



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

# *MULTIFAMILY FOR TOMORROW* TRANSFORMATION

---

ADOPTING A MORE EFFECTIVE OPERATING MODEL THAT ENABLES  
STAFF TO ACCOMPLISH MORE MISSION-RELATED WORK WITH  
HIGHER QUALITY IN A SHIFTING BUDGETARY ENVIRONMENT

---

PROGRESS REPORT

JUNE 2015

# MULTIFAMILY FOR TOMORROW

## Summary

The *Multifamily for Tomorrow* (MFT) transformation was designed to improve operations for the Office of Multifamily Housing Programs (MFH) with four objectives: 1) provide better service to customers, partners and stakeholders, 2) increase employee engagement, 3) improve risk management, and 4) operate more efficiently.

MFH has successfully implemented *Multifamily for Tomorrow* in Headquarters and in two of its five Regions. The Southwest Region's transformation was accomplished in December of 2014 and the Midwest Region was completed in June of 2015.

The transformation of MFH's Southeast and Northeast Regions are currently underway. The Southeast Region will be fully implemented by October 2015 and the Northeast Region will be completed by May 2016. MFH expects to finalize implementation in the West Region during the summer of 2016.

## Preliminary Findings

- With less than two quarters of performance data available for the Southwest Region, it is too early to draw evaluative conclusions on MFT. Early results are largely positive, yet suggestive of the challenges in balancing workload while familiarizing staff with new routines and systems.
- Preliminary results indicate the Southwest Region is meeting or exceeding expected available Production and Asset Management performance measures. Since completing implementation of MFT, application processing times in the MFH Southwest Region have been reduced, with firm commitments being issued on applications an average of 6-8 days before the target deadlines.
- Employees in the Southwest Region are adjusting to the new business model as MFH adapts to recent changes in standard operating procedures and information systems. Despite the adjustments, employees in the newly established MFH Regions have expressed significantly higher levels of workplace satisfaction as compared to the 2014 Employee Viewpoint Survey (EVS).
- In the Southwest and Midwest Regions, MFH is effectively managing risk through the implementation of newly defined roles and risk management systems.
- MFH's footprint has been considerably reduced in comparison to the 2012 budget and the efficiencies gained through MFT allow MFH to operate successfully at existing staffing levels.
- Ongoing commitment of HUD leadership and adequate resources is needed to ensure lasting achievement of the transformation objectives.
- The Office of Housing will continue to evaluate the impact of MFT through each wave of the transformation to ensure that the objectives of MFT are being met.

## WHY MULTIFAMILY IS CHANGING

Since its creation in 1934, the Federal Housing Administration (FHA) has supported the development of affordable, privately-owned apartments for elderly, disabled, and low-income Americans, as well as supporting under-served markets across the country.

Following the recent financial crisis, FHA's Office of Multifamily Housing (MFH) experienced unprecedented business demand in an increasingly challenging fiscal environment. Between 2008 and 2013, MFH originations increased from \$3 billion nationally to almost \$18 billion -- a six-fold increase in total volume. In addition, the complexity of the work increased. As a result, average application processing times were in excess of nine months, with some customers waiting nearly two years for service. Offices and staff were overwhelmed by high volumes of new and complex assets.

Multifamily made significant improvements to its operations through two streamlining initiatives: *Breaking Ground* in Production and *Sustaining Our Investments* in Asset Management. These initiatives reduced processing times and stabilized the portfolio by mitigating risk. Even with these improvements, challenges remained across the country, including geographic fragmentation, workload imbalances, inconsistent customer service, and operational practices that did not effectively manage risk or utilize employee talent.

Based on academic research and best practices of industry peer organizations, Multifamily's new operating model allows employees to accomplish more mission-related work at a higher quality in a shifting budgetary environment.

### **MULTIFAMILY FOR TOMORROW (MFT) OVERVIEW**

On April 24, 2013, HUD announced the transformation of the Office of Multifamily Housing Programs, which includes four components to meet the ongoing challenges of rapidly increasing volumes, an increasing focus on customer service and risk management, and the need for efficiency in the contemporary budgetary environment:

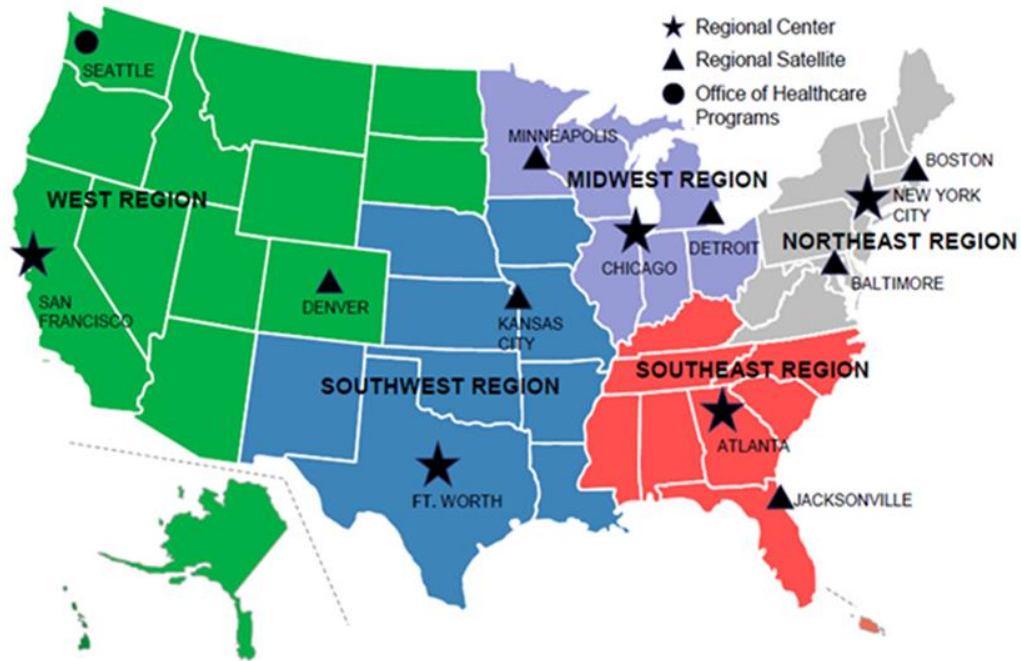
1. **The Single Underwriter Model in Production:** Applications are assigned to underwriters based on risk and complexity. A single underwriter manages the end-to-end review of the application, drawing in technical experts such as Construction Analysts and Appraisers as needed. This increases the efficiency of processing applications, improves customer service, and helps better manage risk.
2. **The Account Executive Model in Asset Management:** Three specialized roles have been established for staff: Account Executives to manage non-troubled assets, Senior Account Executives to manage more complex or potentially troubled assets, and Asset Resolution Specialists to manage the most complex, risky, or troubled assets. These changes improve risk management through specialization and increase efficiency by aligning the portfolio with staff expertise.
3. **National Workload Sharing:** MFT introduced a formal process for Multifamily Production and Asset Management to share workload across offices based on changing volumes and staffing levels. By placing work with offices that may have lower transaction volumes or excess staff capacity, National Workload Sharing effectively relieves workload bottlenecks, optimizes staff utilization, and reduces wait times and backlogs for customers.

As a precursor for future electronic work processing, and to support workload sharing across the country, Asset Management and Production files and work products are being digitized into an online records management system.

4. **Streamlining the Organizational Structure:** Multifamily is consolidating its 17 Hubs into five new Regions and has streamlined into four Program Offices in Headquarters. This enhances communication, consistency, accountability, and simplifies decision-making.

