



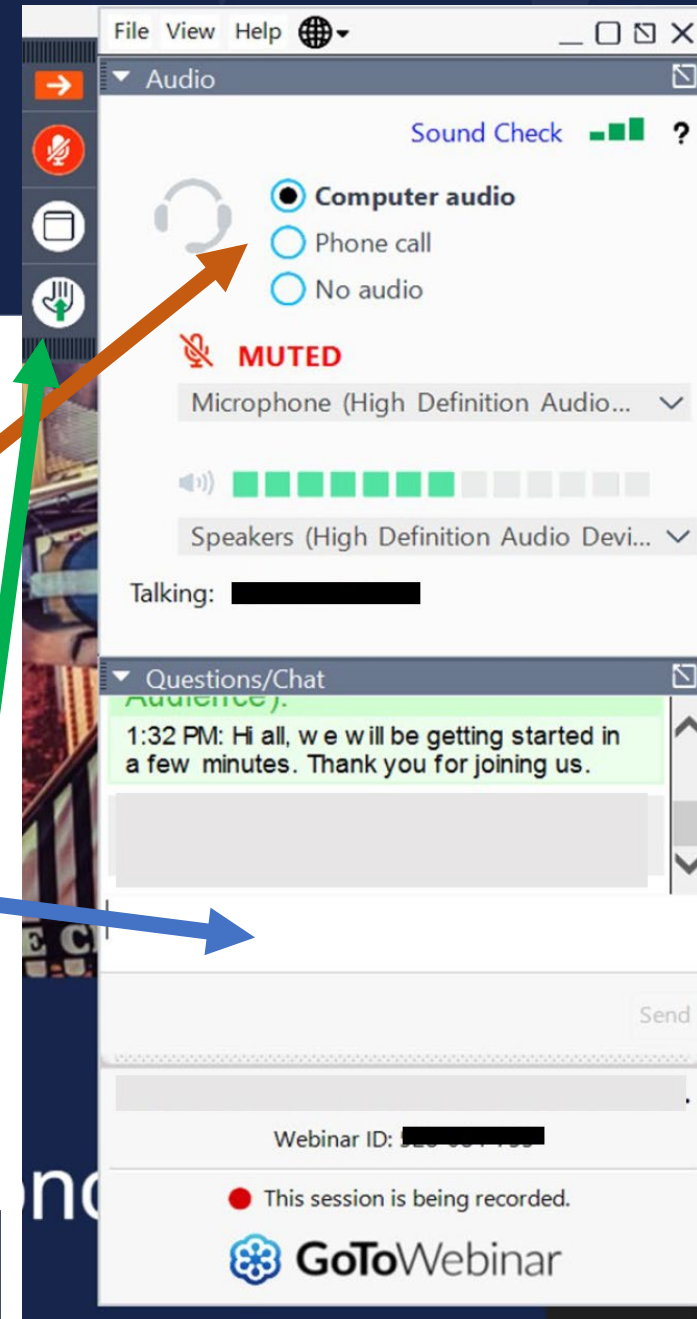
Stakeholder Listening Session MFH Transfers and Proposed Simple Transfer Pilot Program

September 28, 2022

Welcome

Attendees:

- You are joined with computer Audio by default
- **You can change to Phone if needed:
Check this button**
- **You can submit comments via the
Questions/Chat section**
- **If you prefer to provide comments verbally, you can be unmuted by the moderator, please raise your hand and then wait to speak when prompted by name.**



Listening Session Goals

- Highlight Agency goals for reducing transfer process complexity and improving efficiency
- Identify priority transaction types for reduced application submission requirements
- Discuss other non-transfer options that may be appropriate depending on owner and project circumstances
- Highlight next steps—stakeholder feedback and implementation of revised transfer processing requirements

Pilot Goal: Improve MFH Transfer Process

- Develop a pilot program with revised transfer application requirements for properties that meet certain requirements (i.e., create “simple transfer” options):
 - Reduce undue burdens and eliminate unnecessary paperwork
 - Differentiate transfer submission requirements based on the type of transaction—move away from a “one size fits all” approach
 - Eliminate certain third-party reports to reduce upfront costs
 - Recognize timing challenges with obtaining rehab/preservation financing and provide more flexibility

