

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



HUD Multifamily Southwest Region

**Southwest Mortgage Advisory
Council (SWAC) Conference
May 9-11, 2018**



Southwest Region MF Priorities

➤ Multifamily Leadership Meeting

➤ Manage Business Needs

- Each Region has specific business needs
- SW Region –
 - High volume of New Construction
 - Large, diverse geographic region
- Streamline procedures within SW Region with a focus on risk
 - ✓ Revise Concept Meetings
 - ✓ Increased focus on Construction Monitoring
 - ✓ Construction Problem Resolution Team (CPR)

Southwest Region MF Priorities

➤ MF Leadership Meeting

➤ Manage Staffing Needs

- Production staff has declined 10% from FY2016 to FY2018, while applications and complexities have increased
- Focus is on acquiring more technical staff due to large volume of new construction
- 145 Projects valued over \$3.68 Billion

Southwest Region MF Priorities

➤ MF Leadership Meeting

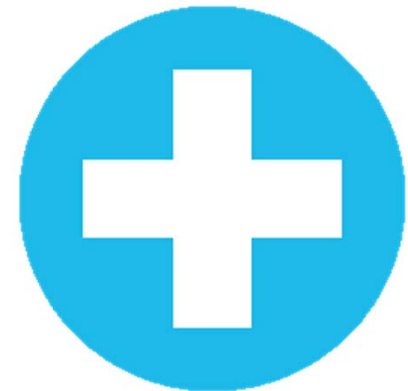
➤ Manage Risk

- Data Integrity with outdated systems
- Dedicate staff to monitor internal and external production risks and develop reporting tools
- Construction Problem Resolution (CPR) Team
- Lender Performance Metrics
- Identify program/policy areas of concern and advise leadership

Construction Problem Resolution (CPR) Team

What is the CPR Team?

- Focused Effort to Address...
- Driving Down Existing Construction Delays
- Preventing Future Delays
- Resolving Issues that are Hindering Completion
 - Team Members:
 - Brandi Satre, Program Assistant, Fort Worth
 - Daryl Coble, Senior Construction Analyst, Fort Worth
 - Lisa Farmer, Underwriting Branch Chief, Fort Worth



How does the Team Operate?



- **Referral** – Construction Delays, Obstacles, Impasses
- **Investigate** – Root Causes
- **Process** – Evaluate, On-Site Meeting, Workout Strategy
- **Outcome** – Resolution, Monitoring, Further Action by HUD

Construction Delays, Obstacles, Impasses

- Weather Delays
- Failure to Submit Change Orders Timely
- Owner vs General Contractor Disputes
- Liens for Non-Payment
- Architect Deficiencies



What's Accomplished?

- Efficient Resolution - Lenders, Other Stakeholders
- Strengthen Lender Role - Construction Monitoring
- Monitor - High Risk Activity
- Identify and Address Patterns, Critical Issues – Take Action



Southwest Region MF Priorities

➤ **Manage Risk - Lender Performance Metrics**

- In FY17, the Southwest Region began analyzing lender applications as a pilot program
- In March 2018, the Southwest Region presented to Multifamily Leadership the lender metrics pilot findings and recommendations
- Lender Metrics has been distributed to all regions and HQ for implementation.