The initial transformation plan included the consolidation of field operations from the existing footprint (52 Field Offices organized into 17 Hubs) into a more manageable number of 12 locations across five Regions. On April 4, 2014, Congress approved HUD's transformation plan with one modification, prohibiting HUD from requiring the relocation of Asset Management employees, who represent about 60% of MFH's field workforce.

The transformation rollout is taking place in five separate waves, corresponding with each of the five new regions. During each wave, Production and other non-Asset Management positions are consolidated into a Regional Center or Satellite Office(s). All Asset Management employees have the option to remain in existing locations and report to a leadership structure located in the Regional Center or Satellite Office(s).



Each Region in the streamlined structure is implemented on its own schedule or “wave.”

1. **Southwest Region (Wave 1):** Fort Worth (Regional Center) and Kansas City (Satellite Office). Asset Management: Albuquerque, Des Moines, Houston, Little Rock, New Orleans, Oklahoma City, St. Louis, San Antonio, Tulsa.
2. **Midwest Region (Wave 2):** Chicago (Regional Center), Detroit and Minneapolis (Satellite Offices). Asset Management: Cleveland, Columbus, Indianapolis, Milwaukee.
3. **Southeast Region (Wave 3):** Atlanta (Regional Center) and Jacksonville (Satellite Office). Asset Management: Birmingham, Caribbean, Columbia, Greensboro, Jackson, Knoxville, Louisville, Miami, Nashville.
4. **Northeast Region (Wave 4):** New York (Regional Center), Boston and Baltimore (Satellite Offices). Asset Management: Buffalo, Charleston, Hartford, Manchester, Newark, Philadelphia, Pittsburgh, Providence, Richmond, Washington, DC.
5. **West Region (Wave 5):** San Francisco (Regional Center) and Denver (Satellite Office). Asset Management: Honolulu, Las Vegas, Los Angeles, Phoenix.

## **PROGRESS UPDATE ON MFT “WAVE” ROLLOUT**

Since receiving approval from Congress in April 2014 to move forward with MFT, Multifamily has aggressively executed the transformation. As of the date of this report, MFH has realigned its operating model and introduced two of its five new Regions, the Southwest Region and Midwest Region. The Southwest Region’s transformation was accomplished in December of 2014 and the Midwest Region was completed in June of 2015. The Southeast Region will begin operating in October 2015, with the Northeast and West Regions operating under the new business model by the summer of 2016.

Each MFT wave follows the same general structure and timeline. From start to finish, a wave takes approximately nine months. The milestones and status of the waves are indicated below.

- **Regional MFH Staff Meeting.** Each Regional Director conducts an internal staff meeting to launch MFT. The meeting covers milestones for the wave and provides staff with detailed information about upcoming decisions. Senior MFH leadership is present at this meeting to assist with a question and answer session for employees. Following the meeting, employees are given a comprehensive resource manual containing detailed information about various decisions they will face, along with the programs and resources available to them.

**Status:** Completed in Waves 1-4. Wave 5 is expected to begin in the fall of 2015.

- **Proposed Location and Voluntary Relocation Letters Sent to Staff.** Affected Production employees receive a reassignment letter informing them of their new duty station. This letter reflects each employee’s location preference. Asset Management staff receive a letter offering voluntary relocation to their preferred Regional Center or Satellite Office.

**Status:** Completed in Waves 1-4.

- **Senior Leadership Travels to Visit Impacted Offices.** Prior to the Job Exchange, and in partnership with the Union, senior leaders from MFH travel to visit each impacted office to meet with affected staff members. Each visit involves an informational overview of the MFT timeline to employees in MFH and other HUD program areas, and an opportunity for each employee to meet individually with senior leadership to discuss their options and to identify available resources to assist them through the MFT process.

**Status:** Completed in Waves 1-4.

- **Job Exchange.** The Job Exchange Program is designed to reduce the impact of MFT on staff asked to relocate. This Program allows impacted employees to remain in the same geographic location by making their positions available for "exchange" with other comparably qualified HUD employees in the same location, who would like the opportunity to accept the MFH reassignment, a buyout, or participate in early retirement.

Job Exchanges occur in two separate windows. During the first window, Multifamily Production and Operations employees who receive directed reassignments to another location are invited to submit their applications to the exchange. Available positions are posted to the Multifamily Job Exchange website. After the first step is complete, other co-located HUD employees who are not asked to relocate may apply for positions that have been posted in their existing duty station. Successful exchanges take place upon determination that two applicants are comparably qualified and approved by the appropriate managers.

**Status:** HUD has completed the Job Exchange process for three waves of MFT. *To date, the Program has generated 13 successful exchanges for the benefit of 26 HUD employees.* Four of these exchanges took place during Wave 1, two during Wave 2, and seven during Wave 3, respectively. The Job Exchange process is continuing as part of Waves 4 and 5.

Region (Wave)	# of Job Exchanges
Southwest (Wave 1)	4
Midwest (Wave 2)	2
Southeast (Wave 3)	7

- **Resume Bank.** The MFT Resume Bank Program is designed to facilitate the lateral reassignment of Multifamily Housing employees impacted by MFT into positions with other Program Offices at their same grade and duty location. The program functions through an early non-competitive resume review process for positions in other HUD programs that have been posted to the Resume Bank website. Employees selected through the Resume Bank are reassigned into a new position of equal grade and pay.

**Status:** Through the first two transformation waves, over 20 Multifamily employees benefitted from reassignment through the non-competitive resume review process. For Waves 3, 4, and 5, MFH continues to press internally for added participation in the Resume Bank Program.

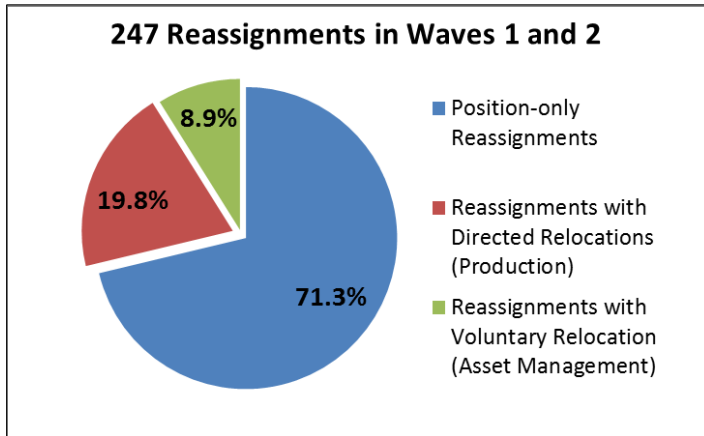
- **Buyout Applications Available to Staff.** Eligible employees in each wave are invited to apply for a Voluntary Separation Incentive Payment (VSIP or buyout) and Voluntary Early Retirement Authority (VERA or early out). The complete buyout process, from employee application to the agency's review and acceptance or rejection of an offer, is approximately five weeks. An employee who accepts a buyout and/or early out is provided up to 94 days from the final date of acceptance to separate from the Department. HUD will continue offering the VERA/VSIP option throughout future transformation waves.

**Status:** During Wave 1, 48 employees applied for and accepted a buyout (VSIP), and during Wave 2, 37 employees applied for and accepted a buyout. As of the date of this report, 60 buyout applications have been approved for Wave 3.

Region (Wave)	# of Buyouts
Southwest (Wave 1)	48
Midwest (Wave 2)	37
Southeast (Wave 3)	60*

\*This number remains subject to change until July 10, 2015.

- **Employees Receive Reassignment Letters.** Reassignment letters are sent to employees whose position description and/or location is scheduled to change under MFT. The letter identifies the employee’s reassignment location and position title and contains detailed information for responding to the letter. Staff who accept the reassignment have up to 90 days from the notification date to report to duty in their new position and/or location.



