

HUD Multi-Family Production's COVID-19 Response Update

HUD Deputy Assistant Secretary Lamar Seats

- **Comments by Lamar Seats:**
 - Despite glitches with recording offices, with notarizations, HUD is overall pleased to maintain continuity of business line
 - Senate bill-current version of multifamily piece will extend forbearance provisions to multifamily (MF) owners/borrowers (different from single family piece)-
 - MF will be at an initial period of 30 days, followed by 2 30-day extensions as needed. Loan must be current as of Feb 1,
 - if owner requests forbearance for a financial difficulty, cannot evict tenant during forbearance period.
- **Comments by Tom Bernaciak**
 - HUD has telework procedures in place
 - All regions have identified electronic procedures for submitting applications, closing documents
 - Looking at process for switching to full electronic procedures in the future
 - FAQs
 - HUD is addressing policy issues as quickly as possible
 - HUD is working on additional FAQs, including questions regarding 3rd party reports, sight inspections, unit inspections, remote site visits, appraisals, construction administration, work stoppage issues-draft versions being cleared now, with expectation to publish later this week or early next week.
 - Guidance on projects with Shelter in Place orders
 - HUD recognizes this is a problem-if you can't get into the unit it makes it difficult to proceed with construction/rehab
 - Expect delays in construction-difficult to calculate the extent of the impact that COVID19 will have
 - HUD views continuing construction in Shelter in Place designated areas as a RISK, may hold issuance of a commitment or hold endorsements until such time deemed safe for construction to resume (evidenced by owner/contractor) in reasonable timeframe
 - However, HUD also understands that there are situations with timeframes that have serious consequences if they are not met, such as a LIHTC deal, or if a borrower can lose property. In that case, HUD will help provide appropriate measures that would reduce the overall risk of an extended construction period due to delays in overall construction or unit rehabilitation
 - HUD is looking at extending construction period overall, increasing rehabilitation contingency, increasing relocation budget, and asks for input on extent and need of mitigation measures.

- Underwriting Risks and Criteria are Changing
 - HUD asks stakeholders, lenders, partners to evaluate how new construction deals will look on the market, what type of economic drivers are in that market (service/energy related) and how that deal may achieve market share
 - HUD is looking to mitigate risk by
 - Increasing initial operating deficits
 - Greater stress tests
 - Increasing collection losses in some cases
 - BUT No One Size Fits All Solution
- HUD-“We All Agree This Is Serious”