Southwest Region MF Priorities

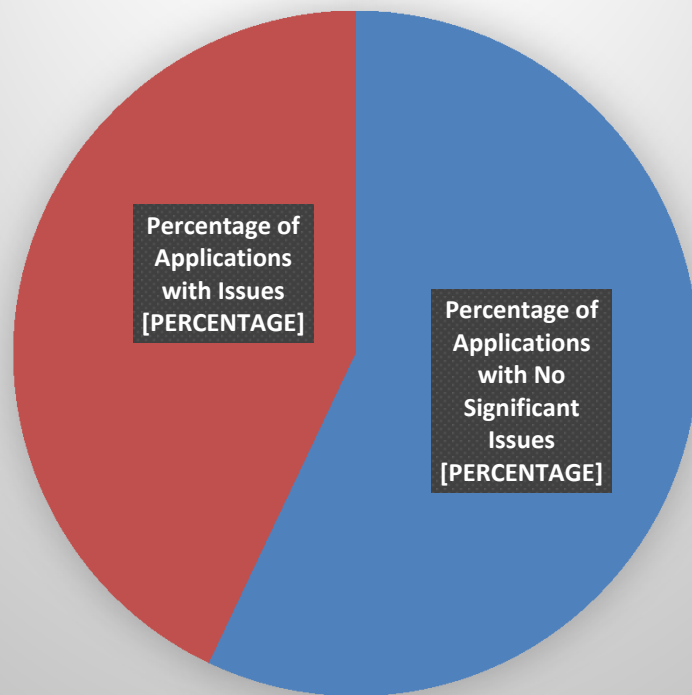
- **Manage Risk - Lender Performance Metrics cont.**
- **The Six Metrics:**
 - **Mathematical Calculations to Support Underwriting**
 - **Quality Control of Package**
 - **Responsiveness**
 - **Due Diligence**
 - **Programmatic and Legal Issues**
 - **Third Party Technical Reports & Lender Assessment**

Lender Performance Metrics

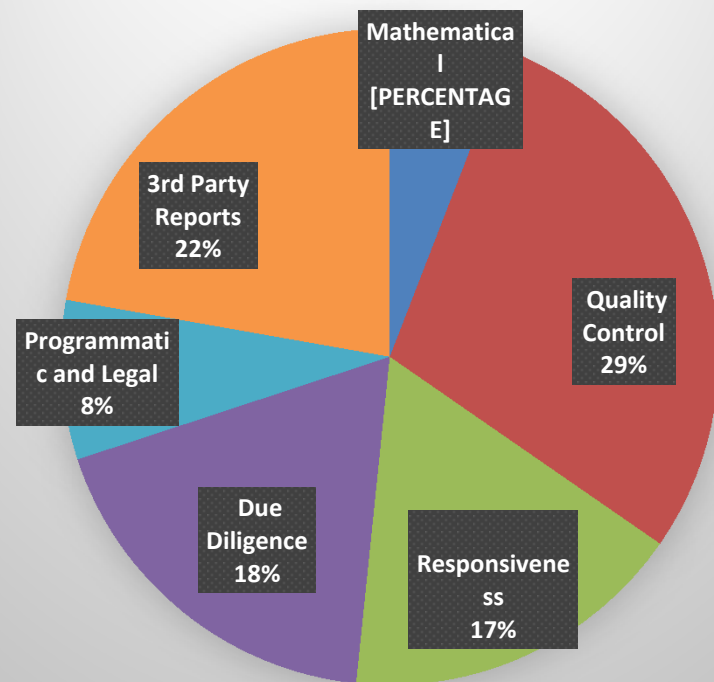
FY 18 YTD

*Data based on 163 applications reviewed

FY 2018 Total Apps



FY18 Breakdown of Issues



Southwest Region MF Priorities

➤ Working Together

- Regular industry meetings with SW Leadership to share best practices and identify challenges
- Use of Lender Metrics to identify areas for training both industry and staff – We are partners!
- Strengthen partnerships through trainings and dialogues

Concept Meetings

➤ **We are busy!**

- FY18 Q1 & Q2 – 133 concept meetings
 - 121 encouraged (91%)
- FY2017 – 233 Concept Meetings held

Concept Meetings

➤ What's New

- Lenders have the option to waive a concept meeting
- Submit concept packages to Lisa Campfield with request to:
 - Waive the formal meeting
 - Hold concept meeting by conference call
 - Hold in-person concept meeting
- Concepts will not be discouraged without a meeting
- The SW Region requires two hard copies and an electronic copy of your concept package, electronic copies can be emailed or mailed with your hard copies.

Concept Meetings

Fort Worth:

- Tuesday, Wednesday, and Thursday at 11:00 a.m. and 1:00 p.m. (CT).
Affordable concept meetings are held Tuesdays in Fort Worth.