**Status:** Of the 247 MFH employees who received reassignments during Waves 1 and 2, 49 or 19.8% were direct relocations. Additionally, 8.9% of Asset Management staff voluntarily relocated to Regional Centers or Satellite Offices during Waves 1 and 2.

- **Career Opportunities through MFT.** Promotions through merit staffing are available under the new model. During Waves 1 and 2, 55 employees were promoted to higher graded positions. Simultaneously, through the new hire process, 93 new employees were hired. The experience levels of these new hires enhance the roles of the MFT business model by bringing a diverse knowledge base from the private sector, other agencies, and not-for-profit organizations.

**Status:** Of 187 total positions in the new Southwest Region, 119 or 64% were filled through staff reassignments from old model positions to new model positions. 25 or 13.4% were filled through merit staffing promotions for existing MFH staff, and 31 or 16.6% were filled by new hires to MFH. 12 full-time employees (FTEs) remain vacant in the Southwest Region.

Southwest Region (Wave 1)	#	%
Total Regional Positions	187	
Staff Reassignments	119	63.6%
Merit Promotions for existing staff	25	13.4%
New Hires	31	16.6%
Vacancies	12	6.4%

Of 235 total positions in the new Midwest Region, 128 or 55% were filled through staff reassignments from old model positions to new model positions. 30 or 12.8% were filled through merit staffing promotions for existing MFH staff, and 62 or 26.4% were filled by hires that are new to Multifamily. 15 FTEs remain vacant in the Midwest Region.

<b>Midwest Region (Wave 2)</b>	<b>#</b>	<b>%</b>
Total Regional Positions	235	
Staff Reassignments	128	55%
Merit Promotions for existing staff	30	12.8%
New Hires	62	26.4%
Vacancies	15	6.4%

*MFH is pleased that over 76% of the positions filled during Waves 1 and 2 of MFT (excluding vacancies) were filled internally, with merit promotions for over 18% of the experienced staff members who remained with MFH through the transformation process.*

- **MFT Training.** MFT training takes place following staff reassignments and consists of five weeks of formal classroom instruction during the first 90-day period under the new business model. The objective of this training is to ensure all employees and supervisors have the skills to successfully operate in the MFT business model. A secondary objective is to ensure consistent knowledge and expectations across all Regions. Developed by HUD subject matter experts and vetted through Headquarters, the training provides an overview of MFH programs, Asset Management servicing actions, and Production standard work processes. This formal instruction also covers key changes to the business model, including the new roles and responsibilities for staff.

Classroom training in each wave is led by a team of “Navigators” who are peer Multifamily employees selected from field offices around the country. Subject matter experts also assist with the delivery of the MFT training modules. During training, Asset Management staff located outside the Regional Center and/or Satellite Offices have the opportunity to travel to the location of their respective Branch Chief or Division Director. Remote employees who cannot travel to training sessions are provided LiveMeeting capabilities.

On-the-job training includes learning circles, management huddles, peer mentoring, weekly classroom sessions, and targeted intensive training for individual knowledge gaps. All of these activities are expected to continue beyond the end of the formal 90-day period to facilitate continuous improvement.

**Status:** MFT classroom training is complete in the Southwest and Midwest Regions and on-the-job training is continuing. Classroom training will begin in the Southeast Region in June 2015 for supervisors and July 2015 for frontline employees. Training will begin for employees in the Northeast Region in February 2016 and in the West Region in late spring of 2016.

- **Workload Sharing.** Each wave is participating in workload sharing during training to ensure effective customer service while staff focus on learning the new business models. As part of this process, portfolios are temporarily transferred to a sister-region and a third-party contractor. Upon completion of the 90-day on-the-job training period, staff resume full operating capacity and the workload is returned.

**Status:** The Southwest Region successfully completed workload sharing and the Southwest Region’s portfolio was returned in February 2015. Similarly, the Midwest Region transferred 2,600 projects through workload sharing and is scheduled to receive all assets back in June of 2015.

The Southwest Region has taken on 664 assets and three production applications to support the Midwest region during training. The Midwest is expected to support the Southeast Region with workload sharing



during the Southeast training period in July of 2015. Due to existing resource constraints, all transformed regions are expected to operate at roughly 10-15% over-capacity until the transformation is complete.

## **MFT OBJECTIVES AND PERFORMANCE RESULTS**

The *Multifamily for Tomorrow* (MFT) transformation was designed to improve operations for the Office of Multifamily Housing Programs (MFH) with four objectives: 1) provide better service to customers, partners and stakeholders, 2) increase employee engagement, 3) improve risk management, and 4) operate more efficiently.

### **1. Provide Better Service to Customers, Partners, and Stakeholders**

With less than two quarters of performance data available for the Southwest Region, it is too early to draw evaluative conclusions on MFT. Early results are largely positive, yet suggestive of the challenges in balancing workload while familiarizing staff with new routines and systems.

The following tools allow MFH to evaluate the impact of its service to customers, partners and stakeholders:

#### ➤ **Asset Management Pipeline System (AMPS)**

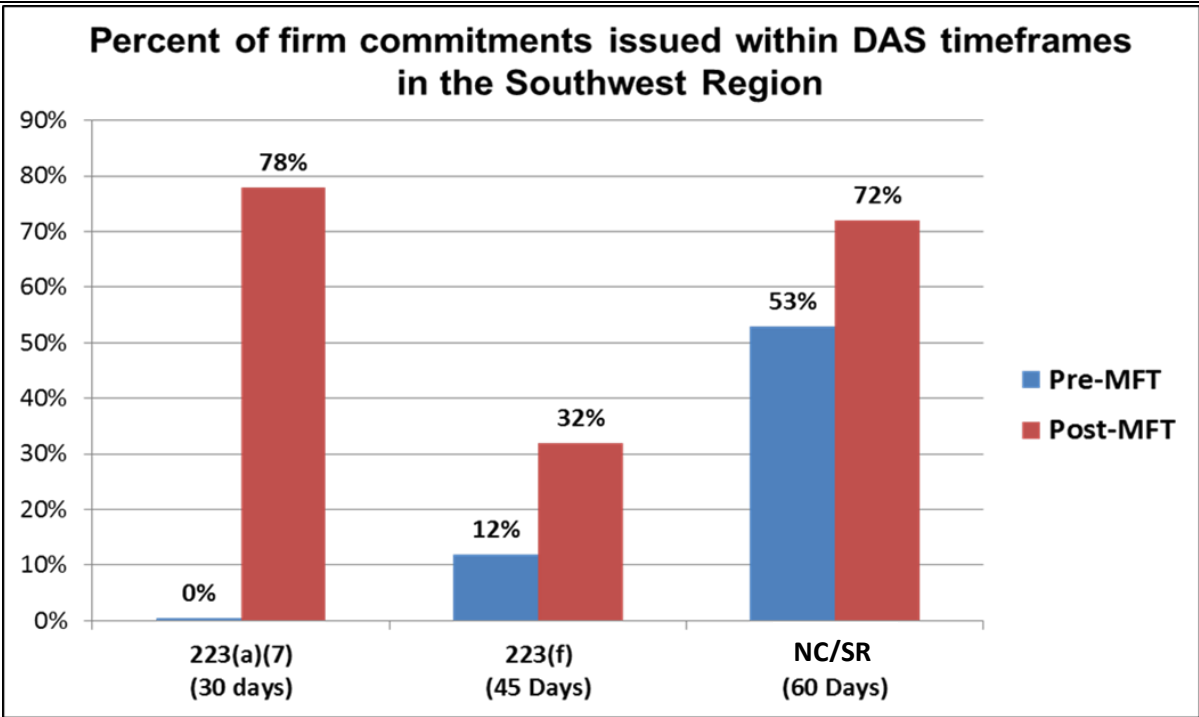
Multifamily is implementing a new application with each wave called the Asset Management Pipeline System (AMPS). AMPS is a workload management tool that allows HUD to better manage activities by monitoring stakeholder requests and internal response times. AMPS will provide consistent reporting methods and equip managers and staff with data that will be used to evaluate performance following MFT and improvements in efficiency and customer service.

