

SUMMARY:

This policy describes the Michigan State Housing Development Authority's (the Authority) Operating Assurance Reserve (OAR) Policy and procedures for processing OAR recommendations.

NOTE: The OAR was originally called the Operating Assurance Escrow (OAE). This policy uses "OAR" but the policy applies to either term.

PURPOSE/USE OF OAR:

The OAR helps ensure the stability of a development during the first years of operation. The reserve can be used for deficits in the operation of the development during the years the reserve is available. *Ultimately, the OAR helps with the RR Needs near the end of the development's mortgage term.* The reserve can also be used as leverage to achieve compliance with Authority requirements.

The OAR **cannot** be used to pay Identity of Interest vendors.

STRUCTURE OF OAR:

The amount and any special terms governing the OAR are described in the development's Regulatory Agreement and the Commitment Report. **These documents must always be carefully reviewed to obtain complete OAR information.** The following tables provide guidelines for the different OAR structures.

- Tables 1 and 2 describe the structure of the OARs from 1987 until approximately February, 1999.
- Table 3 describes the structure of the OARs since February, 1999 (15-year OAR).
- Table 4 describes the structure of the OARs for Preservation deals (12-year OAR).

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TABLE 1 – DEVELOPMENTS FUNDED UNDER THE AUTHORITY’S TAX-EXEMPT VARIABLE RATE DEBT PROGRAM ADOPTED IN NOVEMBER 1987

	SOURCE OF FUNDS	FUNDS DEPOSITED	RELEASE DATE IF RESERVE NOT USED	SOURCE USED WHEN OPERATING DEFICITS	SPECIAL CONDITIONS
OAR					
1.Owner-Funded	Letter of Credit or cash from mortgagor	Initial Closing	<p>After 12 months of successful operation beginning with cutoff date funds can be released in three equal annual amounts over a period of years specified in the Regulatory Agreement.</p> <p>If at any time an operating deficit is incurred, no funds will be released or Letter of Credit reduced until the completion of an additional 12 months of successful operation.</p>	2 nd Source – 50/50 split with Supplemental Operating Assurance Escrow	<p>Funds deposited at initial closing may be reduced by ½ of any residual receipts & cost saving funds deposited at final closing.</p> <p>Mortgagor may elect to pay any operating deficit in cash. If this option is elected, the Letter of Credit may be reduced by the amount of the cash payments.</p>

TABLE 2 – ALL OTHER DEVELOPMENTS (Prior to new structure changes)

SOURCE OF FUNDS	FUNDS DEPOSITED	RELEASE DATE IF RESERVE NOT USED	SPECIAL CONDITIONS
Letter of Credit or cash from mortgagor	<p>Initial Closing</p> <p>If any funds are drawn from the reserve for construction expenses, escrow must be reinstated to full amount at final closing – or – the earlier of final closing or 120 days after construction cut-off date (see Regulatory Agreee.)</p>	<p>After 12 months of successful operation beginning with final closing, the funds can be released in equal amounts over a period of years specified in the Regulatory Agreement.</p> <p>If at any time an operating deficit is incurred, no funds will be released until the additional 12 months of successful operation are completed.</p>	<p>Mortgagor may elect to pay for any operating deficit in cash. If this option is elected, the Letter of Credit may be reduced by the amount of the cash payments.</p>



