



# The Multifamily Section

## POLICIES AND PROCEDURES MANUAL



**Providing Financing to For-Profit and Non-Profit Developers  
of Rental Housing and Homeownership Opportunities for  
Low and Very-Low Income Families**

**Updated: July 23, 2008**

**Montgomery County, Maryland  
Department of Housing and Community Affairs  
Multifamily Section**

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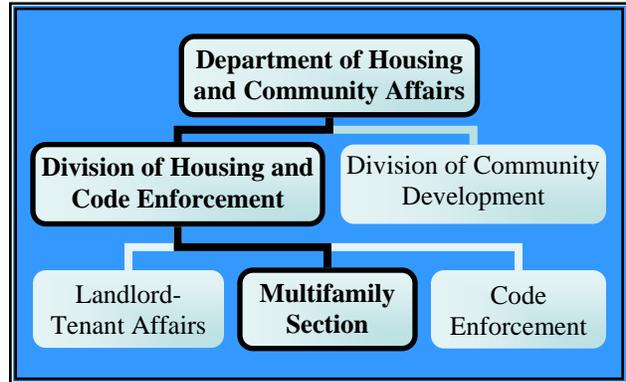
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# What We Do

The Multifamily Housing Section operates within the Division of Housing and Code Enforcement of the Department of Housing and Community Affairs (see Figure 1). The Section is responsible for the administration of two funding sources, the Montgomery County Housing Initiative Fund also known as “the HIF,” a locally funded housing trust fund and the federally funded HOME Investment Partnerships Program, or HOME Program (see Figure 2). With these sources, the Section seeks to preserve housing that could be lost from the affordable housing stock, renovate distressed properties, build new, affordable housing including those for special needs populations, help build mixed-income communities through inclusionary zoning, build neighborhoods – and not just housing units – through supportive services and programs, and work toward an equitable distribution of affordable housing units.

***Figure 1 – Organizational Chart***



The Section accomplishes these goals through project funding, supporting County initiatives, and monitoring. Specifically, the Section:

- Originates and underwrites acquisition, predevelopment, construction and permanent loans with non-profit and for profit developers for the development or preservation of affordable housing;
- Manages projects for, and provides technical assistance to organizations developing rental projects for low-income families and individuals with special needs;
- Monitors development of affordable housing projects under construction; and
- Continually monitors completed projects assuring affordability and financial viability.

***Figure 2 – Funding Sources and Uses***

The HIF	The HOME Program
Provides funds for the acquisition, construction, or rehabilitation of affordable multifamily housing projects	Enables the County to sponsor organizations that develop affordable rental housing
Used for county-sponsored projects (e.g. Seneca Heights, Oaks at Four Corners), joint projects with HOC (Diamond Square, Jesup Blair)	Designed to increase affordable housing choices for low-income households through the development of rental housing
Provides “gap financing” loans to HOC, for profit developers, and nonprofit organizations to create or preserve affordable housing	Loaned to non-profit and for-profit developers for a variety of affordable housing activities including acquisition, rehabilitation, new construction, and tenant-based rental assistance

## Who We Are

The Multifamily Housing Section operates through a three-tiered management system. Oversight is established as follows (in order of grade):

1. Director, Department of Housing and Community Affairs
2. Chief, Division of Housing and Code Enforcement
3. Manager, Multifamily Section

### Management Contacts

- Director – Richard Y. Nelson, Jr.
- Chief – Jay Greene
- Manager – Lawrence Cager

The Section contains six unique positions, which include the following:

1. Multifamily Housing Manager
2. Loan Officer(s) / Loan Analyst(s)
3. Construction Manager
4. Loan and Asset Manager
5. Office Services Coordinator
6. Principal Administrative Aide

### *Multifamily Housing Manager*

The Multifamily Housing Manager is responsible for the management of the Multifamily Housing Production Program, which includes funding from the HIF and the HOME Program, management of the Payment in Lieu of Taxes (PILOT) Program, which provides tax exemptions to affordable housing, management of the Apartment Assistance Program, which provides funding and guidance to owners of small multifamily residential properties, and serves as the Chairman of the HLRC.

### *Loan Officer(s) / Loan Analyst(s)*

Loan Officers and Analysts perform similar tasks with the difference generally involving the degree of underwriting complexity. Loan Officers and Analysts perform in-depth analysis of development proformas, budgets, sources and uses statements and other financial data, and provide research on land use, zoning, neighborhood context and other community planning issues. Additionally, they originate and underwrite acquisition, predevelopment, construction and permanent loans for the development or preservation of affordable housing, and prepare recommendations and present them to the Housing Loan Review Committee. For approved loans, Loan Officers and Analysts oversee the development of affordable housing projects under construction, process payments and provide technical assistance to organizations developing rental projects for low-income families and individuals with special needs.

### *Housing Loan Review Committee*

Although not a staff position, the Committee plays an important role in the Section and thus is mentioned as follows. The Committee is comprised of a diverse group of knowledgeable county residents and staff, who have been designated by the Director of DHCA to review funding proposals for multifamily housing developments. The Committee attends regular monthly meetings to discuss budgeting issues, project status, and new projects applications. Once the Loan Officer or Analyst presents their funding recommendation for new projects, the Committee deliberates and makes recommendations to the Director regarding the allocation of funds and conditions for funding the proposals.

The Committee is committed to providing affordable housing to low-and moderate-income persons, including those with special needs, and has developed threshold criteria and funding guidelines for housing proposals. These criteria follow below.

