

**New York Multifamily Housing Staff Meeting  
August 16, 2007**

**PREVIOUS PARTICIPATION FILING**

***Contents:***

1. July 25, 2007 Bookletter (with two attachments)
2. HUD-2530 Revised Procedure Power Point Presentation
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- 4B. July 11, 2007 Memorandum from John Garvin
5. HUD-2530 Previous Participation Certificate
6. March 26, 2007- APPS Passive Investor

\* Note: Two memoranda were issued on June 21, 2007. The one related to Previous Participation Approval for LLCI's with LIHTC (Low Income Housing Tax Credits) was superseded by the July 11, 2007 memo.



1

U.S. Department of Housing and Urban Development  
New York State Office  
Jacob K. Javits Federal Building  
26 Federal Plaza, Room 3214  
New York, New York 10278-0068  
<http://www.hud.gov/local/nyn/>

**Bookletter #6**  
**FY 2007 - 2AHMLAP**

July 25, 2007

MEMORANDUM FOR: All Owners and Management Agents  
All Performance-Based Contract Administrators and other Contract  
Administrators

*Teresa M. Bainton*  
FROM: Teresa M. Bainton, Director, New York Multifamily Hub, 2AHMLA

SUBJECT: **Revised Previous Participation Certificate Filing Instructions**

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The President recently signed into law the Preservation Approval Process Improvement Act of 2007. This law requires the Department to take certain actions in regard to the Previous Participation operating process (commonly known as Previous Participation Certificate or Form HUD-2530) until HUD submits the proposed new rule to the House and Senate authorizing committees for review. The proposed rule will be published in the Federal Register with the appropriate comment period.

Until the new rule is in effect, the following changes will be in effect immediately:

1. HUD is suspending the mandatory electronic filing of Previous Participation Certificates via the Active Partners Performance System (APPS). HUD will accept Previous Participation Certificates submitted via APPS or in paper format on Form HUD-2530.
2. HUD is suspending Previous Participation Certificate filing requirements for Limited Liability Corporate Investors (LLCI) who own, or expect to own, an interest in entities which have received, or are expected to receive Low-Income Housing Tax Credits (LIHTC) under Section 42 of the Internal Revenue Code.

Please note that paper format Form HUD-2530s must be completed in full and without error by each entity and participant (see Attachment 1).

Please also note the New York Multifamily Hub must approve all requests by LLCIs to waive HUD's Previous Participation Certificate filing requirements. Requests by LLCIs to waive the filing requirements should include the following materials:

1. The completed and signed certification, "Identification and Certification of Eligible Limited Liability Corporate Investors" (see Attachment 2).
2. An organizational chart or description of the ownership entity from an operating principal (the general partner, managing member, majority/controlling stockholder, board chairperson, etc) or the principal's attorney. The organizational chart or description should clearly identify the

ownership interest of each entity in the Partnership and the mailing address of the requesting LLCI entity.

The New York Multifamily HUB will review the materials submitted by entities requesting approval as LLCIs and issue a determination letter. The determination letter will include a copy of the approved Identification and Certification of Eligible Limited Liability Corporate Investors certification. Our office recommends that LLCIs retain copies of these materials in their files.

HUD must receive the above materials from each Limited Partnership entity with greater than 25% interest in the ownership/mortgagor entity. Limited Partnership entities with greater than 25% ownership interest in ownership/mortgagor that do not receive HUD's approval as LLCIs will be required to submit Previous Participation Certificates in accordance with HUD's regulations.

For additional information on HUD's Previous Participation requirements for entities other than LIHTC LLCIs, please refer to HUD Handbook 4065.1. If you have any additional questions, you may contact Michele Anteri at (212) 542-7869 or Beryl Niewood at (212) 542-7717.

## ATTACHMENT 1

The New York Hub will review paper format Form HUD-2530s to be sure that each of the following items is completed:

- Part 1—Reason for Submitting the Certification
- Sections 1-6
- List of All Proposed Principal Participants (Sections 7-10 for each participant)
- Certification Section—If any of these items cannot be certified to, the item should be crossed out and a detailed explanation of the specific circumstances should be attached.
- All four columns of the signature section must be completed. Signatures must be current within six months of the date of submission.
- The bottom line of the form must be completed, indicating the form preparer's information with their telephone number.
- Schedule A (page 2 of the form) must be fully completed with the information required for columns 1 through 6 supplied for each principal and each project for each principal. Duplicates of page 2 may be added as needed. At least one of the page 2 submissions must include the blank format for Part II-For HUD Internal Processing Only.

Failure to fully complete Form HUD-2530 completely may result in its return to the applicant without HUD processing. The HUD Handbook 4065.1 should be consulted for additional information.

ATTACHMENT 2

Identification and Certification of  
Eligible Limited Liability Corporate Investors (LLCI)

I, \_\_\_\_\_ am authorized to certify to each and every item stated below.  
(Name of Authorized Signer)

I certify that \_\_\_\_\_, is:  
(Name of LLCI)

1. An eligible Limited Liability Corporate Investor as noted in the Preservation Approval Process Improvement Act of 2007 and as defined herein:
2. Investing in \_\_\_\_\_, which made a complete application to the state Tax Credit Agency (TCA) to receive Low-Income Housing tax Credits under Section 42 of the Internal Revenue Code or to which the TCA issued an allocation or letter of intent to allocate Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code;
3. A company organized under a State limited liability company statute, an investor corporation, an investor limited partnership, or an investor limited liability limited partnership; and
4. An investor with limited or no control over routine property operations or HUD regulatory and/or contract compliance, even if the investor may control (albeit not routine or repetitive control) of the ownership entity or assume the operating responsibilities in the event of the default of the operating partner or upon specific events all defined under the investment contract/agreement.

I further certify that should any of the facts that support the certifications above change or the company for which this certification is made withdraws from participation in the owner/mortgagor, I will notify HUD immediately providing full disclosure and explanation of the change(s).

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
(Field Office Hub/PC Director)

Previous Participation Certification  
(HUD-2530)

Revised procedures:  
**Preservation Improvement Act of 2007**

As implemented by memoranda of  
June 21, 2007 and July 11, 2007

# Summary of the Preservation Improvement Act of 2007

## **1. Suspends 2530 filing requirements for Limited Liability Corporate Investors (LLCI)**

- Limited Partner investors ("Limited Liability Corporate Investors) no longer required to file 2530s, subject to Field Office review and approval
- Only applies to projects with (or receiving) Low Income Housing Tax Credits (Section 42 of Internal Revenue Code)

## **2. Suspends mandatory filing of electronic filing of 2530's**

- Applicants have option of using paper 2530s or APPS (electronic)

## **3. HUD must propose new rule for Previous Participation Certifications**

- HQ responsibility

# 2530 filing requirements for Limited Liability Corporate Investors

## Who Are Limited Liability Corporate Investors (LLCI)?

- Entities that own, or expect to own interest in Owner/Mortgagor on projects with Low Income Housing Tax Credits (LIHTC)
- Most common: Limited Partners/Investors in projects with LIHTC
  - Examples: National Equity Fund, WNC and Associates, Citibank, PNC Bank.
- **LLCIs can submit the Certification “Identification and Certification of Eligible Limited Liability Corporate Investors (LLCI)” in lieu of submitting 2530s**



Identification and Certification of  
Eligible Limited Liability Corporate Investors (LLCI)

I, \_\_\_\_\_ am authorized to certify to each and every item stated below.  
(Name of Authorized Signer)

I certify that \_\_\_\_\_, is:  
(Name of LLCI)

1. An eligible Limited Liability Corporate Investor as noted in the Preservation Approval Process Improvement Act of 2007 and as defined herein:
2. Investing in \_\_\_\_\_, which made a complete application to the state Tax Credit Agency (TCA) to receive Low-Income Housing tax Credits under Section 42 of the Internal Revenue Code or to which the TCA issued an allocation or letter of intent to allocate Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code;
3. A company organized under a State limited liability company statute, an investor corporation, an investor limited partnership, or an investor limited liability limited partnership; and
4. An investor with limited or no control over routine property operations or HUD regulatory and/or contract compliance, even if the investor may control (albeit not routine or repetitive control) of the ownership entity or assume the operating responsibilities in the event of the default of the operating partner or upon specific events all defined under the investment contract/agreement.