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TABLE 3 – OAR STRUCTURE FOR DEVELOPMENTS FUNDED SINCE 2/1/99

SOURCE OF FUNDS	FUNDS DEPOSITED	RELEASE DATE (10 & 15 Years)	SPECIAL CONDITIONS
<p>Cash and up to 50% with an irrevocable, unconditional Letter of Credit</p>	<p>At time of initial disbursement of mortgage loan proceeds.</p> <p>If any of the funds are used prior to final closing, the reserve must be refunded at final closing.</p>	<p>The Authority will hold the reserve and any interest it accrues for a minimum of 15 years.</p> <p><i>During the budget review process for the 10th full year of operation, and upon completion of a <u>Comprehensive Needs Analysis (CNA)</u>, the OAR will be used to fully fund the RR Needs based on the CAN and may also be used to fully fund any other escrow accounts.</i></p> <p><i>Following the 10th year of operation, the owner may request approval for up to a 50% reduction/release of the remaining OAR. The Director of AM will review the development's operations before approving a release and/or reduction of the OAR. Any funds released will be deposited into the development's Operating Reserve Cash account.</i></p> <p><i>During the budget review process for the 15th full year of operation, and upon completion of an updated <u>CNA</u>, the OAR will again be used to fully fund the RR Needs and may also be used to fully fund any other escrow accounts.</i></p> <p><i>Following the 15th year of operation, the owner may request approval for the reduction and/or release of the remaining OAR funds that are not needed to fund the RR reserve or other escrow accounts. Any funds released will be deposited into the development's Operating Reserve Cash account. The Director of AM will review the development's operations before approving a release and/or reduction of the OAR.</i></p>	<p>The owner-funded cash portion of the OAR will be the first source of funds. If any amount required to fund escrows is represented by a Letter of Credit, the Letter of Credit will be drawn upon.</p>

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TABLE 4 – OAR STRUCTURE FOR PRESERVATION DEVELOPMENTS

SOURCE OF FUNDS	FUNDS DEPOSITED	RELEASE DATE (6 & 12 Years)
<p>Cash or up to 50% with an irrevocable, unconditional Letter of Credit.</p>	<p>At or prior to initial disbursement of Mortgage loan proceeds.</p>	<p>The Authority will hold the reserve and any interest it accrues for a minimum of 12 years. The reserve may be used in accordance with the Authority's written OAR policy as amended from time to time.</p> <p><i>During the budget review process for the 6th year of operation, and upon completion of an updated CNA, the OAR will be used to fully fund the RR needs identified by CNA and may also be used to fully fund any other escrow accounts.</i> If the amount required to fund escrows is represented by a Letter of Credit, MSHDA will draw upon the Letter of Credit.</p> <p>Following the 6th full year of operation, the owner may request approval of up to a 50% reduction/release in the remaining OAR funds that are not needed to fund the RR reserve or other escrows. 50% of the release will be deposited into the development's <i>Operating Reserve Cash</i> account and may be available to pay operating expenses. The Director of AM will review the development's operations before approving a release and/or reduction of the OAR.</p> <p><i>During the budget review process for the 12th year of operation, and upon completion of an updated CNA, any remaining OAR funds will be used to fully fund the RR Needs as identified by an updated, independent CNA analysis and may also be used to fully fund any other escrow accounts.</i> If the amount required is represented by a Letter of Credit, MSHDA will draw upon the Letter of Credit.</p> <p>Following the 12th year of operation, the owner may request approval for the reduction/release of the remaining OAR funds that are not needed to fund the RR reserve or other escrows. Any funds released will be deposited into the development's <i>Operating Reserve Cash</i> account. The Director of AM will review the development's operations before approving a release and/or reduction of the OAR.</p> <p>NOTE: Section 8 Developments – OAR funds will be held by MSHDA until the expiration of the HAP Contract. MSHDA will hold the OAR until the development achieves 24 consecutive months of stable operations and an average vacancy loss of 5% or less of the yearly MSHDA-approved budgeted rent levels. After the expiration of the 24-month period, the owner may request in writing to the Director of AM that any remaining balance in the OAR be deposited into the development's operating reserve cash account.</p>

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EVALUATION OF**OAR (TABLES 1 & 2):**

The assigned Asset Manager (AM) will evaluate the development's operation on the following dates to determine if the reserve will be released, extended or utilized (cashed):

- One year from final closing or cut-off date, depending upon the language in the Regulatory Agreement; and
- Annually on the anniversary date of the first reduction until the reserve is fully released as outlined in the Regulatory Agreement.

EVALUATION OF**OAR (TABLE 3):**

The assigned AM will evaluate the development's Replacement Reserve Needs and any other escrow accounts *to determine if the OAR is needed to fund the accounts when reviewing the budget for the following years:*

- Tenth year from the cut-off date; and
- Fifteenth year of operation.
- *Also evaluate the development's operation following the 10th and 15th year of operation, if the owner requests a release/reduction of OAR.*

EVALUATION OF**OAR (TABLE 4):**

The assigned AM will evaluate the development's Replacement Reserve Needs and any other escrow accounts *to determine if the OAR is needed to fund the accounts when reviewing the budget for the following years:*

- 6th year of operation and upon completion of the updated CNA; and
- 12th year of operation and upon completion of the updated CNA.
- Also evaluate the development's operation following the 6th and 12th year of operation, if the owner requests a release/reduction of OAR.
- **Section 8 Developments** – Review two years after expiration

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of HAP Contract.

