p>9.5 Environmental Report</p>	<ul style="list-style-type: none"> <li>• Changes to clarify existing guidance based on experience over the past 4 years.</li> <li>• Provides for Field Office Environmental Clearance Officers review and in projects in normally unacceptable or unacceptable noise zones, regardless of the size of the project.</li> <li>• The environmental professional firm conducting the Phase I must base its site analysis on the guidelines in the</li> </ul>

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	<p>listed publications of the American Society of Testing materials (ASTM).</p> <ul style="list-style-type: none"> <li>• Guidance on field personnel responsibilities for remediation is also detailed.</li> <li>• Guidance has been updated surrounding the investigation, review, and deliverables required for environmental concerns such as Lead-based paint, Asbestos-containing materials, and Radon</li> </ul>
<p><b>Chapter 10 Management Analysis</b>  10.1 Introduction  10.2 Exhibits Required for Firm Commitment  10.3 Lender Review of Management Documents  10.4 Review of Previous Participation  10.5 Bonding Requirements for Agents  10.6 Management Agreement Requirements  10.7 Approval of Proposed Management Agent  10.8 Affirmative Fair Housing Marketing  10.9 Management Agent Responsibility for Escrow Administration</p>	<ul style="list-style-type: none"> <li>• Filing electronic previous participation certification through the Active Partner Performance System (APPS).</li> <li>• New required exhibit for marketing, leasing and relocation plan.</li> <li>• Addresses coordination between HUD Production and Asset Management staff.</li> <li>• HUD Asset Management approval required to release operating deficit escrow.</li> </ul>
<p><b>Chapter 11 Lender Underwriting, HUD Review and Closing Matters</b>  11.1 General  11.2 Lender Underwriting  11.3 HUD Hub or Satellite Office Underwriting Review  11.4 Program Closing Provisions  11.5 Loan Fees  11.6 Title Matters  11.6 Mortgagor Entity’s Organizational Documents  11.7 Mortgage or Deed of Trust Note</p>	<ul style="list-style-type: none"> <li>• Technical clarifications have been added throughout the chapter.</li> <li>• Implementation of policy previously issued through Letters and Notices.</li> <li>• Updated discussion on HUD responsibilities for the Underwriting Review.</li> <li>• Deletion of section regarding closing forms and requirements due to inclusion in the Closing Guide.</li> </ul>
<p><b>Chapter 12 Construction Period</b>  12.1 Start of Construction  12.2 Pre-Construction Conference  12.3 HUD Construction Monitoring  12.4 Architect’s Duties in Administering Construction Contract  12.5 Architect’s Adequacy  12.6 Completion Inspections  12.7 Insurance of Advances and Related Matters  12.8 Construction Change Orders – General HUD Duties  12.9 Change Orders – Inspection Instructions  12.10 Change Orders – HUD Architectural and Cost Instructions  12.11 Change Orders – HUD Appraisal and Mortgage Credit Instructions  12.12 Labor and Fair Housing and Equal Opportunity (FHEO)  12.13 Surveys  12.14 Permission to Occupy  12.15 Escrowed Funds, Letters of Credit, Deposits, Holdbacks and Related Matters  12.16 Insurance Upon Completion  12.17 Completion of Repairs Pursuant to Section 223(f)</p>	<ul style="list-style-type: none"> <li>• Technical clarifications made throughout the chapter.</li> <li>• Change in policy for review of request and calculation of increased mortgage amount.</li> <li>• Clarification given to escrow requirements for non-critical repairs.</li> <li>• Implementation of policy concerning escrow releases from Initial Operating Deficit account.</li> <li>• Implementation of risk mitigation policy to sustain the insured project by allowing the Borrower to apply any remaining construction contingency funds to change orders, additional deposit to the Reserve for Replacement account, or to make a principal payment on the mortgage.</li> <li>• Clarification on retainage policy as it relates to new construction and substantial rehabilitation.</li> <li>• Clarification on release of Working Capital escrow.</li> <li>• Updated policy in regards to treatment of land equity escrow.</li> <li>• Updated policy in regards to requirements for latent defects guarantee.</li> </ul>

