



FEDERAL HOUSING ADMINISTRATION

Expanded Opportunities for Participation

Targeting Loan Sales to Nonprofits with Affordable Housing Missions

OFFICE OF ASSET SALES

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT





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OFFICE OF FINANCE AND BUDGET

Expanded Opportunities for Participation

Targeting Loan Sales to Nonprofits with Affordable Housing Missions

April 27, 2022

1:00 p.m. to 5:00 p.m.

Virtual Conference

WELCOME AND OVERVIEW

1:00 pm – 1:15 pm

John Lucey

Director, Office of Asset Sales



Expanded Opportunities for Participation

Targeting Loan Sales to Nonprofits with Affordable Housing Missions



Conference Agenda	Speaker/Title/Topic
Welcome and Overview	John Lucey, Director, Office of Asset Sales
Introduction	John Lucey
Opening Remarks	Lopa Kolluri, Principal Deputy Assistant Secretary for the Office Of Housing
Session 1	FHA Loan Sale Overview, Nonprofit Participation, HVLS 2022-2 Offering, and New Initiatives
Break	----
Session 2	Bidder Qualifications
Session 3	Success Stories and Interactive Discussion
Closing Remarks	John Lucey, Director, Office of Asset Sales
Glossary of Terms	
Upcoming Sales and Opportunities for Participation	
Please email HUDSales@falconassetsales.com with questions or for additional information.	

OPENING REMARKS

Lopa Kolluri

Principal Deputy Assistant
Secretary for the Office Of
Housing



HVLS 2022-2 Sale Personnel

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Office of Housing/Federal Housing Administration

Office of Asset Sales (OAS)

- Sennai Cham
- Monique Denhart
- Juaneca Harris
- Emily Heller
- John Lucey
- Stacey Rhinehart
- Marlene Robinson
- Urmi Patel
- Kristopher Wenn

HUD OAS Transaction Specialist (TS)

Falcon Capital Advisors

- Anton Conkle
- Glenn Ervin
- Brien Hampton

- Josh Hinman
- Dave Kirk
- Que Smith

Subcontractors to Falcon Capital Advisors

Guidehouse Inc. – Marketing & Due Diligence

- Colleen Burke
- Quinn McDonough
- Phillip Thigpen

Mission Capital – Bid Model & Technical Support

- Janice Francis
- John Jenkins
- Debbie Johnston
- Spencer Kirsch
- Joseph Runk

Today's Conference Presenters

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Office of Housing/Federal Housing Administration

Lopa Kolluri – Principal Deputy Assistant Secretary for the Office Of Housing/Federal Housing Administration

Office of Asset Sales (OAS)

- John Lucey – Director, Office of Asset Sales
- Marlene Robinson, Senior Program Advisor
- Emily Heller, Senior Program Advisor
- Sennai Cham, Financial Analyst

HUD OAS Transaction Specialist (TS)

- Josh Hinman – Consultant, Falcon Capital Advisors

Subcontractors to Falcon Capital Advisors

- Quinn McDonough – Senior Consultant, Guidehouse Inc.

Targeting Loan Sales to Nonprofits with Affordable Housing Missions

Goals and Objectives

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Goals of Conference

- Provide an overview and history of FHA Loan Sales and encourage increased participation by Nonprofits and community-based organizations
- Describe enhancements designed to increase participation by Nonprofit and community-based organizations
- Encourage outcomes that prioritize affordable homeownership opportunities or create other positive outcomes for communities

Objectives

- Inform participants of the upcoming sale and new award structure
- Explain desired outcomes for upcoming FHA Loan Sales
- Explain bidder qualification requirements
- Success stories from past Nonprofit purchasers



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Session 1

FHA Loan Sale Overview, Nonprofit Participation, HVLS 2022-2 Offering, and New Initiatives

Sales of Mortgage Loans

Session 1

FHA Loan Sale Overview & Discussion Topics

- John Lucey, Moderator
- Sennai Cham
- Emily Heller



Discussion Topics

- FHA Loan Sale Goals & HVLS Sale History
- HVLS 2022-2 Offering
- Historical Nonprofit Participation
- New Initiatives & Award Structure