**Status:** AMPS was established in the Southwest Region in January 2015.

#### ➤ **Development Application Processing (DAP) System**

MFH is monitoring the impact of MFT on Production performance via data collected through the Development Application Processing (DAP) System. DAP tracks HUD multifamily mortgage insurance and capital advance transactions, including project and financing characteristics, as well as HUD and stakeholder processing dates and information.

Across all application types, the MFH Southwest Region has exceeded its prior year's processing times since implementation of MFT. In the period prior to MFT, the Southwest Region issued firm commitments on 0% of 223(a)(7) applications within the Deputy Assistant Secretary (DAS) Timeframes. In comparison, that number has risen sharply to 78% since implementation of MFT. Similarly, the Southwest Region has experienced increases of 160% for 223(f) applications completed within the DAS timeframes, and 35% for New Construction/ Substantial Rehabilitation (NC/SR) applications.

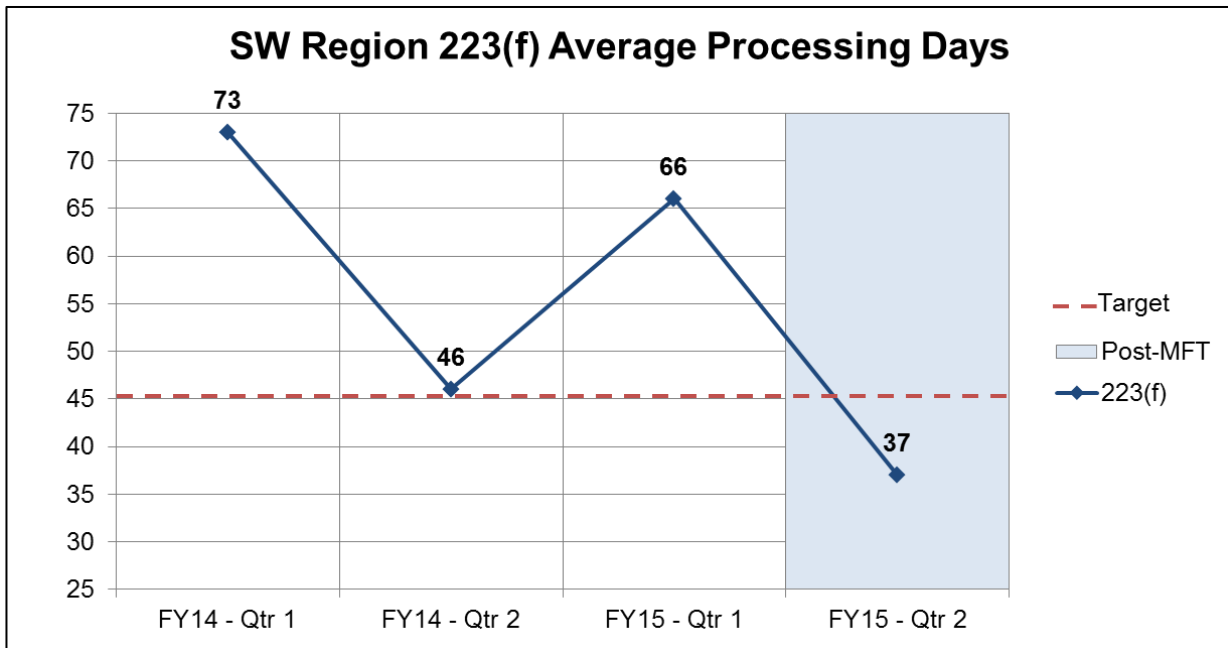


\*Calculations for all Southwest Region performance charts are based on Firm Commitments issued on applications received between the dates of 10/01/2013 – 04/15/2014 and 10/01/2014 – 04/15/2015, and completed by Southwest Region staff. (Excludes deals processed by contractors and through National Workload Sharing). All applications currently in processing by the Southwest Region are within the DAS timeframes, except for 1 with unresolved issues.

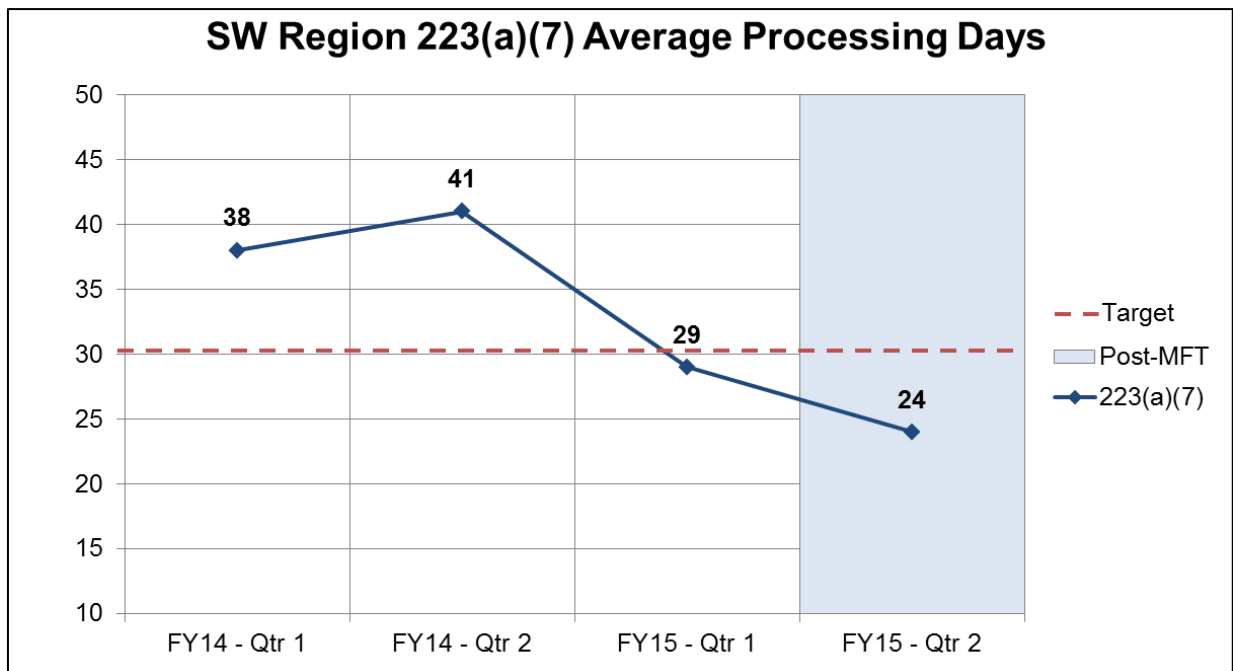
Over the past year, the Southwest Region has experienced a significant improvement in processing times for applications received for Sections of the Act (SOA) 223(f), 223(a)(7), and New Construction/Substantial Rehabilitation (NC/SR). Since December, when the formal training period for MFT was completed, the Southwest Region has completed its workload within the DAS prescribed timeframes. This exceeds the performance from the same period during FY2014 across all applications types.