**CRITERIA FOR OAR
RECOMMENDATIONS
(TABLES 1- 4):**

The criteria used to make OAR recommendations are described below:

RELEASE ESCROW – The OAR can be released (reduced), if the development has operated successfully for the preceding 12 months. The following criteria should be used to determine if the development has operated successfully:

1. **Positive Liquidity** – Review the entire period to be evaluated for any trends in the development’s operation. If the trends are different from the development’s condition at the time of review, an explanation should be included with the recommendation.
 - a. **All developments except Section 8 Preservation with expired HAP:** For the 12 months preceding the expiration date of the letter of credit, the operating liquidity position (excluding owner contributions) has remained a positive number – **or** – the development has achieved one month’s gross rent potential.
 - b. **Section 8 Preservation Development – After HAP has expired:** For the last 24 months, the operating liquidity position (excluding owner contributions) has remained a positive number – **and-** the average vacancy loss has been 5% or less of the yearly MSHDA-approved budgeted rent levels.
2. No mortgage delinquencies exist and payments have been current during the preceding 12 months through the date of the potential pending release of OAR.
3. All escrow accounts are fully funded; i.e. tax, insurance, replacement reserve. Consideration should be given to the **projected** funding levels for the replacement reserve for the life of all outstanding loans due to the Authority.
4. All non-Identity of Interest undisputed payables are less than 90 days old.
5. No Identity of Interest vendors have been paid when there are non-Identity of Interest account payables over 90 days unless an “Accounts Payable Action Plan” is approved by the Authority.
6. All deferred maintenance items listed on the most recent inspection or re-inspection report have been responded to appropriately.

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7. The Employee Dishonesty/Crime Coverage Policy is current.
8. The annual certified audit has been reviewed and indicates that no material weaknesses exist in the operation that could jeopardize the development.
9. No pending or threatened claims against the mortgagor or disputed payables exist that would materially affect the financial condition of the development as reported in the most recent monthly operating statement.
10. For the last 12 months preceding the expiration date of the letter of credit, the development has paid a management fee equal to or less than the maximum basic management fee allowed by the Authority – **or** - liquidity (excluding owner contributions) is greater than or equal to the **approved** management fee less the management fee actually paid.

Upon achieving the successful operation criteria, the OAR may be reduced by the amount designated in the Regulatory Agreement. Depending on the funding source:

- Letter of Credit – Reduce the amount of the letter of credit before a cash funding reduction;
- Cash – Transfer cash to the developments operating reserve cash account.

EXTEND ESCROW – The operating reserve will be extended for one year, if one or more of the above criteria are not met (**this recommendation does not apply to Tables 3 and 4 developments**).

UTILIZE ESCROW – The OAR will be utilized (cashed) if the development has operating deficits, i.e. non-Identity of Interest undisputed payables exceeding 90 days, RR Needs, underfunded tax/insurance escrows or other escrows, delinquent mortgage payments.

- **If the reserve is utilized**, the reserve is **not** required to be replenished.

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MONITORING

RESPONSIBILITIES: **Tables 1 & 2:** Finance Division staff monitors the status of the OAR's. This responsibility includes the following:

- Determine the amount in the OAR and the release dates;
- Notify the AM 30-45 days prior to the scheduled release of any portion of the reserve.
- Implement of the Office of Asset Management's reserve recommendation.

NOTE: Finance Division staff needs the Office of Asset Management's recommendation at least two weeks prior to the scheduled release date.

Tables 3 & 4: Specified Release Dates (10th & 15th or 6th & 12th Years) - The assigned asset manager reviews the status of the RR Needs and the funding levels of any other escrows during the budget review process in the appropriate year (see Tables 3 & 4). If there are RR Needs, the OAR will be used to fund the Replacement Reserve Escrow. Any other under funded escrows may be funded as well. Consideration should also be given to the **projected** funding levels for the replacement reserve and other escrow accounts for the life of all outstanding loans due to the Authority.