<b>HLRC Underwriting Criteria</b>		
Mission Statement	Market Feasibility	Site Control
Public Purpose	Land Use and Zoning	Physical Assessment
Financial Feasibility and Financial Need	Neighborhood Needs Assessment	Development Team Capacity
Readiness to Go	Project Design	Supportive Services
Leveraging	Community Support	

### *Construction Manager*

The Construction Manager plans, directs, and coordinates a wide variety of construction projects on behalf of the County, property owners and board members. Further, the Construction Manager provides technical construction services from the preliminary and design stage, and coordinates and supervises the construction process from the conceptual development stage through final construction, making sure that the project gets done on time and within budget.

### *Loan and Asset Manager*

The Loan and Asset Manager formulates policy for and administers post-construction programs to determine affordability compliance and to ensure the financial viability of the Section's portfolio, conducts complex property management studies, analyzes annual reports, budgets and other financial statements, determines risks, and creates solutions to resolve deficiencies/findings. The Loan and Asset Manager develops and implements loan servicing operating procedures for the portfolio, develops methods for loan modification, negotiates loan subordinations and coordinates with legal counsel.

## Office Services Coordinator

The Office Services Coordinator is responsible for making timely payments, maintaining payment ledgers, billing logs and other financial records, and assists the Multifamily Housing Manager with day-to-day activities.

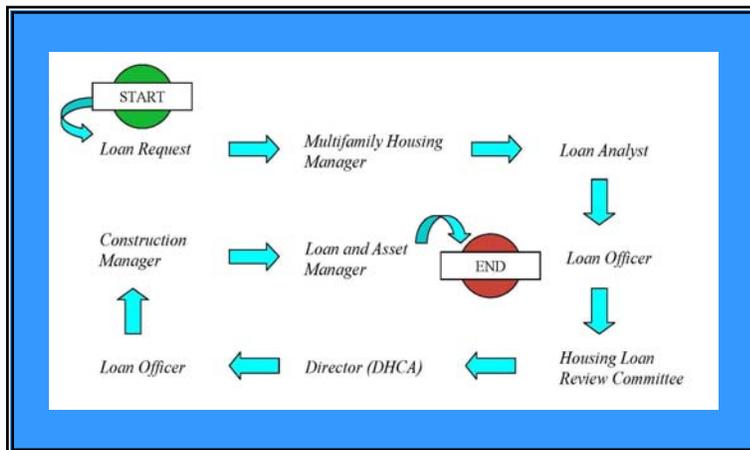
## Principal Administrative Aide

The Principal Administrative Aide provides filing, phone service and other administrative support, coordinates loan confirmations with Finance, and coordinates recordation of various loan documents with Land Records.

# The Loan Process

The Multifamily Section has the ability to tailor loans to maximize public purpose, and in doing so, each loan is handled uniquely but generally tracks the following flow. Organizations submit an application to the Multifamily Housing Manager requesting

Figure 3 – The Loan Process



County support through loan applications, PILOT requests and housing service contracts. The Multifamily Housing Manager serves as a loan officer for loan requests of higher complexity, and uses discretion in forwarding requests to Loan Analysts and Loan Officers. Loan Officers and Analysts review requests, prepare reports, and present them to the Housing Loan Review Committee. The Committee deliberates on the

recommendation and advises the Department Director. The Director decides which proposals are funded and determines conditions and terms based on the needs of the project. Once a decision is made, approved loans are assigned to the originating Loan Officer or Analyst, who oversees the development of affordable housing projects under construction. While under construction, the Construction Manager provides in-depth construction monitoring, and after completion, the loan is forwarded to the Loan and Asset Manager, who monitors the project for affordability and viability throughout the life of the loan.

## Loan Application Receipt and Review Standards

The Multifamily Section receives applications for funding support on a continuous basis. This allows the Section to be flexible to the needs of its customers. Applications need not be in any standard format but must contain enough information for the reviewer to rate the project adequately. As stipulated in the Project Rating Guidelines Manual, the reviewer rates applications based on five criteria. These criteria represent a consolidation of the Housing Loan Review Committee Criteria and include the following:

1. Project Goals,
2. Project Plan, Design and Feasibility,
3. Development Team Capacity,
4. Financing, and
5. Bonus.

The Project Rating Guidelines Manual contains a detailed methodology of how points are awarded, and the Multifamily Section Loan Proposal Scoring Sheet (*see Exhibit 1*) provides tangibility and transparency for scoring decisions.

**Effective September 1, 2008, the *Multifamily Loan Scoring Sheet* is to be attached to the Project File in the Summary Information section.**

Project File folder set up is further discussed in the Folder Setup sub-heading.

## Loan Authorization, Letterhead, Packaging and Pinksheets

The Multifamily Section has streamlined its authorization process and has developed systems so that certain parties have authorization to execute certain documents. For example, the Director has authorization to sign commitment letters, letter loans, departmental decision memos, correspondence to departmental directors, the County Executive (CE) and Chief Administrative Officer (CAO), and execute offers to purchase property. The County Attorney has authorization to sign off on legal documents including Deeds of Trust, Mortgage Agreements, Promissory and Deed of Trust Notes, and

### Loan Authorization Summary

- |                 |  |
|-----------------|--|
| Director DHCA   | ➤ Commitment Letters                               |
|                 | ➤ Letter Loans                                     |
|                 | ➤ Correspondence to CAO                            |
| County Attorney | ➤ Deeds of Trust, Mortgage Agreements, Notes, etc. |
| Assistant CAO   | ➤ Regulatory Agreements                            |

other necessary legal documents, and in general, the Assistant CAO has authorization to execute Regulatory Agreements (required for HOME Program loans) and loan modifications.

As presented earlier, the Housing Loan Review Committee plays a vital role in the loan process, and most project loan applications are presented to the Committee; however, some are not. Applications not presented to the Committee generally are time-sensitive or request funding of a lesser amount which does not warrant the Committee’s diligence. Loans that are not presented to the Committee are underwritten with the same standards and still require approval from the Director, so a decision memo must be completed.