Provided below are charts detailing the significant improvements in processing times across each type of application:

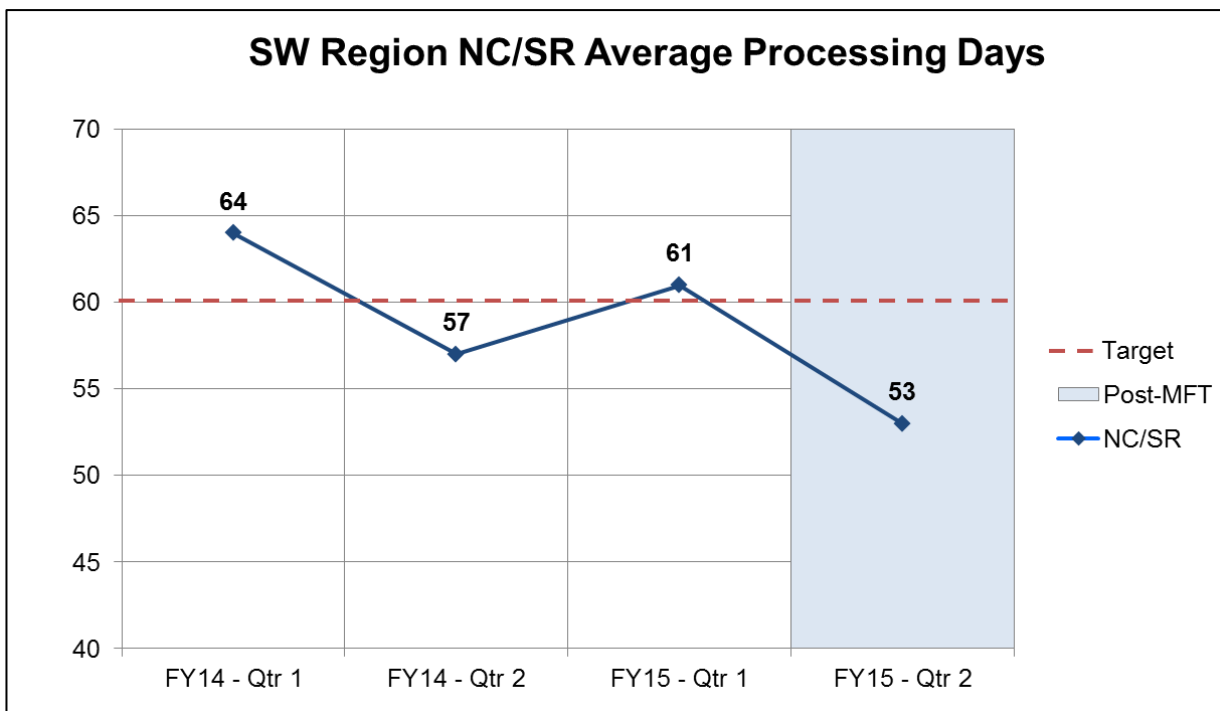
- **223(f)** – Since completing the formal implementation of MFT, the MFH Southwest Region has experienced *a 19% reduction in the average processing time of 223(f) applications* compared to the same period in FY2014. *223(f) average processing times currently stand at 8 days below the target DAS timeframe.*



- **223(a)(7)** – Since completing the formal implementation of MFT, the MFH Southwest Region has experienced *a 41% reduction in the average processing time of 223(a)(7) applications* compared to the same period in FY2014. *223(a)(7) average processing times currently stand at 6 days below the target DAS timeframe.*



- **NC/SR** – Since completing the formal implementation of MFT, the MFH Southwest Region has experienced a **7% reduction in the average processing time of NC/SR applications** compared to the same period in FY 2014. **Average processing times currently stand at 7 days below the target DAS timeframe.**



➤ **Production Stakeholder Feedback**

Following Wave 1, MFH gathered feedback from individual FHA-approved lenders based on their experience with submitting applications to the newly consolidated Multifamily Southwest Region. Lenders were also asked for feedback on customer service, processing times, and recommendations for improvement.

The majority of the feedback received was positive, constructive, and very supportive of the new MFT Production model. Lenders were particularly optimistic about the prospect for more efficiency and consistency with MFH Production decisions. Feedback generally reflected these three themes:

1. The changes to the MFH business model are still new and lenders still adjusting to the changes:

*“Service quality was a little rocky during and shortly after the transformation. We experienced difficulties locating the appropriate people responsible to process/close projects that were reassigned (issue firm commitment amendments, sign closing docs, etc.), but this has improved as the staff gain more experience with the single underwriter structure. The UW [underwriter] on our most recent project provided very good service and communicated efficiently with our staff.”*

- A couple of lenders expressed concerns about receiving regular communication while their transactions were being processed. These concerns have been addressed through the use of the new electronic application intake process.
- MFH also received feedback from some lenders who were concerned that larger regions under MFT would result in diminished local knowledge by HUD technical specialists and “...the farther the decision makers are from the real estate markets, the less informed the decisions could become.” MFH is minimizing this concern through evaluative data techniques to identify local market characteristics.

2. There has been a notable improvement in customer service and processing times:

*“We have had a positive experience with the improvement in the quality of service. It appears from our perspective that the three production branches and the one technical branch have been staffed with professionals who care about conducting quality service. Many of the senior underwriters and underwriters have been moved from other HUD offices to the Southwest Regional office as well as some new staff members from outside the Department. Having them all operate and review our applications in a consistent manner has been very beneficial to the industry.”*

*“We have experienced a significant change for the better. All of our applications have been reviewed within the 60 day time period. And in the case of a 223(a)(7), within 30 days. There is a sense that reviewing applications within the allotted time is very important to the industry and the Fort Worth office has worked very hard to operate within those guidelines.”*

*“The degree of customer service has greatly improved since the Transformation in the Fort Worth (Southwest) regional [office]. Even during the time when training was occurring, the office worked hard with other HUD offices to see that applications were reviewed in a timely manner.”*

3. Finally, there are opportunities for improvement both during and after the MFT transition:

- MFH staff should be more proactive about communicating with lenders about workload sharing projects, and this information about a project’s status should be more easily accessible to stakeholders.
- MFH should continue to seek advice from the industry as it deals with change.
- MFH transactions should “...go totally electronic.”
- MFH should empower senior and experienced staff underwriters with more responsibility.

**Status:** MFH is actively using this feedback to improve MFT for future waves and to fine tune the MFH Production model going forward. For example, based on industry concerns about the effect of larger regions on local expertise, MFH has commissioned a working group to identify ways to ensure that remote market area knowledge remains strong.

To address concerns about more proactive communications, the Southwest Region implemented a transparent intake process that notifies stakeholders of all contact information within five days of application receipt. MFH is also making significant progress towards going “totally electronic” with the eventual implementation of the ASAP (Application Submittal and Processing) system which is currently in development.

➤ **Asset Management Stakeholder Feedback**

Upon completion of Wave 1, MFH gathered feedback from individual owners and management agents on their experience with portfolio management in the newly consolidated Multifamily Southwest Region. Owners and agents were also asked for feedback on positive transformation changes, areas of concern, and recommendations for improvement.

Overall, the feedback received reflects the Southwest Region is adapting to the new business model and working through implementation issues; a number of responses revealed that it is too early for positive transformation input from stakeholders until there are more transactions to evaluate.

Some owners and agents have provided favorable feedback on their recent experience with staff under the new model. For example:

*“My experience with the reserve release request and loan modification was very good and timely. The borrower is very appreciative of the level of service he received regarding the completion of both transactions.”*

One prevailing concern from management agents involves the level of local market knowledge with the consolidation of geographical areas and National Workload Sharing.