Upon Request From Owner- If the owner requests a 50% release/reduction in the remaining OAR funds, the AM will:

1. Review the development's operations and use up to the total OAR balance to fully fund the RR Needs or other escrows accounts.
2. Determine the OAR amount remaining for release after funding the escrows.
3. Calculate 50% of the remaining OAR for release or reduction.

Go to page 11 for detailed procedures.

OAR APPROVALS: Actions regulating the OAR must be approved by:

- AM's Supervisor; and
- Director of the Office of Asset Management.

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PROCEDURE

RESPONSIBILITY

ACTION

TABLES 1 & 2:

Finance Division

1. Notifies AM and the AM's Supervisor of the following (Tables 1 & 2);
 - Date OAR is scheduled to be released;
 - Release number; and
 - Amount of scheduled release.

AM

2. When notified by Finance Division, review the condition of the development to determine if it has operated successfully for the specified amount of time (Attachment B).
3. Determine which of the following actions should be taken:

RELEASE ESCROW: All of the criteria have been met.
EXTEND ESCROW: One or more of the criteria have **not** been met.
UTILIZE ESCROW: The development has operating deficits or underfunded escrows.

4. Prepare the OAR Recommendation form (Attachment A). Completely fill out the structure section of the form each time it is submitted, so it includes a history of the OAR.
5. Prepare OAR recommendation package for Supervisor's approval within one (1) week of receiving Finance notification of OAR release – **or** – one (1) week of release date or receipt of owner request. The package should include the following:
 - Memorandum to Supervisor (Attachment B);
 - OA Recommendation form (Attachment A);
 - Request for OAR Disbursement, if applicable (Attachment C), and;
 - Notification from Finance Division, if applicable

Supervisor

6. Review OAR recommendation package.
 - **If changes are necessary**, discuss with AM.
 - **If changes are not necessary**, **APPROVE** by signing the OA Recommendation and Request for OAR Disbursement (if applicable) form(s).

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7. Forward OAR recommendation package to the Director of Asset Management.

Dir., AM

8. Review OAR recommendation package.

- **If changes are necessary**, discuss with AM's Supervisor.
- **If changes are not necessary, APPROVE** by signing the OA Recommendation and Request for OAR Disbursement (if applicable) form(s).

9. Forward the OAR recommendation package to Administrative Support.

Adm. Support, Dir.

10. Make one copy of the signed OA Recommendation package and forward to the Finance Division.

11. Forward the following to the AM for the central file:

- Signed copy of the OAR Recommendation form;
- Signed copy of the Request for OAR Disbursement form (if applicable);
- Memorandum to Supervisor; and
- Notification to Finance Division.

AM

12. Notify Mortgagor of upcoming OAR disbursement and funding changes.

Finance Div

13. Complete one of the following actions:

RECOMMENDATION TO RELEASE:

If the OAR is in cash, transfer the funds to the development's Operating Reserve Cash account.

If the OAR is a Letter of Credit, notify mortgagor that the Authority has determined that the owner-funded OAR will be released as scheduled. The mortgagor notifies the bank of the Authority's position which is to reduce the amount or to let the amount expire.



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RECOMMENDATION TO EXTEND:

If the OAR is in cash, Finance will continue to hold on to the cash.

If the OAR is a Letter of Credit, notify mortgagor that the Authority will extend the OAR. The mortgagor notifies the bank of the Authority's position.

RECOMMENDATION TO UTILIZE:

If the OAR is in cash, follow the Asset Manager's recommendation in Attachment C.

If the OAR is a Letter of Credit, go to Step 14 of "Procedure for Non-Scheduled Reviews of Letters of Credit" Section.

TABLE 3 and 4: Review of Development's Operations and Escrow Funding

AM

1. Bring the replacement reserve and all other escrow accounts to full funding before determining that the 50% of remaining OAR amount is available for release.
 - a. *When beginning the budget review process in the applicable year of operation, determine if there are RR Needs that should be funded by the OAR. Consideration should be given to the **projected** funding levels for the replacement reserve for the life of all outstanding loans due to the Authority when making this determination.*
 1. *Review the CNA Analysis provided by Amy Rollis for budgeting purposes. The Cumulative RR Needs as of the end of the current year are shown at the bottom of the CNA Analysis.*
 2. If no RR Needs exist, review the current CNA plan 1 or 2 for the projected "Additional Contributions per Unit" to determine if the projected contributions are achievable.