**Any memo, letter or loan package requiring the Director’s approval (initials or signature) must first be approved by the Division Chief.**

### *Decision Memo Format*

*All decision memos must appear on Division of Code Enforcement Letterhead and should follow*

**Loan Types generally fall under the following categories:**

- Monthly payment
- Annual payment
- Cashflow
- Deferred
- Forgivable



a format as prescribed below. Examples of past decision memos appear in Project Folders and are available on the S:\ Drive in the appropriate “Project” subfolder. Format is critical, and all tabs must be in line. The decision memo should be made out to the Director with name and title in full. If required by the Multifamily Housing Manager, the memo must be sent through the manager as indicated by a VIA designation. The subject should

aptly describe the contents of the memo. All memos should include a background description including applicable dates, past decisions and modifications. The memo should address *what* you are requesting, if it involves a property, *where* the property is located, *why* you are requesting it, the desired results and benefits, and any time constraints. Further, if the decision involves approving a loan, all loan terms are to be stated. These include funding amount, loan type, funding source, interest rate, and term. The Loan Officer or Analyst’s recommendation follows the description. The last piece is the Director’s Decision. This should include a line for approval or disapproval with a line for the Director’s signature and date signed. The file path should be indicated at the bottom of the memo.

### *Loan Categories*

Loans generally fall under two categories, letter loans and secured loans. Letter loans are unsecured loans. An unsecured loan is a loan not backed by a Deed of Trust. Letter loans are likely to be tendered in comparatively smaller amounts than secured loans and are generally forgivable – that is, after a period of time, assuming certain provisions are met, the loan does not require repayment.

Secured loans are just the opposite. They tend to offer larger funding awards and are backed by a Promissory Note and collateralized by a Mortgage document (or a Deed of Trust Note and Deed of Trust).

As loan amounts and security differ, so does the execution process.

### Letter Loans

Letter loans usually do not involve a commitment letter, but still require proper format. All letter loans must be accompanied by a cover decision memo. *The first page of the letter loan must appear on Office of the Director letterhead.* The letter loan should spell out all terms of the loan, provisions for forgiveness, should be addressed to the executive director or president of the receiving organization and must be signed by the Director.



NOTE: Any Commitment Letter or Letter Loan that reserves county funding with next year's allocation must have the following language:

--

“Be advised that any funds anticipated to be disbursed in Fiscal Year 20XX, are subject to County budget appropriations.”

### Secured Loans

Executing a secured loan is a more involved process, one that entails proper letterhead, packaging and pinksheets. In order to execute a secured loan, one must:

1. Have an executed commitment letter (on Office of the Director letterhead), which informs the recipient to contact the County Attorney regarding the drafting of loan documents;
2. Inform the County Attorney that there's a loan in the pipeline and anticipated closing date;
3. Review/revise draft legal documents using “Track Changes,” to highlight any modifications;
4. Prepare the loan package for the County Attorney. This includes:
  - a. Pink sheet
  - b. Memo from the Director to the (Assistant) CAO explaining what action is requested – this requires an initial memo to the Director from the Loan Officer or Analyst, which explains why the Director is sending a memo to the CAO
  - c. Any additional instructions for the County Attorney
  - d. SDAT print out for the property

#### Assistant CAO Contact

Diane R. Schwartz Jones  
Assistant Chief Administrative Officer

**Packages should not include draft loan documents. These documents are to be emailed to the County Attorney and are to include any edits made by the Loan Officer or Analyst.**

**If this is a modification to an existing loan, the package *must* include executed copies of the original County loan documents. If the modification involves a loan payoff, the original Promissory or Deed of Trust Note is to be included.**

## Commitment Letters

Commitment letters share a similar format with letter loans. Both require a decision memo, and both letters need to spell out the purpose of the loan and provisions. *The first page of the commitment letter must be on Office of the Director letterhead.* The first paragraph states that the application has been approved and awards a specific loan amount to the applicant. It also includes the project address, applicable dates and, if it is a modification to an earlier commitment, it should explain why a revision is necessary. The rest of the letter includes conditions of the loan and instructions on how to process loan documents.

### County Attorney Contact

Vickie Gaul  
Associate County Attorney

The first few paragraphs clearly define terms of the loan, area median income (AMI) restrictions, the funding source, and whether there are any budgetary restrictions. Specific restrictions and reporting requirements follow next. Generally, the last two

paragraphs are reserved for loan document processing instructions, how to draw funds down and contact information. Commitment letters are to be signed by the Director and have a signature or “agreed by” line to indicate the agreement to the commitment by loan recipient.

Some commitment letters, depending on the depth of the commitment, may contain exhibits including a source and uses statement and clearly promulgate the contacts for the project.

Examples of commitment letters are available in the S:\ Drive in the “Project” subfolder.