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<p><b>Chapter 13 Cost Certification</b></p> <p>13.1 Projects that Must Certify</p> <p>13.2 Purpose of Certification</p> <p>13.3 Certifiable Costs</p> <p>13.4 Projects with LIHTCs are Exempt for Cost Certification Requirements</p> <p>13.5 Types of Cost Certification</p> <p>13.6 Entities that Must Cost Certify</p> <p>13.7 Cost Certification Sequence of Events</p> <p>13.8 Substantial Completion Date, Cut-off Date, and Final Completion Date</p> <p>13.9 Administrative Completion Date</p> <p>13.10 Submission Date</p> <p>13.11 Required Forms</p> <p>13.12 Required Statements and Certifications</p> <p>13.13 Deficiencies in Cost Certification Submission</p> <p>13.14 Mortgage Credit Limited Review</p> <p>13.15 Mortgage Credit Detailed Review</p> <p>13.16 Allowable Costs in Borrower’s Certification of Actual Cost</p> <p>13.17 Cost Review of Contractor’s Cost Certification</p> <p>13.18 Determination of the Nonprofit Borrower’s Initial Equity Investment</p> <p>13.19 Determine the Borrower’s Initial Investment</p> <p>13.20 Section 223(f) Modified Form of Cost Certification</p> <p>13.21 Special Instructions for Substantial Rehabilitation</p> <p>13.22 Mortgage Reduction after Cost Certification</p> <p>13.23 Increase in Mortgage Amount</p> <p>13.24 Restrictions on Mortgage Increases</p> <p>13.25 Processing a Mortgage Increase</p> <p>13.26 Authorization to Reopen Mortgage Transaction</p> <p>13.27 Deferment of Principal Payments</p> <p>13.28 Document Distribution</p> <p>13.29 Office of Inspector General</p> <p>13.30 Cost Certification Incontestability</p> <p>13.31 Post Closing Escrows</p>	<ul style="list-style-type: none"> <li>• Clarification is provided concerning how to determine the Substantial Completion Date.</li> <li>• Several technical clarifications are made regarding the Cost Cut-Off Date.</li> <li>• Clarification on how to calculate the net operating income for replacement cost mortgage amount at the cost certification stage.</li> <li>• Implemented policy allowing the borrower the option to not set a cut-off date when the project is exempt from cost certification.</li> <li>• Clarification regarding construction and permanent lender fee and charges policy.</li> </ul>
<p><b>Chapter 14 Low Income Housing Tax Credit (LIHTC) and Other Tax Credit Program Guidance</b></p> <p>14.1 Introduction</p> <p>14.2 Affordable Housing Underwriting and Program Guidance in Other Parts of the MAP Guide</p> <p>14.3 Historic and New Markets Tax Credits</p> <p>14.4 Subsidy Layering Review</p> <p>14.5 Evidence of Tax Credit or Private Activity Bond Cap Allocations</p> <p>14.6 Single Underwriter and Technical Reviews</p> <p>14.7 Treatment of HAP Contract Renewals for Section 8 Assisted Tax Credit Projects</p> <p>14.8 Application/Submission Requirements</p> <p>14.9 Architecture and Engineering</p> <p>14.10 Mortgage Credit Review for Tax Credit Projects</p> <p>14.11 Identities of Interest in Tax Credit Transactions</p> <p>14.12 Calculation of Mortgage Amounts for Tax Credit Projects</p>	<ul style="list-style-type: none"> <li>• Significant changes to this chapter focusing on implementation of policy, previously issued as well as new policy.</li> <li>• Treatment of deferred developer fees as a mortgageable cost, as well as how these fees can be structured as secondary debt under certain conditions.</li> <li>• New section has been added to describe the single underwriter model for tax credit program applications.</li> <li>• Clarification regarding approval documents to be used in tax credit projects.</li> <li>• Clarification regarding certain 2530 exclusions for nonprofits.</li> <li>• Implementation of policy regarding passive partners’ use of the <i>Rider to Security Agreement for LIHTC Properties</i> that allows for pre-approval of a special limited partner.</li> <li>• Implementation of policy regarding passive partners’ new</li> </ul>