Pilot Goal: Improve MFH Transfer Process

- Implement efficient pilot program transfer processing and assess pilot program outcomes
 - Additional MFH staff will be deployed to assist with pilot program processing, increasing staff capacity and reducing processing backlogs
 - Outcomes will be tracked and findings used to make handbook and regulatory changes to improve overall transfer processing
- Overall goal: Increase rehabilitation and preservation activity in the MFH portfolio

Proposed Simple Transfer Types

- Simple Transfer with an Expedited Ownership Change Required
- Simple Transfer with Rehabilitation
- Simple Transfer with Future Rehabilitation/Recapitalization Plan (Two-Step Transfer)
- Note: These are proposed areas of priority, not final determinations.

Proposed Pilot Program Features

- The Field Operations Division (FOD) servicing specialist will be the first point of contact for a customer interested in the pilot program
 - FOD will assess if the property MAY be eligible for a simple transfer based on information from the customer/in the file and will refer the customer to the appropriate team
- Standard transfers should continue to go to the Production and Preservation Division (P2) Processing and Report Review Branch 1 or 2, based on geography
- Modified Attachment 7-B-1 checklist will be used for the pilot
- Simple transfers are for limited situations that meet the guidance—most transfers will still be standard transfers handled by P2

Simple Transfer with an Expedited Ownership Change Required

- Most streamlined transfer process.
- For circumstances where the Agency determines that an expedited ownership change is in the best interest of the Government, property and tenants.

Simple Transfer with an Expedited Ownership Change Required

- Property Circumstances:
 - Property is in reasonable or good condition. Conditions exist that require an expedited transfer, such as: deceased borrower or general partner, hardship, insolvency, receivership, imminent loan maturity, etc. AND
 - New owner assumes the existing RD debt and no new debt is added. AND
 - New owner (non-profit or for-profit) will provide a plan for the long-term viability of the property, which may include recapitalization/rehab or resetting of reserves. Agency must determine that the proposed viability plan is reasonable.

Simple Transfer with an Expedited Ownership Change Required

- Proposed Modifications to Standard Transfer Requirements:
 - No Capital Needs Assessment (CNA) required
 - No appraisal required
 - No new debt may be added
 - The loan(s) will be reamortized at new rates and same terms (unless the existing rate would be lower).
 - No equity payout can be included as part of the transaction. If agreed to by both parties, equity may be paid outside of the transaction.
 - The project must meet minimum reserve account requirements as determined by the agency. The agency may require a CNA post-transfer to reset annual reserve deposits.

Simple Transfer with Rehabilitation

- Intended for properties that require rehabilitation and/or resetting of the annual deposit to the reserve account.
- Similar situation to properties that request a CNA for reserve resizing but will also include a transfer.

Simple Transfer with Rehabilitation

- Property Circumstances:
 - Based on a CNA, rehabilitation is needed that cannot be funded by the current reserve account. OR
 - Property is in good/very good condition with current minimal rehabilitation needed but reserve balances are inadequate and must be reset to adequately address future rehabilitation needs. AND
 - Property is or will be fully subsidized post-transfer OR rent increases can remain reasonable without a term extension. AND
 - New owner assumes the existing RD debt and no new amortizing debt is added.

Simple Transfer with Rehabilitation

- Proposed Modifications to Standard Transfer Requirements:
 - No appraisal is required
 - The agency may approve a junior lien for deferred financing only. At a minimum, deferred financing must be coterminous with the agency's loan(s). The agency may determine a maximum per unit limit on rehabilitation that can be approved.
 - The loan(s) will be reamortized at new rates and same terms (unless the existing rate would be lower). A term extension may be allowed in cases where it is required by the deferred lender to preserve affordability for a longer period.
 - No equity payout can be included as part of the transaction. If agreed to by both parties, equity may be paid outside of the transaction.
 - Agency staff will use the CNA to evaluate the proposed rehabilitation and resize reserves.

