

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



Transient Housing and Lender Responsibility

Southwest Mortgagee Advisory Council

May 10, 2018

TRANSIENT HOUSING

- 12 USC § 1731b
 - (a) Intent of Congress – Housing built with aid of mortgage insurance “used principally for residential use”
 - (c) Certification – “...mortgagor certifies under oath that while such insurance remains outstanding he will not rent, or **permit the rental of ...**”
 - (d) “Secretary is authorized and directed to enforce the provisions of this section by all appropriate means at his disposal”
 - (e) Definitions – Secretary shall define “transient or hotel purposes” but will include any rental for a period of less than 30 days; includes all MF Housing
 - (g) Prosecution – “Secretary **shall forward** case to DOJ for prosecution if actions do no stop for civil or **criminal prosecution**”

LENDER RESPONSIBILITY

- FHA Insurance can not remain on property failing to abide § 1731b
- Default possibility or Sale
- What did the Lender know or should have known
- 2530 flag or other administrative sanctions, penalties for parties
- Changes to MF FHA policies



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Southwest Region Multifamily Closing Coordination

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Multifamily Southwest Region Closing Coordination Overview

- Multifamily organizational structure has Closing Coordinators to facilitate closings.
- The Closing Coordinator takes the loan from Firm Commitment to closing
- Once Firm Commitment is issued, “Hello Email” sent to Lender introducing the Closing Coordinator and OGC attorney closing the loan

Who Are Your Southwest Region Closing Coordinators?

Lisa Richardson

SW Closing Coordinator

- alma.l.richardson@hud.gov
- 817-978-5793

Leslie Winston

SW Closing Coordinator

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Joseph Grimmett

SW Closing Coordinator

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Closing Coordinator Roles/Responsibilities

- Serve as liaison for Technical Staff, Underwriters, Legal, and Lender
- Receive closing package and review draft closing documents from Lender's Attorney
- Disseminate comments from HUD Reviewers to Lender's attorney
- Disseminate comments from Lender and/or Lender's Counsel to HUD Reviewers. Closing Coordinator is main Point of Contact (POC)
- Communicate with UW regarding granted/pending waivers
- If necessary, prepare and issue deficiency email to Lender Attorney (with cc: to HUD attorney)
- Process Extensions and Amendments after issuance of Firm Commitment
- Prepare Attendees List

Closing Coordinator Roles/Responsibilities (continued)

- Request clearance to close from Office of Labor Relations; ensure all OLR conditions are fully satisfied (for 221(d)(4) – NC/SR)
- Verify all special conditions of the Firm Commitment have been met
- Schedule closing (once all outstanding comments have been met) in conjunction with OGC Counsel
- Handle Recording Package/Pre-Recording prior to closing
- Handle Endorsement of Note for insurance
- Ensure at least one HUD representative with signature authority is available for the entire closing
- Prepare HUD 290 Memorandum for submission to HQ along with Note and Endorsement Panel
- Ensure submission of Washington Docket and the local HUD office closing dockets to appropriate HUD parties

Closing Best Practices

- When do I close?
 - Housing responsible for establishing the Closing date
 - HUD Closing Attorney will communicate with Lender's Counsel regarding the date
 - Closing Coordinator will inform you once the deal has been cleared for closing
 - Penciled in closing date
 - Open items remain
 - Not clear to close
 - Confirmed closing date
 - Date has been agreed upon by all parties
 - Travel arrangements

Closing Best Practices (continued)

- What do I need to know and do?
 - Importance of complete/correct docs
 - Common errors found
 - Un-tabbed draft closing documents
 - Return responses reading “pending”, etc. (implies “not clear to close”)
 - Piecemeal of items
 - Special Conditions
 - If commitment requires evidence of completion of something, prepare a certification or add to Agreement & Cert indicating so, with appropriate attachments, e.g. critical repairs.

Closing Best Practices (continued)

- What do I need to know and do?
 - Survey & Surveyor's Report
 - Review them before submitting them. No disclaimer language.
 - “On the ground survey” must be within 120 days, not the same date when surveyor signs. Dates must match on the report.
 - Plans and Specs
 - Submit final plans and specs to HUD 30 days prior to closing date
 - Only a single set required for review
 - If revised due to City review, etc., send revised plans to HUD and 30 day clock starts again
 - For initial closing, submit 1 full sized set and 2 half sized sets

Closing Best Practices (continued)

- Where is my closing?
 - Technical review will be conducted by staff in the office that issued the commitment. Legal review and closing will often occur in a different office
 - Closing logistics will be discussed between the HUD Closing Attorney, Housing, and lender's counsel
 - Does the lender prefer a mail or office closing?
 - Who will be attending?
- Who needs to attend?
 - Representatives of the borrower, lender and lender's counsel with decision and signature authority are required
 - Be out at your own risk

Closing Best Practices (continued)

- Final Endorsed Note Email
 - Within 5 business days, submit one Thumb Drive (we no longer accept CDs) of all finalized and approved closing documents to the Closing Coordinator
 - Label the documents according to the OGC closing checklist
 - The Account Executive for the property will be introduced for any occupancy-related issues

**Thanks for your partnership with the HUD
Southwest Region!**