I further certify that should any of the facts that support the certifications above change or the company for which this certification is made withdraws from participation in the owner/mortgagor, I will notify HUD immediately providing full disclosure and explanation of the change(s).

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
(Field Office Hub/PC Director)

# Is the entity a qualified LLCI?

## **What to do if you receive Identification and Certification of Eligible Limited Liability Corporate Investors (LLCI)**

- 1. Review submitted Certification:** Make sure it is signed and complete (e.g. no revisions or deletions from model)
- 2. Review the Owner/Mortgagor organizational chart for the project**
  - Chart should identify 100% total ownership interest in the project (total of general partner/s & and limited partner/s)
  - Chart should identify the mailing address of the entity that submitted Certification
  - Chart should Identify all Limited Partners (LP) with 25% or greater ownership interest.
  - LPs with greater than 25% ownership interest must submit LLCI Certification or a 2530. LPs with less than 25% interests are not required to submit 2530 or LLCI Certification

# Is the entity a qualified LLCI?

## **What to do if you receive Identification and Certification of Eligible Limited Liability Corporate Investors (LLCI)**

### **3. Determine whether to Approve or Disapprove LLCI request**

**Approve:** Certification completed correctly and signed by principal. Organization chart correctly discloses ownership structure and identifies address of LLCI entity.

**Disapprove:** Certification not completed or unsigned. Certification does not match model (e.g. missing or deleted information). Organization chart/description not submitted or incomplete (e.g. does not identify total of 100% ownership). The address of LLCI Entity is not disclosed.

## Is the entity a qualified LLCI?

4. **Prepare Determination Letter, which must identify and include:**
  - The person who signed the investment contract
  - Full address of the entity
  - Proposed ownership interest in the project
  - State whether the project will or will not be required to “file a Previous Participation Certification in accordance with the Preservation Approval Process Improvement Act of 2007.”
  - **If entity does not qualify as LLCI, provide explanation in the letter**
5. **Route Determination Letter/Certification for signature.** Include LLCI Certification for Hub Director signature/approval if the Certification is acceptable. DO NOT route Certification for signature if not approving. (see sample form letters in the packet. You can also find them on J:\Form Letters\LLCI)

# Is the entity a qualified LLCI?

## 6. **Determination Letter and Approved Certification**

- Send determination letter along with copy of approved LLCI Certification to the applicant entity.
- Keep a copy of determination letter and original approved Certification in file.
- Keep a copy of determination letter and approved Certification in docket file.
- Send a copy of determination and approved Certification (within one week) to HUD HQ, Office of Asset Management, Attention: PPSD

## Is the entity a qualified LLC?

Please note:

- HUD must have an approved Certification or an approved 2530 (either paper-format HUD-2530 or electronic format through APPS) for each Limited Partner with greater than 25% ownership interest.
- All other participants in projects must submit a Previous Participation Certification either via APPS or paper format HUD-2530 (e.g. Management Agent, all General Partners, Mortgagor/Owner entity, General Contractor).

# Paper or Electronic 2530s

- HUD is now required to accept and review either electronic (APPS) or paper Previous Participation Certifications (HUD-2530)
- Paper format HUD-2530s require the same review as prior to the implementation of APPS. There is no new review process required (the old paper 2530s). However, review the June 21 memo for additional guidance on reviewing paper-2530s.
- Offices will likely receive both electronic and paper 2530s until the new Rule on Previous Participation Certifications is implemented.
- Field Office must submit monthly report to HQ – tracking the # of paper submissions. Submit via email to James Collins in HQ.
  - One single report for the NYC MF office that identifies the # of paper 2530 approvals by both Asset Management and Production. (Michelle Williams will input paper 2530s into log)

# Review Paper 2530s

## HQ Tips and suggestions for reviewing paper 2530s

- Review for completeness - are all fields completed? Are there errors and omissions?
- Request and obtain organizational charts describing the ownership structure if complex
  - Ownership descriptions can come from the organization's attorney or principal on principal's stations
- Request a description of each principals' role in the organization if needed
- Signatures must be current within 6 months of the submittal
- Participation History should be listed for each principal on Schedule A (Note: If record of participation differs, separate Schedule A's and/or 2530 forms are recommended)



## For Additional Information

For Additional Information:

- June 21, 2007 memo from HQ: Previous Participation Certificate (PPC) Operating Procedures Submission Reviews and Controls
- July 11, 2007 memo from HQ: Previous Participation Certificate (PPC) Operating Procedures, Limited Liability Corporate Investor
- Additional Questions: Contact Beryl (x7717), Michele (x7869), or Sharon (x7838)



U.S. Department of Housing and Urban Development  
 New York State Office  
 Jacob K. Javits Federal Building  
 26 Federal Plaza  
 New York, New York 10278-0068  
<http://www.hud.gov/local/nyn/>

2AHMLA

Name  
 Address 1  
 Address 2  
 City, State ZIP

Dear Mr./Mrs./Ms.:

**Subject: Review of Qualifications as a Limited Liability Corporate Investor**

**Project Name:**

**Project No.:**

Our office has reviewed your request to be qualified as a Limited Liability Corporate Investor (LLCI) under the Preservation Approval Process Improvement Act of 2007. Under the subject Act HUD's Previous Participation filing requirements are suspended for entities qualified as LLCs.

**Entity Name:** \_\_\_\_\_

**Proposed Ownership Interest in Subject Project:** \_\_\_\_\_

**Signatory for Entity:** \_\_\_\_\_

**Entity Address:** \_\_\_\_\_

Based on your submitted documentation, your request to be qualified as an LLCI for the subject project is approved. Your organization will not be required to file a Previous Participation Certification submission in accordance with the Preservation Approval Process Improvement Act of 2007.

Enclosed is your approved Certification, "Identification and Certification of Eligible Limited Liability Corporate Investors". Our office recommends that your organization retain a copy of this letter and the approved Certification in your files.

Should you have any additional questions about this letter, please contact xxx at (212) 542-xxxx.

Sincerely,

Teresa M. Bainton  
 Director  
 New York Multifamily Hub



U.S. Department of Housing and Urban Development  
 New York State Office  
 Jacob K. Javits Federal Building  
 26 Federal Plaza  
 New York, New York 10278-0068  
<http://www.hud.gov/local/nyn/>

2AHMLA

Name  
 Address 1  
 Address 2  
 City, State ZIP

Dear Mr./Mrs./Ms.:

**Subject: Review of Qualifications as a Limited Liability Corporate Investor**

**Project Name:**

**Project No.:**

Our office has reviewed your request to be qualified as a Limited Liability Corporate Investor (LLCI) under the Preservation Approval Process Improvement Act of 2007. Under the subject Act HUD's Previous Participation filing requirements are suspended for entities qualified as LLCs.

**Entity Name:** \_\_\_\_\_

**Proposed Ownership Interest in Subject Project:** \_\_\_\_\_

**Signatory for Entity:** \_\_\_\_\_

**Entity Address:** \_\_\_\_\_

Based on your submitted documentation, your request to be qualified as an LLCI for the subject project is not approved for the following reasons: [select one below or add the relevant information]

- The submitted organizational chart did not identify 100% ownership interest in the subject project.
- The submittal package did not include an organizational chart or description of the ownership/mortgagor entity.
- The submitted Certification, "Identification and Certification of Eligible Limited Liability Corporate Investors" was not signed.