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<p>14.13 Developer Fees and GC Profit 14.14 Structuring of Secondary Debt in Tax Credit Transactions 14.15 Tax Credit Equity Pay-In Schedule 14.16 Bridge Loans in Tax Credit Projects 14.17 Syndicator and Investor Fees from Operations 14.18 Vacancy Rates 14.19 Other Matters 14.20 FHA Tax Credit Pilot Program Expansion</p>	<p><i>Identification and Certification of Eligible Limited Liability Investor Entities</i> that has replaced the previous version LLCI form.</p> <ul style="list-style-type: none"><li>• Clarification surrounding treatment of identity-of-interest relationships in Tax Credit transactions, including disclosure statements.</li><li>• Fees may be limited when identity-of-interest relationship exists between developer and general contractor.</li><li>• Implementation and clarification on policy relating to structuring of secondary debt in Tax Credit projects including 1) limitation on required payments from surplus cash only, 2) limitation on required secondary debt payments to 75% of surplus cash, 3) use of a promissory note, and, 4) automatic re-subordination in a refinancing.</li><li>• Total amount of secured secondary debt is limited to the amount of total development costs as defined in a comprehensive Sources and Uses statement.</li><li>• Clarification given on policy regarding minimum fixed percentage of LIHTC equity pay-in, and acceptable terms of temporary Bridge loans used to fund such equity, i.e., 1) they cannot be secured with the property, 2) the term cannot extend beyond one year after delivery of the investor's 8609 form, and 3) the Bridge Loan borrower cannot be the single asset mortgagor.</li><li>• Certain lenders approved to have Syndicator identity-of-interest relationships with greater than 25% equity interest – limit increased from 5 to 10 Firm Commitment submissions per year.</li><li>• Significant changes in treatment of developer fees for LIHTC projects:<ul style="list-style-type: none"><li>○ treated as <u>mortgageable</u> costs,</li><li>○ Developer Fees cannot be taken in addition to BSPRA or SRPA,</li><li>○ Guidance provided as to when deferred developer fees may be structured as secondary debt, and whether/when such deferred fees can be paid off in a subsequent transaction.</li></ul></li><li>• Eliminated LTV limit on secured secondary debt, including seller financing, for Tax Credit projects.</li><li>• Clarification given as to treatment of syndicator and investor fees vis a vis cash flow split for M2M and other tax credit projects.</li><li>• Implementation of updated policy regarding separate vacancy rates for underwriting of tax credit projects distinguished by project type.</li><li>• Guidance given regarding tax exempt bond financing structure allowed for 4% tax credit projects with FHA financing.</li><li>• New Lender Certification form model document is available.</li></ul>
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<p><b>Chapter 15 Quality Assurance Enforcement Actions</b></p> <p>15.1 Oversight of MAP Lender 15.2 Authority to Issue MAP Sanctions 15.3 Basis for Issuing a Warning Letter of Sanctioning a MAP Lender 15.4 Administrative Record 15.5 Warning Letters 15.6 MAP Probation 15.7 MAP Suspension 15.8 MAP Termination 15.9 Settlement Agreements 15.10 MAP Lender Review Board 15.11 Support Staff for MAP Lender Review Board 15.12 Procedures for Sanctions 15.13 Notice of Violation 15.14 Notice of Action 15.15 Appeals 15.16 Limited Denial of Participation 15.17 Referral to the Mortgagee Board or the Inspector General 15.18 Other Enforcement Actions</p>	<ul style="list-style-type: none"> <li>• All references to the Lender Quality Monitor Division (“LQMD”) is replaced with the division’s new title, the Asset Management Counterparty Oversight Division (“AMCOD”).</li> <li>• Technical clarifications made concerning various enforcement action protocols.</li> </ul>
