



Overview of the RAD Closing Process for Public Housing Agencies

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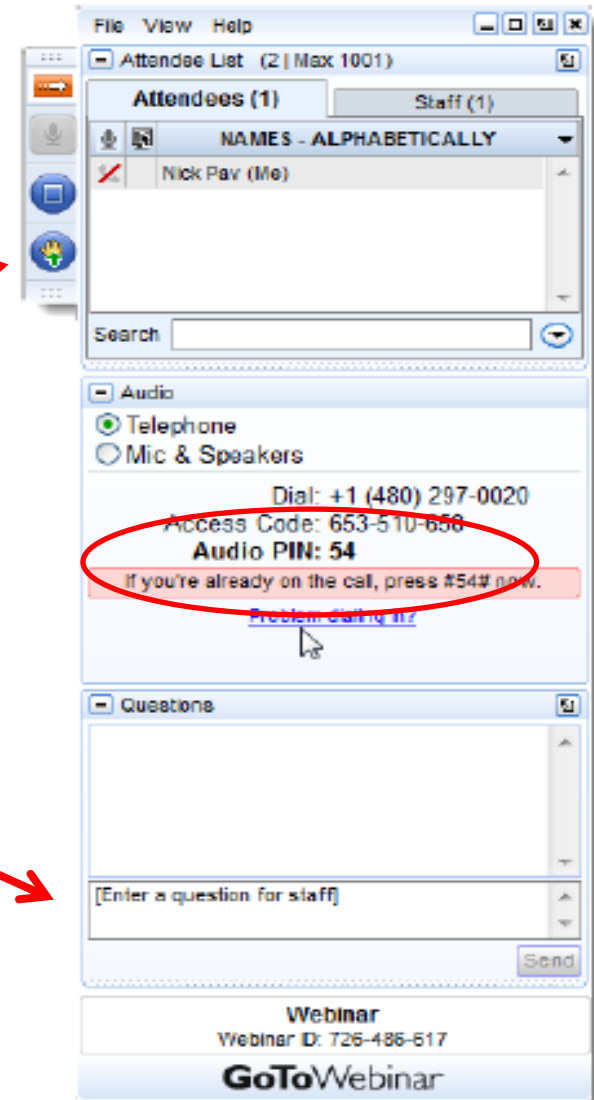
(RAD First Component)

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HOW TO ASK A QUESTION

- Be sure to input your **Audio PIN** shown on your control panel (Note: this PIN is unique to you and cannot be shared)
- **“Raise your hand”** by clicking on the hand icon on your control panel and the presenter will un-mute your line so you can ask your question live
- **Type your question** via the “Question” feature at the bottom of your control panel