## Loan Document Review and Packaging

### Common Abbreviations

- BLA – Building Loan Agreement
- CCI – Certification of Corporate Information
- CL – Commitment Letter
- DOT – Deed of Trust
- DOTN/Note – Deed of Trust Note
- HLRC – Housing Loan Review Committee
- LL – Letter Loan
- MA – Modification Agreement
- Mort – Mortgage
- PILOT – Payment in Lieu of Taxes
- PN/Note – Promissory Note
- PreDev – Predevelopment (loan)
- RegAgr/RA – Regulatory Agreement
- SDAT – State Department of Assessments and Taxation



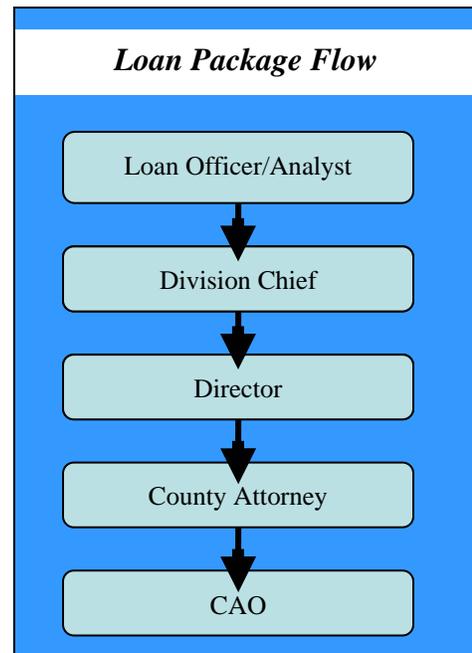
Loan documents are reviewed twice by the County, first by the Loan Officer or Analyst and second by the County Attorney. It is the Section’s responsibility to ensure that loan documents contain proper land descriptions (liber and folio), terms, affordability provisions, repayment instructions, and require adequate insurance coverage. In short, the Section is responsible for verifying that the terms set in the commitment letter appear in the loan documents. Any and all modification must be “red-lined” via the “track changes” module. Edited documents are titled with the name of the project, the type of loan documents (abbreviations are acceptable and recommended), version number, and include the editor’s initials.

Once the Section has completed its review, loan documents are to be forwarded via email to the County Attorney for legal form and sufficiency review.

With loan document review completed, loan packaging is next. Two memos are to be prepared by the Loan Officer/Analyst. The first memo is sent from the Loan Officer to the Director – use *Division of Housing and Code Enforcement Letterhead*. The second is sent from the Director to the (Assistant) CAO – use *Office of the Director letterhead*. A format similar to the director decision memo should be used. A pinksheet form (see *Exhibit 2*) is to be completed, printed on pink paper, initialed by the Director, and attached. Supporting documentation including SDAT printouts, prior **executed** (no draft) loan documents, instructions to the County Attorney are also be attached.

In summary, the following is the loan packaging process:

1. An applicant submits an application
2. The application is reviewed, presented to the HLRC, and the Director approves it,
3. A commitment letter is completed, signed by the Director and the applicant
4. The applicant/recipient contacts the County Attorney for “form” loan documents, send a draft to the Loan Officer, and
5. The Loan Officer reviews the draft, emails a revised copy to the County Attorney, prepares and submits a loan package.



The next step involves creating a database record in the Multifamily Loan database.

## The Multifamily Database

The multifamily database is the central data storage system for all Section loans. It is used for setting up loans in the Department, tracking loan data, running reports, and reviewing loan documents and project summaries. As shown in this section, the database is constantly being updated to meet the Section’s and our customers’ needs. The result is that several tabs are under construction. The database includes a “header” that appears on the top of the screen and is divided into six tabs.

### *The “Header”*

- Project No – The project number, a number assigned by the database sequentially

- Project Name – Current name of the project. Same as the Project Name field in the Project Info tab
- Loan Number – The loan number is generated by the Finance Department. Generally, HIF loans begin 1210, HOME loans begin 1215H, and CBDG loan begin 1215(6)
- View Images (**under construction**) – This button will be renamed “Loan Documents” and will be used to search scanned loan documents and other project documents
- View Pictures (**under construction**) – This button will be used to view pictures of completed projects and project construction pictures
- View Web Summary (**under construction**) This button will be used to view project summaries, and will enable the database administrator to automatically post these reports on the County website

### *Project Info Tab*

- Project Name – Current name of the project
- Loan Origination – Date of original commitment (letter)
- Project Sponsor – Corporate name of the loan recipient
- Staff Assigned – The Loan Officer/Analyst assigned to the project
- Process Status
  - Approved – Application is approved and the project is in the predevelopment, design or loan document stage
  - Cancelled – Application has been withdrawn or was not approved
  - Closed – Loan has been paid-off and all compliance requirements have expired or have been lifted
  - In Monitoring – Funds have been drawn, construction is complete, and the loan is in the compliance monitoring stage
  - In Progress – Loan has been signed, funds are being drawn and the project is in the construction phase
  - Pending – Rarely used; reserved for early loan discussions when no application has been submitted
- CHDO Project – For HOME Program projects only, check the box if the project is owned, developed or sponsored by a certified Community Housing Development Organization.
- Units Type – **Category under construction**
- FY Assigned – The fiscal year that the project was approved
- Funding Category – **Category under construction**
- Non-Profit – Check the box if the organization is a non-profit



#### Use the Right Name!

The County has several partners with multiple loans. It is important to use consistent Project Sponsor Names. For instance:

- HOC
- HUI
- MHP
- MHP Scattered Sites, Inc.
- Victory Housing, Inc

#### Current CHDOs

1. Montgomery Housing Partnership
  - a. MHP, Inc., or
  - b. MHP Scattered Sites, Inc.
2. Housing Unlimited, Inc (HUI)
3. Some Victory Housing affiliates (for PILOT applicability)

- Paid Off – Check the box if the loan has been paid in full
- Requires monitoring – Most secured loans require monitoring. Checking this box will create an “event,” which transfers the project to the Loan Monitoring database (**currently under construction**).
- Original Name – Many projects change names after being developed or renovated. Shows the original project name in this field
- Street, Apt No, City, State, Zip – Location of the project
- Phone – Developer’s phone number
- No of Units – Number of total units in the project
- # Restricted Units – Number of county funded, income restricted units in the project
- Description – Short description of the project. Should include the purpose of the loan.
- Long Description (**under construction**) – This description for the database-driven project webpages. The description should be as detailed as possible and should include much of information from the HLRC summaries.
- Print Project Data Sheet – This is a summary report which includes vital project, contact and financial information. This report is combined with a copy of the commitment letter (and HOME set-up form as applicable) in order to set up the loan with DHCA Accounting.

