



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON D.C. 20410-8000

OFFICE OF HOUSING

January 6, 2014

Dear Section 236 Multifamily Property Owner:

As you may be aware, the vast majority of Section 236 mortgages that are currently in HUD's multifamily portfolio will reach their respective maturity dates within the next several years. The maturity dates for these HUD mortgages pose a certain level of risk to lower income tenants who currently reside at these properties, as each such owner has the option to terminate the mortgage at maturity and significantly raise the unit rents upon renewal of the lease. This fact has served as the primary motivator behind HUD's efforts to fortify its preservation efforts with additional activities targeting Section 236 properties, among others.

This letter is to encourage you to consider voluntarily providing your tenants with a minimum of 270 days, but not more than one-year's advance notice of the property's Section 236 mortgage maturity date. While you are not required under federal statute or HUD regulations to do so, this voluntary action can be particularly helpful to tenants of affordable housing. Specifically:

- In the event that you intend to terminate the mortgage at maturity and raise the unit rents, tenants can use as much advanced notice as possible. This will allow them to give due consideration to their housing options and will provide the time necessary to make alternative housing arrangements.
- Conversely, if you do intend to preserve the long-term affordability of your property, tenants will appreciate knowing this fact as soon as possible. This information will prevent tenants from unnecessarily expending time and energy exploring alternative housing options they feel they might need if the property converts to market-rate rents after the Section 236 mortgage matures.

Another purpose of this letter is to remind you that tenant notification requirements apply to the prepayment of Section 236 mortgages. The prepayment of Section 236 mortgages may be subject to Section 250 of the National Housing Act (NHA) or Section 219 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999. Section 219 requires an owner of preservation-eligible projects to give at least 150 days, but not more than 270 days, advance notice of mortgage prepayment. For prepayments subject to Section 250, Housing Notice 2004-17 includes a model 150-day notice.

This letter also directs you to existing HUD preservation resources, including the new streamlined Section 236 prepayment and preservation tool. One of the Office of Multifamily Housing's top priorities is to work with Section 236 property owners to fashion affordability preservation strategies that are mutually beneficial to the tenants, the owner, and the federal government. To this end, Multifamily Housing has implemented a centralized processing model for the majority of Section 236 preservation activities through the Office of Affordable Housing

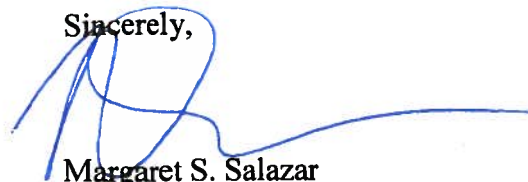
Preservation (OAHP) in HUD Headquarters. Section 236 owners who intend to prepay their mortgages no longer need to submit applications to the Multifamily Hub or Program Center. However, as has been the practice under the Mark-to-Market Program and the centralized processing of Partial Payment of Claims, OAHP will coordinate this work with the local Multifamily Hubs and Program Centers. This coordination recognizes that the field offices have established relationships with local industry members and have significant knowledge about the properties in their respective portfolios.

The centralized processing model for Section 236 preservation activities in HUD Headquarters is designed to streamline how Section 236 prepayment applications and related requests are processed, and to dedicate HUD staff specifically to oversee the complex work involved in these transactions. Under this reorganized framework, Section 236 property owners now submit requests for the approval of related prepayment transactions (e.g., IRP Decoupling, Flex Sub deferral, etc.) directly to OAHP for review, approval (or denial, as applicable), and processing. As the owner of a Section 236 property, you are invited to explore the variety of Section 236 preservation information and resources that are available online:

- Section 236 Online Help Desk: <http://www.hudmfpreservation.net/>
- Office of Affordable Housing Preservation:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/hsgmfbus/aboutahp
- Section 236:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/presrv/presmfh/section236_preserv
- You can also submit questions and comments by email to the following address:
236Preservation@hud.gov.

Thank you for partnering with HUD to provide safe, decent and affordable rental housing to America's low-income tenants.

Sincerely,



Margaret S. Salazar
Associate Deputy Assistant Secretary
Office of Affordable Housing Preservation