



FAQ – Replacement Reserves

Q: My property has multiple agency financing. How do I know which agency (MHDC, HUD, or Rural Development) must approve my request?

A: The grid below explains which agency is responsible for processing the property's reserve for replacement request.

Funding Type	MHDC	HUD	RD
MHDC Fund Balance	X		
Sec 8 HAP (HUD Insured) w/ MHDC mortgage		X	
MHDC Risk Share including Sec 8 HAP	X		
FHA Insured		X	
Rural Development loan subordinate to MHDC	X		
MHDC loan subordinate to Rural Development			X

Q: How do I submit my reserve for replacement request?

A: All reserve for replacement requests must be submitted on-line in the Asset Management Reporting System (AMRS). Please log on to amrs.mhdc.com to submit your reserve for replacement request. MHDC will not accept mailed replacement for reserve requests.

Q: When can I submit my reserve for replacement requests?

A: Reserve for replacement requests may be submitted anytime. It is helpful if the property submits several requests at once. MHDC will not process any reserve for replacement request when the MHDC receipt date is one year or later than the invoice date.

Q: What is the difference between the Reimbursement Request and Advance Review?

A: A Reimbursement Request is a request where work has been already completed at the property, and the property would either like reimbursement for the amount they have already paid or would like MHDC to pay the vendor directly. A property is taking a chance that the replacement item may or may not be covered. All reimbursement requests must include copies of invoices, cancelled checks, pictures, and MHDC inspection if applicable.

An advance review is a request where the property is asking for MHDC approval prior to the work being completed. MHDC requires three bids to be submitted with the request. MHDC will determine whether the repairs are eligible replacement cost expenditures and if the balance of the property's account is sufficient to grant the request (minimum balance should not fall below 24 months). If MHDC approves the advance, a check will be mailed directly to the vendor upon evidence of completion. Three bids are not necessary if costs are less than \$2,500.

Q: What are some reasons for why my reserve for replacement request may be denied/delayed?

A: A request may be denied/delayed for but not limited to the following reasons:

Property's reserve for replacement balance is below the 24 month minimum

Replaced item is not eligible per MHDC's list of eligible items

The replaced item has not reached its useful life as determined by MHDC

Invoice date is over a year old

Property did not fill out the Reserve for Replacement Request correctly (missing useful life information, unit location, description of work)

Property did not submit the required supporting documentation (copies of invoices, bids, cancelled checks, and pictures)

Property's current inspection has not been closed

Property has been placed in Non-Compliance

Q: Can MHDC pay the vendor directly?

A: Yes – The property must indicate in the Reserve for Replacement request that MHDC is to pay the vendor directly. The property must make sure the name, address, and phone number for the company providing the work is clearly provided, and a completed IRS Form W9 for a new vendor. Please do not assume this information can be found on the invoice.

Q: When can I expect my request to be processed?

A: Reserve for Replacement requests are to be processed within 30 days from the date MHDC receives the property's request. This turnaround time should be communicated to your vendor. MHDC processes requests in the order they are received. Turnaround times should be considered in determining how long the property holds the request before submitting it to MHDC.

Q: Does MHDC require inspections to be performed on replacement reserve requests?

A: Yes – All Reserve for Replacement requests that meet or exceed \$2,500 per item of repair/replacement may be subject to an MHDC inspection. The inspection must be performed before funds can be released. Management is responsible for contacting the MHDC St. Louis office to request an inspection. MHDC will determine if pictures will satisfy the inspection requirement.

Q: Does MHDC require lien waivers to be submitted for funds paid directly to vendors?

A: Yes – Lien waivers are required. MHDC's Loan Servicing Department stamps a lien waiver on the back of the vendor's check, and the vendor must fill out the lien waiver prior to deposit.

Q: Will our property's annual Replacement Reserve payment be increased 3% again?

A: MHDC will increase annual replacement reserve deposits by 3%. All properties need to increase the annual replacement reserve deposits amount by 3% on the annual budget. Replacement Reserves for properties that have 12 units or less will be automatically increased 3% during MHDC's escrow analysis period.

Q: Can I use reserve for replacement funds to cover the difference if my insurance claim check does not cover the entire replaced item?

A: Yes – However, the property must submit a Reserve for Replacement request form before payment can be made. MHDC does not assume that the property wants to utilize reserve for replacement funds when differences exist.

Q: What does "Non-Compliance Status" mean?

A: Non-Compliance Status is a term used by MHDC when a project fails to submit any information as prescribed under the Regulatory Agreement or respond to any MHDC inquiry within the allotted time frame. Lack of response to MHDC's request is a direct violation of the Regulatory Agreement. MHDC will not process any future requests (replacement reserve withdrawal, rent increases, surplus cash, etc.) from a project until the non-compliance issue is resolved.