### *Contact Info Tab*

- Organization – This dropdown menu selects the organization responsible for development and/or project ownership.
- New Organization – This button opens a subform used to create entries for new organizations
- Contact – This dropdown menu selects the primary organization contact.
- New Contact – This button opens a subform like the New Organization button and is used to show the organizational contact. Use only the principal, president, executive director, etc
- All other field are auto filled by selecting the Organization and Contact



### *Loan Info Tab*

- Restricted Units – **under construction**
- Total Project Cost – Total cost of the entire project, not just county funding
- Funding – **under construction**
- HOME Funds Details (**under construction**) – This data form will be moved into the HOME Info tab and contains financial data required by HUD
- AMI Details
  - Percentage – Lists the applicable area media income restrictions (allows for multiple input)
  - Units – Indicates the number of income restricted units by AMI

- # Restricted Units – a safeguard which totals the number of units inputted and displays an error message if the total does not equal the # of Restricted Units field in the Project Info tab.
- Project Funding Details – (**under construction**) – This “ad hoc” system will allow the user to include all sources of the financing
- Comments – This is a comment section used to include any additional funding information or covenants
- Loan Terms – This is a summary/comment field for loan terms.
- Loan Number – Established by the Finance Department and is the same as the Loan Number field in the header
- Payment Terms – (**currently under construction**) – Defines the payment terms (ex. monthly, annual, cashflow monthly, cashflow annual, deferred, forgivable, etc.)
- Acct Code 1 – Code for identifying the principal (as in principal and interest) portion of loan payments. The codes are selectable in a dropdown format for CDBG, HOME, HIF and Replacement Home (rarely utilized) loan. This code is used when sending out payment coupons.
- Acct Code 2 – Code for identifying the interest portion of the payment.
- 1<sup>st</sup> payment due – This field indicates when the first loan payment is due. The Note usually states the specific date.
- Maturity Date – Date when the loan is either forgiven or due in full.
- Payment – Indicates the payment necessary to fully amortize the loan within the given term.
- Status (**under construction**)
- INT Rate – Loan interest rate
- Tax and Insurance Info (**under construction**)

### *FY Info Tab*

#### **FY Info**

- Fiscal Year – Indicates the fiscal year from which funds are earmarked. Allows for multiple allocation (aka split-funding)
- Amount – Funding amount from that specific year
- Draw Summary (**under construction**) – This subform will show project draws status
- Loan Payment Summary (**under construction**) – This subform will show a schedule of payment received and will be fed by data from a weekly report from PNC bank (the lockbox file)
- View Other Reports (**under construction**) – This button will allow the user to view project specific fiscal reports

### *Monitoring Info Tab*

This tab will show a summary list of post-construction project monitoring requirements.

## HOME Info Tab

This tab contains required HUD information and once all data is inputted, a report is printed and given to DHCA Accounting to setup the project in IDIS (*for HOME Program projects only*).

### Sections A-D

- General Information – Auto-fill field. Shows the Project No.
- CHDO Question – Check the box if this is a CHDO eligible project and indicate the CHDO's role
- Objective and Outcome – In short, choose #2 for both. All of our HOME projects have the goal of providing affordable housing.
- Special Characteristics – Check applicable boxes

### Sections E-G

- Activity Information – Select from the following choices:
  - Rehab
  - New construction
  - Acquisition only
  - Acquisition and rehab
  - Acquisition and new construction
- Property Owner – Select the ownership structure listed in the dropdown menu
- Property Type – Indicates the unit type. Usually apartment.
- FHA Insured – Check if the property is insured by the Federal Housing Administration
- Mixed Use – Check if the property is mixed use (ex. residential and retail)
- Mixed Income – Check if the property is mixed income

### Section I-J

- Units – Indicate the total number and number of HOME-assisted energy star, 504 accessible, HIV/AIDS, HIV/AIDS chronically homeless, designated homeless and chronically homeless units
- Period of Affordability – Indicate the loan term as the county has affordability standards higher than HOME imposed and these standards are imposed for the life of the loan.

## Database Responsibilities

Procedures for database entry are straightforward. The Loan Officer/Analyst assigned to the project is responsible for overall data accuracy and quality. For projects that were assigned to Loan Officers/Analyst who are no longer current employees, the Loan and Asset Manager is responsible (and may designate specific project data tasks to the Principal Administrative Aide).

This is true for every database tab with the exception of the FY Info tab. Initial accuracy is assigned to the Loan Officer; however, the Multifamily Housing Manager is responsible for changes in FY data (although under the Manager's discretion, this may be assigned elsewhere). This is due to the Multifamily Housing Manager being the Chairman of the HLRC, and at the beginning of each HLRC meeting, the Manager reports on the status of funds.

Although currently under construction, the FY Info tabs will also warehouse draw records. As the Office Services Coordinator is responsible for draws and payments, so too will the Coordinator be responsible for data accuracy and quality.

Also under construction is a loan payment summary, which will be fed by data from PNC bank. The Loan and Asset Manager will be responsible for data accuracy and quality in this section.

## Setting up Loans with Finance

### Department of Finance Contacts

- HOME Loans – Mike Edelin 7-8809
- CDBG Loans – Durane Tiev 7-8818
- HIF Loans – Claudia Stalker 7-8817
- County and Replacement Homes – Joyce Wallace-Dennis 7-8810

The process for setting up loans with the Department of Finance involves proper documentation and database setup. Once a commitment is finalized and a database record is completed, the Loan Officer/Analyst gives a copy of the commitment letter and a Project Data Sheet printout (generated by the database) to DHCA

Accounting and to the Office Services Coordinator.