*“Asset managers that are assigned to projects not in their area may find it hard to adequately understand and address the needs of the project due to not knowing the geographic area.”*

A recommendation for improvement emphasized the need for consistency and transparency in the processing of routine transactions:

*“It would be very helpful for HUD staff to convene a teleconference or webinar to lay out the steps involved in major transactions with this new transformation era. Publishing updated checklists and punch lists would also be helpful. Beyond pure transactional matters, it would also be in order to have occasional briefings on what to expect from the Southwest Region in terms of staffing and local field office re-organization.”*

**Status:** MFH has commissioned a working group to pursue ways to ensure that local area knowledge remains adequate to effectively service these areas remotely. MFH is currently developing standard work products to include routine servicing transactions. This standardization will provide consistency and efficiency nationwide.

#### ➤ **Industry Stakeholder Engagement**

The Southwest Region promoted its launch with customers, partners and stakeholders through various events including Mortgage Bankers Association (MBA) conferences; a local lender meet and greet session; the Southwest Affordable Housing Management Association (SWAHMA) Conference; and the Southwest Mortgage Advisory Council (SWAC) Conference.

During Wave 1, Multifamily identified a potential ongoing challenge with communication between owners and management agents. It was determined that one communication barrier was that current contact information for property participants had not been updated in the system of record. Another issue was the lack of adequate notice to owners and agents when properties were being transferred among Account Executives.

**Status:** Multifamily emphasized to owners and agents the importance of notifying their Account Executive when contact information changes so the system of record could be updated. Through updates to the records, MFH experienced a significant reduction in the amount of returned correspondence from approximately 15% in Wave 1 to approximately 7% in Wave 2.

Additionally, Multifamily developed an enhanced communication strategy that included notifications to owners and agents alerting them of the pending transfer of assets prior to the actual movement. In the Southwest Region, these notification letters were updated to include Regional contact information, a toll-free number, and a centralized email address to improve customer service. The Southwest Region also added a feature on its website that allows owners and management agents to identify their properties by state and name along with the name and contact information of the MFH representative assigned to the property.

Finally, the Southwest Region established a Customer Service Desk to better address the needs of its growing customer base. Located at the entrance of the Fort Worth Regional Center, this work space is used for the sole purpose of handling customer calls, complaints, and inquiries. The desk is staffed by Multifamily Program Support employees during regular business hours. Stakeholders and customers have praised the Southwest Region for offering a live representative. Future waves will establish a similar method for achieving improved customer service and communication.

## 2. Increase Employee Engagement

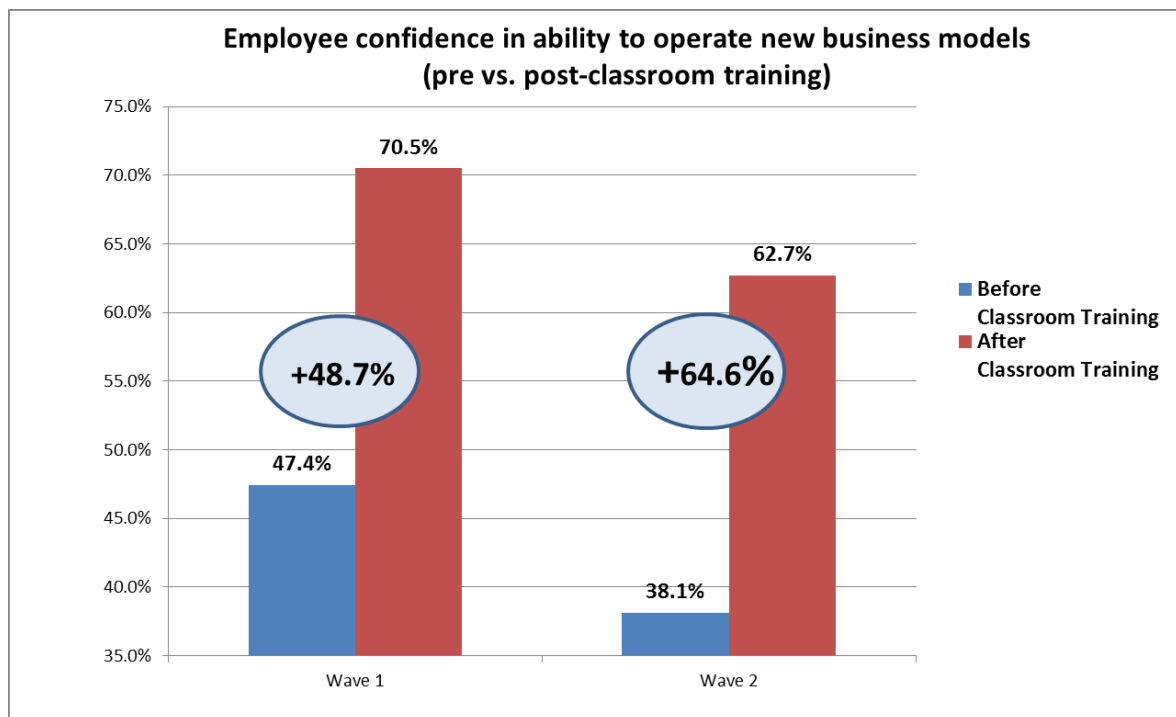
Employees in the Southwest Region continue to adjust to the MFT business model and are effectively addressing challenges as they adapt to new standard operating procedures and information systems.

MFH has engaged the following tools to evaluate the impact of staff engagement during and following MFT classroom training:

### ➤ MFT Training Feedback

After each MFT training module in Waves 1 and 2, staff have provided feedback to help improve the delivery of training. During the last week of training, staff have participated in a comprehensive survey to evaluate their level of satisfaction on the overall training experience.

The survey results from Waves 1 and 2 show that training is achieving its primary goal of preparing staff to operate in the new business model. For example, During Waves 1 and 2, MFT frontline classroom training significantly increased employees' level of confidence in operating the new business models hands-on.



Based on feedback received from staff, training modules are being modified to further improve the training for employees in future waves. Wave 1 employees expressed a desire for the training to be more technically oriented, including additional case studies. Also, new MFH employees indicated they felt challenged by the amount of information presented during the training.

**Status:** Following Wave 1, MFH adjusted the frontline training modules to build a better foundation for both new and seasoned employees by providing more technically oriented case studies. Also, Asset Management technical courses were scheduled during the first three weeks of training and the case studies were doubled in length. The use of case studies will be expanded further and integrated more strategically for future waves.

Additionally, training was improved by adding a daily module called “New@HUD Quick Hit Topics,” which provides new employees with foundational knowledge for their roles in Asset Management and Production.

Module topics include commonly used terms and acronyms; programs administered by Multifamily Housing; key systems, handbooks and forms; controlling documents; and workload sharing.

