



Post M2M Rent Adjustments

Ohio Housing Council

April 17, 2024

Tony Love

Senior Vice President, Affordable Lending

Bellwether Enterprise Real Estate Capital, LLC



Mark to Market (M2M)

- Section 8 rents determined to be above market
- Properties financed with FHA insured loans
- HUD reduced rents to market comparable
- Required a 30 year Use Agreement
 - Rents can be annually adjusted only by HUD published Operating Cost Adjustment Factor (OCAF)
 - Requires Owner to renew Section 8 contract and maintain affordability
 - Administered by HUD's Office of Recapitalization
- What if rents are insufficient to operate property or pay for a recapitalization?

Post M2M Rent Adjustment

- 2023 Budget authorizes HUD to adjust rents above annual OCAF in order to preserve them
 - Rents may be adjusted once every 10 years
 - Lesser of required budget or market comparable
- M2M Use Agreement is extended for an additional 20 years
- Section 8 contract may be renewed under any applicable section of Renewal Guide after the initial 30 year term
- Unfortunately, no dedicated funding for rent adjustments

Post M2M Rent Adjustment

- Housing Notice H 2024-05 published February 29, 2024 provides guidance
- Establishes groups of properties based on specific criteria
- HUD accepting applications for those in Group A
- Group A criteria:
 - REAC score below 30 or two consecutive scores below 60
 - Operating at less than 1.0
 - Owner has contributed \$3,000/unit in most recent FY or \$1,500/unit in each of the last 3 years
 - Mortgage insurance claim, pending claim, or foreclosure or is being transferred to a new sponsor subject to a approved disposition action
 - Vacancy has equaled or exceeded 25% over past 24 months

Post M2M Rent Adjustment

- Housing Notice H 2024-05 published February 29, 2024 provides guidance
- Establishes groups of properties based on specific criteria
- HUD accepting applications for those in Group A
- Group A criteria:
 - REAC score below 30 or two consecutive scores below 60
 - Operating at less than 1.0
 - Owner has contributed \$3,000/unit in most recent FY or \$1,500/unit in each of the last 3 years
 - Mortgage insurance claim, pending claim, or foreclosure or is being transferred to a new sponsor subject to a approved disposition action
 - Vacancy has equaled or exceeded 25% over past 24 months

Post M2M Rent Adjustment

- HUD reviewing Initial applications submitted before March 28th. Will be assigning random lottery and inform Owners.

[www.hud.gov/program_offices/housing/mfh/
presmfh/aboutm2m/postm2m](http://www.hud.gov/program_offices/housing/mfh/presmfh/aboutm2m/postm2m)

or just Google “post m2m rent adjustment”