



It's The End of the Year As We Know It...and I Feel Fine?

For this final 2017 newsletter, I look to Charles Dickens and the holiday favorite *A Christmas Carol* for inspiration. The coming of winter, holiday stress, and the dawning of a new year present opportunities to reflect upon our past year, as well as be hopeful for what 2018 may bring.



In the famed story, the Spirit of Holiday Past takes Scrooge on a journey from his innocent but lonely childhood, to his self-governing greedy business life. Then the Spirit of Holiday Present takes Scrooge on a visit to Bob Cratchit and his son, Tiny Tim. It is in that happy but fragile boy we see hope. Translated to today, everyone in the world of FHA and affordable housing finance needing a little hope. Hope that the Senate version of tax reform dominates the final bill. Hope that a Federal budget is passed soon. Hope that strong HUD leadership is appointed and confirmed and hope that the mandatory electronic HUD tools work properly. Dicken's 3rd Spirit of the "Yet to Come" is a grim reminder of what can happen when we lose compassion. We all know how the tale ends, with Scrooge pledging that he will become a changed man. And it is with a modern interpretation of that encouraging thought that I believe 2018 will have its bright spots and help us serve our mission, to provide greater workforce, senior and affordable housing to those like the Cratchit family. You can read more of what I think is coming, a little further down, in "Rob's 2018 Crystal Ball".

Everyone loves a good tale involving realization, hope, and transformation. A year ago, challenges were presented to the industry we serve, and yet we managed to not only survive but thrive. D3G's ability to be adaptive, nimble and innovative has developed from our past, transforming present opportunities and steering their outcomes. Our desire to provide the best product in the early days of MAP to facilitate HUD's new mantra "Review don't Redo" developed into a passion. A passion for the *difficult* because working through the difficult can be more rewarding than doing the *easy*. And affordable housing finance is getting more difficult by the year, as HUD continues to transform. Staff shortages will require HUD to encourage process efficiencies and outsourcing. And to keep up with an ever-evolving HUD, D3G will remain on the cutting edge, as exemplified by our numerous process efficiency "Firsts" in the world of rental housing financing; including the first 4128 Environmental Report, the first Green PCA, the first RAD PCA, the first 221(d4) Streamline Submission, the first Green MIP reduction application, the first 3rd party HEROS Report, and the first CNA e-Tool Validation (man, that's a lot of firsts!). D3G has never shied away from being first, even if that means we step in front of the truck sometimes. Heck, someone has to be first.

And our innovation and partnership in supporting housing won't stop there. D3G is on your side drawing from past experiences, reevaluating the current conditions, and forging a path to make the future a bit less scary. Being the entrepreneur comes with risks, because innovators, pioneers and leaders don't always follow along with popular thought, or what is considered status quo. For example, the CNA e-Tool development began in 2013 with HUD contracting KPMG, and excluding practitioners like D3G from participating in the software development. We realized that no assessment practitioner experience was on the software development team and took it upon ourselves to rigorously test early public versions of the tool. D3G was the only one that took the time to test early on; yet some hold resentment for our being first - for the benefit of our clients and the housing industry. MAP Lenders should be pleased that the results of our comprehensive understanding of the tool uncovered programming issues and bugs that delayed the roll-out for over three years. But with a little duct tape and some string, HUD's programming contractors made the e-Tool workable, and the future is now upon us.

D3G is prepared because we took the time to learn the CNA e-Tool, not because we developed or helped HUD with the tool. We took the initiative because HUD was going to force the e-Tool on us. Being passionate about our craft makes us want to struggle through something difficult, to be challenged by "*something*" because ultimately, we know whatever that "*something*" is, it's worth working through or working to make it better. The e-Tool was our 2017 "*something*" and you can read where I feel the data collection initiative goes from here a little further below under "CNA e-Tool Roll Out".

And with that, Happy Holidays and enjoy this final 2017 Newsletter. See you in 2018!