DHCA Accounting sends applicable loan data to the appropriate Department of Finance accountant, who records the receivable (loan) in FAMIS (the county's financial database) and generates a loan number which is later inputted into the multifamily database.

If the project includes a new vendor, the Office Services Coordinator sends a wiring instruction form (*see Exhibit 3*), which needs to be completed prior to payment disbursement.

Once the loan is setup with Finance, project funding is available. The developer submits a draw request to the Loan Officer/Analyst. The draw is reviewed for reasonableness and accuracy, initialed "ok to pay," and sent to the Office Services Coordinator for payment. All draw requests are to include:

1. Payment amount – the request should be clearly stated, an original, or in the case of project closing, a finalized copy of the HUD-1 statement
2. Statement of the work (to be) completed
3. Payee Name – the request should be on the letterhead of the company that the check will be written to, or the letter should clearly state why the check is being written to another entity and the relation to the other entity (*if the request is not on the letterhead of the entity, it should provide the address of the entity to which check is being written*)
4. Federal tax ID number of the entity
5. Signature by someone with the authority to request funds for the entity
6. Relevant back-up documentation

## Folders, Construction and Post-Construction Loan Management

From the predevelopment phase through project completion, Loan Officers/Analysts handle large quantities of paperwork making organization key to proper project maintenance. In order to maintain standards, two folders are created, a project folder and a loan servicing file.

### Folder Setup

After a loan is closed, documentation is sent to Loan and Asset Manager who completes the Project and Loan Servicing File Setup Worksheet (*see Exhibit 5*) and transmits the documents to the Principal Administrative Aide, who sets up these files. The project folder contains six tabs including (moving from left to right):

1. Summary Information – HLRC write ups, database printouts, HOME Setup forms (as applicable) and a “File Checklist”
2. Loan Documents – Deeds, Copy of the Note, Regulatory Agreement, etc.
3. Pre-approval Documents – Commitment letters, Decision memos, other background info
4. Monitoring Reports/Regulatory Info – Financials, Environmental Reviews (as applicable), Phase 1 and 2 reports, etc.
5. Other Loans – Information regarding state loans, LIHTCs, grants, etc.
6. Payment – Draw information

The loan servicing file also contains six tabs including (from left to right):

1. Project Info – Project summaries, commitment letters, finance set-up memos and other pre-loan info.
2. Montgomery County Original Loan Documents – Loan Agreement, Deed of Trust/Mortgage, Note, Regulatory Agreement, PILOT’s, Any other loan document recorded at the first closing.
3. Loan Servicing (Loan Modifications) – Allonges, Loan Modifications and Subordinations
4. Loan Servicing (Financial) – Billing and payment info, loan confirmations and loan payoff info.
5. Loan Servicing (Other ) – Insurance Certificates, anything not covered above
6. Supplementary Non-County Loans - Loan documents from other lenders (banks, the state, grants and foundations, etc)

Folder labels are to be set up as follows:

<b>Organization Name</b> <small>(only applicable for HOC, HUI, MHP, Jubilee, Victory Housing, etc. loans)</small>	<b>Project Name</b>	
<b>1<sup>st</sup> Payment Due (Date)</b>	<b>Last Payment Due (Date)</b>	

Along with setting up these folders, the Principal Administrative Aide is also responsible for scanning loan documents and other applicable documentation into the database. This process is currently underway, and is expected to be completed by EOY 2008.

### *Construction*

During this phase, the Loan Officer/Analyst works with the Section Construction Manager. Key responsibilities for the Loan Officer/Analyst are reviewing and executing draws, and with the Construction Manager, making sure the project is on schedule. This process is largely technical. For more information, please contact the Section's Construction Manager.

#### Construction Manager

Jim Watson 7-3730

### *Loan Management*

Loan management involves loan modification, servicing and compliance monitoring. Loan modification typically includes Allonges to the Deed of Trust Notes, which modify repayment provisions, loan subordinations, which are requested when customers refinance a loan in first position, and amendments to the Deed of Trust. Loan modifications are assigned to the Loan and Asset Manager, who receives the request from the Multifamily Housing Manager or directly from the customer. In terms of the processing and packaging, loan modifications follow a process similar to executing loan documents as the package is required to be sent through the County Attorney. This package is to include the following:

1. Pink sheet
2. Memo from the Director to the (Assistant) CAO explaining what action is requested – this requires an initial memo to the Director from the Loan Officer or Analyst, which explains why the Director is sending a memo to the CAO
3. Any additional instructions for the County Attorney
4. SDAT print out for the property
5. Executed copies of the original County loan documents. If the modification involves a loan payoff, the original Promissory or Deed of Trust Note should be included

Loan servicing involves assuring that loan payment provisions are being met. As previously mentioned, depending on the loan stipulation, payments are made on a monthly, annual or cashflow basis. Loan servicing tasks include:

- Working with administrative staff to assure all payment coupons are timely disseminated,
- Coordinating processing of loan confirmations with Finance
- Monitoring monthly and annual payments on a semi-annual to annual basis depending on loan type and risk

#### Lockbox Operations Info

PNC Bank  
800 Connecticut Avenue, NW  
Washington DC 20006

- Monitoring and managing payoffs, releases, and loan forgiveness
- Working with Multifamily Housing Manager and County Attorney to resolve delinquencies
- Monitoring Lockbox Operations and resolving any payment issues with Finance and
- Reviewing annual audits for loans

Compliance monitoring involves assuring that the regulatory environment created either by the loan documents (for HIF-funded projects) or by federal regulations (for HOME-funded projects) is met. A benefit of HIF funding is its flexibility; as such, loans are tailored to meet the County's and its customers' needs and compliance provisions are set in loan documents. These provisions often include affordability provisions – requiring residents to be below certain AMI standards – and reporting requirements.

