

## Improve Sharing of Data on Owner Defaults

**Lead Office:** HUD-MF

**Participating Offices:** Treasury-IRS, USDA-RD, HUD-MF, HUD-PIH, HUD-CPD, HUD-OSHC

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### **Issue Statement:**

Multifamily participants are required by most HUD multifamily mortgage insurance and subsidy programs, and by USDA-RD, to submit an application for previous participation clearance when new business is proposed. The application clearly identifies the participant, its proposed role in a multifamily property, and its portfolio of multifamily properties, which includes HUD Multifamily-insured and/or subsidized cases, USDA-RD financed cases, and State/local government housing agency financed cases.

By reviewing this information, HUD and USDA-RD are able to identify instances of prior noncompliance with agency requirements. For example, applicants are required to disclose the most recent results of physical inspections and management reviews, disclose defaults on any cases in the last 10 years, and even identify debarments. This information is used to determine whether new business should be conducted with the applicant, and always takes into consideration whether the problems were satisfactorily resolved.

HUD's Office of Multifamily Housing Programs (HUD-MF) uses an automated system ('Active Partners Performance System,' or APPS) for storing this information, and HUD-MF staff reviews it when considering new applications for previous participation clearance. Outside clients (i.e., owners and management agents) can access the system to create and update their entity's organizational information and portfolio. APPS is also updated by feeds from other HUD systems (i.e., IREMS) regarding physical inspections, management reviews, and defaults for HUD multifamily cases. At this time, HUD has to verify information from other agencies with regard to compliance with RD- and State-agency financed cases.

### **Proposed Alignments:**

#### *1. Grant USDA-RD access to HUD's APPS database.*

As noted above, USDA-RD programs require Previous Participation Clearance; however, only staff of HUD's programs has direct access to the APPS system. Therefore, USDA-RD personnel must contact a HUD office for information if they wish to learn whether a participant has a record of non-compliance, or if they wish to share information on a participant within their respective programs. As this automated APPS system is already in existence, giving (at minimum) read-only access to counterpart agencies like USDA-RD will help to streamline and speed up the process of approving new business. Reducing the processing time would improve delivery of services to our clients.

#### *2. USDA-RD provides compliance information to HUD's APPS database.*

USDA currently has a management information database that contains compliance status for the USDA Multifamily borrowers. The compliance information is similar to HUD's APPS database that reports on financial, physical, management, owner and civil rights non compliance issues. Including USDA compliance issues into the database would provide the two departments with a central depository of information on a multifamily property program participant's performance that would in turn provide both departments with important information when making determinations of eligibility and continued performance. If USDA-RD were granted data input access to APPS, this would also provide increased access to information and would improve review of the multifamily participant's performance.

### **Specific actions to effect alignment:**

HUD is currently in the beginning stages of upgrading the APPS system to address several other unrelated issues. Therefore, if this proposal is acceptable, HUD will need to include these requirements in the business design of the upgrade. In addition, USDA-RD will need to provide HUD APPS system with performance information from USDA-RD MFH Information System.

Resource Estimate for Implementation:

This information is still to be determined, but there is likely low incremental cost if alignment is included as part of the business design for overall upgrade.

Estimated cost savings for owners, operators, developers, investors and/or lenders:

There will be a small benefit for owners, operators, developers, investors and or other lenders due to quicker review by the Federal government of the data submitted.

Estimated cost savings for State, local, and Federal governments:

There is limited monetary savings. However, non-financial savings will be gained by more reliable data and efficiency in gathering and reviewing data by HUD and USDA-RD.

**Challenges to effecting proposed alignment(s):**

1. Funding for the IT enhancement will need to be in place to incorporate the additional business requirements
2. HUD is required to contact Congressional oversight committees for any changes to the APPS database.
3. Regulations will need to be modified to notify the public that HUD will be sharing information with USDA-RD.
4. Security issues for access to APPS system by USDA-RD users will need to be reviewed by both departments' CIO staff.

### **Purpose**

This document is part of an ongoing effort to better align Federal rental policy across the Administration and is sponsored by the Rental Policy Working Group. The Rental Policy Working Group is composed of the White House Domestic Policy Council (DPC), National Economic Council (NEC), Office of Management and Budget (OMB), and the U.S. Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Treasury.

The specific areas of concern identified herein emerged from July 2010 stakeholders gathering at the White House on areas of Federal rental policy inconsistency across the administration. The revised conceptual proposals for alignment articulated within this report are preliminary in nature and have not been endorsed by any Federal agency or office.

With any questions, please contact the Rental Policy Working Group Agency Alignment Leads: Larry Anderson, Director of Multi-Family Housing Preservation and Direct Loans at USDA-Rural Development, Ben Metcalf, Senior Advisor at HUD's Office of Multifamily Housing Programs; or Michael Novey, Associate Tax Legislative Counsel in Treasury's Office of Tax Policy.