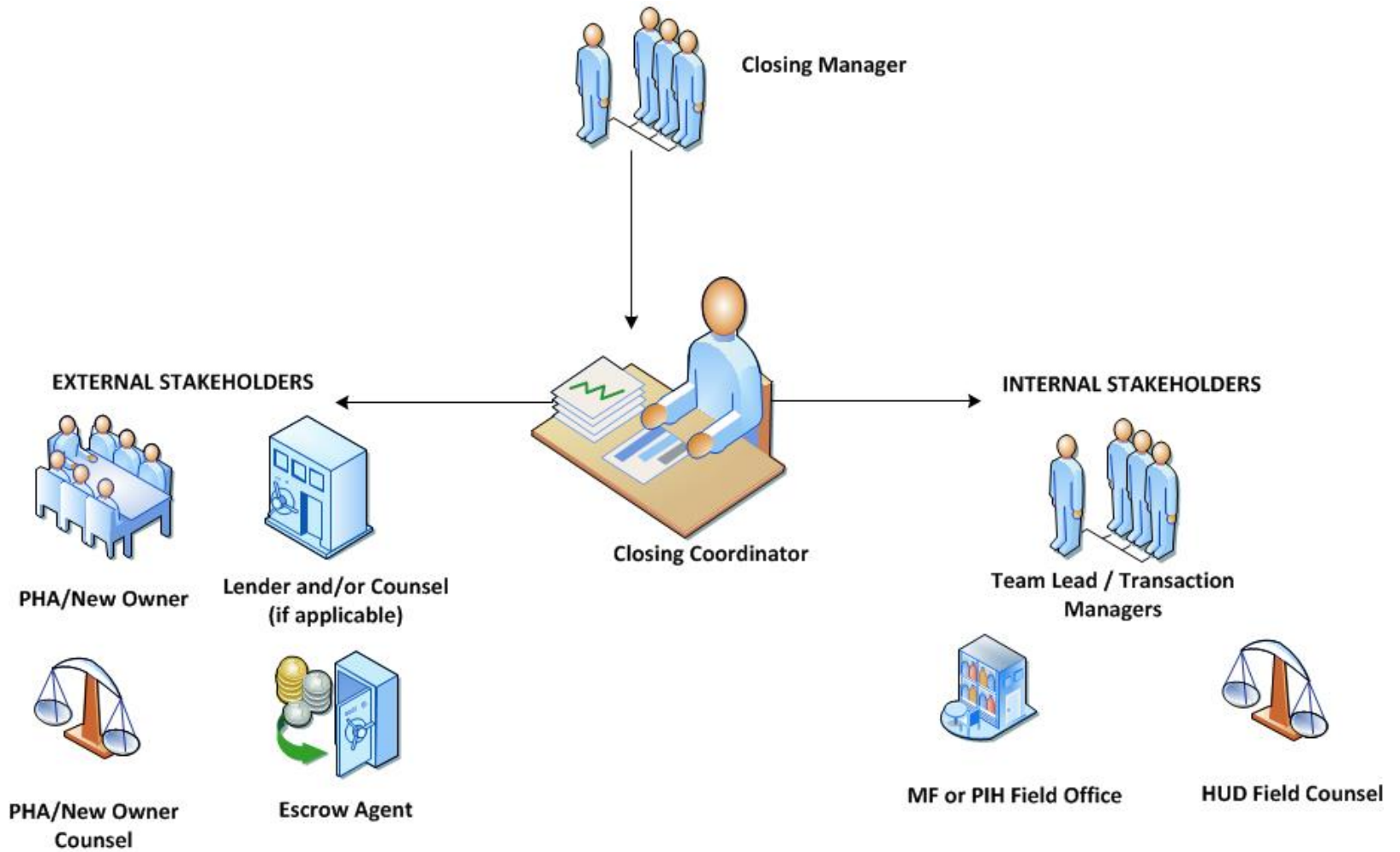
OBJECTIVES



1. Become familiar with the key RAD closing documents (RCC, Use Agreement, HAP Contract)
2. Learn about the closing process
3. Understand the key players involved
4. Learn about general closing requirements for different types of RAD transactions (a future session will focus specifically on RAD transactions using FHA insurance)



RAD CLOSING STAKEHOLDERS





KEY PRE-CLOSING EVENTS

- Prior to the start of the closing process, the PHA's primary contact is the RAD Transaction Manager (TM); key pre-closing events include:
- ✓ Issuance of a CHAP Award
 - ✓ Submission of the Financing Plan
 - ✓ Approval of the Financing Plan and presentation by the TM to the RAD Approval Committee
 - ✓ Issuance of a RAD Conversion Commitment (RCC) by HUD
 - ✓ Execution of the RCC by the PHA (within 30 days of RCC issuance)





CLOSING PROCESS AND TRANSACTION TYPES



- The Closing Management process begins with the issuance of the RCC; ***no separate approval letter***
- Because closing requirements vary based on the type of transactions, PHAs should carefully review their RCCs (especially Exhibit A – Closing Preparations)
- There are four types of RAD transactions:
 - ✓ FHA with Project Based Rental Assistance (PBRA)
 - ✓ FHA with Project Based Vouchers (PBV)
 - ✓ Non-FHA with Project Based Rental Assistance
 - ✓ Non-FHA with Project Based Vouchers
- See comparison chart; we'll discuss some of the docs later



CLOSING PROCESS AND TRANSACTION TYPES



- RAD Closings with FHA financing have a slightly different process
 - After the RAD Approval Committee and RCC issuance, the transaction is considered by the HUD Multi-family Hub Loan Committee
 - ✓ The RCC and the FHA Firm Commitment are conditioned upon each other
 - FHA RAD transaction will be assigned a RAD Closing Coordinator (CC) and a Hub MF Closing Coordinator located in the jurisdiction where the project is located
 - Hub MF Closing Coordinator and Field Counsel drive the closing process following the standard FHA closing process, with help from the RAD CC and TM on the RAD-specific closing documents