Kansas City:

- Wednesdays and Thursdays at 11:00 a.m. and 1:00 p.m. (CT).

Contact Lisa Campfield at 817-978-5654 or lisa.k.campfield@hud.gov to schedule a concept meeting.



Concept Packages & Application Intake

- The SW Region can no longer receive hand-delivered packages on 27th floor
- To hand deliver your application or concept package, go to the 28th floor and have them contact the mail room for the mail clerk to receive your package.
- Mail Room Hours: 8:00 AM to 12:00 PM and 12:30 PM to 4:30 PM, Monday – Friday
- Packages cannot be received in-person after 4:30 PM
- Concept packages and applications should be submitted to the Fort Worth Regional Office, attention: Lisa Campfield
- Applications should be submitted electronically on flash drives

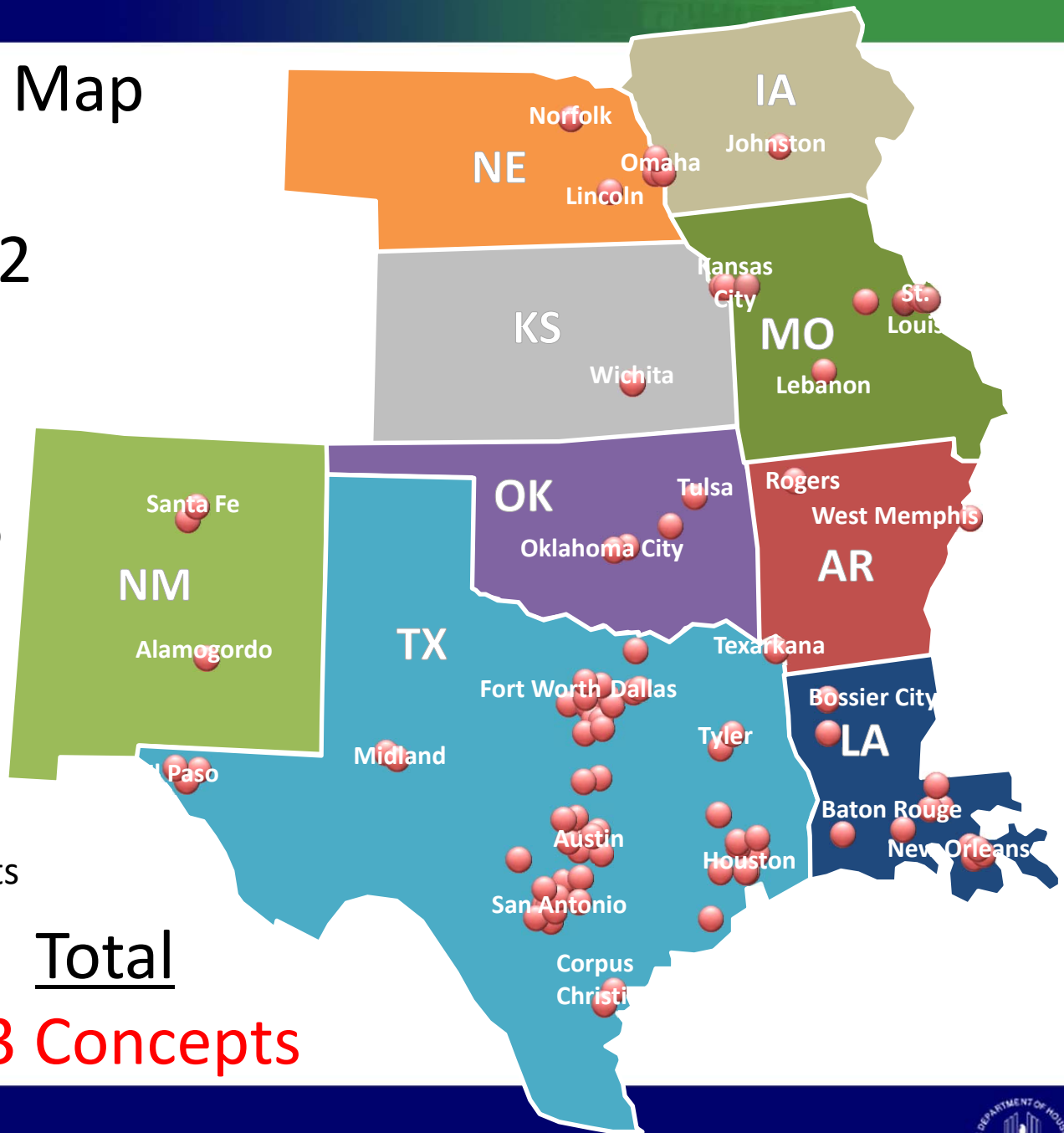
Concept Meeting Map

FY 2018

Quarters 1 & 2

- ❖ **Arkansas** 2 Concepts
- ❖ **Iowa** 1 Concept
- ❖ **Kansas** 1 Concept
- ❖ **Louisiana** 10 Concepts
- ❖ **Missouri** 9 Concepts
- ❖ **Nebraska** 7 Concept
- ❖ **New Mexico** 3 Concepts
- ❖ **Oklahoma** 4 Concepts
- ❖ **Texas** 95 Concepts

Total
133 Concepts



U.S. Multifamily Pipeline Snapshot

April 26, 2018

| Region | Deals with HUD | Deals with Lender (Firms Invited, Firm Commitments Issued) | Active Deals | FHA Number Requested - Application Pending |
|-------------------|----------------|---|--------------|--|
| Southwest | 71 | 81 | 152 | 136 |
| Midwest | 33 | 55 | 88 | 65 |
| Northeast | 35 | 51 | 86 | 73 |