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3. If a CNA does not exist for the development, determine if the current balance of the replacement reserve equals **\$3,000 per unit or greater** to validate whether the reserve has adequate funding for the future needs of the property.

Mortgager

2. Submits request for up to 50% of remaining OAR to assigned AM. This request can be made at any time once the development has reached its tenth year of operation.

AM

3. Review the condition of the development to determine if the development has operated successfully for the specified amount of time (Attachment B). More details regarding the successful operation criteria are on pages 6 and 7 of the policy.
4. Complete the OA Recommendation Form (Attachment A). *OAR will be utilized to bring under funded escrows to full funding. Complete the OAR Transfer Letter (Attachment E or F) if applicable. OAR will be released only upon owner request and after determining the development has operated successfully based on the criteria in Attachment B.* Completely fill out the structure section of this form each time it is submitted so the form will include a history of the OAR.
5. Prepare and submit OAR recommendation *package for Supervisor's approval along with the development's budget. For Section 236 developments the due date will be October 31st. For Section 8 and MSHDA financed developments the due date will be November 30th. The package should include the following:*
 - Memorandum to Supervisor (Attachment B);
 - OA Recommendation Form (Attachment A);
 - Request for OAR Disbursement Form (Attachment C), if applicable
 - *OAR Transfer Letter to (Attachment E or F), if OAR is used to fund under funded escrows, and;*
 - Request from Mortgagor, if applicable.



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6. Review OAR recommendation package.
 - **If changes are necessary**, discuss with AM.
 - **If changes are not necessary, APPROVE** by signing the OA Recommendation form.
7. Forward OAR recommendation package to Director, Asset Management.

Dir., AM

8. Review OAR recommendation package.
 - **If changes are necessary**, discuss with AM's Supervisor.
 - **If changes are not necessary, APPROVE** by signing the OAR Recommendation form.
9. Forward the OAR recommendation package to Administrative Support.

Adm. Support, Dir.

10. Make one copy of the signed OA Recommendation form forward to the Finance Division.
11. *Make two copies of the signed Transfer Letter. Mail the original to the Agent and one copy to the Mortgagor.*
12. Forward the following to the AM for the central file:
 - Signed copy of the OA Recommendation form;
 - Signed copy of the Request for OAR Disbursement form (if applicable); and
 - Memorandum to Supervisor
 - *Signed copy of the Transfer Letter to Agent*

Finance Division

13. Implements one of the following actions:

RECOMMENDATION TO UTILIZE:

1. **Cash Portion of OAR Adequate to Fund Underfunded Escrows:**
 - a. Utilize the cash portion of the OAR to fund the underfunded escrows identified by the Asset Manager.
 - b. Proceed with release, if any funds remain, or;

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2. **Cash Portion of OAR Not Adequate to Fund Underfunded Escrows:** If any of the amount required to fund the escrows is represented by a Letter of Credit:

- a. Allow the mortgagor two weeks to submit cash to cover the underfunding.
- b. Notify bank that the Letter of Credit will be cashed, if applicable.
- c. Proceed with the release, if any funds remain.

RECOMMENDATION TO RELEASE: Notify mortgagor that the Authority has determined that the Letter of Credit will be reduced.

1. Reduce the Letter of Credit by the amount of the approved release.
2. If the OAR amount to be released is funded partially by cash, transfer the released amount to the underfunded escrow accounts and then to Operating Reserve Cash (ORC) account. The development can make the desired operational ORC requests to utilize the released funds.
3. If the OAR is fully funded by cash, transfer the released amount to the underfunded escrow accounts and then to Operating Reserve Cash (ORC).

PROCEDURES FOR NON-SCHEDULED REVIEWS OF LETTERS OF CREDITS**AM**

1. AM receives request to cash letter of credit from management agent or from supervisor due to foreclosure or other development financial difficulties.
2. Analyze development's financial situation and discuss with supervisor.
3. If it is determined that the Letter of Credit should be Cashed;
 - a) Determine if an ARC report must be prepared – discuss with supervisor;
 - b) Complete Recommendation to Cash Letter of Credit Form (Attachment D).