<p><b>Chapter 16 Master Lease Structuring to Facilitate the use of Tax Credits</b></p>	<ul style="list-style-type: none"> <li>• Most of this chapter has been deleted as the Master Lease structure is used only infrequently. The structuring of “master” leases in multifamily insured transactions will be reviewed on a case by case basis until such time as additional policy guidance is issued (scheduled prior to issuance of the final 2015 MAP Guide.)</li> <li>• A related Appendix to this chapter contains a chart describing a “Sandwich” lease structure that has been used for Historic or New Market Tax Credit structures.</li> </ul>
<p><b>Chapter 17 Refinancing Cooperative Housing Projects under Section 207 pursuant to Section 223(f)</b></p> <p>17.1 Introduction 17.2 Background 17.3 Program Requirements 17.4 Program Requirements – Technical Processing 17.5 Program Requirements – Issuance of Firm Commitment and Loan Closing</p>	<ul style="list-style-type: none"> <li>• This chapter provides for some technical corrections and clarifications to assist in the underwriting and processing requirements</li> <li>• Elimination of the requirement for a regulatory waiver to accept an application with a Cooperative borrower structure.</li> </ul>
<p><b>Chapter 18 Section 223(a)(7)</b></p> <p>18.1 Purpose of Section 223(a)(7) 18.2 Consolidation of Applicable Guidance 18.3 Basic Program Requirements 18.4 Processing</p>	<ul style="list-style-type: none"> <li>• New chapter of the MAP Guide, including policy and processing requirements for the refinancing of FHA-insured multifamily projects under Section 223(a)(7).</li> <li>• The chapter addresses MAP requirements applicable to Section 223(a)(7) loans and consolidates previous guidance from Mortgagee Letters and handbooks dating back to the early 1990s.</li> <li>• Section 223(a)(7) loans requires different application exhibits and processing timelines than other insurance programs</li> </ul>



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<b>Table of Contents for Appendices</b>	<b>Summary of Changes</b> <i>*Some references to other sections of the Guide may have changed during the creation of this draft. They will be confirmed or corrected in the final version.</i>
<b>Appendix 1 – HUD Standard Processing Times and Workload Sharing Protocols</b>	<ul style="list-style-type: none"> <li>Coming April 2015</li> </ul>
<b>Appendix 2A – Lender Guidelines for a Quality Control Plan</b> 2A Background 2B Lender Application Requirement, Exhibit M 2C Policy Objectives 2D General Requirements of a Quality Control Plan 2E Specific Requirements of a Quality Control Plan 2F Submission of a Quality Control Plan 2G Quality Control Reviews 2H Specific Requirements for Quality Control Audit Reviews 2H1 Quality Control Reviews – Appraisal Review 2H2 Quality Control Reviews – Market Study Review 2H3 Quality Control Reviews – Architectural Review 2H4 Quality Control Reviews – Cost Review 2I Quality Control Review requirement for Construction Loan Administrations 2J Independence of Quality Control Reviews 2K Events Leading to Change in MAP Participation Status 2L IOI Definitions 2M IOI Examples	<ul style="list-style-type: none"> <li>New addition to this Appendix relates to the reorganization of the LQMD to the new office title of Asset Management and Counterparty Oversight Division (“AMCOD”).</li> <li>The waiver allowance for small lenders to use the originator-underwriter model is no longer provided</li> <li>Clarification given to the qualification and preparation of Quality Control reviews</li> <li>Underserved Areas was removed as a ranking variable in the criteria used for selection of projects for QC review</li> <li>Requirements for QC reviews on defaulted loans was expanded to incorporate outstanding guidance previously issued by Letters</li> <li>Guidance was incorporated requiring the reviewer to make a determination if improper inducements were paid on the loan under review</li> <li>Provides definitions to be used for determining Identities of Interest and examples.</li> </ul>
