BedfordLending

Management Company Qualifications Overview

Introduction

Management agents that operate insured multifamily properties play a key role in providing quality housing. While it is the ultimate responsibility of the project owner/mortgagor to select and oversee the management agent of an insured property, the establishment of an effective relationship among HUD, the owner, and the management agent is critical to the success of the property over the life of the mortgage.

General Requirements

- The proposed management agent should have at least one senior staff person who drafts the agent's policies and supervises project operations with a professional designation in housing management from a national organization that provides such accreditation; **and a minimum of 3 years experience in directing and overseeing the management of at least three multifamily projects serving a similar resident clientele and comparable to the proposed property in scale, complexity, tenant profile and regulatory compliance.**

- Prior HUD financing experience is **hugely** beneficial. For borrowers that do not have HUD experience, HUD may require a consultant to be brought in for training and/or a larger management entity to be brought in for a year or two post-closing.

- A mom and pop or "self managed" asset is going to be a non-starter for HUD. You can have a relationship or "identity of interest" with ownership and management, for instance if you are a large developer that has a dedicated management entity with staff that manages your properties, that's generally acceptable, but if you as property owner want to manage the property with Quickbooks, no other staff, etc, that will not be allowed.

Required documents to be provided by the management company during loan underwriting

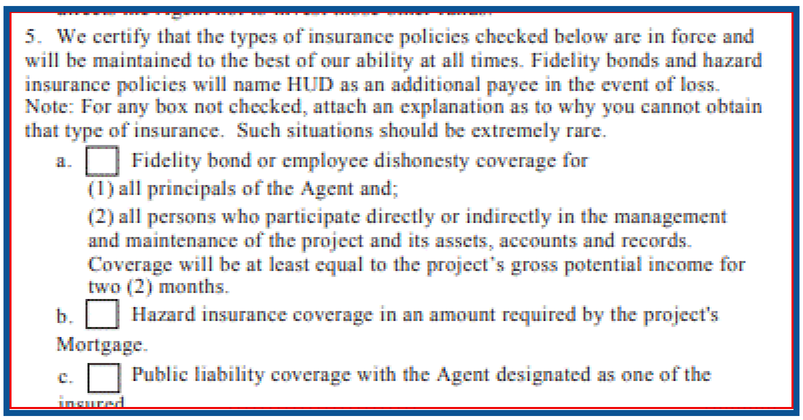
- Management Agreement between Housing Authority/Management Agent and new owner entity
- Management Plan & Sample Lease
- Form 9832 - Management Entity Profile (**important**)
- Form 9839-B - Management Agent Certification
- Fidelity Bond/Employee Dishonesty policy (see below)

Insurance Requirements

The manager must have adequate coverage to provide a basic level of protection:

- The management agent must certify in the HUD-9839-B (Management Agent Certification) form that it carries fidelity bond or employee dishonesty coverage for:
  - All principals of the management entity; and
  - All persons who participate directly or indirectly in the management and maintenance of the project and its assets, accounts, and records.
- The fidelity bond / employee dishonesty coverage must name the mortgagee (lender) and HUD as additional loss payees.
- Coverage may be through one or more bonds, and one bond may cover more than one project, including projects whose mortgages are not insured or held by HUD. The agent's principals and supervisory and front-line staff may be covered under the same bond.
- **Each project must have coverage for at least the value of two months' gross potential income for the project. If a bond covers more than one project, this minimum must be computed using the project with the highest gross potential income.**

Please note, the HUD-9839-B form requests three types of insurance from management:


5. We certify that the types of insurance policies checked below are in force and will be maintained to the best of our ability at all times. Fidelity bonds and hazard insurance policies will name HUD as an additional payee in the event of loss. Note: For any box not checked, attach an explanation as to why you cannot obtain that type of insurance. Such situations should be extremely rare.

a. ☐ Fidelity bond or employee dishonesty coverage for
(1) all principals of the Agent and;
(2) all persons who participate directly or indirectly in the management and maintenance of the project and its assets, accounts and records.
Coverage will be at least equal to the project's gross potential income for two (2) months.

b. ☐ Hazard insurance coverage in an amount required by the project's Mortgage.

c. ☐ Public liability coverage with the Agent designated as one of the insured

items "b." and "c." above relate to the **property owner's** insurance requirements delineated on the HUD-92447 form (https://www.hud.gov/sites/documents/92447.pdf).