Simple Transfer with Future Rehabilitation/ Recapitalization Plan (Two-Step Transfer)

- Intended to provide flexibility to nonprofits to complete an acquisition of a preservation-worthy property even if resources for rehabilitation of the property are not available at the time of the transfer.
- An appraisal and CNA are required as part of the transfer application.
- Similar to “two-step transfer” option that was offered in previous Unnumbered Letter.

Simple Transfer with Future Rehabilitation/ Recapitalization Plan (Two-Step Transfer)

- Property Circumstances:
 - Based on a CNA, rehabilitation is needed that cannot be fully funded by the current reserve account or resetting of the existing reserve deposits. AND
 - The new nonprofit owner will pursue a strategy to rehabilitate/recapitalize the property with agency and/or third-party funds within the next two years. The agency must determine that the recapitalization plan is reasonable and the property can function successfully until rehabilitation/recapitalization is complete.

Simple Transfer with Future Rehabilitation/ Recapitalization Plan (Two-Step Transfer)

- Proposed Modifications to Standard Transfer Requirements:
 - Only available to a nonprofit buyer.
 - Agency will waive the necessary reserve requirement adjustment under 7 CFR 3560.406(d)(5). The new nonprofit owner must address the rehabilitation needs identified in the CNA over a period not to exceed two years after the closing of the transfer. RD must approve the nonprofit's proposed rehabilitation plan prior to approval of the transfer.
 - RD will monitor implementation of the approved plan. The nonprofit owner may propose changes to the approved plan; however, RD must authorize in writing any changes before they are implemented.

Requirements for All Pilot Program Transfers

- Health, safety and accessibility issues must be addressed at the time of transfer.
- Properties must be rated “Performing” in the Agency’s risk rating tool unless an exception is granted.
- Eligibility for the pilot program is at the discretion of the Agency.

Section 515 Transfer Technical Assistance Providers

- Are you a nonprofit interested in acquiring/preserving a Section 515 property? Are you an owner interested in selling to a nonprofit? RD has awarded funds to nonprofit TA providers to assist other nonprofits, public housing agencies, and tribal housing agencies through the transfer process.
- Six TA awards were recently made that provide TA coverage for all states
- For more information about the program and to find the provider that covers your state:
- [Multi-Family Housing Non-Profit Transfer Technical Assistance Grants | Rural Development \(usda.gov\)](https://www.usda.gov/programs/multi-family-housing-non-profit-transfer-technical-assistance-grants)

Overview of Non-Transfer Options

Non-Transfer Options

- In some circumstances, the owner may want to consider other options outside of a transfer:
 - Organization change instead of transfer (7 CFR 3560.405, Handbook-3-3560 Chap 5)—general partner substitution is most common
 - Application for loan prepayment
 - Obtain servicing CNA to reset reserves or obtain third-party rehab funding without transfer
 - If property is self-managed and owner no longer wants to manage consider hiring third-party professional management
 - Servicing options (e.g., servicing work-out plan) may be appropriate

Non-Transfer Options

- Ownership changes (Chapter 5)
 - Organization change has fewer requirements than a transfer
 - Completed as a servicing action—contact servicing specialist for more information
- Prepayment (if eligible)
 - Eligibility for prepayment varies, but all loans made on or after Dec 15, 1989, are not eligible for prepayment
 - Existence of RD or third-party restrictive use provisions (including RUCs extended to mortgage maturity upon owner accepting damages from Agency) affects ability to prepay
 - Contact mfhportfoliomanagement@usda.gov for more info

Non-Transfer Options

- Address physical condition issues
 - Owner can obtain servicing CNA
 - Can be used to request adjustment to annual reserve deposits
 - CNA can be paid from project funds
 - Multi-Family Preservation and Revitalization program funding (available in an FY23 NOSA)
 - Request subordination or junior lien if owner obtains third party funding for rehab

Non-Transfer Options

- Improve Project Viability
 - Servicing work out plan
 - Reamortization
 - Operational improvements by owner/manager
 - Property management—change needed?
 - Marketing—affecting occupancy rates?
 - Rent levels—are they appropriate?

