Figure 12B
Foreclosure and Disposition Process for Properties with HUD-Insured Loans

**Mortgage Default**
Section 8 termination?
• Possible if default based on serious violation of covenant
• Schumer Amendment applicable?

If cured by owner

**HUD Responses:**
Negotiate Workout or Compliance Plan
Encourage Transfer of Physical Assets (TPA)

**Assignment**
• HUD purchases note from bank for insurance proceeds
• Loan and Mortgage become “HUD Held”
• HUD could sell note
• HUD Can Elect Mortgagee In Possession (MIP):
  • taking control, maintaining services, addressing health and safety needs

Proced to Foreclosure (if still uncured)

**Foreclosure Sale**
• Extinguishes debt
• Changes ownership
• Multifamily Mortgage Foreclosure Act procedure
• Restricted Auction?
• What Use Restrictions?
• But Flexible Authority?

Section 8 termination?
• Schumer Amendment requires infeasibility finding, consultation and use of other tools

**Third Party Owner**
• Preservation Purchaser OR
  • if FC or PD sale, could also be unrestricted Owner EXITING AFFORDABILITY

If 3rd party is high bidder

**HUD Ownership**
• HUD duty to properly maintain and ensure full occupancy

Continuing Operations

**Third Party Owner**
• Preservation Purchaser OR
  • if FC or PD sale, could also be unrestricted Owner EXITING AFFORDABILITY

If 3rd party is high bidder

**HUD Property Disposition**
• MF Housing Property Disposition Reform Act
  • But “Flexible Authority”? 
  • Disposition Planning Process
  • Local Gov’t RFR
  • Negotiated Sale?

Section 8 termination?
• Schumer Amendment requires infeasibility finding, consultation and use of other tools

If HUD is high bidder

*Thicker lines / shading indicate HUD’s typical pathway
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