| Southeast | 54 | 84 | 138 | 110 |
| West | 28 | 50 | 78 | 83 |
| Nationally | 221 | 321 | 542 | 467 |

Southwest Region Production Snapshot

Firm Commitments

| SOA | Current Pipeline | FY 2018 Q1 & Q2 | FY 2017 | FY 2016 |
|--------------|------------------|-----------------|------------|------------|
| NC/SR | 47 | 40 | 70 | 73 |
| 223(f) | 24 | 42 | 133 | 89 |
| 223(a)(7) | 0 | 6 | 28 | 34 |
| Total | 71 | 88 | 231 | 196 |

Southwest Region Production Snapshot

Firm Commitments Issued

| SOA | Current Pipeline | FY 2018 Q1 & Q2 | FY 2017 | FY 2016 |
|--------------|-------------------------|-------------------------|------------------------|------------------------|
| NC/SR | \$ 1,261,026,615 | \$ 1,085,205,300 | \$1,588,368,600 | \$1,440,059,800 |
| 223(f) | \$ 216,419,300 | \$ 583,200,100 | \$1,338,700,200 | \$846,336,412 |
| 223(a)(7) | \$ - | \$ 54,058,400 | \$ 350,005,200 | \$418,260,900 |
| Total | \$ 1,477,445,915 | \$ 1,722,463,800 | \$3,277,074,000 | \$2,704,657,112 |

U.S. Multifamily Firm Commitments/Final Rejections FY18 Quarters 1 & 2

| SOA | Midwest | Northeast | Southeast | Southwest | West | Grand Total |
|--------------------|------------|-----------|------------|------------|-----------|-------------|
| 223a7 | 9 | 11 | 10 | 6 | 9 | 45 |
| 223f | 65 | 63 | 69 | 50 | 46 | 292 |
| NC/SR | 33 | 15 | 30 | 42 | 16 | 133 |
| Grand Total | 107 | 89 | 109 | 98* | 71 | 470 |

*Due to Hurricane Harvey, the Southwest Region workload shared 17 projects to the Midwest.

