HUD Multifamily Southwest Region

Southwest Mortgagee Advisory Council (SWAC) Conference
May 6 - 8, 2019
Southwest Region Multifamily Priorities

- Manage Business Needs
- Manage Risk
- Manage Staffing Needs
Manage Business Needs

- High Volume of New Construction
- Large, Diverse Geographic Region
- Streamline Procedures with a Focus on Risk
- Enhance Communication with Our Partners
Pre-Application Processing

Identify Risk

- Environmental Issues
- Market Demand
- Development Team

Resolving these issues at pre-app will green light the firm application for processing
Manage Risk

- Data Integrity

- Improved Systems
  - Application Underwriting Support System (AUSS)

- Construction Monitoring

- Lender Performance Metrics
Southwest Region Construction Activity Snapshot as of May 2019

- 221d4 NC/SR
  - $3.4B; 28,253 Units
- 220 NC/SR
  - $288.3M; 1,268 Units
- 231 NC/SR
  - $3.3M; 60 Units
- 213 Coop
  - $20.4M; 106 Units
- 223f Refi/Purch
  - $69.1M; 542 Units

TOTAL
- 145 Properties
- $3.8B; 30,229 Units
223(f) Repair Monitoring

Critical Repairs
- Must be completed prior to closing

Non-Critical Repairs
- Repairs must be completed no later than 12 months after closing
- The Lender must complete any outstanding repairs using escrowed funds

The Southwest Region is aware of several properties that have not completed repairs within their 12-month time allotment. We will be reaching out to lenders for completion of the repairs.
The **Construction Problem Resolution (CPR) Team** was established in 2018 to focus on preventing and resolving existing construction delays and to ensure those projects get back on track to Final Endorsement.

### Positive Impacts

- Earlier and more frequent communication between lender and HUD
- Closer monitoring of all properties under construction
- Since inception, we’ve prevented potential insurance claims of over $154M on 5 properties
Construction Roadblocks

- Failure to Timely Submit Change Orders
  - Weather Delays
  - Construction Changes

- Owner vs. General Contractor Disputes

- Architect Deficiencies

- Construction Progress Schedule (HUD-5372)
  - Ensure HUD-5372 is updated prior to Initial Endorsement
Lender Performance Metrics
FY2018

FY2018 Total Applications (264 Applications)
- No Significant Issues: 43%
- Significant Issues: 57%

FY2018 Breakdown of Issues All SOA Codes
- Third-Party Reports: 26%
- Quality Control: 29%
- Responsiveness: 14%
- Due Diligence: 16%
- Mathematical: 7%
- Programmatic & Legal: 8%
Lender Performance Metrics
FY2018

FY18 Pre-Apps (68 Applications)
- No Significant Issues: 53%
- Significant Issues: 47%

FY18 NC/SR Firm Apps (83 Applications)
- No Significant Issues: 34%
- Significant Issues: 66%
Lender Performance Metrics
FY2018

FY18 Refinance Firm Apps
(113 Applications)

- No Significant Issues 38%
- Significant Issues 62%

FY18 Breakdown of Issues
Firm Refinances

- Mathematical 4%
- Third-Party Reports 25%
- Quality Control 28%
- Programmatic & Legal 8%
- Due Diligence 21%
- Responsiveness 14%
Lender Performance Metrics

FY2019 YTD

*Data based on 100 applications reviewed

- Over half of FY2019 applications reviewed using Lender Metrics had significant issues

- These issues cause delays, which contribute to suspensions in processing and longer timelines
Lender Performance Metrics
FY2019 YTD

Areas with the most need for improvement:

➢ **Quality Control**
  – Accuracy
  – Consistency
  – Completeness

➢ **Third-Party Reports**
  – Due Diligence and Accuracy
  – Environmental Issues
  – CNA e-Tool Submissions
Manage Staffing Needs

- Focus on acquiring more production staff to accommodate large volume of new construction

- Provide more training to underwriters and technical staff
  - PCNA
  - Appraisal
  - Environmental
Regional Highlights

Processing in the Southwest
Concept Meetings

Fort Worth
➢ Tuesday, Wednesday, and Thursday at 11:00 a.m. and 1:00 p.m. (CT)
➢ Concept Meetings for affordable properties are held on Tuesdays in Fort Worth