CLOSING PROCESS AND TRANSACTION TYPES



➤ Comparison of FHA, PIH Mixed Finance & RAD Closing Processes

Program	FHA	Mixed Finance	RAD
Initial Application	Application for Firm Commitment	Mixed Finance Proposal	RAD Application/CHAP
Presentation of Transaction Details	Submission for Invitation for Firm Commitment	Rental Term Sheet	Financing Plan
HUD Preliminary Approval	Firm Commitment with Special Conditions	Panel Approval	RCC with Special Conditions
Document Submission	Closing Document Submission	Evidentiary Submission	Evidentiary Submission & Owner's Consolidated Certifications
HUD Final Approval	Hub Closing	Approval Letter Issued by HQ & Execution of Mixed Finance ACC Amendment by Field Office	Execution of Use Agreement by HQ



KEY CLOSING DOCUMENTS

- The RAD Conversion Commitment (RCC)
- The RAD Use Agreement (UA)
- The RAD Housing Assistance Payment (HAP) Contract (PBRA or PBV)
- Release of the Declaration of Trust
- Key Closing Documents are applicable to all RAD transactions regardless of financing/conversion type
- Available at www.radresource.net & www.hud.gov/rad





SIGNERS OF KEY DOCUMENTS



DOCUMENT	SIGNER
RCC – Issued by HUD	OAHP Associate Deputy Assistant Secretary or Deputy
RCC – Executed by Owner & Transferee (if applicable)	PHA/Current Owner (Existing Mixed Finance) and New Ownership Entity as Transferee (if applicable)
Release of Declaration of Trust	PIH Assistant Secretary or General Deputy Assistant Secretary or Designee
Use Agreement	OAHP Associate Deputy Assistant Secretary or Deputy
Housing Assistance Payment Contract (PBRA or PBV)	<p>PBRA: Multifamily Hub or Program Center Director in Field Office</p> <p>PBV: Voucher Agency & New Ownership Entity</p>



KEY CLOSING DOCUMENTS

The RAD Conversion Commitment (RCC)

- Issued after the Financing Plan has been approved by the Transaction Manager and RAD Approval Committee
- Executed by HUD and the PHA (or current owner); if there is a New Owner, both the PHA and the New Owner (transferee) execute
- Must be executed and returned to your Closing Coordinator within 30 days of issuance
- Closing must be within 90 days of RCC issuance or an extension is required





KEY CLOSING DOCUMENTS

The RCC continued:

- Survives closing
- Includes key financing terms and Reserve for Replacement terms
- Identifies the ownership entity; new entity typically formed in the process
- Repair Escrow funds held by lender if conventional or FHA financing or else held by PHA
- Special conditions must be cleared prior to closing
- Includes nine exhibits (Exhibits A – I)
- Exhibits B & C provided as “Form of”





KEY CLOSING DOCUMENTS

The RCC continued:

- **Exhibit A** – Closing Preparations
- **Exhibit B** – Form of RAD Use Agreement
- **Exhibit C** – Form of RAD HAP Contract
- **Exhibit D** – Sources and Uses
 - ✓ Completed by Transaction Manager; should reflect what was approved at Financing Plan
 - ✓ Changes must be reviewed by approved by Transaction Manager; RCC amendment is added
- **Exhibit E** – Key Business Terms
 - ✓ Completed by Transaction Manager; outlines financing terms for financing sources (lender name, interest rate, amount, term, etc.)