Session 1

Goals of FHA Loan Sales

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Goals of FHA Loan Sales

- Allows FHA to accept assignment and sell due and payable mortgages prior to foreclosure and property conveyance
- Allows FHA to target sale of mortgage loans that are secured by vacant or abandoned real property that are Secretary-held assets
- Maximizes recoveries and mitigates long-term losses to the Mutual Mortgage Insurance Fund (“MMI Fund”) on behalf of the U.S. taxpayer through a competitive market auction
- Promotes mission objective outcomes

Session 1

Goals of HVLS 2022-2

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Goals of the Upcoming Sale

- ▣ Award all loans to Nonprofit purchasers
- ▣ Increase new Nonprofit participation
- ▣ Achieve the desired affordable housing outcomes
- ▣ Promote flexibility of Nonprofit participation
 - Diversity of geographies
 - Number of loans (minimum of 10 loans)
 - Broad range of property values that secure the loans
- ▣ Educate and encourage Nonprofits to take advantage of various bidding strategies

Session 1

FHA Loan Sale History and Evolution

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- Beginning in 2010, 108,616 loans were purchased through Single Family Loan Sales (“SFLS”)
- First HUD-held Vacant Loan Sales (HVLS) took place in 2017 and has been the focus of recent loan sale initiatives
- Direct Sales to Units of Local Government Entities
 - Loans sold directly to a Government Entity, which may choose to partner with Nonprofits, with Office of Management Budget (“OMB”) approval
 - Inquiries can be made either by the Government Entity or by HUD
 - HUD has executed 6 Single Family direct sales

Session 1

HVLS Loan Sales

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- ❑ HVLS sales initiated in 2017 to address the increasing inventory of assigned HECM loans secured by vacant or abandoned real property
- ❑ Characteristics of due and payable HECM loans that we sell
 - ❑ Borrower/Co-borrower and any Eligible Non-Borrowing Spouse are Deceased
 - ❑ Property is Vacant or Abandoned
 - ❑ Heirs of Borrower(s) have not paid off debt
- ❑ Since 2017 HUD has held seven HVLS sales
 - ❑ Based on Nonprofit interest, HUD offered Nonprofit set aside and carve-out pools beginning with HVLS 2019-1
 - ❑ Nonprofit carve-out pools were expanded to 50% of each regional pool in HVLS 2022-1
 - ❑ HVLS 2022-2 will be the first Nonprofit only sale