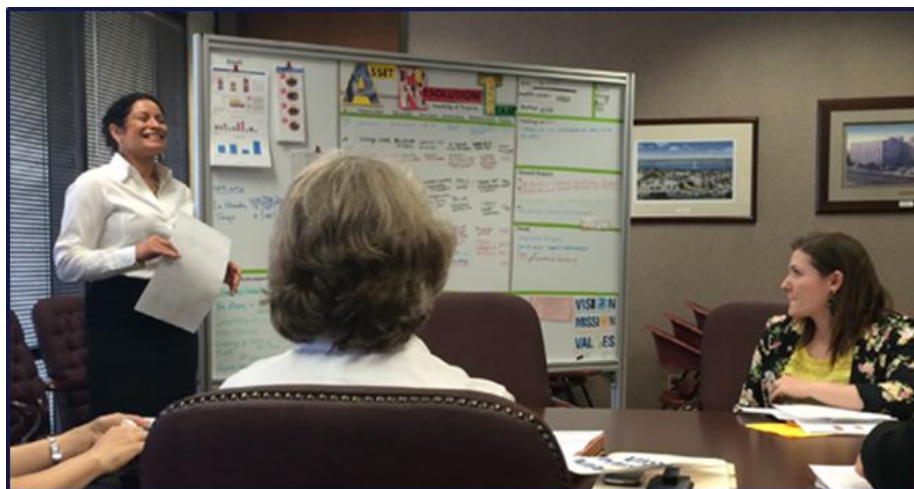
➤ Senior Management Site Visit to Southwest Region

In late March 2015, MFH senior leadership visited the Fort Worth Regional Center to conduct a formal evaluation of Wave 1's implementation of the new business model. The visit involved interviews with Branch Chiefs in Asset Management and Production, observation of staff meetings and huddles, and informal conversations with individual employees and focus groups. The primary objective of this visit was to monitor the Region's implementation of the new business model. Employees were also asked to provide feedback on their training experiences and offer recommendations for improvement.

The senior leaders observed the Southwest Region had implemented the major components of the transformation; however, more time is needed to perfect some of the new processes. A demonstration of Asset Management and Production huddles noted the meetings were concise, performance-based, and aligned team members with key priorities. A further observation of the Production Division indicated underwriters need additional training on the basics of underwriting to help them feel more confident about business decisions.



*The Production huddle that was observed was crisp, well-prepared, and tightly managed.*



*The Asset Management huddle was comprehensive and included celebration of team successes.*

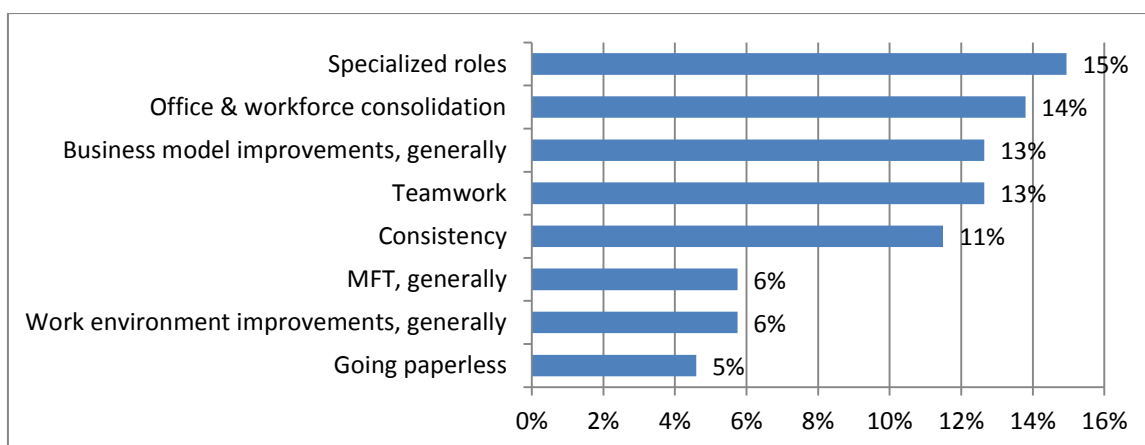
**Status:** Asset Management and Production will continue conducting weekly huddles and learning circles to further strengthen the MFT training foundation. The Southwest Region has scheduled additional underwriter training that is specifically designed for newly hired underwriters. This instruction will be conducted by senior subject matter experts.



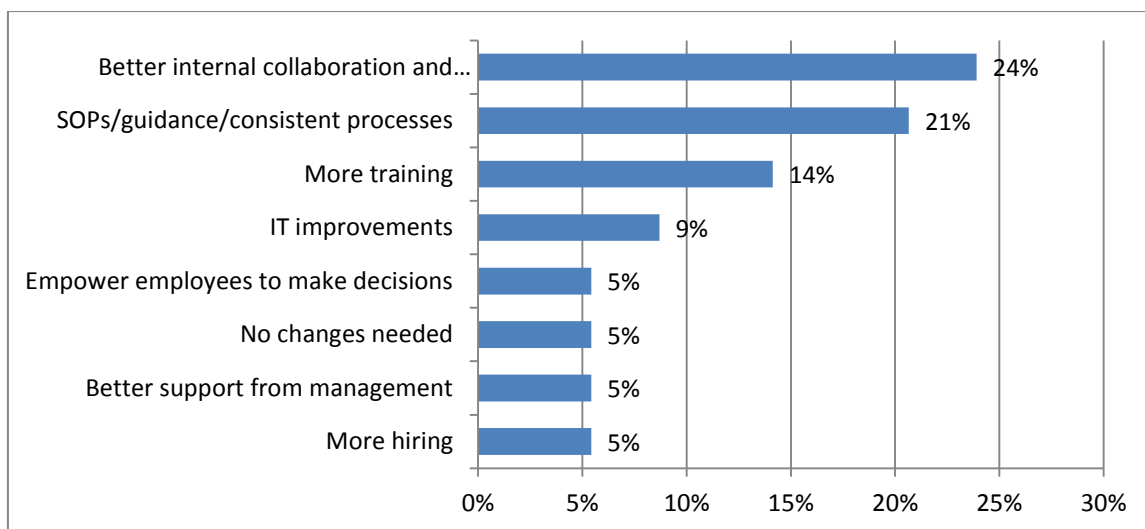
➤ **MFT Follow-Up Survey**

The Southwest Region follow-up survey was conducted roughly four months following the completion of classroom training. The responses revealed that staff remain engaged in adapting to the new business model; however, daily challenges remained with the redefined workload and portfolio reassignments while adapting to the new business model.

Employees were asked to identify aspects of the work environment or new business model that they felt the most positive about. Notably, the topics of specialized roles, the consolidation of talent, and improved teamwork received the highest number of responses, as depicted below:



Employees were also asked to suggest opportunities to improve the work environment. Their top recommendations were for better internal collaboration and communication, more consistent processes, and more training related to those processes.



Regarding the desire for more consistency, participants described:

*“There is still not consistency in application processing between the offices in our region... Until there is true consistency, the Transformation will not be as effective as it should be.”*

*“Currently folks came from different offices with different experience levels. As a result there is no consistency on processing applications. For consistency, the work needs to be standardizing for each position type or have some type of quality control checks.”*

Regarding collaboration and communication, participants suggested:

