

Portland MFH Program Center Internal Determinative Criteria Review

** This Checklist is to be used to document ownership transfer of any **Non FHA** Insured Mortgage with a Project Based Section 8 Housing Assistance Payments Contract.

Ownership							
Step		Activity	Key Point	Source Document		Comments	
A-1	Check	Does the purchaser have experience with Section 8 housing?	1) Purchaser should have adequate experience with Section 8 housing. 2) Purchaser should have knowledge of HUD rules and regulations.	Purchaser's narrative. (1-1)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Require purchaser to hire an experienced management agent that is acceptable to HUD. Go to step B-1.	Purchaser may submit a plan on how they will successfully manage the property. If acceptable by HUD, this criterion may be waived.
A-2	Check	Does the purchaser have available funds at their disposal in the event that the property needs emergency funding?	Purchaser should have the net worth to ensure they can handle an emergency.	Purchaser's Financial Statements (1-6)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Have purchaser provide a detailed proposal on how they will handle an emergency situation. If unable, deny the proposal.	
A-3	Check	Will the property be owned by a single asset entity?	A single asset entity is a HUD requirement for properties with FHA loans. HUD strongly recommends this for all properties.	Organizational Chart (2-1)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No If applicable, verify that OHCS has waived their Single Asset Entity requirement.	
A-4	Check	Was the purchaser free of 2530 flags?	Purchaser must not have any flags in the APPS system.	HUD 2530 (2-2)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Consult with PM or office that placed the flag and determine if flags can be removed.	

Management Agent							
Step		Activity	Key Point	Source Document		Comments	
B-1	Check	Does the proposed management agent have Section 8 experience?	1) Agent should have a minimum of 2 years experience with Section 8. 2) Agent should not have any outstanding performance issues.	Purchaser's narrative. (Exhibit 1-1)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Require purchaser to hire an experienced management agent that is acceptable to HUD. Go to step B-1.	Purchaser may submit a plan on how they will successfully manage the property. If acceptable by HUD, this criterion may be waived.

Portland MFH Program Center Internal Determinative Criteria Review

Management Agent - Continued						
Step		Activity	Key Point	Source Document		Comments
B-2	Check	Is the management agent free of 2530 flags?	Purchaser must not have any flags in the APPS system.	HUD 2530 (Exhibit 2-2)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Consult with PM or office that placed the flag and determine if flags can be removed.
B-3	Verify	Does HUD approve the management fee?	HUD approves the management fee EXCEPT for the following properties: <ol style="list-style-type: none"> 1) Profit Motivated with AAF Rents 2) HUD Preservation projects with OCAF Rents (Profit Motivated) 3) HFA (883) Section 8 contract with the OHCS mortgage still in place 	<ul style="list-style-type: none"> • Regulatory Agreement; • HAP; or • Use Agreement 	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Skip to Section C.
B-4	Do	Was a HUD-9832, Management Entity Profile submitted?	HUD-9832 must be completed to be considered as an agent.	HUD-9832 (Exhibit 3-1)	<input type="checkbox"/> Yes Review document. If acceptable ~ Continue.	<input type="checkbox"/> No Obtain a completed HUD-9832
B-5	Do	Was a HUD-9839-(A,B or C) submitted?	HUD-9839 must be completed to be considered as an agent.	HUD-9839 (Exhibit 3-1)	<input type="checkbox"/> Yes Review document. If acceptable ~ Continue.	<input type="checkbox"/> No Obtain a completed HUD-9839

Portland MFH Program Center Internal Determinative Criteria Review

Transaction						
Step		Activity	Key Point	Source Document		Comments
C-1	Do	Is the property subject to a Financial Adjustment Factor?	<ol style="list-style-type: none"> 1) FAF properties require HQ permission to prepay the mortgage. 2) Field office must recommend approval of DC package through the Hub. 3) DC criteria package must be submitted to HQ by Hub. 	Exhibit 1-2	<input type="checkbox"/> Yes Prepare memo from Hub to HQ with our recommendation (must include copy of appraisal).	<input type="checkbox"/> No Skip to C-2.
C-2	Verify	Does the Sources and Uses Statement verify that only HUD approved costs are in the mortgage?	The following are not allowed as project expenses: <ol style="list-style-type: none"> 1) Developer's Fees 2) Tax Credit Fees 3) Prepayment Penalty Fees 4) FAF payments 5) Asset Management Oversight Fee 	Purchaser's Narrative (Exhibit 1-1) Sources and Uses (Exhibit 1-4)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No The Sources and Uses must be returned to the purchaser for revisions.
C-3	Verify	What is the monthly rent potential at time of closing?	Confirms income	<ul style="list-style-type: none"> • Contract Amendment • iREMS 		OBR- 1BR- 2 BR- 3 BR- 4 BR- Monthly Rent Potential:
C-4	Verify	Are the proposed expenses comparable to the actual expenses of the project?	The operating budget should reflect an accurate assessment of the expenses of the property.	<ul style="list-style-type: none"> • Pro forma operating budget (Exhibit 1-7) • Interim Unaudited Financial Statements (Exhibit 1-8) • OPIIS 	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Obtain additional documentation from purchaser to justify higher or lower expenses.