Kansas City
➢ Tuesdays and Thursdays at 11:00 a.m. and 1:00 p.m. (CT)

• Please email your concept package to SWConcepts@hud.gov, and mail two (2) hard copies of you concept package to Lisa Campfield to schedule a concept meeting.
• A letter of encouragement or discouragement will follow the meeting.
Application Submissions

- All electronic copies of applications should be submitted on a flash drive and must be mailed to the Fort Worth Regional Center at the attention of Lisa Campfield

ATTN: Lisa Campfield, Program Analyst
Office of Housing – Multifamily
U.S. Department of Housing and Urban Development
801 Cherry Street, Suite 2500, Unit #45
Fort Worth, TX 76102
We are seeing a consistent pattern regarding encouragement rates of concept packages. In FY2018 we encouraged 90% of our concepts; so far in FY2019, that same 90% encouragement rate still stands.
Arkansas 2
Kansas 1
Louisiana 10
Missouri 4
Nebraska 1
New Mexico 2
Oklahoma 2
Texas 61
TOTAL 83
## Southwest Region Pre-Applications

### FY2019 YTD Pre-App Decisions

<table>
<thead>
<tr>
<th></th>
<th>#</th>
<th>UNITS</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable</td>
<td>1</td>
<td>75</td>
<td>$9.1 M</td>
</tr>
<tr>
<td>Broadly Affordable</td>
<td>2</td>
<td>376</td>
<td>$51 M</td>
</tr>
<tr>
<td>Green Market</td>
<td>37</td>
<td>7,520</td>
<td>$1.02 B</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>40</td>
<td>7,971</td>
<td><strong>$1.08 B</strong></td>
</tr>
</tbody>
</table>

### FY2018 Pre-App Decisions

<table>
<thead>
<tr>
<th></th>
<th>#</th>
<th>UNITS</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable</td>
<td>1</td>
<td>114</td>
<td>$5.7 M</td>
</tr>
<tr>
<td>Green/Market</td>
<td>81</td>
<td>17,821</td>
<td>$2.4 B</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>82</td>
<td>17,935</td>
<td><strong>$2.4 B</strong></td>
</tr>
</tbody>
</table>
## Southwest Region Firm Commitments Issued

### FY2019 YTD Firm Commitments by MIP

<table>
<thead>
<tr>
<th></th>
<th>#</th>
<th>UNITS</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC/SR</td>
<td>41</td>
<td>7,844</td>
<td>$908 M</td>
</tr>
<tr>
<td>223(f) Refi/Purch</td>
<td>42</td>
<td>5,661</td>
<td>$442.7 M</td>
</tr>
<tr>
<td>223(a)(7)</td>
<td>0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>83</strong></td>
<td><strong>13,505</strong></td>
<td><strong>$1.35 B</strong></td>
</tr>
</tbody>
</table>

### FY2018 Firm Commitments by MIP

<table>
<thead>
<tr>
<th></th>
<th>#</th>
<th>UNITS</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC/SR</td>
<td>82</td>
<td>17,785</td>
<td>$2.2 B</td>
</tr>
<tr>
<td>223(f) Refi/Purch</td>
<td>95</td>
<td>14,785</td>
<td>$1.2 B</td>
</tr>
<tr>
<td>223(a)(7)</td>
<td>6</td>
<td>921</td>
<td>$54 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>183</strong></td>
<td><strong>33,491</strong></td>
<td><strong>$3.4 B</strong></td>
</tr>
</tbody>
</table>

### FY2019 YTD Firm Commitments

- Market: 9
- Green/Market: 37
- Green/Affordable: 1
- Broadly Affordable: 26
- Affordable: 10

### FY2018 Firm Commitments

- Market: 30
- Green/Market: 68
- Broadly Affordable: 68
- Affordable: 17
## National Workload Snapshot: 04/26/2019

