

**SMAC Board/Southeast Region HUD Update
Via Microsoft Teams**

Attendees: SE HUD Region Staff – Mark Dominick, Barbara Williams, Ed Wallace.

SMAC Board - Jennifer Massey, Roy Williams, Angela Folkers, Mark Eidson, Chip Moore, Carolyn Whatley, and Executive Director Abby Drummond.

SE Region General Updates/Takeaways from the SMAC conference

- Return of HUD approved management agent certifications - if the Management Agent has been approved by HUD on Form 9839 by the time commitment is ready to be issued, then the HUD underwriter should include the form as an exhibit to the firm commitment. If not, the commitment should include a special condition for management agent approval prior to closing and the form should be circulated to all parties.
- The first lender has now been approved for R4R delegation.
- Wind/Insurance waivers –Willie and the HQ team are looking in to policy changes/updates at a HUD headquarter level. Individual waiver requests are being managed by the region. For now, continue to submit HUD-2 waiver requests to the region. Keep the requests reasonable relative to the current requirements. They will not entertain excessive requests. They will also be looking to see if the request is supported by what the market will permit, not what the client is willing to do. Internally at HUD there are different lines of thinking related to the deductible discussion. Some believe the difference in the deductible should go to the R4R account. Some are looking at developer specific risks. Someone with significant experience with HUD with strong financial standing is a lower risk than those clients that have limited financial strength and only 1 or 2 properties.
- Earlier release of 6-month escrow – to consider they need to see proof of monthly accounting reports. If the financial statement is past due, they will not release it until it is submitted. If the client owes HUD something the answer will be no, but if they see they are doing better than projected and the MARS proves that they will consider early release.
- Changes to release of surplus cash per ML - not all are being approved. Mark Dominick will review these requests. He is looking at these requests based on guidance. If they are comfortable with the property and owner, they will approve. He has the authority to allow this, but they are looking at it from a risk approach.
- Organizational Chart/Staffing charts – these were previously posted online, but structured based on office locations. Now they have employees reporting to supervisors in different locations. New chart is pending but will now detail both location and supervisor.
 - They now have four closing coordinators in the region. Lost one but picked up Charlene in Atlanta and Shawntavia in Jacksonville. This should help to improve challenges on the closing side.
 - They have promoted Kendall Allen in Jacksonville to replace Jonathan Moseley’s position as the new Branch Chief.
- Single Underwriter Model – as they are clearing the queue and given the recent increase in rates, they expect to have more time to focus on training staff resulting in improvement in the HUD Underwriter single model for 223f transactions. The volume in the region is still over 50% new construction/sub rehab and generally involves technical staff for some processes. They are looking to broaden to scope for senior underwriters.

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- Focused on getting back to normal timeframes for DAS turnarounds and improving communication. They will be sharing best practices with their staff this week to improve communication between HUD and lenders on a regular basis.
- Queue* – they have six projects left for assignment so the queue should be gone within a couple of weeks. Most deals left are (d)(4)s so those more experienced underwriters are still busy. Even their newer underwriters are now taking on (d)(4)s. They are getting back to more typical response times for concept responses, etc. SE Region has 64% (d)(4)s, which is more than any other part of the country.
**The queue is now cleared. This meeting was held prior to elimination of the queue.*
- Telecommuting – They are remote working, but do have in-office days. Mostly working from home. Staff can telecommute up to 8 days per pay period. It was confirmed that they have office coverage every day despite staff teleworking up to 8 days per PP. This includes having a Director and Branch Chief in the office daily for Atlanta. They have a Branch Chief in every day and a Director 3 times per week in Jacksonville.
- Closing - There will be some HUD staff in the office over the holidays. They are still getting requests to close by the end of the year. They are getting requests to review closing documents early, they are not entertaining this, except for requests to review a specific item that is tricky/complicated. They will not schedule closing until all documents are ready for review.

Concept Meetings

- For a concept meeting to be “received” by the Southeast Region, it must be submitted to Southeast.Production@HUD.Gov.
- Discussed acknowledgment of receipt of concept packages. Members reported situations where a week goes by and after the lender has reached out to HUD, only then do they get confirmation. It appears to be creating a lag. The Board requested an autoreply that will confirm receipt. Members noted that the actual meeting date is being scheduled within normal timeframes. It is only on the front-end in getting that confirmation and date secured. It was discussed and acknowledged that not all lenders are submitting concept requests to the above email address. When packages are sent directly to staff instead, it may cause delays in assignment and disrupt workflow. There have been instances where lenders have sent concept requests to staff who no longer work in Housing or in the region.
- All Branch Chiefs now have clerical support that they didn’t have previously. They can help manage these boxes and getting concept meetings scheduled. They should be able to coordinate this request to create an autoreply. The expectation is that lenders should receive a response within a couple of days to schedule the meeting date. Lenders should reach out to a branch chief if they have submitted a concept meeting request to the Southeast mailbox and have not received communications from staff.
- Content of Concept Packages – some HUD staff are requesting information beyond what is required in the MAP Guide. Ex. Requests for more specific environmental information, market studies, etc.
 - HUD noted they get everything from a basic two pager to a 200-page concept package. HUD staff should not be asking for reports. They should be sticking to the items in the MAP Guide and if someone asks for something beyond what is required per the Guide, please let the branch chiefs know.
 - The issue is some lenders aren’t even providing a basic site plan, but others are including entire reports. It creates confusion at HUD. They will not review full reports. The concept is not intended to perform a review so extensive third-party reports should not be included (excerpts

are fine). Concept meetings are not decisional, they provide guidance via recommendations. Some staff like getting the extra documentation and some will never read it. Getting a site plan is critical because of HEROS, but stick to the MAP Guide requirements.