<b>Appendix 3A – Summary of Programs Specifications and Limitations</b>	<ul style="list-style-type: none"> <li>Quick reference to program information detailing everything from underwriting occupancy rates to calculation of fees and charges.</li> </ul>
<b>Appendix 3B.1 and 3B.2 – Developer Fee Matrix by FHA Insured Program</b>	<ul style="list-style-type: none"> <li>Summary of treatment of Developer Fees for various programs.</li> </ul>
<b>Appendix 4 – Application Processing Documents Table of Contents – Checklist</b> 4A Section 223(f) for Refinance or Purchase of Existing Apartments (separate file) 4B Sections 213, 220, 221(d)(4), 231, 241(a) New Construction and Substantial Rehabilitation (separate file) 4C Sample MAP Invitation Letter Format 4D Firm Commitment Special Conditions 4E New Early Warning System (NEWS) 4F Production Processing Flow Chart 4G HUD Loan Committee Requirements 4H Section 223(a)(7) Application Checklist	<ul style="list-style-type: none"> <li>The application checklists have been reorganized to better align with the updated policy and technical corrections and clarifications throughout the guide.</li> <li>The 221(d)(4) checklist has been combined into one document for Pre-application or Firm application, with notations on applicable exhibits for each stage.</li> <li>Updated guidance is provided on application submission requirements</li> <li>New internal HUD application processing steps and tools are outlined.</li> </ul>
<b>Appendix 5 – Architectural and Construction Analysis</b> 5A Common HUD Standards and Criteria 5B Accessibility for Persons with Disabilities 5C Seismic Resistance and Fire Protection Standards for Existing Structures 5D Energy Efficiency Codes 5E Firm Commitment Drawings and Specifications 5F.1 HUD Architectural Review Report for Pre-Application Exhibits 5F.2 HUD Architectural Review of Lender’s Architectural Analyst’s	<ul style="list-style-type: none"> <li>Separate Cost and Architectural appendices combined</li> <li>Complete re-write of CNA instructions incorporating CNA e Tool</li> <li>Added CNA requirement for all applications</li> <li>Added utility cost benchmarking, cost benefit analysis for repairs and replacements, and underwriting incentives for utility conservation</li> <li>Section 231, Section 223(a)(7), and 241(a) programs have been added to the guidance in this appendix.</li> </ul>

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<p>Report for Firm Exhibits - New Construction and Substantial Rehabilitation</p> <p>5F.3 HUD Architectural Review of Lender’s Architectural Analyst’s Report for Firm Exhibits –Repairs and Alterations Section 223(f), 223(a)(7), 241(a)</p> <p>5G CNA Instructions – All Applications</p> <p>5H.1 Design Architect’s Certification</p> <p>5H.2 Certificate of Professional Liability Insurance</p> <p>5I.1 Cost Review-Pre Application</p> <p>5I.2 Cost Review New Construction and Substantial Rehabilitation</p> <p>5I.3 Cost Review-Repairs and Alterations in Section 223(f), 223(a)(7), 241(a)</p> <p>5J.1 Cost Not Attributable New Construction</p> <p>5J.2 Cost Not Attributable-Substantial Rehabilitation</p> <p>5J.3 Cost Not Attributable-Examples</p>	<ul style="list-style-type: none"> <li>• Updated technical requirements for ALTA land surveys.</li> <li>• New guidance added for fire protection and treatment of seismic repairs</li> <li>• Added accessibility appendix based on ML 2012-25</li> <li>• Deleted environmental issues, covered in Chapter 9</li> <li>• Adopted new energy codes, IECC 2009 and ASHRAE 90.1 2007</li> </ul>
<p><b>Appendix 7 – Valuation Processing</b></p> <p>7A HUD Appraiser Technical Review – Pre-Application Sections 220, 221(d), and 231</p> <p>7B HUD Appraiser Technical Review – Firm Commitment Sections 220, 221(d), and 231</p> <p>7C HUD Appraiser Technical Review – Direct to Firm Commitment Sections 220, 221(d), and 231</p> <p>7D HUD Appraiser Technical Review – Firm Commitment Section 223(f)</p> <p>7E HUD Review Appraiser compliance with USPAP</p> <p>7F Loan Criteria Chart</p>	<ul style="list-style-type: none"> <li>• Addresses HUD Review Appraiser compliance with USPAP in facilitating the new Single Underwriter model.</li> <li>• The technical review formats for all program types are updated to allow for better compliance to USPAP.</li> <li>• Technical corrections and clarifications have been made throughout each section of this appendix</li> <li>• Market Study guidance is now contained within Chapter 7</li> <li>• References to Section 232 projects have been removed</li> <li>• Clarification given for appraiser qualifications and inspection requirements</li> </ul>
