



OFFICE OF HOUSING

Office of Multifamily Housing Programs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



OFFICE OF HOUSING

**LONG-TERM RENTAL ASSISTANCE CONTRACTS
FOR THE PRESERVATION OF PRE-1974 SECTION 202
DIRECT LOAN PROPERTIES**

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

June 8, 2023

Characteristics of Pre-1974 Section 202 Properties

1959 - 1974

- Non-Profit Sponsor
- Direct Loan: 3-3.75% Interest
- Originally No Rental Assistance

DID YOU KNOW?

- The last Pre-1974 Section 202 mortgage matures in September of 2024.
- The portfolio has an aging in place population with an increasing need for services.
- Most of these Direct Loans have never been recapitalized despite being in service for almost 50 years.

Preservation Options

Preservation Options are now available for Pre-1974 Section 202 Direct Loan Properties to...



Enhance Revenue

Improve project revenue by adding rental assistance.



Maintain Affordability

Ensure ongoing affordability by providing subsidy through Project-Based Vouchers or SPRAC.



Promote Leverage

Allow owners to leverage debt and equity to recapitalize the property.

Last Chance at Preserving Pre-1974 Section 202 Properties

Matured or Maturing

Recapitalization Not Required

Maintain Affordability:

- Project-Based Vouchers for income eligible occupied units on date of mortgage maturity

Preservation for Matured/Maturing Mortgages

Notice PIH 2019-01 / Notice H 2019-02

- Provides eligibility criteria for rental assistance (TPVs): at-risk tenants in low-vacancy areas. For more information, please review this [list of low-vacancy areas](#).
- Outlines Owner's submission requirements.
- Discusses roles and responsibilities for HUD Multifamily Housing, Public and Indian Housing, and Public Housing Authorities.

Matured/Maturing Mortgages Requirements

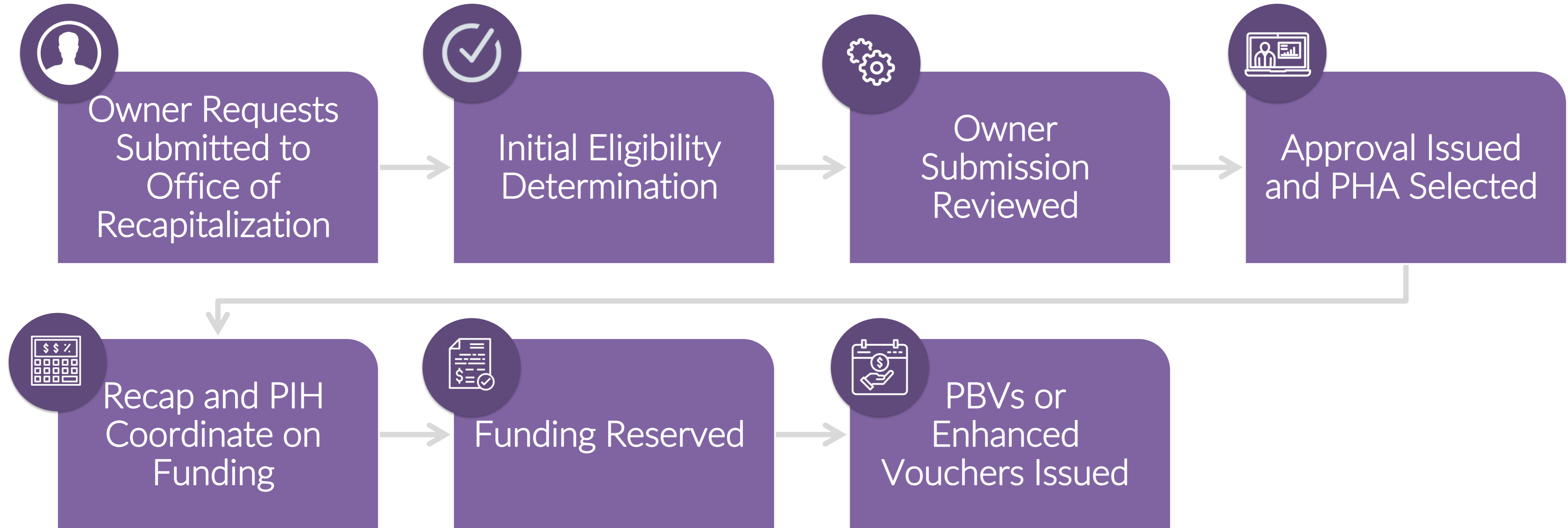
- Mortgage must have matured within 5 years of Owner's submission or will mature within 180 days from Owner's submission.
- Owner submits basic property information and documentation
- Owner may request project-based vouchers or enhanced vouchers (i.e., tenant-based). PHA must be willing to administer voucher contract.
- Certifications required for compliance with civil rights laws and tenants not receiving other subsidy.

Matured/Maturing Mortgages Requirements (cont.)

Owner must identify:

- At-Risk Tenants with Rent Calculations
- Not-At-Risk Tenants with Rent Calculations
- List of Ineligible Tenants (Failed to Provide Income Information)

Summary of Preservation Process for Matured/Maturing Mortgages



Resources



Overview of Guidance

Key Concepts For
Preservation Of Pre-
1974 Section 202 Direct
Loan Properties

https://www.hud.gov/sites/dfiles/Housing/documents/KeyConcepts_Pre1974_Section202.pdf



Notice H 2013-17

Updated Requirements
for Prepayment and
Refinance of Section
202 Direct Loans

<https://www.hud.gov/sites/documents/13-17hsgn.pdf>



Notice H 2018-02

Refinancing of Pre-1974
Section 202 Direct
Loans and Subsequent
Issuance of

TPVs or SPRACs
<https://www.hud.gov/sites/dfiles/PIH/documents/pih2018-02.pdf>



Notice PIH 2019-01/H 2012-02

Funding Availability for
Set-Aside Tenant-
Protection Vouchers –
Fiscal Year 2018
Funding

<https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-01.pdf>

HUD's website on Pre-1974 Section 202 Direct Loan Preservation:
https://www.hud.gov/program_offices/housing/mfh/presrv/presmfh/mf_sprac

To contact Recap with any questions and/or to request a concept call, please send a message to Pre1974Section202@hud.gov