HOME Program funded projects differ in that the regulatory environment is set by HUD under 24 CFR 92. The Section has developed a handbook, which addresses regulatory requirements and is available on the S:\ drive at Tim\Manuals and Guides.

S:\Files\recurring\Housing\MF Housing\Tim\Manuals\MF Policies and Procedures Manual.doc

# Exhibit 1 – Multifamily Loan Scoring Sheet

## MONTGOMERY COUNTY DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS Multifamily Section Loan Proposal Scoring Sheet

Project Name: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Developer / Sponsor: \_\_\_\_\_

Date: \_\_\_\_\_

CRITERIA / DESCRIPTION	POINT VALUE (CIRCLE ONE)
<b>PROJECT GOALS</b>	<b>25 POINTS MAXIMUM</b>
Type of Construction	5                  6                  8
Location	0                  3                  5
Household AMI Served	2                  4                  5                  7
Affordability Period	0                  2                  3                  5
<b>TOTAL POINTS AWARDED: PROJECT GOALS</b>	_____ / 25
<b>PROJECT PLAN, DESIGN AND FEASIBILITY</b>	<b>25 POINTS MAXIMUM</b>
Well designed and meets neighborhood and geographic considerations	1   2   3   4   5   6   7   8
Quality of marketing and management plan	1   2   3   4   5   6
Developer has site control / does not have site control	1 2 3 / (Does not meet Threshold)
Meets land use and zoning requirements / does not meet	1 2 3 / (Does not meet Threshold)
New Construction standards met / not met	5 / (Does not meet Threshold)
Rehabilitation standards met / not met	5 / (Does not meet Threshold)
<b>TOTAL POINTS AWARDED: PROJECT PLAN, DESIGN &amp; FEASIBILITY</b>	_____ / 25
<b>SUBTOTAL PAGE 1</b>	_____ / 50

CRITERIA / DESCRIPTION	POINT VALUE (CIRCLE ONE)
<b>DEVELOPMENT TEAM CAPACITY</b>	<b>20 POINTS MAXIMUM</b>
Developer has prior experience in affordable housing	1    2    3    4    5
Financial Capacity	1    2    3    4    5
Management has prior experience in affordable housing	1    2    3    4    5
Participated in previous county projects	1    2    3    4    5
<b>TOTAL POINTS AWARDED: DEVELOPMENT TEAM CAPACITY</b>	<u>                  </u> / 20
<hr/>	
<b>FINANCING</b>	<b>30 POINTS MAXIMUM</b>
Financial Feasibility and Financial Need	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15
Leveraging	1 2 3 4 5 6 7 8 9 10
New Construction standards met / not met	5 / (Does not meet Threshold)
Rehabilitation standards met / not met	5 / (Does not meet Threshold)
<b>TOTAL POINTS AWARDED: FINANCING</b>	<u>                  </u> / 30
<hr/>	
<b>BONUS</b>	<b>UP TO 10 ADDITIONAL POINTS</b>
Readiness to Go	0                    1                    2
Mixed Income	0                    1                    2
Support Services	0                    1                    2                    3
MBE – WBE Participation	0                    1                    2                    3
Non-profit Developer	0                    1                    2                    3                    4
Handicapped Accessibility	0                    1                    2                    3                    4
Green Building	0                    1                    2                    3                    4                    5
<b>TOTAL POINTS AWARDED: BONUS</b>	<u>                  </u> / 10
<hr/>	
<b>SUBTOTAL PAGE 2</b>	<u>                  </u> / 50
<hr/>	
<hr/>	
<b>TOTAL POINTS</b> <i>(MINIMUM THRESHOLD = 75 POINTS)</i>	<u>                  </u> / 100

# Exhibit 2 – Pink Sheet

## TRANSMITTAL FORM CE/CAO ACTION

DATE: \_\_\_\_\_

<i>(check one)</i>	
Executive Orders	<input type="checkbox"/>
Executive Regulations	<input type="checkbox"/>
Zoning Text Amendments	<input type="checkbox"/>
Grants	<input type="checkbox"/>
Legislation/Bills/Resolutions	<input type="checkbox"/>
Ordinances	<input type="checkbox"/>
Supplemental Appropriations	<input type="checkbox"/>
Other	<input type="checkbox"/>

Executive Office Routing Comment:

SUBJECT:

TIME CONSTRAINTS (Select one):      Specific Date:

***RUSH***

ORIGINATING DEPARTMENT:

DIRECTOR:

DEPARTMENTAL CONTACT:

DIRECTOR'S AIDE:

PHONE:

FORWARDED TO:

DATE:

REVIEW/SIGNATURE:

FORWARDED TO:

DATE:

REVIEW/SIGNATURE:

FORWARDED TO:

DATE:

REVIEW/SIGNATURE:

*Documents must be reviewed and stamped as approved by the County Attorney's Office prior to submission to the Office of the County Executive unless a boiler plate exemption is on file or the document falls under the "other" category above.*

Approved as to form and legality:

\_\_\_\_\_  
County Attorney Staff Signature/Date

For Executive Staff Use Only

- \_\_\_\_\_ Fiscal Analysis Reviewed and Approved by OMB
- \_\_\_\_\_ CAO Review (for CE signature documents only)
- \_\_\_\_\_ Ready for CE/CAO Signature
- \_\_\_\_\_ Return to Department

\_\_\_\_\_  
Executive Staff Signature/Date

\_\_\_\_\_  
CAO Signature/Date

S:\Office Administration\FORMS\CE-CAO Action-pink.doc **Revised: 3-05**

## Exhibit 3 – Wiring Instructions



Please fill in the identified blanks and return to Lisa Beckwith at 100 Maryland Avenue, 4<sup>th</sup> Floor, Rockville, MD 20850 or by e-mail to [lisa.gladhill@montgomerycountymd.gov](mailto:lisa.gladhill@montgomerycountymd.gov).