- They invite EEOs to participate at concept if the property is over 200 units for D4's and if there are environmental concerns for 223f's or smaller D4's. They also invite asset management to all concept meetings.
- After the concept meeting, the HUD staff provide their comments to the coordinator. If necessary, they will meet internally to discuss any concerns. They hold additional calls if necessary (this is rare) or circulate an email and provide that feedback to the lender. Typically, they get feedback from the entire team. It isn't up to one person to decide if the application should be brought in, rather that they get feedback from each discipline. Most concept meetings in both Atlanta and Jacksonville are encouraged to proceed. They see very few where they decline. However, they may be going back for more information.

Application Intake

- Board reported that many regions have an autoreply set up on the regional mailbox that confirms receipt of application submission and noted this could be a helpful practice in the SE.
- The intake process is different than the concept meeting. Members wanted confirmation as to what they should expect from HUD after submitting via Catalyst.
- HUD has delegated people that have access to the SE mailboxes. If it is concept it should say concept in subject line and those assigned staff pull those. If it is an application, different assigned staff pull those and screen them.
- Once screened they are assigned (previously placed in queue), and Carol Ward sends an email to the lender with the assignment and team introduction. This is when the HUD underwriter should reach out and schedule a kick-off call. HUD wants it to be efficient. They want kick-off call scheduled within a week of receipt of the application. May not always be this fast, but if it is something egregious, please reach out to HUD. Both lenders and HUD have the same objective to be efficient. Please direct any issues to the Branch Chief.

Open communication of Problematic Markets

- HUD no longer goes to EMAD on concept meetings because they are so swamped. Lenders can go to EMAD and pull current market information. HUD is relying on their appraisers and information in the concept meeting.
- HUD reported that they are having a hard time in Nashville/Knoxville area. They have over 12,000 units in the market. They can't and won't say a market is closed as there is a possibility that a deal could work, but there is a high concentration of units in those areas.

Davis Bacon Wage Rates

- Discussed considering this topic for future meetings as some issues have started to surface.
- Roxanne Volkmann, was the Acting Director for the Office of Davis-Bacon and Labor in SE Region. She is returning to her region. She was extremely helpful to HUD and lenders. They have a new person stepping into the role permanently – Angel Aguero. Transition could be causing some delays.

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- They are having issues getting final labor clearances for final closings. They haven't missed a closing, but sometimes there is a lag/delay.
- On front-end, HUD hasn't seen any delays in getting approval on wage rates. Lenders have experienced some delays, specifically this past summer.
- Closing Coordinator goes directly to labor to request final clearance when they receive the closing package. It goes to the general contractor, direct from labor.
- Members noted they are getting split wage decisions again or being asked to submit the 2328-LI – HUD is not aware of this happening and didn't have any feedback at this time.

2023 1Q Virtual meeting

- SMAC plans to host a one-day virtual meeting in late January/early February.
- Jennifer to submit proposed dates to HUD – determine what will be virtual vs. in-person. HUD will encourage in-person HUD staff attendance. Wednesdays are best for the Jacksonville & Atlanta offices. Asked to avoid 2/15.
- Discussed potentially including individual UW training sessions. The following potential meeting/MAP tune-up style sessions are being considered:
 - eTool – causing delays in application processing. Of note SW Region requested this as the priority training.
 - Issues with getting clearance from labor for closing – transition of staff previously noted likely contributing. Still never missed a closing.
 - Closing coordinator is responsible for seeking and communicating labor clearance
 - Split wage decisions
 - 241a in conjunction with asset management – new tax credits, TPA, sale, repair – wave of the future.
 - 3-year project.
 - Revisit fundamentals of LIHTC/Affordable
 - Deadlines for 4% bond closing dates are firm
 - Mark Dominick – will talk with staff and gather some topics

The following mailboxes are maintained by the Southeast Region Production Division. Please include project Name, FHA Number and “Concept”, “Application” or other descriptive note in the subject line.

Southeast.Production@HUD.Gov : FHA number requests, Concept Meeting submissions, Application Submissions.

Southeast.Closing@HUD.Gov : Draft Closing Documents for assignment of Closing Coordinator and HUD Counsel

Southeast.Escrows@HUD.Gov : Requests for release of Repair Escrow, Working Capital, Change Order Escrow and all other escrow releases with the exception of Operating Deficit Escrows which should be directed to Asset Management at either: Atl.Incoming@HUD.Gov or Jax.Incoming@HUD.gov