Please note that your organization is subject to HUD's Previous Participation Certification requirements until it is approved by our office as a qualified LLCI. For additional information on HUD's Previous Participation requirements for entities other than LLCIs, please refer to HUD Handbook 4065.1.

Should you have any additional questions about this letter, please contact xxx at (212) 542-xxxx.

Sincerely,

Teresa M. Bainton  
 Director, New York Multifamily Hub



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

4A.

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

June 21, 2007

MEMORANDUM FOR: All Multifamily Hub Directors  
All Multifamily Program Center Directors  
All Multifamily Operations Officers

FROM: Charles H. Williams, Deputy Assistant Secretary for  
Multifamily Housing Programs, HT

SUBJECT: Previous Participation Certificate (PPC) Operating Procedures  
Submission Reviews and Controls

The President recently signed into law the Preservation Approval Process Improvement Act of 2007. This law requires the Department to take certain actions in regard to the Previous Participation operating procedures until HUD submits the new rule to the House and Senate authorizing committees for review. The proposed new rule is undergoing review and will be published and implemented as soon as possible.

In summary, the law requires HUD to suspend immediately all filing requirements for limited liability corporate investors who own, or expect to own, an interest in entities which are allowed or are expected to be allowed low-income housing tax credits under section 42 of the Internal Revenue Code. The law also directs HUD to suspend mandatory electronic filing of previous participation certificates.

This memorandum relates to control and review of a Previous Participation Certificate (PPC). All field staff and managers are required to read and ensure strict compliance with these procedures. Staff and managers must review the contents of this memorandum and follow standards for receipt, review and approval of all PPC submissions, without exception. Routine procedures are restated in this memorandum to assure clarity and consistency among the various field offices. In implementing the law, the Department must continue to receive, review and take action on all PPC submissions, whether in paper or digital formats. This requires careful and consistent handling by every field office.

## **Control and Review of PPC Submissions**

1. Until HUD submits the new rule to the House and Senate authorizing committees for review, the Preservation Approval Process Improvement Act of 2007 provides that HUD will allow participants to file paper or digital submissions of the Previous Participation Certificate (PPC).
2. **Program Center/Hub Controls:** While all Program Center staff and managers are now familiar with both methods of submission, the statute provides the option of which venue to choose (paper or digital) to the participant. This will likely cause some confusion as in any transaction some participants may choose paper, while others choose digital submissions. This requires Program Center Directors and Supervisors to use specific controls to assure fair treatment of both varieties of submission. HQ recommends that a "first in – first out" review procedure be instituted for submissions wherever practical. In any event, control methods for processing paper and digital submissions are required.
3. **Hub Reports:** APPS provides adequate reporting and control over incoming digital submissions. However, HQ requires specific information about each paper submission and the Hubs must supply this information on a monthly basis; on the attached spread sheet. The spreadsheet must be forwarded from each Hub via e-mail on the 20<sup>th</sup> of the month and include all paper submissions up to the end of the work week ending prior to the 20<sup>th</sup> of each month (this should allow time for Hub personnel to consolidate Program Center reports into the single report to be sent to Headquarters). Subsequent reports will cover the period from the last report through the reporting deadline. The Hub Director should identify a Hub contact and alternate to address any questions regarding the spreadsheet. Please provide the contact name(s) and the first report for the period ending July 1, 2007 to James E. Collins in the Policy and Participant Standards Division in the Office of Asset Management at James.E.Collins@hud.gov. Please make the subject of the e-mail;

Previous Participation Certificate Report for INSERT DATE.

4. **Review All Paper Submissions For Accuracy:** In the past, participants were less than precise when they completed the paper HUD Form 2530. Field staff was not always as careful as need be to assure each paper form was complete and accurate.

The following discusses the paper Form HUD 2530 review requirements and common errors and omissions for your review:

### **Page 1**

- a. **Part I, Reason for Submission** (Upper Left Hand Corner, no number):

This section was often not completed. Field staff may either complete this section if left blank by the submitter or return the form to the participant for correction. Field staff is to initial the paper form in all cases where they change or alter this section. APPS controls for this by preventing a submission without entering a reason for submission.

b. **Section Numbers 1 – 6:**

These sections are often left blank or have erroneous information entered by the participant. Field staff may either correct/complete this section if left blank by the submitter or return the form to the participant for correction. Field staff is to initial the paper form in all cases where they change or alter this section. APPS controls data quality for these areas by preventing a submission without all data elements being entered.

Sections 4 a and 4 b immediately above are administrative in nature and are unique to a given PPC submission. It is not uncommon, as an example only, for the participant to not know the Section of the (Housing) Act that is entered in Section 5, while all lenders should know this fact without exception.

c. **General; Sections Numbers 7 – 10, The Certification Lines, The Preparer Information And Schedule A:**

Each section must be completed in full and without error by the participant. Field staff is not permitted to alter or add information in these sections. Each data element in these sections forms part of the basis for the participant's certification. Alterations, no matter how slight, will void the participant's certification. Enforcement of the certification becomes impractical or impossible if altered by other than the participant or their authorized representative.

Therefore, if any data is incomplete or staff determines that errors are present, return the entire submission to the participant or their preparer.

APPS prevents a participant from filing a submission that is incomplete, but there may be errors or omissions that field staff recognizes in the digital version of the PPC as well (for example the previous participation may not be complete or the organization structure is in error). These also must be returned to the participant or their preparer (contact).

There are generally no exceptions.

d. **Specific Review; Incomplete disclosures and errors and omissions in data required to complete Sections 7 – 10, the certification lines, the preparer information and Schedule A:**

**Section 7:** One of the valuable aspects of full implementation of the APPS digital PPC was the imposition of high levels of consistency and accuracy of disclosures. However, APPS implementation highlighted that some principals were not identified in paper submissions as required by regulation. Field staff must take active precautions to **assure full disclosure of all participants, principals and affiliates in each entity that is required to submit a PPC**. This is true whether the PPC is submitted in paper or digitally. All modern real estate transactions are complex and Handbook 4065.1 provides the following guidance to obtain additional information in all cases where a complex organization exists:

The Handbook states; "In situations where complex ownership (multiple tiered) structures exist, a description of the ownership structure should be submitted along with the HUD-2530. This description should preferably be provided by an attorney representing the principal. The attorney should supply this information on his or her stationery and be signed by the attorney. ***For example**, the ownership entity is a Partnership. All principals in this Partnership must be listed on the HUD-2530 -- this is tier one. If any of these principals are Corporations or Partnerships, the principals in these entities must also be listed on the HUD-2530 -- this is tier two. If any of the principals listed in tier two are Corporations or Partnerships, the principals in these entities must be listed on the HUD-2530 -- this is tier three. Principals in a Partnership are all its General Partners, and its Limited Partners with a 25 percent or greater interest.*"

Therefore, it is required that each applicant provide a clear organization chart or description to the Program Center with each PPC submission. APPS generally controls for this by requiring disclosure of the organization array (see APPS Tier Report). The tier report should be reviewed for accuracy and completeness especially for participants' early digital submissions.