Fannie Mae Green Rewards

In October, [Fannie Mae announced](#) the closing of its 500th Green Financing transaction of 2017. Since its inception in 2012 through the second quarter of 2017, Fannie Mae's Green Financing business projects have saved enough energy to power 31 million cell phones and save the equivalent of 15.6 billion glasses of water annually.



[FHFA recently announced](#) updates to the Fannie Mae and Freddie Mac lending caps for 2018 and updated Fannie Mae's Green Rewards Program and Freddie Mac's Green Up/Green Up Plus Program to require a 25% improvement in energy or water efficiency. For Fannie Mae those improvements must be demonstrated through a High Performance Building (HPB) Report. This Green Rewards program pays for the HPB report offering a pricing break of 30-39 basis points.

D3G meets all the requirements to deliver the Green Rewards HPB Report. Our Energy Team has worked with HUD and FHA energy requirements for over 10 years and produced over 500 ASHRAE Level II Energy Audits. We have benchmarked and certified many multifamily properties in the ENERGY STAR Portfolio Manager tool. Our team includes more than 40 credentialed Building Performance Institute (BPI) Multifamily Business Analysts (MFBA).

If you are interested in learning more about how D3G can support your Green MIP project from start to finish, let us know and we'll be happy to provide an overview of NGBS and walk

you and your team through the process. Click [here](#) to learn more about how we can provide the required PCA and HPB reports.

Phase II ESA Case Study (Laurel Hill Adaptive Reuse)



Dominion Due Diligence Group (D3G) provided environmental consulting services for a large-scale project renovation of the former Lorton Correctional Complex site into a multifamily housing complex. We partnered with the Development Team consisting of Alexander Company/Affordable Housing Partners (AHP) and Elm Street Development. Our consultative services included a comprehensive, integrated approach for soil management at the Laurel Hill projects located in Lorton, Virginia.

The former prison was established in 1911 and consists of approximately 2,700 acres. Prior to development as the Lorton Correctional Complex, the site was rural with farmland, woodland, and rural residential properties.

The Lorton Correctional Complex included dormitories, cell blocks, residences, maintenance facilities, a large oil and coal-fired boiler house (steam plants), industrial facilities such as furniture manufacturing and repair facilities, vehicle repair centers, a hog farm, a dairy farm, a water treatment plant and wastewater treatment plants.

In October 2008, the Environmental Protection Agency (EPA) and Virginia Department of Environmental Quality (VDEQ) conducted a site visit and identified 26 solid waste management units (SWMUs). The SWMUs included drum storage areas, satellite accumulation areas, underground storage tanks (USTs), aboveground storage tanks (ASTs), non-permitted landfill, a laundry wastewater clarifier, tear gas and firing ranges, a buried drum area, central facilities industries shops, vehicle maintenance facilities, agricultural areas, a facilities management PCB storage shed, a former NIKE missile complex, a central facilities boiler house and an Occoquan facilities boiler house and coal piles, wastewater and water treatment plants, former and current landfills, and dumping areas.

D3G provided a complex suite of environmental studies, ranging from Phase I and Phase II activities, to National Emission Standards for Hazardous Air Pollutants (NESHAP) consulting. To facilitate the mixed-use redevelopment vision, D3G provided oversight for the Risk Based Corrective Action (RBCA) measures with the implementation and completion of applicable Soil Management as it related to exposure pathways, toxicity of contaminants present at the site, characterization of human health risks to residential receptors, impacts or risks to the environment and the development of a site specific Conceptual Site Model (CSM) for the future project.

Further, D3G played a critical role under the Resource Conservation Recovery Act (RCRA) Corrective Action Program working in conjunction with the VDEQ under the RCRA Corrective Action Voluntary Facility Lead Program (FLP) to address environmental concerns associated with various historical releases at the subject property.

For more information on this case study click [here](#).