KEY CLOSING DOCUMENTS

The RCC continued:

- **Exhibit F** - List of Repairs or New Construction
 - ✓ Completed by Transaction Manager
 - ✓ All non-critical/owner-proposed repairs that will be escrowed at closing
- **Exhibit G** - List of Critical Repairs
 - ✓ Completed by Transaction Manager
 - ✓ All critical repairs must be completed prior to closing
- Certification of completion required





KEY CLOSING DOCUMENTS

The RCC continued:

- **Exhibit H - Form A or Form B (Accounts Payable)**
 - ✓ Completed and executed by PHA/New Owner at Financing Plan and included in RCC by TM
 - ✓ Certification of Form A or Form B as applicable, required prior to closing
 - **Exhibit I – Excess Obligations**
 - ✓ Completed by Transaction Manager
 - ✓ Lists out excess obligations to be satisfied prior to closing
- Any amendments must be approved by the TM***





KEY CLOSING DOCUMENTS

The RAD Use Agreement

- Placed on the property after the release of the Declaration of Trust
- Recorded and in first position unless HUD OGC determines allowable exceptions
- Specifies the affordability and use restrictions on the property
- Coterminous with the HAP Contract; not determined by the loan term
- Renewable (renewal set by the terms in the document; auto-renews when the HAP is renewed)





KEY CLOSING DOCUMENTS



The RAD HAP Contract

- Section 8 Housing Assistance Payment Contract

Subsidy	Forms
PBRA	HUD Forms 52620 (Part 1) & 52618 (Part 2)
PBV	HUD Forms 52530A (Part 1) and 52530A (Part 2) and PBV HAP Rider, HUD Form 52621

- Effective the first day of the first month following closing
- Sets forth the rights and duties of the parties and payments
- Specifies the contract rents for the project for each unit type
- PBRA HAP Contract is executed by HUD and the PHA/New Owner
- PBV HAP Contract is executed by the Voucher Agency and the PHA/New Owner



ROLE OF THE HUD FIELD COUNSEL



Reviews and approves:

- Title Policy Pro forma
 - ✓ Ensures clean title and proper recording order
 - ✓ Ensures legal description is consistent with survey, leases and loan documents
- Survey
 - ✓ Conforms to FHA requirements (if FHA financing) or conventional lender's requirements
- Organizational documents
 - ✓ Organizational chart of key partners/principals showing PHA control
 - ✓ Articles of Organization
 - ✓ Partnership Agreement



ROLE OF THE HUD FIELD COUNSEL (CONT'D)

Reviews and approves

- Subordination Agreements or Release of Existing Debt
- Documentation related to existing Mixed Finance transactions
- Opinion of Owner's Counsel (OGC will provide)
- Release of Declaration of Trust
- RAD Use Agreement

The HUD Field Counsel also advises the Closing Coordinator by memo or email when to prepare the escrow agreement letter for the PHA





CC's SUPPORTING DOCUMENTS

In addition to the Key Documents, the CC also collects supporting documents based on the type of transaction ***(Note: Not every document is required for every transaction)***

- RCC Amendments (from TM)
- HAP Contracts for PBV and PBRA
- Sources & Uses or Settlement Statement
- Consolidated Owner Certification
 - Can be tailored to specific needs of each transaction
- Evidence of Execution of New Leases
- Release of Declaration of Trust
- Certification of No Changes





CC's SUPPORTING DOCUMENTS (CONT'D)



- Evidence of Fidelity Bond Coverage
- Management Agreement
- Management Certification (Form HUD 9839)
- Management Entity Profile (Form HUD 9832)
- Rent Schedule (Form 92458)
- Evidence of Satisfaction of RCC Special Conditions
- Evidence of Payoff, Release or Subordination of Debt
- Rehab Escrow Deposit Agreement
- General Depository Agreement
- Previous Participation Approval (2530/APPS)



CC's SUPPORTING DOCUMENTS (CONT'D)

- First Mortgage Documents
- New Junior Debt
- Bond Financing Documents
- LIHTC Equity Documentation
- New Construction Documentation





POST CLOSING STEPS

- The PHA should submit PDF versions of the executed HAP and the RAD Use Agreement to the CC within 24 hours of signing
- All other documents signed by the PHA/New Owner are due to the CC within one week of signature
- Recorded documents can follow when they become available
- Final docket requirements will be posted soon
- PHA must perform final steps for removing the units from PIC





RESOURCES



- RAD Website: www.hud.gov/rad
- RAD Resource Desk: www.radresource.net
- RAD Quick Reference Guide to Multifamily Housing Requirements (For PBRA transaction; will be posted on the Resource Desk in coming weeks)
- Tenant Rental Assistance Certification System (TRACS) Website (for PBRA):
 - http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/trx/trxsum



CLOSING TEAM CONTACT INFORMATION

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