The Handbook requires the organization chart/description be provided by the attorney representing the principal, but you may also accept this data from the principal on principal's stationery.

e. **Section 8: Role of Each Principal in Project**

This must be completed by the participant. If the role does not make sense within the confines of the transaction as it is understood, then have the participant explain. If the Project Manager and Program Center Director are satisfied with the explanation, attach the explanation to the Form HUD 2530 for the record. If necessary have the Form HUD 2530 returned for correction. A listing of roles is in the Form HUD 2530 instructions. APPS requires this data be entered before the PPC can be submitted.

f. **Section 9: Expected % ownership in the Project**

This section must be completed as it provides basic data for review of each identified participant under the regulations. The instructions on Form HUD 2530 also require the participant to specify if the participant is a general or limited partner (or other appropriate identifier as is customary for the business organization; LLC's, for example, have members and managing members). APPS requires this data be entered before the PPC can be submitted. The Program Center must assure the percentages are accurate.

g. **Section 10: Taxpayer Identification Numbers (TIN) Must Be Provided For All Individuals And Entities:**

Sometimes in the past, field office staff accepted paper form PPC's without Taxpayer ID's; most often this occurred when the TIN had been applied for, but not received. The TIN must be presented at the time of submission; there are no exceptions. APPS controls for this by preventing a submission completion without a TIN for all participants.

h. **Signatures Must Be "Live" And Not Out Of Date:**

All individuals and entities must certify different aspects of the data presented in the PPC. The signatures are to be original and dated within 6 months of the date of submission. Field staff must return any PPC submitted that does not meet these standards. APPS controls for this by requiring new certifications with each on-line submission.

i. **Explanatory Letter Required if Any Certification Language is altered by the Participant:**

Please remember to obtain a letter signed by the participant in every case where the certifications have been altered in any way. APPS controls for this by requiring an explanation entered in APPS prior to submission for any "NO" answer to the certification parts.

j. **Preparer Information (Bottom of Page)**

The preparer's name and telephone contact information must be provided and be legible.

**Page 2 – Schedule A**

Schedule A has 6 columns, Column 5 has three sections. In every case where the previous participation of any principal or entity is not identical, then it is most efficient if each participant has its/his/her own Schedule A. Do not allow mixing of



principals on a single Schedule A unless all their respective previous participation is identical. In the event of incomplete and/or erroneous data in Schedule A, it is recommended that Field staff return the submission (either digital or paper) and require the participant correct the data.

**Column 1** identifies the name of the principal and if there are several parties with identical previous participation the names must be listed in alphabetical order for ease of review.

**Column 2** lists all properties in which the principal in Column 1 has participated in the past. There is specific information (property ID (e.g., FHA or Section 8 contract number), property name, city location and government agency involved, if other than HUD) to be provided for each project and when that information is not provided, the Program Center staff must review the omissions with the principal. The Program Center staff must return the entire PPC (either paper or digital) to the participant or their representative for completion. **For paper forms only**, the Program Center Director may agree to accept and review replacement paper pages, although this is not recommended.

**Column 3** lists the role the principal identified in Column 1 plays in the property identified in Column 2. The participation period from and to dates must also be presented. When all information is not provided, the Program Center staff must review the omissions with the principal. The Program Center staff must return the entire PPC (either paper or digital) to the participant or their representative for completion. **For paper forms only**, the Program Center Director may agree to accept and review replacement paper pages, although this is not recommended.

**Column 4** must be completed for all insured, HUD held, and 202/811 loans. This is where the Program Center staff will be alerted to significant events that require review in HQ, PSD<sup>1</sup>. This column must be completed for each HUD and FHA related loan on the property identified in Column 2. The choices are: current, in default, assigned and foreclosure at the time of the PPC submission<sup>2</sup>. For properties without a HUD/FHA loan, the proper entry is NA. When all information is not provided, the Program Center staff must review the omissions with the principal. The Program Center staff must return the entire PPC (either paper or digital) to the participant or their representative for completion. **For paper forms only**, the Program Center Director may agree to accept and review replacement paper pages, although this is not recommended.

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<sup>1</sup> Every default, assignment, and foreclosure should have an associated Previous Participation Flag in APPS

<sup>2</sup> If the principal's period of participation as shown in Column 3 ended prior to the date of the present PPC submission, the status in column 4 is as of the last date in the participation period.

For each indication of default, foreclosure, assignment the project manager must review the APPS flag report and determine if the flag was placed and if the flag was resolved or absolved. If the flag was placed and either resolved or absolved, the Project Manager may treat that single event as a non-critical finding. Otherwise follow the instruction in the Handbook and on the 2530 form.

**Column 5** deals with all property defaults at any time during the participation period in column 3. All defaults are to be reported, not just those associated with a HUD or FHA loan; contract and regulatory defaults are included. For each indication of default, foreclosure, assignment, the Project Manager should review the APPS flag report and determine if the flag was placed and if the flag was resolved or absolved. If the flag was placed and either resolved or absolved, the Project Manager may treat that single event as a non-critical finding. Otherwise, follow the instruction in the Handbook and on the 2530 form.

**Column 6** lists the last physical inspection and management review of record. The "or" in the column heading is only operative where both monitoring tools have not been performed. In most cases, there should be both an inspection and management review rating. If not provided, the Program Center staff must review the omissions with the principal. The Program Center staff must return the entire PPC (either paper or digital) to the participant or their representative for completion. **For paper forms only**, the Program Center Director may agree to accept and review replacement paper pages, although this is not recommended.

Finally at the bottom of page 2, there is an area for HUD processing, this must be completed and signed as prescribed. There are no exceptions.

If there are questions concerning this memorandum, please email your questions to the APPS mailbox [AppsF24P@hud.gov](mailto:AppsF24P@hud.gov) and make the subject line read:

**Previous Participation Certificate (PPC) Operating Procedures Submission Reviews and Controls**

Attachment

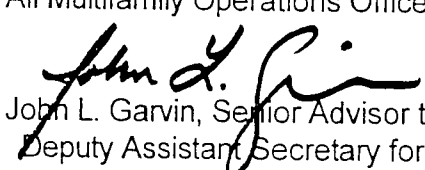


U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

JUL 11 2007

MEMORANDUM FOR: All Multifamily Hub Directors  
All Multifamily Program Center Directors  
All Multifamily Operations Officers

FROM:   
John L. Garvin, Senior Advisor to FHA Commissioner/Acting  
Deputy Assistant Secretary for Multifamily Housing  
Programs, HT

SUBJECT: Previous Participation Certificate (PPC) Operating Procedures  
Limited Liability Corporate Investor

This memorandum supersedes the memorandum entitled, "Previous Participation Certificate (PPC) Operating Procedures Limited Liability Corporate Investor" dated June 21, 2007.

The President recently signed into law the Preservation Approval Process Improvement Act of 2007. This law requires the Department to take certain actions in regard to the Previous Participation operating procedures until HUD submits the proposed new rule to the House and Senate authorizing committees for review. The proposed rule is undergoing review and will be published and implemented as soon as possible. The proposed rule will be published in the Federal Register with the appropriate comment period.

In summary, the law requires HUD to suspend immediately all filing requirements for limited liability corporate investors who own, or expect to own, an interest in entities which have received or are expected to receive Low-Income Housing Tax Credits under section 42 of the Internal Revenue Code. The law also directs HUD to suspend mandatory electronic filing of previous participation certificates.

This memorandum provides instructions and reporting requirements regarding implementation of the law as it relates to Limited Liability Corporate investors and streamlines the earlier guidance following additional review and consultation with the Hub Directors.

## Identification and Certification of Eligible Limited Liability Corporate Investors (LLCI)

The Field Office will request from each entity which claims to be a limited liability corporate investor the following certification:

I, Name of Authorized Signer, am authorized to certify to each and every item stated below.