Agency Servicing Options for Troubled Properties

- Troubled Asset Team to address most at-risk properties
- Failing properties
 - Monetary and non-monetary default
 - Voluntary liquidation/compromise offer
 - Acceleration and pay-off
 - Foreclosure

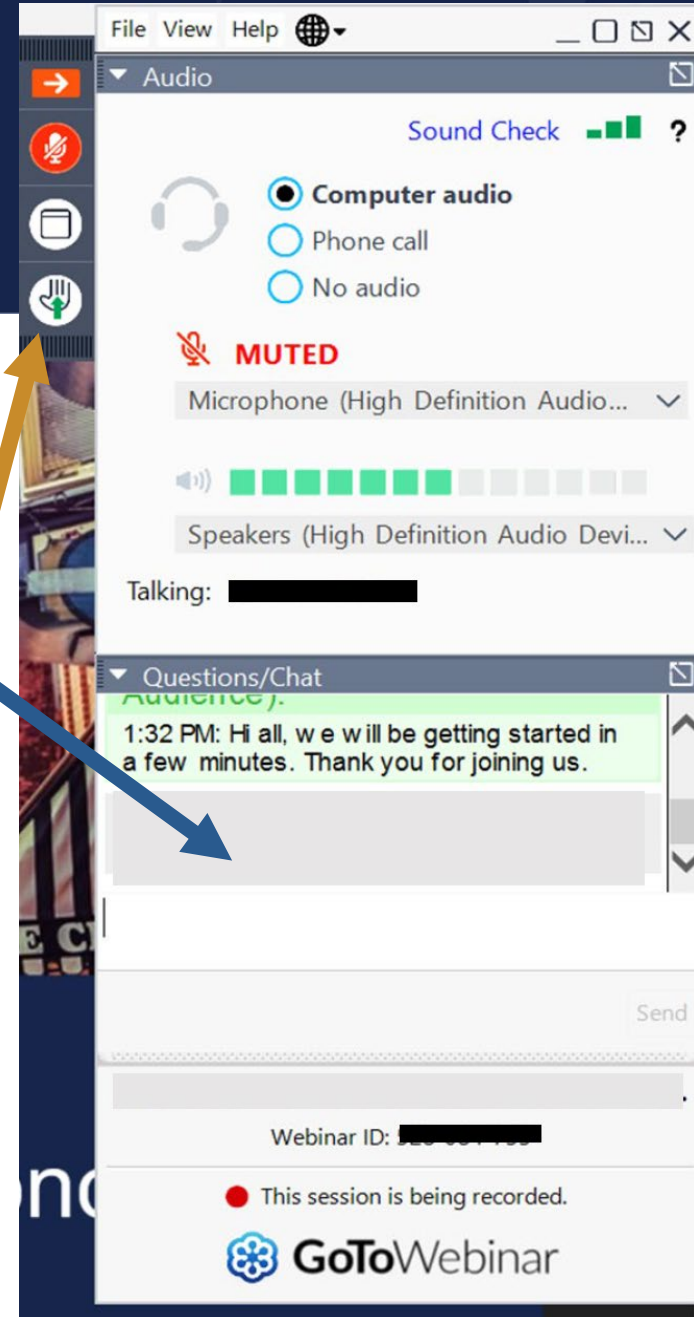
Important: Transfer (simple or standard) is not a viable solution for a failing property.

Proposed Pilot Program Next Steps

- Agency is in the process of drafting the pilot program requirements.
- Stakeholders are encouraged to provide feedback on the proposed program during this call or via email to stephanie.vergin@usda.gov
- Pilot program requirements and effective date will be announced in the Federal Register and in a notice via GovDelivery.
- Upon announcement, owners may contact their servicing specialist to discuss options. To find contact information for servicing specialists: Go to website below and click on file under Multi-Family Housing 514 & 515 Property Assignments and Find Columns “Assigned To” and “Assigned To Email”
- [USDA Service Center Agencies Online Services](#)

Q&A

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Questions?

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