Session 1

HVLS Nonprofit Participation

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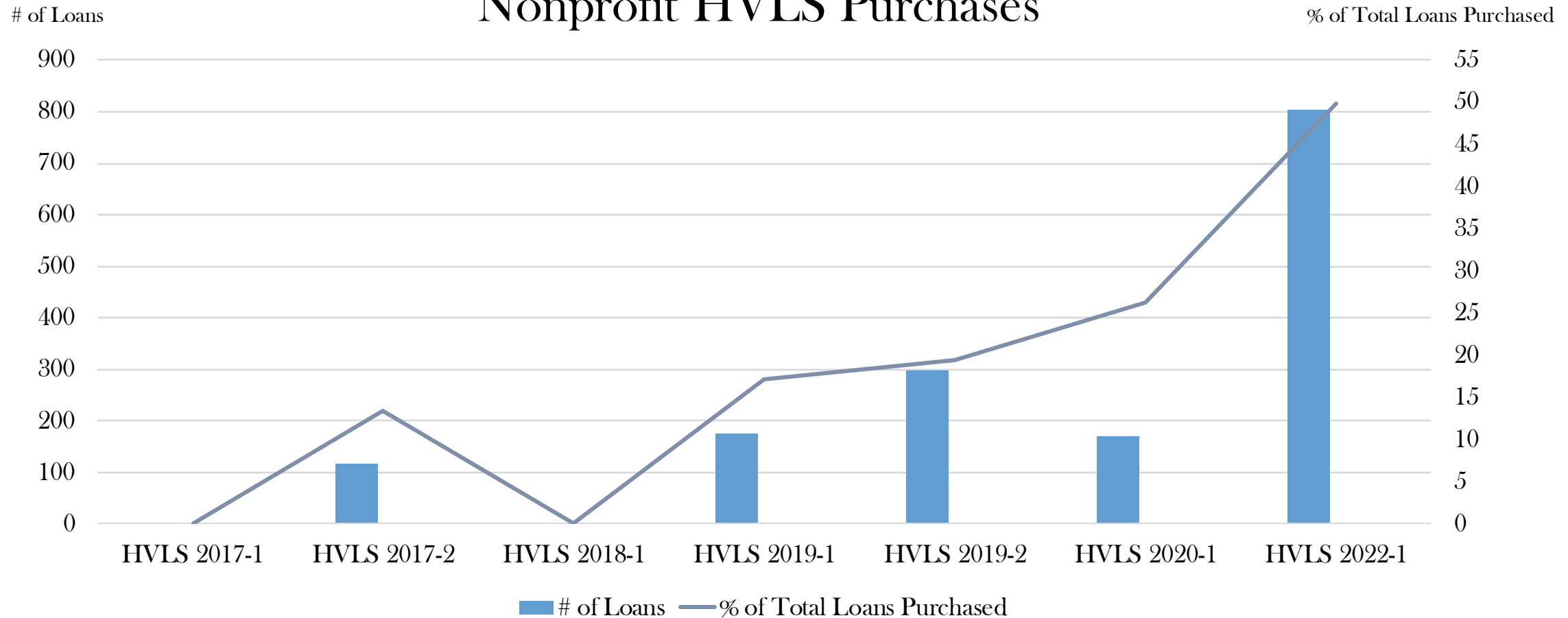
- When OAS introduced carve-out pools in HVLS 2019-1, as a standard pooling strategy, the goal was to have 10% of loans in the auction go to Nonprofit bidders. With HVLS 2022-1, the goal was increased to 50%.
- Increasing the Nonprofit carve-out threshold to 50% greatly impacted Nonprofit participation for the HVLS 2022-1 sale. HVLS 2022-1 included 45 Nonprofit bidding entities with 11 unique Nonprofit winners.
- The 50% Nonprofit purchase goal was achieved.
- The upcoming June 2022 HVLS 2022-2 sale will be a **Nonprofit only sale** with the goal of awarding 100% of loans to Nonprofit entities.

Session 1

HVLS Nonprofit Participation – Loans Sold

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Nonprofit HVLS Purchases



Session 1

HVLS 2022-2 Sale

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Upcoming June 8, 2022 Sale

- ▣ Approximately 1,450 loans
- ▣ Loans available in 42 U.S. states and Puerto Rico
- ▣ Eligible bidders are allowed to submit bids from 10:00 a.m. to 1:00 p.m. EST on June 8, 2022

Details on Process

- ▣ Each Nonprofit bidder can create a unique pool of loans out of the single national pool.
- ▣ Each Nonprofit can bid up to 100% of the number of loans in the single national pool.
- ▣ Bidders must submit bids on a minimum of 10 loans.
- ▣ Settlement and service transfer will take place within 60 days of the award date.

Session 1

New Initiatives: Bidding Parameters

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- ❑ HVLS 2022-2 will be only open to Nonprofit qualified bidders and bids will be accepted on a loan-by-loan basis rather than on a pool-by-pool basis.
- ❑ To facilitate due diligence, the data room (where bidders can view available data and due diligence documents) is structured similarly to past transactions and will include six (6) regions containing the loans in subfolders arranged by state.
- ❑ Bidders must submit a minimum of 10 bids.
- ❑ Loans will be awarded to the highest bidder on a loan-by-loan basis.

Session 1

Post-Sale Reporting

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Post-Sale Reporting Requirements

Post-sale reporting provides transparency for taxpayers and other stakeholders and assists HUD in designing program refinements.

Post-sale reporting requirements are included in the Conveyance Assignment and Assumption Agreement (“CAA”) between HUD and the Purchasers.

Purchasers provide quarterly reporting on a loan-by-loan basis and self-certifications regarding compliance with post-sale requirements through HUD’s web portal.