**You must provide us ACH instructions from the financial institution.**

PAYEE/COMPANY INFORMATION		
PAYEE NAME	SSN OR TAXPAYER ID NUMBER	
ADDRESS		
CITY	STATE	ZIP
CONTACT PERSON IF DIFFERENT FROM ABOVE	TELEPHONE	
PAYEE/COMPANY AUTHORIZED SIGNATURE		
FINANCIAL INSTITUTION INFORMATION		
NAME OF FINANCIAL INSTITUTION		
ADDRESS OF FINANCIAL INSTITUTION		
CITY	STATE	ZIP
NINE-DIGIT ROUTING TRANSIT NUMBER _____		
DEPOSITOR ACCOUNT TITLE		
DEPOSITOR ACCOUNT NUMBER	LOCKBOX NUMBER	
TYPE OF ACCOUNT	<input type="checkbox"/> CHECKING <input type="checkbox"/> SAVINGS <input type="checkbox"/> LOCKBOX	

**Financial Institution Authorized Signature**

\_\_\_\_\_

**Name**

\_\_\_\_\_

**Date**

## Exhibit 4 – Useful Links

### CDBG Regulations

- [http://www.access.gpo.gov/nara/cfr/waisidx\\_07/24cfr570\\_07.html](http://www.access.gpo.gov/nara/cfr/waisidx_07/24cfr570_07.html)

### Excluded Parties List

- <http://www.epls.gov/>

### HOME Regulations

- <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/home/index.cfm>

### Maryland Department of Assessments and Taxation

- <http://www.sdat.dat.state.md.us>

### Maryland Land Records (required to apply for a username and password)

- <http://www.mdlandrec.net>

### Montgomery County Sites

- DHCA – <http://www.montgomerycountymd.gov/apps/dhca/index.asp>
- eMining Database – <http://portal.mc.gov.org/apps/dhca/pdm/pdmfull.asp>
- Park and Planning – <http://www.mc-mncppc.org/>
- Regulations and Zoning – <http://www.montgomerycountymd.gov/bustmpl.asp?url=/content/business/RegZoning.asp>

### Plats

- <http://www.plats.net>

Username: plats

Password: plats#

### Priority Funding “Designation” Area

- <http://www.mdp.state.md.us/>

### Statistics

- <http://www.census.gov/>
- <http://www.dataplace.org/>

### Urban Land Institute

- <http://www.uli.org//AM/Template.cfm?Section=Home>

S:\Files\recurring\Housing\MF Housing\FH\Manuals\MF Policies and Procedures Manual.doc

## Exhibit 5 – File Setup Worksheet

Project and Loan Servicing File Setup Worksheet					
Date:		From:	<input type="checkbox"/> Tim Goetzinger	To:	<input type="checkbox"/> Lisa Gladhill
			<input checked="" type="checkbox"/> Stephanie Killian		<input type="checkbox"/> Terry Logan
<input type="checkbox"/> New Project			<input type="checkbox"/> Jim Watson		
<input type="checkbox"/> Existing Project			<input type="checkbox"/> Alisa Wilson		
<b>File Info:</b>					
Project Name:			Loan Start Date:		
Project Sponsor:			Loan Maturity Date:		
Database ID #:					
<b>Attached please find the following:</b>					
<u>Legal Documents</u>			<u>Unsecured Loans/Pre-Closing Docs</u>		
<input type="checkbox"/> Deed of Trust/Mortgage Agreement			<input type="checkbox"/> Letter Loan		
<input type="checkbox"/> Deed of Trust Note/Promissory Note			<input type="checkbox"/> Predevelopment Loan		
<input type="checkbox"/> Regulatory Agreement			<input type="checkbox"/> Memorandum of Understanding		
<input type="checkbox"/> Financing Statement			<input type="checkbox"/> HLRC Loan Summary		
<input type="checkbox"/> Building Loan Agreement			<input type="checkbox"/> Director Memo		
<input type="checkbox"/> Payment in Lieu of Taxes Agreement			<input type="checkbox"/> Commitment Letter		
<input type="checkbox"/> Allonge/Modification Agreement			<input type="checkbox"/> Other:		
<input type="checkbox"/> Subordination Agreement			<input type="checkbox"/> Other:		
<input type="checkbox"/> Other:					
<input type="checkbox"/> Other:					
<input type="checkbox"/> Other:					
<input type="checkbox"/> Other:					
<b>Please perform the following:</b>					
<input type="checkbox"/> Set up/update Project file					
<input type="checkbox"/> Set up/update Loan Servicing file					
<input type="checkbox"/> Copy documents, place <i>copies</i> in the Project file and <i>originals</i> in the Loan Servicing file					
<input type="checkbox"/> Provide a copy of the Note/Modification Agreement to DHCA Accounting (Fred Wilcox)					
<input type="checkbox"/> Scan the attached documents into the database					
<input type="checkbox"/> Other:					
<input type="checkbox"/> Other:					
<input type="checkbox"/> Other:					
<input type="checkbox"/> Other:					
<input checked="" type="checkbox"/> Send to Loan and Asset Manager for review and approval					
<input type="checkbox"/> <b>File Reviewed and Approved</b> _____ <b>By:</b> _____ <b>Date</b> _____					