<p><b>Appendix 8 – Mortgage Credit Underwriting and Processing Requirements</b></p> <p>8A Payoff Letter for Existing Mortgage</p> <p>8B How to Analyze Financial Statements</p> <p>8C Individual Financial Statement, Supporting Schedules, REO Mortgage Debt Schedule</p> <p>8D Prior Approval of Controlling Principals with Insured Balances - \$250 Million or 25 or more Commercial Real Estate Assets</p> <p>8E Requirements to Evaluate Nonprofit Sponsors and Borrowers – Nonprofit Sponsor &amp; a Profit-Motivated Borrower Entity</p> <p>8F Subordination, Non-Disturbance and Attornment Agreements</p> <p>8G Loan Criteria Chart</p>	<ul style="list-style-type: none"> <li>• Deleted the Mortgage Credit review of lender’s processing review document which is replaced by the Underwriter Narrative and Checklist</li> <li>• Deleted instructions for Form FHA-1708, which is used in Healthcare processing and not a required MAP programs</li> <li>• Provides instructions and guidance on required principals’ financial documents and REO analysis submitted for principals with control or decision making authority</li> <li>• Provides instructions and guidance from Mortgagee Letter 2013-09 on prior credit approval for principals with \$250 Million or 25 or More Commercial Real Estate assets</li> <li>• Provides instructions for evaluating nonprofit sponsors and borrowers including nonprofit borrowers who partner with profit-motivated principals using from tax credits</li> <li>• Incorporates the SNDA Agreement Mortgagee Letter 2011-14 guidance and instructions for commercial leases in FHA projects</li> </ul>
<p><b>Appendix 11 – Initial Endorsement Document Review</b></p> <p>11A Initial Endorsement Document Review – Architectural and Cost</p> <p>11B Initial Endorsement Document Review – Valuation</p>	<ul style="list-style-type: none"> <li>• Minor technical clarifications are made throughout in terms of the titles of the HUD technical staff signing the reviews</li> </ul>

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<p>11C Initial Endorsement Document Review – Mortgage Credit 11D Initial Endorsement Document Review 11E HUD Washington Docket</p>	<ul style="list-style-type: none"> <li>• Clarifications made to the processing of the Washington Docket</li> <li>•</li> </ul>
<p><b>Appendix 12 – Construction Period</b> 12A Instructions for Approval of Initial/Interim Advances 12B Contractor’s Monthly Requisition and Related Matters 12C Amendment to the Construction Contract for Payment for Components Stored Offsite 12D Problems Before Closing</p>	<ul style="list-style-type: none"> <li>• Clarifications regarding disbursement of cash escrow funds prior to insured mortgage proceeds.</li> <li>• Implementation of new policy on the procedure for the disbursement of LIHTC, Historic Tax Credits and New Market Tax Credits</li> <li>• FHA fee for bond-financed projects is capped at 5.5%. Any amount in excess is not mortgageable</li> <li>• Fees for the lender and legal services included in the land value</li> <li>• Addition of previously published policy regarding 2% working capital construction contingency escrow</li> <li>•</li> </ul>
<p><b>Appendix 13 – Cost Certification</b> 13A Specimen Letter – Agreement Authorizing Reopening of Mortgage Transaction 13B Agreement Authorizing Deferment of Principal Payments for Level Annuity Payment</p>	<ul style="list-style-type: none"> <li>• New sections were added for Specimen Letters, Reopening of Mortgage, and Deferment of Principal Payments</li> </ul>
<p><b>Appendix 16 Master Lease</b> 16A Sample Master Lease Ownership Structure</p>	