The loan-by-loan data includes information on the asset after sale, including:

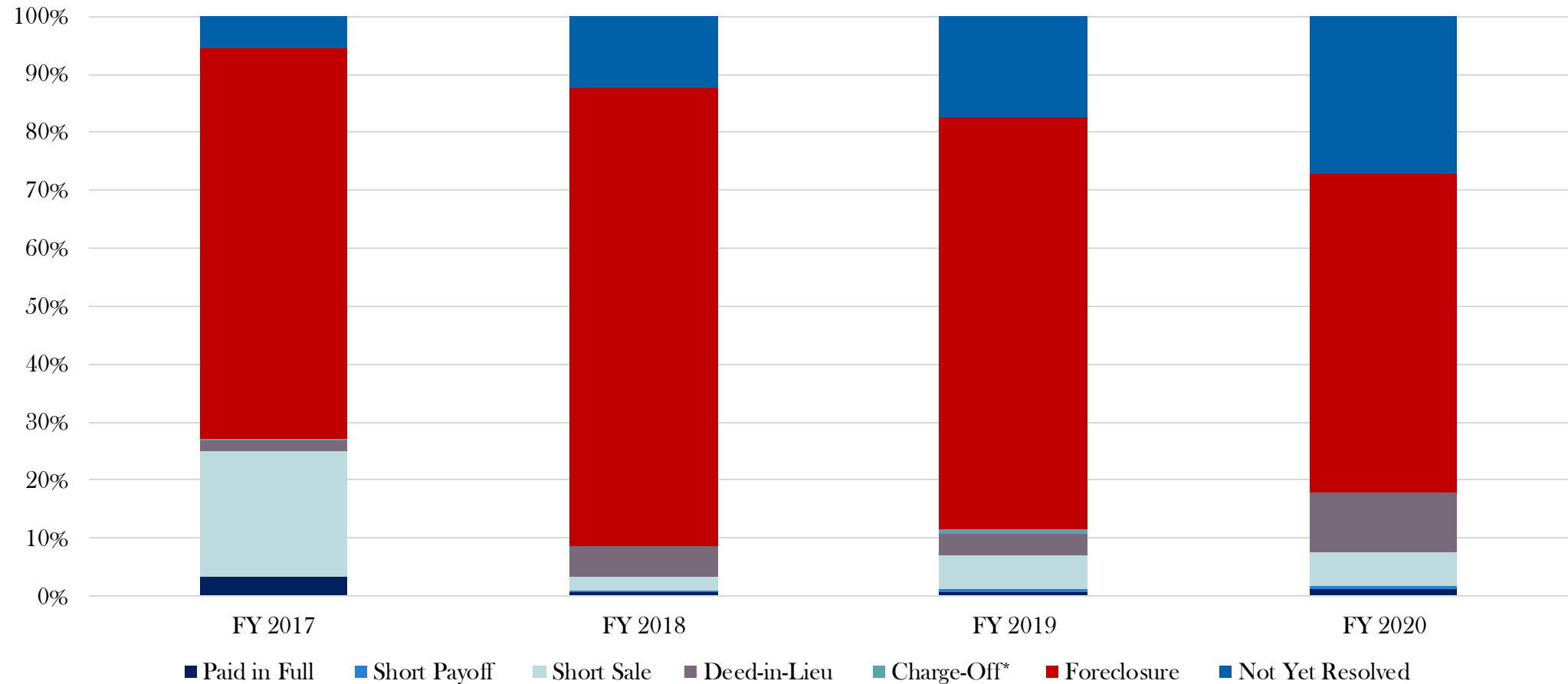
- Status: e.g. Foreclosed REO, Deed-in-Lieu, Short Sale
- Property Outcome: e.g. Sold to Owner Occupant that is a first-time home buyer; sold to an investor
- Property Improvements: Dollar amount of money used for capital improvements
- Mission Outcomes: Achievement of Mission Outcomes
- Data supporting affordability of the purchaser’s real estate owned property, whether sold or rented

Session 1

Post-Sale Reporting of Historic Liquidation Strategies By Sale Year

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Status Outcome by Sale Fiscal Year



Session 1

HVLS 2022-2 Desired Outcomes

Desired Outcomes

- ❑ This sale provides greater opportunities for Nonprofit organizations to purchase mortgage loans that can be handled in a manner that provides affordable homeownership and supports neighborhood revitalization.
- ❑ All Purchasers must report on the achievement of all outcomes to include the desired Mission Outcomes outlined in the CAA for each of the mortgage loans through the Post-Sale Report or Follow Up Report.
- ❑ Mission Outcomes will be defined in the CAA and will include outcomes that further HUD's mission of increasing the affordable housing supply, expanding opportunities for homeownership and rental housing, and revitalizing communities.