SW Region Processing Data FY 2018

Quarters 1 & 2

NC/SR – 60 Days

Firms: 40

\$1,085,205,300

in FHA Loans

9,152 Total Units

Rejects Issued: 2

53 Days
51 Days in FY17

223(f) – 45 Days

Firms: 42

\$583,200,100

in FHA Loans

7,422 Total Units

Rejects Issued: 8

32 Days
36 Days in FY17

223(a)(7) – 30 Days

Firms: 6

\$54,058,400

in FHA Loans

921 Total Units

Rejects Issued: 0

17 Days
19 Days in FY17

SW Region Processing Data FY 2018

Quarters 1 & 2

➤ What about the pre-rejects?

- Number of Applications that enter preliminary reject status:
 - **64** applications entered preliminary reject (60% of total applications)
 - 221 (d) NC/SR: **26** applications (60%) of NC/SR applications
 - Average days in preliminary reject: **54**
 - Major Cause - **Environmental**
 - 223 (f) Refi: **38** applications (60%)
 - Average days in preliminary reject: **42**
 - Major Cause – **Third Party reports – PCNA/e-tool**

SW Region Closing Coordination

➤ What makes a good closing?

- Regular communication with assigned closing coordinator
- Complete closing package
- Amendments that do not need review by the underwriter
- Experienced development team
- Single surety – no dual sureties
- Plans and specs received at least 30 days prior to closing – no exceptions.

➤ What can delay a closing?

- Management agent, contractor change
- Amendments that require underwriter review
- Surprises!

➤ A successful closing is?

Southwest Region Closings

| SOA | Closed FY 2018 YTD | Closed FY 2017 | Closed FY 2016 |
|--------------|--------------------------|-------------------|-------------------|
| NC/SR | 90 | 117 | 117 |
| 223(f) | 50 | 120 | 81 |
| 223(a)(7) | 4 | 30 | 31 |
| Total | 134 | 267 | 229 |

Southwest Region Closings \$

| SOA | Closed FY 2018 YTD | Closed FY 2017 | Closed FY 2016 |
|--------------|--------------------------|-------------------------|-------------------------|
| NC/SR | \$ 1,850,954,529 | \$ 2,203,271,154 | \$ 1,922,046,900 |
| 223(f) | \$ 552,900,300 | \$ 1,259,278,000 | \$ 805,842,612 |
| 223(a)(7) | \$ 34,852,400 | \$ 374,257,700 | \$ 391,873,000 |
| Total | \$ 2,438,707,229 | \$ 3,836,806,854 | \$ 3,119,762,512 |

SW Region - Closings by MIP Rate

| FY2018 YTD | | | |
|------------------------------|-----------------|--------------------|-------------------------|
| MIP Category | Number of Units | Number of Closings | Total Dollars |
| Affordable/LIHTC | 2,291 | 14 | \$ 113,688,500 |
| Broadly Affordable | 8,505 | 51 | \$ 655,944,429 |
| Green Market | 7,358 | 31 | \$ 1,013,827,700 |
| Green Affordable | 432 | 2 | \$ 33,665,000 |
| Total Reduced MIP | 18,586 | 98 | \$ 1,817,125,629 |
| Market | 5,331 | 28 | \$ 507,553,500 |
| Pre-April 2016 Affordable | 1,304 | 8 | \$ 114,028,100 |
| Total Traditional MIP | 6,835 | 36 | \$ 621,581,600 |
| Total of all MIP | 25,421 | 134 | \$ 2,438,707,229 |