I certify that Name of LLC is:

- a. An eligible limited liability corporate investor as noted in the Preservation Approval Process Improvement Act of 2007 and as defined herein;
- b. Investing in name of owner/mortgagor entity, which made a complete application to the State Tax Credit Agency (TCA) to receive Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code or to which the TCA issued an allocation or letter of intent to allocate Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code;
- c. A company organized under a State limited liability company statute, an investor corporation, an investor limited partnership, or an investor limited liability limited partnership; and
- d. An investor with limited or no control over routine property operations or HUD regulatory and/or contract compliance, even if the investor may take control (albeit not routine or repetitive control) of the ownership entity or assume the operating responsibilities in the event of the default of the operating partner or upon specific events all defined under the investment contract/agreement.

I further certify that should any of the facts that support the certifications above change or the company for which this certification is made withdraws from participation in the owner/mortgagor, I will notify HUD immediately providing full disclosure and explanation of the change(s).

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
(Field Office Hub/PCD Director)

1. In order to know which entities in the ownership entity may be qualified LLCIs, the field office must review the contents of the owner/mortgagor organization chart and obtain the above certification from each LLCI entity, which holds any interest greater than 25% in the ownership entity. The field office must request the organization chart or description of the ownership entity from the operating principal (the general partner, managing member, majority/controlling stockholder, board chairperson, etc). The Handbook allows for such information to come from the principal's attorney.
2. Once an entity provides a complete, signed certification as described above, the field office Hub or PC Director will countersign on the certification below the LLCI signatory. The Hub or PC Director will issue a letter which names the LLCI entity, the person who signed on behalf of the LLCI entity, the full address of record of the LLCI entity, the proposed ownership interest in the owner (a percentage owned in the owner entity; see exhibit 1 for an example) and states that the entity will not be required to file a PPC submission in accordance with the Preservation Approval Process Improvement Act of 2007. A copy of the letter and certification will be retained in the docket file for the property and a copy sent to the Office of Asset Management in HQ, Attention: PPSD. HQ copies must be dispatched at the end of each week.
3. Where an entity is determined not to qualify as an LLCI, the field office will issue a letter which names the LLCI entity, the person who signed on behalf of the LLCI entity, the full address of record of the LLCI entity, the proposed ownership interest in the owner (a percentage owned in the owner entity; see exhibit 1 for details) and states that the entity does not qualify as an LLCI and must, therefore, complete all PPC submission requirements. Provide a brief explanation of reason(s) they do not qualify. A copy of the letter and certification (if received) will be retained in the docket file for the property and a copy sent to the Office of Asset Management in HQ, Attention: PPSD. HQ copies must be dispatched at the end of each week.

If there are any questions concerning this memorandum, e-mail your questions to James E. Collins ([james.e.collins@hud.gov](mailto:james.e.collins@hud.gov))

Attachments

## Exhibit 1 (revised)

### Determining the LLCI Percentage of Ownership (refer to Figure 1 below)

Assume first that the ownership entity comprises 100% of the total interests available. Assume next that the operating participant (e.g., general partner, managing member, etc.) has a 1% interest in the total 100% available. Assume last the "limited partners" control/own the remaining 99% interest.

Tier one comprises the GP and the limited partner. Other tiers are created in two ways:

1. Via a pass through entity, and/or
2. Via a transaction where another entity provides investment funding.

Refer to Figure 1 below

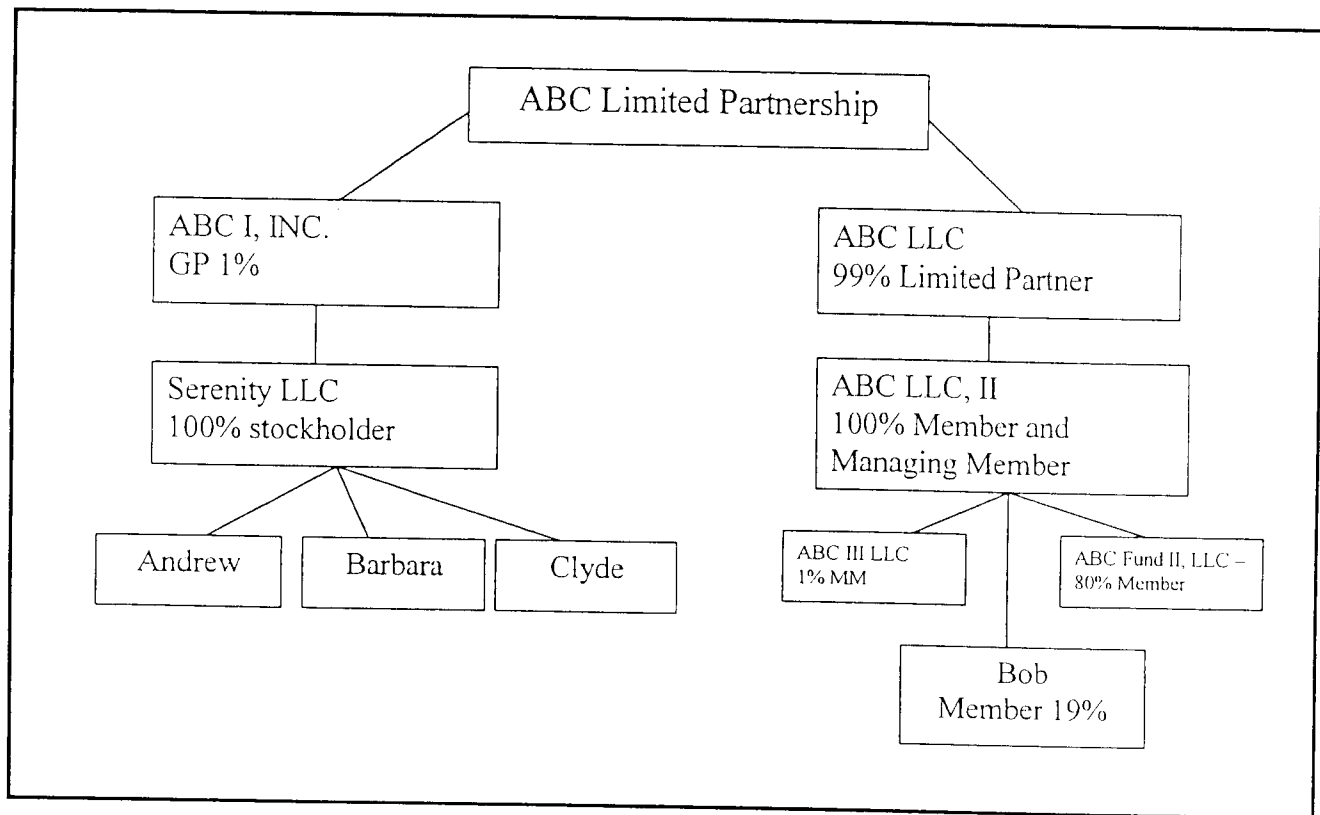
ABC Limited Partnership is the 100% owner of the project.

Tier 1; ABC I, INC owns 1% and ABC LLC owns 99%.

Tier 2; Serenity LLC (a pass thru) owns 100% of the stock in ABC I, Inc and ABC LLC, II (a pass thru) Owns 100% of ABC LLC. ABC LLC II owns 99% of ABC Limited Partnership.

Tier 3; Andrew, Barbara, and Clyde own respectively 24%, 26% and 50% of Serenity LLC. Barbara and Clyde must file a PPC, Andrews does not. ABC III LLC is the 1% interest managing member of ABC LLC, II, while ABC Fund II, LLC owns 80% of ABC LLC, II. ABC III LLC owns 0.9% ( $0.01 \times 0.99 = 0.009$ ) of ABC Limited Partnership and is a managing member; ABC Fund II, LLC owns 79% ( $0.80 \times 0.99 = 0.792$ ) of ABC Limited Partnership.