Portland MFH Program Center Internal Determinative Criteria Review

Transaction – Continued						
Step		Activity	Key Point	Source Document		Comments
C-5	Verify	Is the purchaser requesting HUD to recognize additional debt service as a line item in future budgets?	Additional debt service can be considered if the following have been based on As-Is market rents: 1) Sale Price 2) Mortgage	<ul style="list-style-type: none"> Purchaser's Narrative (Exhibit 1-1) Sources and Uses (Exhibit 1-4) Appraisal (Exhibit 1-3) Pro forma operating budget (1-7) 	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Do not approve additional debt service; original debt service will be recognized. Skip to C-8
C-6	Verify	Is the appraisal less than 6 months old?	This will provide HUD with the most current data regarding the market.	Appraisal (Exhibit 1-3)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Request that purchaser submit an update to the appraisal.
C-7	Verify	Is the Appraisal based on As-Is market rents?	HUD Appraiser will review.	Appraisal (Exhibit 1-3)	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Obtain justification why appraisal was not submitted based on As-is Market rents; if acceptable continue.
C-8	Verify	Would the property cash flow if the rents were reduced to As-Is Market Rents? (If appraisal is not submitted, use FMRs)	This check point will provide HUD with assurance that the property will continue to cash flow if the rents are reduced to market.	<ul style="list-style-type: none"> Appraisal (Exhibit 1-3) iREMS 	<input type="checkbox"/> Yes Continue to C-10	<input type="checkbox"/> No Continue to C-9
C-9	Verify	Would the property cash flow if rents were reduced based on an expense analysis?	This check point will provide HUD with assurance that the property will continue to cash flow if rents were to be set based on project's expenses.	Pro forma operating budget (1-7)	<input type="checkbox"/> Yes Continue to C-10	<input type="checkbox"/> No The DC package will be denied.
C-10	Verify	Did the purchaser include a current assessment of the physical needs of the property and how any physical issues will be addressed?	1) If being rehabbed, a detailed description of the work to be completed. 2) If rehab will not occur, the purchaser should provide a narrative of the properties needs after conducting a 100% property inspection.	Exhibits 1-8 or 1-9	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Require plan to be submitted.

Portland MFH Program Center Internal Determinative Criteria Review

Transaction – Continued							
Step		Activity	Key Point	Source Document			Comments
C-10	Verify	Is the purchaser requesting monthly reserve for replacement deposits to be considered as a line item on future budgets?	<ol style="list-style-type: none"> 1) Reserve for Replacement accounts must be in control of a third party. 2) Who (HUD/OHCS) will approve withdraws? 	Exhibit 1-10	<input type="checkbox"/> Yes Verify procedures required by third party.	<input type="checkbox"/> Yes Continue	

Contract							
Step		Activity	Key Point	Source Document			Comments
D-1	Verify	Did OHCS approve prepayment of their loan?	OHCS must approve early prepayment of the HFA loan.	Exhibit 4-2	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No Consult with OHCS.	
D-2	Do	Is the purchaser requesting a contract (or comfort letter) that exceeds 5 years?	Hub Director must approve any contract that has a term greater than five years.	Exhibit 4-6	<input type="checkbox"/> Yes Prepare memo to Hub Director.	<input type="checkbox"/> No skip to step D-3	Hub Director will only provide comfort letter if contract is expiring within 6 months.
D-3	Verify	Is this an Old Reg property?	<ol style="list-style-type: none"> 1) The contract usually expires when the mortgage matures. 2) If contract was in initial term, the property will enter MAHRA. 	<ul style="list-style-type: none"> • HAP Contract (Exhibit 4-3) • Expiration date of contract. (Exhibit 4-4) 	<input type="checkbox"/> Yes Continue to step D-6	<input type="checkbox"/> No Skip to D-4	On a case-by-case basis HUD HQ may allow the contract to continue until the original expiration date.
D-4	Verify	Is this a New Reg property?	1) Contract is not tied to the mortgage term.	<ul style="list-style-type: none"> • HAP Contract (Exhibit 4-3) • Expiration date of contract. (Exhibit 4-4) 	<input type="checkbox"/> Yes Continue	<input type="checkbox"/> No	
D-5	Verify	Did OHCS receive and process the contract renewal package?	<ol style="list-style-type: none"> 1) OHCS processes the contract renewal. 2) HUD will review only if rent adjustments are greater than 4.9%. 	Effective date of new contract. (Exhibit 4-5)	<input type="checkbox"/> Yes	<input type="checkbox"/> No Require renewal package to be submitted to OHCS.	