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OFFICE OF FINANCE AND BUDGET

Break

Questions & Answers Will Begin in 10 Minutes



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Questions & Answers



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Session 2

Bidder Qualification

Session 2

Bidder Qualification

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- John Lucey, Moderator
- Marlene Robinson
- Sennai Cham
- Quinn McDonough, Senior Consultant, Guidehouse, LLP
- Josh Hinman- Consultant, Falcon Capital Advisors



Discussion Topics

- Bidder Qualification Process and Requirements
- Teaming and Organizational Structure
- Where to locate Qualifying Documents

Session 2

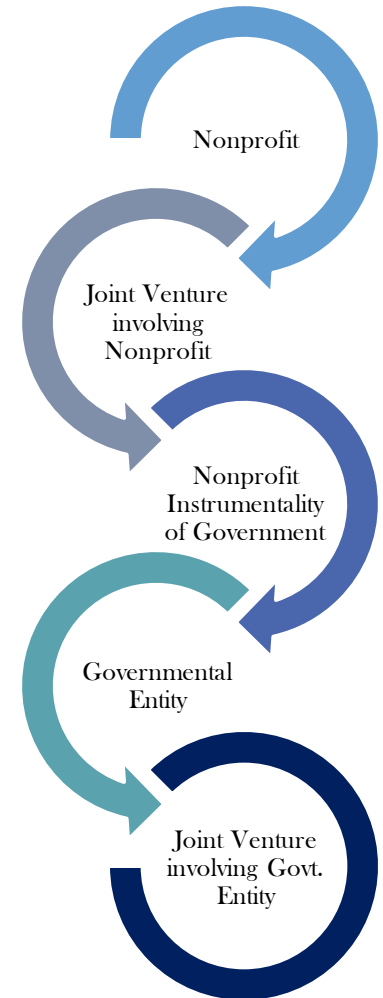
Bidder Qualification

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Nonprofit and Government Qualification Addendum Certification Qualified Bidder (Section 1):

□ Entity Structure (Subsection A)

- Bidder is a 501(c)(3) nonprofit organization.
- Bidder is a joint venture involving a 501(c)(3) organization (a “Nonprofit Joint Venture”), and the 501(c)(3) organization’s control over the Nonprofit Joint Venture is sufficient for a determination that Nonprofit Joint Venture operates in a manner consistent with the 501(c)(3) organization’s charitable purpose.
- Bidder is a Nonprofit Instrumentality of Government. This is a 501(c)(3) organization that was established by a governmental body or with governmental approval under special law to serve a particular public purpose or is designated an instrumentality by law.
- Bidder is a Governmental Entity or an Instrumentality of Government. Governmental Entity refers to any federal, state, or local government agency or instrumentality. An Instrumentality of Government refers to an entity that was established by a governmental body or with governmental approval or under special law to service a particular public purpose or designated by law and does not have a 501(c)(3) tax-exempt status.
- Bidder is a joint venture involving a Governmental Entity that has been established in order to carry out the Governmental Entity’s purpose (a “Governmental Joint Venture”).



Session 2

Bidder Qualification

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- **Net Worth Requirement (Subsection B)**
 - **Net Worth:** Bidder has a net worth of at least \$3 million
 - **Net Worth Alternatives**
 - **Irrevocable Letter of Credit:** from a financial institution the long-term senior unsecured debt of which shall have a credit rating of not less than “A” from Standard & Poor’s Corporation and not less than “A2” from Moody’s Investors Service, Inc.
 - **Performance Bond:** The Performance Bond shall be supported by corporate sureties whose names appear on the list contained in Treasury Department Circular 570, individual sureties, or by other acceptable security such as postal money order, certified check, cashier’s check, irrevocable letter of credit, or, in accordance with Treasury Department regulations, certain bonds or notes of the United States.
 - Bidder must be able to show evidence that the Irrevocable Letter of Credit or Performance Bond is in place within two (2) business days of the notice that it is the high bidder and must be valid through thirty (30) days after the final settlement date for all loans purchased.