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4. Prepare OAR recommendation package for Supervisor's approval within one week of receiving. The package should include the following:

- Memorandum to Supervisor (Attachment B); and
- Recommendation to Cash Letter of Credit Form (Attachment D).

Supervisor

5. Review OAR recommendation package.
 - **If changes are necessary**, discuss with AM.
 - **If changes are not necessary, APPROVE** by signing the Recommendation to Cash Letter of Credit Form.
6. Forward OAR recommendation package to the Director of Asset Management.

Dir., AM

7. Review OAR recommendation package.
 - **If changes are necessary**, discuss with AM's Supervisor.
 - **If changes are not necessary, APPROVE** by signing the Recommendation to Cash Letter of Credit Form.
8. Forward the OAR recommendation package to Administrative Support.

Adm. Support, Dir.

9. Make one copy of the signed OAR Recommendation package and forward to the Finance Division.
10. Forward the following to the AM for the central file:
 - Signed copy of the Recommendation to Cash Letter of Credit Form; and
 - Memorandum to Supervisor;

Finance Div

11. Sends letter and required documents to the bank requesting amount of letter of credit cash identified in Attachment D.

Bank

12. Sends the requested amount of money to MSHDA within three (3) business days.

Finance Div.

13. Deposits money into the development's OAR.
14. Informs development's assigned Asset Manager and Manager that the money has been deposited into the OAR.

AM

15. Prepare OAR disbursement to use the funds for intended purpose.

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ATTACHMENT A

Michigan Department of Treasury
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

**OPERATING ASSURANCE RECOMMENDATION
(CASH/RESERVE OR LETTER OF CREDIT)**

Development Name: _____ MSHDA # _____
 Current Balance of OAR (Cash): _____ As of date: _____ Current Release #: _____
 Letter of Credit Amount: _____ Expiration Date: _____

Check one of the following: ___ 6th Year, ___ 12th Year; ___ 10th Year, ___ 15th Year, or ___ Annual Review
 Check one of the following: ___ All escrows are fully funded ___ Escrows are underfunded

STRUCTURE OF OPERATING ASSURANCE RESERVE

ACTION #	AMOUNT	ACTION DATE	ACTIONS TAKEN (Released/Extended/Utilized)
1.			
2.			
3.			
4.			
5.			
6.			

The following Operating Assurance Reserve action is authorized by Asset Management staff.

CHECK	ACTION	EXPLANATION:
	Utilize Escrow	
	Release/Reduce Escrow	
	Extend Escrow (Annual Review Only- Not Applicable to Table 3 & 4)	

Prepared By:		Asset Manager	Date:
Approved By:		Supervisor, Office of Asset Management	Date:
Approved By:		Director, Office of Asset Management	Date:

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ATTACHMENT B

M E M O R A N D U M

DATE:
TO: Supervisor
FROM:
SUBJECT: Operating Assurance Reserve
 Development:
 MSHDA No.:

The owner is requesting a reduction of the OAR in the amount of _____. Based on a review of the property's liquidity position for the past 12 months, I recommend that the escrow be released/ extended / utilized.

		Yes	No*
1a.	Liquidity: All developments, except Section 8 Preservation with Expired HAP: For the 12 months preceding the expiration date of the letter of credit, the operating liquidity position (excluding owner contributions) has remained a positive number – or – the development has achieved one month's gross rent potential.		
1b.	Liquidity: Section 8 Preservation Development – After HAP has expired: For the last 24 months, the operating liquidity position (excluding owner contributions) has remained a positive number – and- the average vacancy loss has been 5% or less of the yearly MSHDA-approved budgeted rent levels.		
2.	No mortgage delinquencies exist and payments have been current during the preceding 12 months through the date of the potential pending release.		
3.	All escrow accounts are fully funded. Consideration should be given to the projected funding levels for the replacement reserve for the life of all outstanding loans due to the Authority.		
4.	All non-Identity of Interest undisputed payables are less than 90 days old.		
5.	No Identity of Interest vendors have been paid when there are non-Identity of Interest accounts payables over 90 days unless an "Accounts Payable Action Plan" is approved by the Authority.		
6.	Any deferred maintenance items listed on the most recent inspection or re-inspection report have been responded to appropriately.		
7.	The employee dishonesty policy is current.		
8.	The annual certified audit has been reviewed and indicates that there are no material weaknesses in the operation that could jeopardize the development.		
9.	No pending or threatened claims against the mortgagor or disputed payables exist that would materially affect the financial condition of the development as reported in the most recent monthly operating statement.		
10.	For the last 12 months preceding the expiration date of the letter of credit, the development has paid a management fee equal to or less than the maximum basic management fee allowed by the Authority – or- liquidity (excluding owner contributions) is greater than or equal to the approved management fee less the management fee actually paid.		