SW Region Construction Monitoring

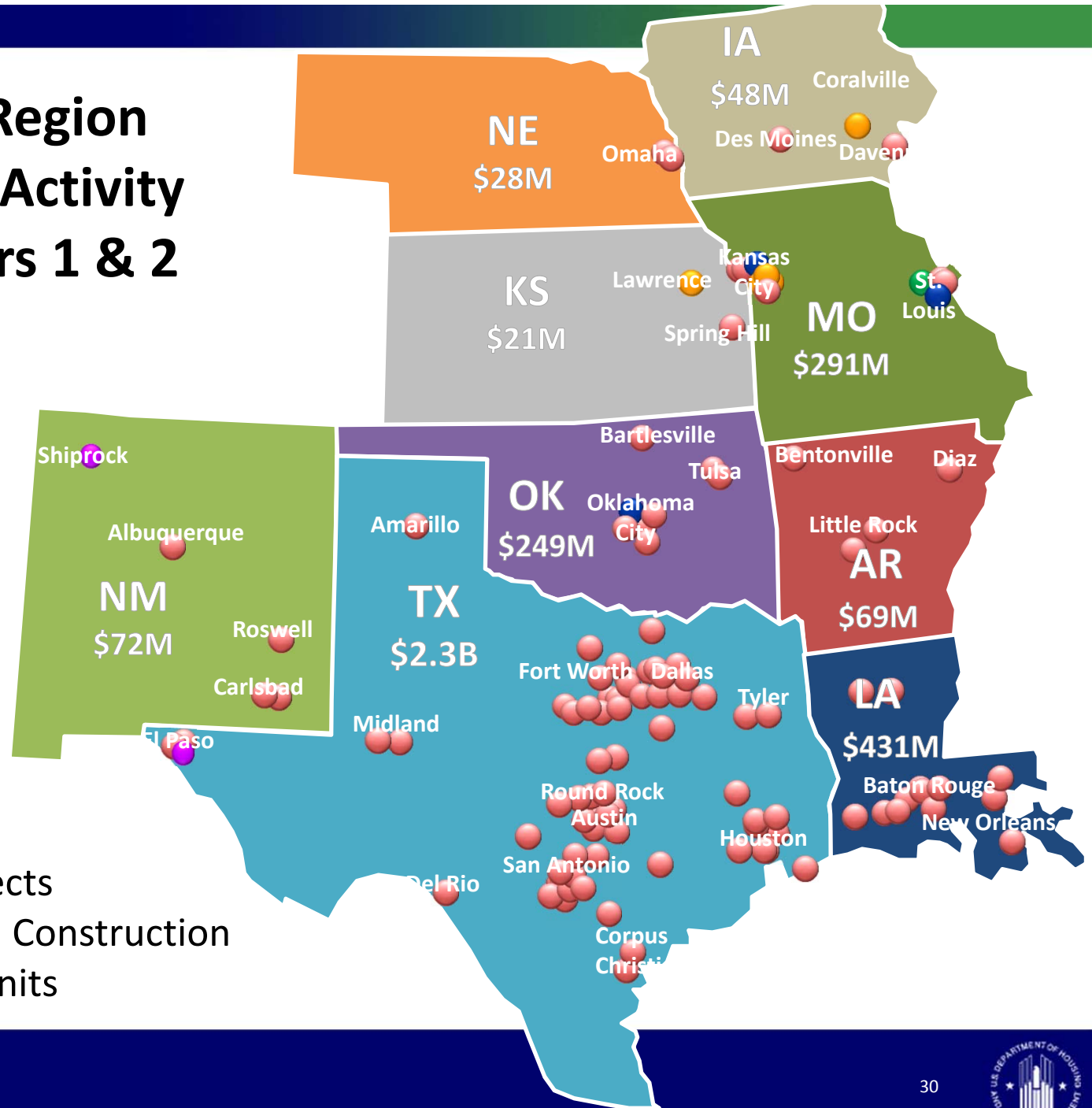
- Leadership decision to establish a team to monitor construction due to high volume of new construction
 - Split tech group into production and servicing divisions
 - Servicing:
 - Monitors construction with focus on projects over 5% behind schedule
 - Expect team to reach out to you for root cause(s)
 - Your knowledge is critical at this point!
 - Referral to CPR Team
- What is new?
 - HUD trip reports will be sent automatically
 - Provide contact information at pre-construction

Southwest Region Construction Activity FY 18 Quarters 1 & 2

- **221d4 NC/SR**
134 Projects
\$3.37B
27,270 units
- **213 Coop**
5 Projects
\$48.8 M
267 units
- **220 NC/SR**
3 Projects
\$218.8 M
977 units
- **223f Refi**
2 Projects
\$27.3 M
576 Units
- **241a**
1 Project
\$17.8 M
229 units

Totals

145 Projects
\$3.68B in Construction
29,319 Units





Questions or Comments?