



Section 236 Preservation Checklist: The ABCs of “Know Your Property”



This checklist provides guidance on the documents and information that Section 236 owners should gather at the start of the preservation planning process. The information applies to each of the following types of Section 236 mortgages:

- FHA-insured
- HUD-held loans
- State Housing Finance Agency (HFA)-issued

Educate your board and ownership. Before your property’s ownership team develops a preservation strategy, you and your team will need to understand the property’s current financing, rental assistance, and capital needs. Taking this step to “know your property” will result in a clear understanding of the issues that will impact the property’s preservation goals.

A: Financing

Gather Documents	Know Your Property
<ul style="list-style-type: none"> <input type="checkbox"/> Section 236 Mortgage Note and Regulatory Agreement <input type="checkbox"/> Interest Reduction Payment (IRP) Use Agreement, IRP Payments Agreement, and IRP Amortization Schedule <input type="checkbox"/> Flexible Subsidy (Flex Sub) Grant Agreement, Financial Assistance Contract or Residual Receipts Note, and the Flex Sub Use Agreement <input type="checkbox"/> Other Financing Use Agreements, Covenants, Mortgages, Deed Restrictions, and/or Regulatory Agreements <input type="checkbox"/> ELIHPA or LIHPRHA Plan of Action and Use Agreement <input type="checkbox"/> Most recent 3 years of financial statements (audited if available), including notes and supporting schedules 	<ul style="list-style-type: none"> <input type="checkbox"/> When does the Section 236 loan mature? Confirm your maturity date with your lender. <input type="checkbox"/> Can the loan be prepaid? Figure out if you need HUD permission to prepay your Section 236 loan: <ul style="list-style-type: none"> ○ Was the original owner a nonprofit? ○ Did the property ever have a Rent Supp contract? If so, was it converted to Section 8? ○ Did the property receive a Flex Sub loan? <input type="checkbox"/> How many months of IRP subsidy will remain at the anticipated closing date? <input type="checkbox"/> Is there a Flex Sub loan that is due at the maturity/prepayment of the Section 236 loan? <input type="checkbox"/> What concerns or issues are you aware of that might prevent the property from being financially and operationally viable over the long term?

Act Now: If the property’s mortgage is maturing in the next 12 months, or has already matured, contact HUD immediately for guidance.



B: Rental Assistance

Gather Documents	Know Your Property
<ul style="list-style-type: none"> <input type="checkbox"/> Rental Subsidy Agreements (Section 8 Housing Assistance Payments, Project-Based Vouchers, RAP, and/or Rent Supp) <input type="checkbox"/> Most recent three months of rent rolls <input type="checkbox"/> Resident income certifications 	<ul style="list-style-type: none"> <input type="checkbox"/> What is the breakdown of assisted and unassisted units by bedroom/unit type? <input type="checkbox"/> For each rental assistance contract: <ul style="list-style-type: none"> o When does it expire? o Is the contract renewable? How is it renewed? o How are rents increased? o Are the current rents under, at, or above market rate? <input type="checkbox"/> For unassisted units: <ul style="list-style-type: none"> o Which of the families have incomes at 80% or less of the Area Median Income and are paying less than the market rent now? o How is rent increased on these units?

C: Capital Needs and Reserves

Gather Documents	Know Your Property
<ul style="list-style-type: none"> <input type="checkbox"/> Latest REAC report (know the REAC score) <input type="checkbox"/> Account balances of reserves for replacement and residual receipts <input type="checkbox"/> Capital Needs Assessment, if any, that evaluates the property’s upcoming capital replacement needs 	<ul style="list-style-type: none"> <input type="checkbox"/> When was the property built? <input type="checkbox"/> What capital improvements have been completed since it was built? <input type="checkbox"/> What concerns or issues are you aware of that might prevent the property from being physically viable over the long term? Are capital improvements needed? What are the renovation priorities of the building’s residents? What improvements would improve the marketability of the building? <input type="checkbox"/> What funds are available to address future improvements needed?

Once you have gathered these documents and information, you will have a clear understanding of your property and can begin **Step 2: Set Your Preservation Goals**.