Session 2

Bidder Qualification

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□ Determination of IRS Tax-Exempt Status (Section 2)

- A Nonprofit must submit an Internal Revenue Service (“IRS”) Determination Letter providing an effective date of exemption that is at least two years prior to the execution date of this Certification, or the reason such a letter is not applicable (e.g., Governmental Entity or its Instrumentality of Government is not a Section 501(c)(3) organization).

□ Organizational Chart (Section 3)

- A Nonprofit must submit an organizational chart that graphically depicts the board of directors, employees and all entities and contemplated partners and their respective ownership percentages within the Bidder. This chart should show the contractual or equity relationships.
 - Provide an organizational chart that graphically depicts the ownership and equity structure of the Bidder. This must include all Bidder components including the board of directors, primary employees, officers, funding partners, asset managers, contractors, servicer and subservicers, and all entities and contemplated partners and their respective **ownership percentages** within the Bidder.

Session 2

Bidder Qualification (JV)

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- Requirements for Joint Ventures (“JVs”)
 - The JV is the Bidder who will sign all sale documents. It must be an established legal entity whose structure is documented and meet the qualification requirements.
 - A wholly owned subsidiary of a nonprofit organization does not qualify to be a JV
 - For a JV involving one or more 501(c)(3) organizations (a “Nonprofit Joint Venture”), and the 501(c)(3) organization(s) must have control over the Nonprofit Joint Venture in a manner sufficient to determine that the Nonprofit Joint Venture operates in a manner consistent with 501(c)(3) organization(s) charitable purpose(s).
 - HUD Form 9611, II, description selection should be “Joint Venture with a 501(c)(3) Nonprofit”
 - “Control over” must be sufficient for IRS determination that the JV operates in a manner consistent with the 501(c)(3) organization's charitable purpose
 - Any Nonprofit Bidder not wholly owned by a single 501(c)(3) is a JV
 - Written authority of each equity holder, owner, member, etc., to enter into the JV must be provided with the Addendum

Session 2

Bidder Qualification (JV)

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- Requirements for Joint Ventures (“JVs”) continued
 - JVs involving a Governmental Entity that has been established in order to carry out the Governmental Entity’s purpose (a “Governmental Joint Venture”).
 - HUD Form 9611, II, description selection should be “Joint Venture with a Government”
 - Written authority of all parties of each JV must be provided with the Addendum
 - Approved JV must be the entity to settle with HUD
 - Special Purpose Entity (“SPE”) may only used if wholly owned by approved JV

Session 2

Bidder Qualification (JV)

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- Qualification Statement Addendum HUD Form 9612 Differences for JVs
 - IRS Tax Exempt Status (Section 2)
 - Provide an IRS Determination Letter for each 501(c)(3) organization in the JV
 - At least one 501(c)(3) entity must have been deemed such in the IRS Determination Letter at least two years prior to the execution date of the Qualification Statement and Addendum, unless approved by HUD, in writing
 - Organizational Chart (Section 3)
 - Provide documentation that presents the legal structure of the JV, i.e., Partnership, LLC, Corporation, etc., states the purpose of JV, and Tax I.D. number. The Chart must show the contractual or equity relationships of the entities.
 - Unless already clearly depicted in the organizational chart, please describe each Bidder component in relationship to the Bidder, their role in the JV (i.e., servicer, Capital/Funding Partner, Property Manager, Asset Manager, other operations management entity, etc.), their corporate entity type, and their contact details.

Session 2

Bidder Qualification

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A Qualified Bidder is a person or entity that has:

- ❑ Submitted a completed and executed (forms will be sent by e-mail for completion after you sign up on <https://market.missioncap.com/> and register for HVLS 2022-2):
 1. HUD Confidentiality Agreement
 2. HUD Qualification Statement (“HUD Form 9611”) and a nonprofit/Government Entity addendum certifying that they meet HUD’s bidder qualification requirements (“HUD Form 9612”)
- ❑ Qualified Bidders will have access to offering materials including due diligence materials and legal documents via the Mission Market platform
- ❑ In order to place a bid, Qualified Bidders will submit a HUD Bidder Authorized User Form (“BAUF”) and documentation and HUD Bid Terms Acknowledgement Form (“BTAF”) and documentation