### Active Pipeline

<table>
<thead>
<tr>
<th>Processing Office</th>
<th>Apps in Processing</th>
<th>Outstanding Firm Invites &amp; Commitments</th>
<th>Total</th>
<th>FHA # Issued - App Not Yet Submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>27</td>
<td>41</td>
<td>68</td>
<td>67</td>
</tr>
<tr>
<td>Northeast</td>
<td>32</td>
<td>47</td>
<td>79</td>
<td>83</td>
</tr>
<tr>
<td>Southeast</td>
<td>44</td>
<td>79</td>
<td>123</td>
<td>84</td>
</tr>
<tr>
<td>Southwest</td>
<td>53</td>
<td>76</td>
<td>129</td>
<td>137</td>
</tr>
<tr>
<td>West</td>
<td>16</td>
<td>47</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>172</strong></td>
<td><strong>290</strong></td>
<td><strong>462</strong></td>
<td><strong>442</strong></td>
</tr>
</tbody>
</table>

### Underwriter Workload

<table>
<thead>
<tr>
<th>Processing Office</th>
<th>WLS Deals for Other Offices</th>
<th>Available UWs</th>
<th>Applications per UW</th>
<th>Total Apps &amp; Pending Apps Per UW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>18</td>
<td>17</td>
<td>1.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Northeast</td>
<td>13</td>
<td>13</td>
<td>2.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Southeast</td>
<td>17</td>
<td>17</td>
<td>2.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Southwest</td>
<td>4</td>
<td>23</td>
<td>2.3</td>
<td>5.6</td>
</tr>
<tr>
<td>West</td>
<td>1</td>
<td>13.5</td>
<td>1.2</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>83.5</strong></td>
<td><strong>2.1</strong></td>
<td><strong>5.5</strong></td>
</tr>
</tbody>
</table>
What Makes a Successful Closing?

- Regular communication with assigned Closing Coordinator
- Complete closing package
- Plans and specs received \textit{at least} 30 days prior to closing – No exceptions

What Can Delay a Closing?

- Management Agent, General Contractor, Ownership change
- Amendments that require Underwriter review
- Failure to obtain permits
- Last-minute changes to plans and specifications
- Failure to complete critical repairs
- Not performing mandatory radon testing

Scheduling Your Closing

- Communicate \textit{directly} through your assigned Closing Coordinator, not OGC or other parties; the Closing Coordinator is your \textit{primary POC}
Southwest Region Closings

<table>
<thead>
<tr>
<th>FY2019 YTD</th>
<th>#</th>
<th>UNITS</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC/SR</td>
<td>73</td>
<td>14,143</td>
<td>$1.62 B</td>
</tr>
<tr>
<td>223(f) Refi/Purch</td>
<td>34</td>
<td>5,261</td>
<td>$430.7 M</td>
</tr>
<tr>
<td>223(a)(7)</td>
<td>0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>107</td>
<td>19,404</td>
<td>$2.05 B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2018</th>
<th>#</th>
<th>UNITS</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC/SR</td>
<td>132</td>
<td>26,075</td>
<td>$3.02 B</td>
</tr>
<tr>
<td>223(f) Refi/Purch</td>
<td>97</td>
<td>15,653</td>
<td>$1.08 B</td>
</tr>
<tr>
<td>223(a)(7)</td>
<td>6</td>
<td>899</td>
<td>$66.74 M</td>
</tr>
<tr>
<td>TOTAL</td>
<td>235</td>
<td>42,627</td>
<td>$4.17 B</td>
</tr>
</tbody>
</table>

FY2019 YTD Closings by MIP
- Market: 24
- Green/Market: 49
- Green/Affordable: 3
- Broadly Affordable: 20
- Affordable: 11

FY2018 Closings by MIP
- Market: 56
- Green/Market: 59
- Green/Affordable: 3
- Broadly Affordable: 86
- Affordable: 31
Connect with Us!

Regional Website: [https://www.hud.gov/states/shared/working/southwest/mf](https://www.hud.gov/states/shared/working/southwest/mf)

- **SWConcepts@hud.gov**
  - Schedule Concept Meetings

- **SWProduction@hud.gov**
  - Submit FHA number requests and general correspondence

- **MFSWProductionAppeals@hud.gov**
  - Submit appeals to pre-application and firm decisions

- **SWConstruction@hud.gov**
  - Submit PTO requests, change orders, draw requests, non-critical repair escrow releases, construction inspections, etc.

- **MFSouthwestMARS@hud.gov**
  - Submit Monthly Accounting Reports (MARs)

- **MFSouthwest@hud.gov**
  - Submit Asset Management routine servicing requests and correspondence