Figure 1



# Previous Participation Certification

U.S. Department of Housing  
and Urban Development  
Office of Housing/Federal Housing Commissioner

U.S. Department of Agriculture  
Farmers Home Administration

OMB Approval No. 2502-0118  
(exp. 9/30/2009)

## Part I To be completed by Principals of Multifamily Projects. See Instructions Reason for Submitting Certification

## For HUD HQ/FmHA use only

1. Agency Name and City where the application is filed

2. Project Name, Project Number, City and Zip Code contained in the application

3. Loan or Contract Amount

4. Number of Units or Beds

5. Section of Act

6. Type of Project (check one)

☐ Existing

☐ Rehabilitation

☐ Proposed (New)

### List of All Proposed Principal Participants

7. Names and Addresses of All Known Principals and Affiliates (people, businesses & organizations) proposing to participate in the project described above. (list names alphabetically; last, first, middle initial)

8. Role of Each  
Principal in Project

9. Expected % Owner  
ship Interest in Project

10. Social Security or IRS  
Employer Number

**Certifications:** I (meaning the individual who signs as well as the corporations, partnerships or other parties listed above who certify) hereby apply to HUD or USDA-FmHA, as the case may be, for approval to participate as a principal in the role and project listed above based upon my following previous participation record and this Certification.

I certify that all the statements made by me are true, complete and correct to the best of my knowledge and belief and are made in good faith, including the data contained in Schedule A and Exhibits signed by me and attached to this form.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

I further certify that:

1. Schedule A contains a listing of every assisted or insured project of HUD, USDA-FmHA and State and local government housing finance agencies in which I have been or am now a principal.

2. For the period beginning 10 years prior to the date of this certification, and except as shown by me on the certification.

a. No mortgage on a project listed by me has ever been in default, assigned to the Government or foreclosed, nor has mortgage relief by the mortgagee been given;

b. I have not experienced defaults or noncompliances under any Conventional Contract or Turnkey Contract of Sale in connection with a public housing project;

c. To the best of my knowledge, there are no unresolved findings raised as a result of HUD audits, management reviews or other Governmental investigations concerning me or my projects;

d. There has not been a suspension or termination of payments under any HUD assistance contract in which I have had a legal or beneficial interest;

e. I have not been convicted of a felony and am not presently, to my knowledge, the subject of a complaint or indictment charging a felony.

(A felony is defined as any offense punishable by imprisonment for a term exceeding one year, but does not include any offense classified as a misdemeanor under the laws of a State and punishable by imprisonment of two years or less);

f. I have not been suspended, debarred or otherwise restricted by any Department or Agency of the Federal Government or of a State Government from doing business with such Department or Agency.

g. I have not defaulted on an obligation covered by a surety or performance bond and have not been the subject of a claim under an employee fidelity bond.

3. All the names of the parties, known to me to be principals in this project(s) in which I propose to participate, are listed above.

4. I am not a HUD/FmHA employee or a member of a HUD/FmHA employee's immediate household as defined in Standards of Ethical Conduct for Employees of the Executive Branch in 5 C.F.R. Part 2635 (57 FR 35006) and HUD's Standard of Conduct in 24 C.F.R. Part O and

USDA's Standard of Conduct in 7 C.F.R. Part O Subpart B.

5. I am not a principal participant in an assisted or insured project as of this date on which construction has stopped for a period in excess of 20 days or which has been substantially completed for more than 90 days and documents for closing, including final cost certification have not been filed with HUD or FmHA.

6. To my knowledge I have not been found by HUD or FmHA to be in noncompliance with any applicable civil rights laws.

7. I am not a Member of Congress or a Resident Commissioner nor otherwise prohibited or limited by law from contracting with the Government of the United States of America.

8. Statements above (if any) to which I cannot certify have been deleted by striking through the words with a pen. I have initialed each deletion (if any) and have attached a true and accurate signed statement (if applicable) to explain the facts and circumstances which I think helps to qualify me as a responsible principal for participation in this project.

Typed or Printed Name of Principal	Signature of Principal	Certification Date (mm/dd/yyyy)	Area Code and Telephone No.

This form was prepared by (Please print name)

Area Code and Telephone No.

Previous editions are obsolete

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**Schedule A: List of Previous Projects and Section 8 Contracts.** By my name below is the complete list of my previous projects and my participation history as a principal; in Multifamily Housing programs of HUD/FmHA, State, and Local Housing Finance Agencies. **Note:** Read and follow the instruction sheet carefully. Abbreviate where possible. Make full disclosure. Add extra sheets if you need more space. Double check for accuracy. If you have no previous projects write, by your name, **"No previous participation, First Experience."**

1. List each Principal's Name (list in alphabetical order, last name first)	2. List Previous Projects (give the I.D. number, project name, city location, & government agency involved if other than HUD)	3. List Principals' Role(s) (indicate dates participated, and if fee or identity of interest participant)	4. Status of Loan (current, defaulted, assigned, or foreclosed)	5. Was Project ever in Default, during your participation?  If "Yes," explain		6. Last Mgmt. and/or Physical Inspctn Rating
				Yes	No	

**Part II – For HUD Internal Processing Only**

Received and checked by me for accuracy and completeness; recommend approval or transferral to Headquarters as checked below:

Date (mm/dd/yyyy)	Telephone Number and Area Code	<input type="checkbox"/> A. No adverse information; form HUD-2530 approval is recommended.	<input type="checkbox"/> C. Disclosure or Certification problem
Staff	Processing and Control	<input type="checkbox"/> B. Name match in system	<input type="checkbox"/> D. Other, our memorandum is attached.
Supervisor		Director of Housing / Director, Multifamily Division	Approved <input type="checkbox"/> Yes <input type="checkbox"/> No      Date (mm/dd/yyyy)

### Instructions for Completing the Previous Participation Certificate, form HUD-2530

Carefully read these instructions and the applicable regulations. A copy of those regulations published at 24 C.F.R. 200.210 to 200.245 can be obtained from the Multifamily Housing Representative at any HUD Office. Type or print neatly in ink when filling out this form. Mark answers in all blocks of the form. If the form is not filled completely, it will delay approval of your application.

Attach extra sheets as you need them. Be sure to indicate "Continued on Attachments" wherever appropriate. Sign each additional page that you attach if it refers to you or your record. If you have many projects to list (20 or more) and expect to be applying frequently for participation in HUD projects, you should consider filing a Master List. See Master List instructions below under "Instructions for Completing Schedule A."

**Carefully read the certification before you sign it.** Any questions regarding the form or how to complete it can be answered by your HUD Office Multifamily Housing Representative.

**Purpose:** This form provides HUD with a certified report of all previous participation in HUD multifamily housing projects by those parties making application. The information requested in this form is used by HUD to determine if you meet the standards established to ensure that all principal participants in HUD projects will honor their legal, financial and contractual obligations and are acceptable risks from the underwriting standpoint of an insurer, lender or governmental agency. HUD requires that you certify your record of previous participation in HUD/USDA-FmHA, State and Local Housing Finance Agency projects by completing and signing this form, before your project application or participation can be approved.

HUD approval of your certification is a necessary precondition for your participation in the project and in the capacity that you propose. If you do not file this certification, do not furnish the information requested accurately, or do not meet established standards, HUD will not approve your certification.

**Note** that approval of your certification does not obligate HUD to approve your project application, and it does not satisfy all other HUD program requirements relative to your qualifications.

### Who Must Sign and File Form HUD-2530:

Form HUD-2530 must be completed and signed by all parties applying to become principal participants in HUD multifamily housing projects, including those who have no previous participation. The form must be signed and filed by all principals and their affiliates who propose participating in the HUD project. Use a separate form for each role in the project unless there is an identity of interest.

Principals include all individuals, joint ventures, partnerships, corporations, trusts, non-profit organizations, any other public or private entity, that will participate in the proposed project as a sponsor, owner, prime contractor, turnkey developer, managing agent, nursing home administrator or operator, packager, or consultant. Architects and attorneys who have any interest in the project other than an arms length fee arrangement for professional services are also considered principals by HUD.