Session 2

Bidder Qualification

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- Approved Qualified Bidders will gain electronic access to the following documents via the Mission Market site:
 - Bidder Information Package and Supplements
 - Loan Sale Agreement known as Conveyance Assignment and Assumption Agreement (“CAA”)
 - Access to Due Diligence Files
 - Aggregate Loan Database (“ALD”)
 - Collateral Files
 - Servicing Files
 - Broker’s Price Opinion (“BPO”) Report
 - Inspection Reports
 - Loan Summary and Transaction History Report

Session 2

Bidder Qualification

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- HUD Confidentiality Agreement Common Errors
 - Writing an individual's name instead of entity name in "Reviewer Name" section
- HUD Qualification Statement (HUD Form 9611) Common Errors
 - Writing an individual's name instead of entity name in "Name of Bidder" section
 - Omitting the State of Organization when asked for "Corporate or Other Entity Type and State of Organization". Examples of Entity Types include:
 - LLC formed in the state of Delaware
 - Joint Venture between 501(c)(3) and S Corporation formed in the state of New Jersey
 - Omitting names of key employees (include key officers such as the CEO, CFO, COO)
 - Not reviewing and checking/responding to ALL certification statements on pages 5 through 9
- HUD Qualification Statement Addendum (HUD Form 9612) Common Errors
 - Not reviewing and checking/responding to ALL certification statements on pages 5 through 6
 - Incorrectly checking the 501(c)(3) box rather than the joint venture box.
 - If the bidding entity is a Joint Venture, a representative from the Nonprofit **MUST** complete and sign the section named "If The Nonprofit Is Not The Bidder Entity"



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OFFICE OF FINANCE AND BUDGET

Break

Questions & Answers Will Begin in 10 Minutes



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OFFICE OF FINANCE AND BUDGET

Questions & Answers



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Session 3

Success Stories and Interactive Discussion

Session 3

Success Stories and Interactive Discussion



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Moderator

- Marlene Robinson, Senior Program Advisor, OAS
- Emily Heller, Senior Program Advisor, OAS

Panelists

- Sharon Pratt, Founder and CEO, Home Preservation Exchange
- Marcos Morales, Executive Director, Hogar Hispano, Inc.
- Dina Harris, President & Founder, National Faith Homebuyers
- Michael Hood, Chief Strategy Officer, Fay Servicing
- Joanne Cordero, Chief of Staff, Skid Row Housing Trust

Discussion Topics

- FHA loan sale buyer success stories
- Lessons learned from other sale participants
- Developing partnerships, Teaming and Attracting Capital; working with capital partners
- Success with Outcomes; challenges presented

CLOSING REMARKS



John Lucey

Director, Office of Asset Sales

Upcoming Sales and Opportunities for Participation

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HVLS 2022-2

- Office of Asset Sales (OAS) Sale Announcements:

https://www.hud.gov/program_offices/housing/comp/asset/hsgloan

- Preview of Qualification Statement and Confidentiality Agreement can be found at the Single Family Loan Sale Transaction Specialist Website:

<http://www.falconassetsales.com/>

Glossary of Terms

TERM	DEFINITION	DESCRIPTION
FHA	Federal Housing Administration	
OAS	Office of Asset Sales	Resides within FHA's Office of Finance and Budget
TS	Transaction Specialist	Falcon Capital Advisors
USLG	Unit of State or Local Government	
HECM	Home Equity Conversion Mortgage	A "reverse" (negatively amortizing) mortgage insured by FHA
HVLS	HUD-held Vacant Loan Sale	A type of single family residential HECM loan sale
MMI FUND	Mutual Mortgage Insurance Fund	Fund that pays claims on FHA-insured mortgages
BPO	Broker Price Opinion	A professional property (sale collateral) valuation provided by a real estate broker
BTAF	Bid Terms Acknowledgement Form	A document required to be executed by eligible bidders which defines terms & requirements for a specific sale
BAUF	Bidder Authorization and User Form	A document required to be executed by eligible bidders which identifies the user authorized to submit bids
CA	Confidentiality Agreement	A document required to be executed by potential bidders to gain access to the qualifying documents
QS	Qualification Statement	A document required to be executed to provide HUD with information needed to determine whether the bidder meets the qualification requirements to bid in the sale
SFLS	Single Family Loan Sale	A type of single family "forward" (amortizing) loan sale
OMB	Office of Management and Budget	



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April 27th, 2022
Virtual Conference

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