



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

A handwritten signature in black ink that reads "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 Investor¹, 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 Investor² (PI) Company must be registered in APPS or already be

¹ "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."

² 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 Registration³ on the Internet; the URL is: 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

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 Principal⁴, including all addresses, contact and taxpayer identification.
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.

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

³ 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.

⁴ 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 .