In the case of partnerships, all general partners regardless of their percentage interest and limited partners having a 25 percent or more interest in the partnership are considered principals. In the case of public or private corporations or governmental entities, principals include the president, vice president, secretary, treasurer and all other executive officers who are directly responsible to the board of directors, or any equivalent governing body, as well as all directors and each stockholder having a 10 percent or more interest in the corporation.

Affiliates are defined as any person or business concern that directly or indirectly controls the policy of a principal or has the power to do so. A holding or parent corporation would be an example of an affiliate if one of its subsidiaries is a principal.

**Exception for Corporations** – All principals and affiliates must personally sign the certificate except in the following situation. When a corporation is a principal, all of its officers, directors, trustees and stockholders with 10 percent or more of the common (voting) stock need not sign personally if they all have the same record to report. The officer who is authorized to sign for the corporation or agency will list the names and title of those who elect not to sign. However, any person who has a record of participation in HUD projects that is separate from that of his or her organization must report that activity on this form and sign his or her name. The objective is full disclosure.

**Exemptions** – The names of the following parties do not need to be listed on form HUD-2530: Public Housing Agencies, tenants, owners of less than five condominium or cooperative units and all others whose interests were acquired by inheritance or court order.

**Where and When Form HUD-2530 Must Be Filed:** The original of this form must be submitted to the HUD Office where your project application will be processed at the same time you file your initial project application. This form must be filed with applications for projects, or when otherwise required in the situations listed below:

- Projects to be financed with mortgages insured under the National Housing Act (FHA).
- Projects to be financed according to Section 202 of the Housing Act of 1959 (Elderly and Handicapped).
- Projects in which 20 percent or more of the units are to receive a subsidy as described in 24 C.F.R. 200.213.
- Purchase of a project subject to a mortgage insured or held by the Secretary of HUD.
- Purchase of a Secretary-owned project.
- Proposed substitution or addition of a principal, or principal participation in a different capacity from that previously approved for the same project.
- Proposed acquisition by an existing limited partner of an additional interest in a project resulting in a total interest of 25 percent or more, or proposed acquisition by a corporate stockholder of an additional interest in a project resulting in a total interest of 10 percent or more.
- Projects with U.S.D.A., Farmers Home Administration, or with state or local government housing finance agencies that include rental assistance under Section 8 of the Housing Act of 1937. For projects of this type, form HUD-2530 should be filed with the appropriate applications directly to those agencies.

**Review of Adverse Determination:** If approval of your participation in a HUD project is denied, withheld, or conditionally granted on the basis of your record of previous participation, you will be notified by the HUD Office. You may request reconsideration by the HUD Review Committee. Alternatively, you may request a hearing before a Hearing Officer. Either request must be made in writing within 30 days from your receipt of the notice of determination.

If you do request reconsideration by the Review Committee and the reconsideration results in an adverse determination, you may then request a hearing before a Hearing Officer. The Hearing Officer will issue a report to the Review Committee. You will be notified of the final ruling by certified mail.

### Specific Line Instructions:

**Reason for submitting this Certification:** e.g., refinance, management, change in ownership, transfer of physical assets, etc.

**Block 1:** Fill in the name of the agency to which you are applying. For example: HUD Office, Farmers Home Administration District office, or the name of a State or local housing finance agency. Below that, fill in the name of the city where the office is located.

**Block 2:** Fill in the name of the project, such as "Greenwood Apts." If the name has not yet been selected, write "Name unknown." Below that, enter the HUD contract or project identification number, the Farmers Home Administration project number, or the State or local housing finance agency project or contract number. Include all project or contract identification numbers that are relevant to the project. Also enter the name of the city in which the project is located, and the ZIP Code of the site location.

**Block 3:** Fill in the dollar amount requested in the proposed mortgage, or the annual amount of rental assistance requested.

**Block 4:** Fill in the number of apartment units proposed, such as "40 units." For hospital projects or nursing homes, fill in the number of beds proposed, such as "100 beds."

**Block 5:** Fill in the section of the Housing Act under which the application is filed.

**Block 7:** Definitions of all those who are considered principals and affiliates are given above in the section titled "Who Must Sign and File...."

**Block 8:** Beside the name of each principal, fill in the role that each will perform. The following are possible roles that the principals may perform: Sponsor, Owner, Prime Contractor, Turnkey Developer, Managing Agent, Packager, Consultant, General Partner, Limited Partner (include percentage), Executive Officer, Director, Trustee, Major Stockholder, or Nursing Home Administrator. Beside the name of each affiliate, write the name of the person or firm of affiliation, such as "Affiliate of Smith Construction Co."

**Block 9:** Fill in the percentage of ownership in the proposed project that each principal is expected to have. Also specify if the participant is a general or limited partner. Beside the name of those parties who will not be owners, write "None."

**Block 10:** Fill in the Social Security Number or IRS employer number of every party listed, including affiliates.

**Instructions for Completing Schedule A:**

Be sure that Schedule A is filled-in completely, accurately and the certification is properly dated and signed, because it will serve as a legal record of your previous experience. All Multifamily Housing projects involving HUD/FmHA, and State and local Housing Finance Agencies in which you have previously participated **must** be listed. Applicants are reminded that previous participation pertains to the individual principal within an entity as well as the entity itself. A newly formed company may not have previous participation, but the principals within the company may have had extensive participation and disclosure of that activity is required. To avoid duplication of disclosure, list the project and then the entities or individuals involved in that project. You may use the name or a number code to denote the entity or individual that participated. The number code can then be used in column 3 to denote role.

**Column 2** List the project or contract identification of each previous project. **All previous projects must be included or your certification cannot be processed.** Include the name of all projects, the cities in which they are located and the government agency (HUD, USDA-FmHA or State or local housing finance agency) that was involved. At the end of your list of projects, draw a straight line across the page to separate your record of projects from that of others signing this form who have a different record to report.

**Column 3** List the role(s) of your participation, dates participated, and if fee or identity of interest with owners.

**Column 4** Indicate the current status of the loan. Except for current loans, the date associated with the status is required. Loans under a workout arrangement are considered assigned. An explanation of the circumstances surrounding the status is required for all non-current loans.

**Column 5** Explain any project defaults during your participation.

**Column 6** Enter the latest Management and/or Physical Inspection Review rating. If either of the ratings are below average, the report issued by HUD is required to be submitted along with the applicant's explanation of the circumstances surrounding the rating.

**No Previous Record:** Even if you have never participated in a HUD project before, you must complete form HUD-2530. If you have no record of previous projects to list, fill in your name in column 1 of Schedule A, and write across the form by your name—"No previous participation, first experience."

**Master List System:** If you expect to file this form frequently and you have a long list of previous projects to report on Schedule A, you should consider filing a Master List. By doing so, you will avoid having to list all your previous projects each time you file a new application.

To make a Master List, use form HUD-2530. On page 1, in block 1, enter (in capital letters) the words "Master List." In blocks 2 through 6 enter in "N.A." meaning Not Applicable. Complete blocks 7 through 10.

In the box below the statement of certification, fill in the names of all parties who wish to file a Master List together (type or print neatly). Beside each name, every party must sign the form. In the box titled "Proposed Role," fill in "N.A." Also, fill in the date you sign the form

and provide a telephone number where you can be reached during the day. No determinations will be made on these certificates.