On December 04, 2017, HUD Multifamily issued a [CNA e-Tool Status Update](#) via email. According to the blast, after a month of mandatory usage, HUD is "happy to report an increase in its usage. The more relevant future statistic is, what is the change in application submission pre- and post-requirement of the new reporting platform? Will HUD see a reduction in mortgage applications because of the presumed increase in costs and transaction timing? Only time will tell, but for now here is a summary of the e-Tool loan submission numbers HUD reported:

- 85 Distinct Projects in the Validation Engine
- 68 Loan Applications in the Portal
- 25 Loan Applications Submitted
- 14 Loan Applications under Active Review
- 1 Loan Application Approved

Coinciding with the software roll out, HUD provided 24 training sessions throughout the country to employees, MAP Lenders and 3rd Party vendors. Despite training efforts, large concerns with the e-Tool user interface, fragile programming, and applicability to certain FHA loan programs remain. Concerns which can only be mitigated by a 3rd party vendor spending considerable resources to render the software platform usable to industry professionals. The industry's criticism is justified as the software program has never been subjected to a true Beta-test or a Pilot. Many believe the CNA e-tool will continue to meet industry opposition, which may best be alleviated by either (a) HUD cancelling the tool altogether (to reprogram in HTML); or (b) HUD implementing a period of voluntary use characterized by application processing incentives.

In the meantime, you can read the latest update (12/15) from HUD on the e-Tool [here](#).

Rob's 2018 Crystal Ball



To say 2017 was an interesting year is an understatement. Who would have thought that we would have a mortgage banking industry more afraid of Twitter than the Federal Reserve Chairman? Where do we go from here? Optimistically, I want to say up, but I feel it being sideways at best. Bright spots in the 2018 housing markets include overwhelming demand

for affordable and workforce housing. Hopefulness lies in the Senate version of tax reform (retaining PAB and the 4% LIHTC bond markets); and that both the House and Senate versions of the federal budget include greater authorization of the Rental Assistance Demonstration (RAD).

Potential positive developments for 2018 may include opportunity in PRAC, HEROS, OLES, and SAC (We love our acronyms don't we!). Despair resides in the fact that HUD remains grossly understaffed and appointed leadership is facing confirmation delays. Multiple guidance documents, mortgagee letters, and housing notices require signature to provide the housing industry with the guidance and tools necessary to navigate HUD's transformation and newer housing programs. Anxiety has been heightened by a less than admirable roll out of a largely untested CNA e-Tool platform, characterized by bugs and an inefficient user interface. So, what is my crystal ball showing me for 2018?

Positives / Opportunities:

Steady volume of Disaster Recovery construction
Suspension of the CNA e-Tool to voluntary basis
HEROS data entry will be released to 3rd Parties
Lifting of the RAD cap
PRAC 202 refinance opportunities
221(d4) streamlined processing
Greater 3rd party outsourcing

Negatives / Risks

Tax reform
Government shut-down
Interest rate hikes
Lack of appointed HUD leadership
Securities market bubble
Twitter storm

The list of risks could be very long and somewhat illogical, but that is where we are today, so buckle up, we may be in for a bumpy 2018!

D3G is Hitting the Road in 2018

We're off and running in 2018! Be on the lookout for Rob and Jen at the following conferences over the next couple of months.

January

Home Builders - Orlando, FL	1/6-1/10
Novogradac LIHTC Conference - Miami, FL	1/11-1/12
NMHC 2018 Annual Meeting - Orlando, FL	1/16-1/18
NLHA Mid-Year Meeting - Indian Wells, CA	1/23-1/25

February

MBA/CREF Multifamily Housing Convention - San Diego, CA	2/11-2/14
NH&RA Annual Meeting - West Palm Beach, FL	2/21-2/25

As always, we appreciate your business and we love hearing from you! Please keep us in mind for your next deal. We have competitive pricing and the experience to ensure your next project is a success!

Sincerely,

[Rob Hazelton](#), President
Dominion Due Diligence Group (D3G)



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