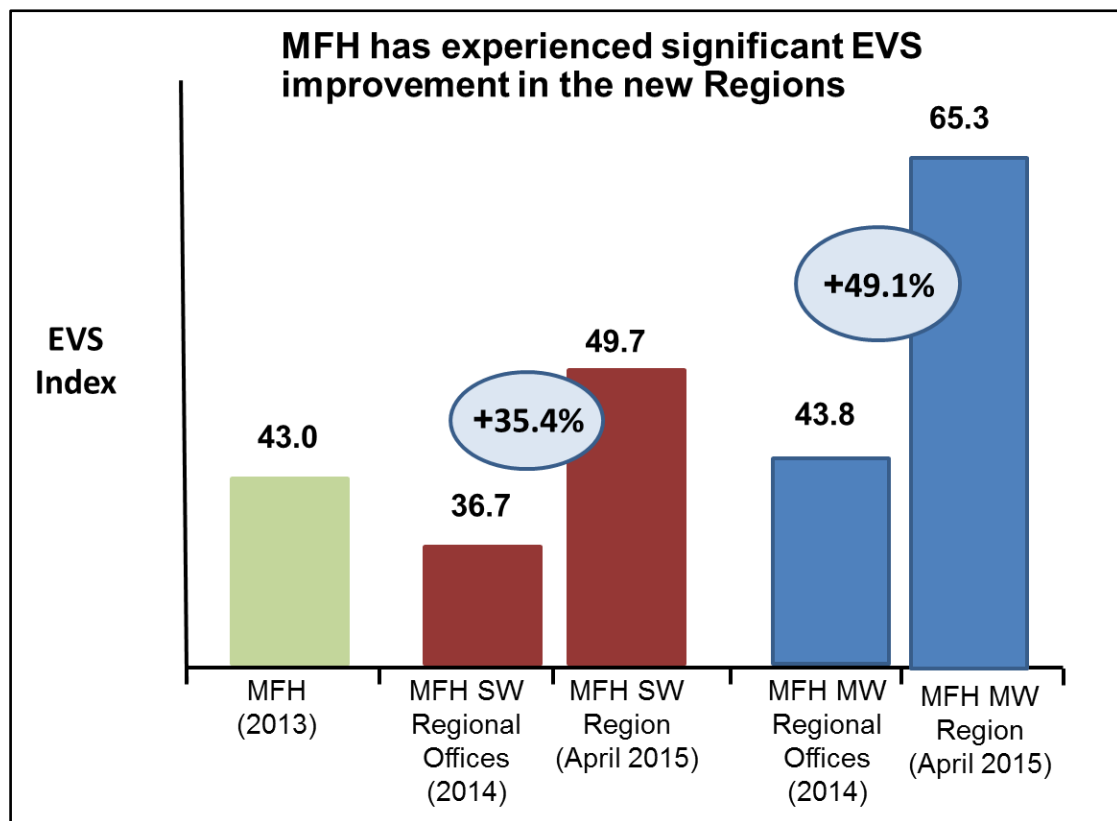
*“More interaction with other disciplines to provide better coordination and understanding.” and “Better communication within the organization. Changes are made and communicated poorly to the employees who are doing the work.”*

**Status:** Based on this feedback, MFH announced a National Standard Work Committee to further develop and combine various standards of work across all Regions and create greater consistency throughout the Asset Management and Production platforms. This Committee is being led by the Multifamily Regional Directors and staff throughout the field to oversee the formation and accumulation of operating standards that can be used by all staff. Once the standard work is finalized and approved for publication by the Committee, it will be posted on a national SharePoint site that will serve as the central location for all standard operating procedures.

In response to suggestions, MFH is also preparing additional tools for internal collaboration and communication, including more value-driven meetings, and enhanced peer-to-peer interaction.

➤ **EVS Index Questions**

In April 2015, MFT staff surveys were updated to include the Best Places to Work index questions used by the Partnership for Public Service in the annual Employee Viewpoint Survey. At the time the surveys were administered in April 2015, staff in the Midwest Region had just completed MFT classroom training, and employees in the Southwest Region were four months out of MFT classroom training. The results show significant improvement in staff perceptions about the workplace in comparison to the public EVS data for MFH in 2013 and data from the very same offices in 2014.



➤ **HUD Program Area Outreach**

As MFT progresses, MFH continues to place emphasis on gathering and adapting to feedback from other HUD program areas to improve the MFT rollout. To facilitate this process, MFH has held meetings with internal partners to discuss MFT, and has led continuous improvement meetings with partners who are directly impacted by MFT, including the Office of General Counsel (OGC), and Field Policy and Management (FPM). MFH has been regularly engaged in activities to improve internal collaboration based on the feedback received.

### **3. Improve Risk Management**

In the Southwest and Midwest Regions, MFH is effectively managing risk through the implementation of newly-defined roles and risk management systems.

- **Production:** Prior to MFT, the Multifamily business model insufficiently managed risk. Applications were assigned to a team, regardless of the risk profile or expertise of the team. With no member accountable for the full application review, risk was not properly managed. With the single underwriter model, one person is responsible for the review and approval process, from assignment to closing. In the new single underwriter model risk is a key factor and is managed effectively.
- **Asset Management:** The business model for Asset Management focuses on staff expertise and increased risk management. Risk is mitigated by the introduction of three specifically defined Account Executive roles. Non-troubled assets are managed by Account Executives; the more complex and potentially troubled assets are managed by Senior Account Executives; finally, the most complex, risky or troubled assets are managed by Asset Resolution Specialists. In this model, risk is mitigated through the specialization of roles by allowing intensive servicing of the highest-risk assets.

**Status:** To support the single underwriting model in Production, MFH has implemented the New Early Warning System (NEWS), a tool that classifies lenders and loans by key risk factors to ensure sufficient focus is placed on higher risk transactions. In Asset Management, a specialized rating system is used to categorize all assets based on level of risk.

### **4. Operate More Efficiently**

The initial transformation plan was designed to consolidate 52 Field Offices in 17 Hubs to 12 Regional Centers and Satellite Offices in five Regions. Due to the modification to the initial plan, the efficiencies gained through consolidation of offices will not be as extensive as anticipated. MFH's footprint has been considerably reduced in comparison to the 2012 budget and the efficiencies gained through MFT allow MFH to operate successfully at existing staffing level. Going forward, the ongoing commitment of HUD leadership and adequate resources are needed to ensure lasting achievement of the transformation objectives. The following activities are examples of efficiency-generating activities that require continued investment and support during implementation:

- **File Digitization:** The digitization of files reduces the space footprint for MFH and allows for the adoption of new workload processing technology. MFH is now recommending its customers, partners, and stakeholders submit Asset Management documents electronically. This recommendation has been well received by stakeholders. It is too early in this process to have empirical data to analyze; however, the significant reduction of paper documents has been recognized.
- **Standardization of Work:** MFH has developed an electronic National Standard Work library as a centralized location to house routine Production and Asset Management guidance and templates to ensure employees have access to necessary information so they can consistently process Production and Asset Management activities by reducing unnecessary tasks and improving turnaround times for required workload. An additional benefit of the standardization of work is that customers, partners and stakeholders will experience greater consistency across all Regions nationwide.

- Application Submission and Processing (ASAP) system: MFH is developing ASAP as a strategic move to improve the processing of mortgage insurance applications, and to reduce paper and related handling costs to both HUD and its stakeholders. ASAP is being designed to incorporate a Commercial Off the Shelf (COTS) software product. When complete and fully implemented the system is designed to:
  - Provide an online portal for application submissions and provide automatic status reports to lenders
  - Create a central library of all application and documents for HUD staff which will better enable MF workload sharing and other “virtual” work
  - Provide prepopulated checklists and processing documents, thereby reducing staff touch time and increasing data quality
  - Provide useful data to managers and policy-makers about our work and projects through its Big Data capability improving risk management

Full integration of ASAP will transform FHA processing from a paper-driven process to a state-of-the-art processing platform, but will require continued staffing and funding commitments going forward.

- Asset Management Pipeline System (AMPS): MFH Asset Management developed a database to monitor workload management and analyze response times for future improvement. The database allows Branch Chiefs to adequately manage staff workload in remote offices. Daily, weekly and monthly reports reflect the volume of activity and timeliness of processing in response to stakeholder needs. Supervisory management is responsible for monitoring reports and confirming staff are processing activities within required timeframes.

## **CONCLUSION**

MFH remains on track with the approved transformation plan and continues to advance the objectives of providing better service to customers, partners and stakeholders; increasing employee engagement; improving risk management; and operating more efficiently. The Office of Housing will continue to evaluate the initiative in the Southwest and Midwest Regions along with future waves. Continued success is anticipated and an ongoing leadership commitment and resources will be needed to achieve lasting change and impact.