File one copy of the Master List with each HUD Office where you do business and mail one copy to the following address:

**HUD-2530 Master List  
Participation and Compliance  
Division – Housing  
U.S. Department of Housing and  
Urban Development  
451 Seventh Street, S.W.  
Washington, D.C. 20410**

Once you have filed a Master List, you do not need to complete Schedule A when you submit form HUD-2530. Instead, write the name of the participant in column 1 of Schedule A and beside that write "See Master List on file." Also give the date that appears on the Master List that you submitted. Below that, report all changes and additions that have occurred since that date. Be sure to include any mortgage defaults, assignments or foreclosures not listed previously.

**If you have withdrawn from a project** since the date the Master List was filed, be sure to name the project. Give the project identification number, the month and year your participation began and/or ended.

**Certification:**

After you have completed all other parts of form HUD-2530, including Schedule A, read the Certification carefully. In the box below the statement of certification, fill in the name of all principals and affiliates (type or print neatly). Beside the name of each principal and affiliate, each party must sign the form, with the exception in some cases of individuals associated with a corporation (see "Exception for Corporations" in the section of the instructions titled "Who Must Sign and File form

HUD-2530"). Beside each signature, fill in the role of each party (the same as shown in block 8). In addition, each person who signs the form should fill in the date that he or she signs, as well as providing a telephone number where he or she can be reached during business hours. By providing a telephone number where you can be reached, you will help to prevent any possible delay caused by mailing and processing time in the event HUD has any questions.

If you cannot certify and sign the certification as it is printed because some statements do not correctly describe your record, use a pen and strike through those parts that differ with your record, then sign and certify to that remaining part which does describe you or your record.

Attach a signed letter, note or an explanation of the items you have struck out on the certification and report the facts of your correct record. Item A(2)(e) relates to felony convictions within the past 10 years. If you have been convicted of a felony within 10 years, strike out all of A(2)(e) on the certificate and attach your statement giving your explanation. A felony conviction will not necessarily cause your participation to be disapproved unless there is a criminal record or other evidence that your previous conduct or method of doing business has been such that your participation in the project would make it an unacceptable risk from the underwriting standpoint of an insurer, lender or governmental agency.

The Department of Housing and Urban Development (HUD) is authorized to collect this information by law (42 U.S.C. 3535(d) and 24 C.F.R. 200.217) and by regulation at 24 CFR 200.210. This information is needed so that principals applying to participate in multifamily programs can become HUD-approved participants. The information you provide will enable HUD to evaluate your record with respect to established standards of performance, responsibility and eligibility. Without prior approval, a principal may not participate in a proposed or existing multifamily project. HUD uses this information to evaluate whether or not principals pose an unsatisfactory underwriting risk. The information is used to evaluate the potential principals and approve only individuals and organizations who will honor their legal, financial and contractual obligations.

**Privacy Act Statement:** The Housing and Community Development Act of 1987, 42 U.S.C. 3543 requires persons applying for a Federally-insured or guaranteed loan to furnish his/her Social Security Number (SSN). HUD must have your SSN for identification of your records. HUD may use your SSN for automated processing of your records and to make requests for information about you and your previous records with other public agencies and private sector sources. HUD may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released outside of HUD, except as required and permitted by law. You must provide all of the information requested in this application, including your SSN.

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

A response is mandatory. Failure to provide any of the information will result in your disapproval for participation in this HUD program.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY  
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

March 26, 2007

MEMORANDUM FOR: All Multifamily Hub and Program Center Directors  
All Multifamily Operations Officers  
All Multifamily Supervisors and Staff

*Beverly J. Miller*

FROM: Beverly J. Miller, Director, Office of Asset Management, HTG

SUBJECT: Active Partner Performance System (APPS) - Passive  
Investor Previous Participation and Certification

To make the most efficient use of present regulatory authority, effective immediately, multifamily staff and managers may review and approve Previous Participation Certificates in APPS submitted by passive investors using the guidance in this memorandum. The Passive Investor<sup>1</sup>, which opts to follow this procedure for new business, must have designated themselves as a Passive Investor in APPS and make specific representation in APPS as described below:

#### REGISTRATION AND BASELINE

1. The Passive Investor<sup>2</sup> (PI) Company must be registered in APPS or already be

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<sup>1</sup> "Investment participants are passive investors in HUD participants. Investment participants do not have operational or policy control or influence but only a passive financial interest in the participant organization."

<sup>2</sup> When PI, Passive Investor, PI Company and Passive Investor Company are referred to, the Key Principal is assumed to be included also.

recorded in HUD systems (see APPS Participant Registration<sup>3</sup> on the Internet; the URL is: [https://hudapps.hud.gov/apps/part\\_reg/apps040.cfm](https://hudapps.hud.gov/apps/part_reg/apps040.cfm))

2. The PI Company must obtain all necessary secure system identification after Participant Registration is completed. (The Quick Tips guide briefly explains the Coordinator and User Registration process in Step 2; guide is attached). Full documentation regarding secure system identification is available at the following URL:

[http://www.hud.gov/offices/reac/products/wass/wass\\_user\\_manual.cfm](http://www.hud.gov/offices/reac/products/wass/wass_user_manual.cfm)

3. The Passive Investor must establish an **APPS Baseline** for each PI Company or person that meets the existing threshold of 25% interest in the ownership entity. The minimum data in the baseline must be the full disclosure of the data required for the PI Company, including all addresses, contact and taxpayer identification. In addition, the PI Company must fully disclose the identity of at least one individual Key Principal<sup>4</sup>, including all addresses, contact and taxpayer identification.

*minimum - just 1*

4. The PI Company and its Key Principal, at their option, need not list or disclose previous participation in their baseline. If the company and/or Key Principal opt to not disclose previous participation they should indicate "No Previous Participation" in APPS and in the Baseline comments section enter; "(insert **Name of PI Company or PI Key Principal**) is a Passive Investor as defined by HUD". HUD field offices will treat such entries as complete.

*Don't  
omit  
all offices  
directly.*

## APPS PROPERTY SUBMISSIONS

1. The PI Company property submission(s) must include all required entries except as described herein.
2. A PI Company must disclose full identification data in APPS for each

<sup>3</sup> The PI should not confuse APPS Participant Registration with the need to obtain secure system access a.k.a. requesting appropriate coordinator and/or user identification. These are two separate and distinct processes.

<sup>4</sup> Key Principal is a natural person that a principal of the company and/or affiliate and who has authority to legally bind the company in contracts and normal business dealings including dealings with HUD.

property submission, including TIN/SSN, but may opt to supply information only for the PI Company and a single Key Principal (no other officers, directors or stockholders names or interests need be disclosed).

3. The PI Company and its Key principal may opt to indicate no previous participation. In this case the comments section in the E2530 property submission, must state; " (insert **Name of Company**) is a Passive Investor as defined by HUD and has opted to not provide information in this area."

### **Field Office Step-by-Step Review**

- a. Look at the role of the participant on the E2530. If a participant claims the Passive Investor role, then the remainder of the steps below should be followed without deviation or change. If the role claimed in APPS is any other than Passive Investor, DO NOT use the procedures in this memorandum; follow all normal E2530 processing steps.
- b. Review the comment section on the property submission E2530 and make sure that it states: "**Name of Company** is a Passive Investor as defined by HUD.
- c. Review the participant certification (24 CFR 200.219) on the E2530. If the participant opted to use this guidance it may have marked "no" for all or some of the required certifications. If the company claims a passive investor role; he/she must have entered the following comment in APPS for each negative certification (No answer) - "(insert **Name of Company**) is a Passive Investor as defined by HUD".
- d. The Passive Investor's Key Principal must also provide all required entries in APPS including his/her SSN, name, address, title, etc. noting as required the comment "participant in this submission is the Key Principal of (insert **Name of Company**), which is a Passive Investor as defined by HUD."

If there are any questions, contact the Policy and Participation Standards Division in HQ at 202-708-1320 .