



Asset Management Notice

To: All Owners and Managers

Notice # 2020-08

From: Bob Conroy, Director of Asset Management

Issued: April 17, 2020

In This Issue:

- I. **MaineHousing Asset Management Program Action Steps**
- II. **HUD Multifamily Covid-19 Questions and Answers updated April 16, 2020**

I. **MaineHousing Asset Management Program Action Steps**

MaineHousing has updated the temporary modifications to its Program requirements to assist Owners and Managers of Multifamily and Supportive Housing properties to best manage the daily operating challenges created by COVID-19. Updates include mortgage forbearance and Emergency Loan options to be considered when all other viable options have been exhausted.

These modifications apply only to MaineHousing-financed properties.

Therefore, effectively immediately and until further notice:

1. Owners are eligible to take their 'FY 19 **Distributable Surplus Cash** as stated on Sch.5 of the 'FY 19 Audited Financial Statements (AFS) immediately and ahead of the completed MaineHousing review of the AFS for the purpose of funding project needs.
MaineHousing will proceed with the review process and issue AFS letters in the coming weeks. This analysis may result in adjustments to the surplus cash calculation.

Projects not financed by MaineHousing, Section 8 Projects with HUD Residual Receipts Accounts or projects subject to surplus cash approved by HUD or Rural Development are not subject to this early release provision.

2. Temporary Forbearance of **Replacement Reserve Funding**, if necessary.
3. Loans/Releases from **Project Reserves** to cover Operating shortfalls, subject to adequate reserve balances and Partnership approval, if applicable.



4. Temporary halt to **Report Submissions** except Annual LIHTC Reporting.
5. Temporary halt on **Inspections** (excluding emergencies or required move-in inspections).
6. Temporary halt on **Management audits** in the field.
Desk reviews may continue where feasible.
7. The LIHTC Qualified Allocation Plan (QAP) includes a category granting 1 (one) scoring point when a prior year deficit is funded by the Developer in a project within its initial 15 year compliance period. This category is waived for the upcoming QAP scoring round.

8. **Forbearance Requests:**

Forbearance on the payment of all or a portion of the principal and interest as determined by MaineHousing for a period of up to 30 days may be requested when all project reserves and other available project resources have been exhausted.

With sufficient documentation, and where necessary, extensions may be granted for up to two (2) additional 30-day periods.

Owners participating in forbearance will agree not to evict any resident for non-payment of rent through the COVID-designated emergency period.

The following are general guidelines and requirements for a forbearance:

- Borrower must demonstrate that financial hardship is the result of the tenants inability to pay rent due to factor related to Covid-19
- Borrower's financial situation and needs should be reassessed after each 30 day period.
- Borrowers are prohibited from making payments to subordinated lenders during the forbearance period.
- LP and GP fees may not be paid during the forbearance period.

Types of Forbearance

Loan forbearance may take the form of deferral of a borrower's obligation to make loan payments in whole or in part during the forbearance period, depending on project need and the availability of reserves or other resources. We will work with you on a plan to make up missed or reduced payments after the forbearance period.

Other Considerations

In addition to the factors listed above, MaineHousing staff will consider the following in determining whether to grant forbearance on amortizing loans:

1. Replacement Reserve Escrow Account: Owners/Managers may use the replacement reserve for COVID-19 related expenses in consultation with their Asset Manager.
2. Operating Deficit Escrow Accounts.
3. Deferred developer fee payments.
4. Other project escrows

5. Distribution approved in the 30 days preceding a request for loan forbearance will be taken into consideration when documenting financial hardship.
6. If an Owner is asked to temporarily forgo distribution in order to meet a project's financial obligations, MaineHousing will forgo any right to surplus cash payments on deferred payment loans for that period of time.

Non-MaineHousing Loans

Section 4023 of the CARES Act applies broadly to affordable multi-family properties with federal support including HOME, LIHTC, etc. If you own or manage such a property and have a loan with a lender other than MaineHousing, contact your lender for their forbearance policy and please inform your Asset Manager of any forbearance or changes to your loan terms.

In most cases MaineHousing has the right to review and approve the use of project reserves even when the first mortgage loan is held by another lender. In those situations, MaineHousing will support a similar approach to the use of project reserves and other resources.

Other Resources

If all measures listed above are insufficient to stabilize a project, MaineHousing may provide assistance to the Owner through the Multi-Family Loan Assistance Program if funds are available.

9. Multi-Family Loan Assistance Program

For projects experiencing severe financial hardship, MaineHousing is making available funds to provide 0% bridge-financing, which could be used to make a portion or all mortgage payments or to cover other Covid-19 related operating expenditures. This loan would be deferred and due on sale or transfer.

Loan Assistance may be requested when all project reserves and other available project resources have been exhausted.

Owners participating in this program will agree not to evict any resident for non-payment of rent through the COVID-designated emergency period.

Applicants must submit a request for funding by email, in the application form provided that includes the following information:

- Name of applicant (corporate entity, whether a housing-oriented corporation or a single-purpose entity that owns a multifamily property) including an individual point of contact with name, email address, and telephone number;
- The amount of financing requested;
- Explanation of need and how it relates to the COVID-19 pandemic;
- Timing and disbursement of funds, i.e. lump sum dispersal or paid out over some period of time;
- Description of other funding sources that have been applied for (or plan to), if any.

Note: The CARES Act has made significant funds available for grants and loans to landlords and nonprofits through the Small Business Administration. We will work with Owners to ensure that all available resources are considered.

MaineHousing reserves the right to make project Forbearance and Loan decisions on a case by case basis as facts and circumstances may differ in each case.
Please contact your Asset Manager concerning any proposed utilization of these actions.

II. HUD Multifamily Covid-19 Questions and Answers dated April 16, 2020

With the most current update to the Questions and Answers for Office of Multi-Family Stakeholders – COVID-19 (April 16, 2020) HUD addresses the inquiries they have received regarding the stimulus payments and federal enhancement to unemployment insurance. We have provided the guidance from the FAQs specific to these funds below:

Page 9 question 4 – “Household stimulus payment of up to \$1,200 (which is technically and advance tax credit) and the temporary \$600 per week federal enhancement to unemployment insurance provided by the CARES Act are **not** to be included in calculations of income. However, HUD notes that regular payments of unemployment insurance (issued by the state) are treated as income, as is customary under program rules.”

To see the full Q&A Update – please visit:

https://www.hud.gov/sites/dfiles/Housing/documents/HUD_Multifamily_Corona_QA_FINAL.pdf

Please note that MaineHousing provides notices as a service to our partners. Notices are not intended to replace ongoing training and do not encompass all compliance and regulatory changes that may occur on the wide arrange of housing programs in which we work. MaineHousing recommends partners establish an ongoing training program for their staff.

MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.