* Please explain any "No" answer:

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ATTACHMENT C

INTERNAL TRANSFER

Michigan Department of Treasury
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR OPERATING ASSURANCE RESERVE DISBURSEMENT

Date:

Development Name:

MSHDA #:

Draw #:

	<u>Accounts</u>	<u>Balance</u>	<u>Requested Transfer Amount</u>
<i>From</i>	<u>Operating Assurance Reserve Cash</u>	\$	\$
<i>To</i>	<u>Replacement Reserve Escrow</u>	\$	\$
	<u>Tax Escrow</u>	\$	\$
	<u>Insurance Escrow</u>	\$	\$
	<u>Mortgage Payment</u>	\$	\$
	<u>Other Escrow</u>	\$	\$

This disbursement request is not in MITAS and is an Internal Transfer of funds only.

Other directions: _____.

I certify that this disbursement complies with the procedures and requirements pertaining to the use of this escrow.

_____ (Asset Manager) (Date) _____

_____ (Supervisor) (Date) _____

_____ (Director, AM) (Date) _____

_____ (MSHDA Deputy Director) (Date) _____

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ATTACHMENT D

Michigan Department of Treasury
 MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RECOMMENDATION TO CASH LETTER OF CREDIT FORM

Development Name: _____ MSHDA # _____

Letter of Credit Balance: _____ As of date: _____

Amount of Letter of Credit
 To be Cashed: _____ Expiration Date: _____

The Office of Asset Management staff is recommending that the Letter of Credit for the above-referenced development be cashed for the following reason(s):

EXPLANATION:	

Prepared By:		Asset Manager	Date:
Approved By:		Supervisor, Office of Asset Management	Date:
Approved By:		Director, Office of Asset Management	Date:

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ATTACHMENT E

OAR TRANSFER LETTER – FULLY FUNDED

DATE

Management Company Name
Address

RE: Development Name & Number
Operating Assurance Reserve Review

Dear Management Co:

Per the development's Regulatory Agreement and MSHDA's Operating Assurance Reserve (OAR) Policy, a review of the development's MSHDA held escrow funding has been completed as part of the development's tenth year of operation budget. If any MSHDA held escrow requires funding, the OAR funds are used to help provide escrow funding shortages. The following escrow account received a funding transfer from the OAR to account for a shortage:

Replacement Reserve received:

The funds transferred have fully resolved the replacement reserve need in the above account as of December 31, 2010.

If you have any questions regarding this matter, please feel free to contact me at

Sincerely,

Asset Manager
Office of Asset Management

Cc: Supervisor
Development Owner

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ATTACHMENT F

OAR TRANSFER LETTER – FULLY FUNDED

DATE

Management Company Name
Address

RE: Development Name & Number
Operating Assurance Reserve Review

Dear Management Co:

Per the development's Regulatory Agreement and MSHDA's Operating Assurance Reserve (OAR) Policy, a review of the development's MSHDA held escrow funding has been completed as part of the development's tenth year of operation budget. If any MSHDA held escrow requires funding, the OAR funds are used to help provide escrow funding shortages. The following escrow account received a funding transfer from the OAR to account for a shortage:

Replacement Reserve received:

The funds transferred have reduced the replacement reserve need in the above account. As of December 31, 2010 the remaining replacement reserve need amount will be \$.

If you have any questions regarding this matter, please feel free to contact me at.

Sincerely,

Asset Manager
Office of Asset Management

Cc: Supervisor
Development Owner