

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4679-N-06]

## Changes in Certain Multifamily Mortgage Insurance Premiums

**AGENCY:** Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

**ACTION:** Notice.

**SUMMARY:** In accordance with HUD regulations, this Notice lowers the mortgage insurance premiums (MIP) for certain Federal Housing Administration (FHA) mortgage insurance programs whose commitments will be issued in Fiscal Year (FY) 2004.

**DUE DATE:** *Comment Due Date:* July 31, 2003.

**ADDRESSES:** Interested persons are invited to submit written comments regarding this rule to the Regulations Division, Room 10276, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-0500. Comments should refer to the above docket number and title. A copy of each comment submitted will be available for public inspection and copying between 8 a.m. and 5 p.m., weekdays, at the above address. Facsimile (FAX) comments will not be accepted.

**FOR FURTHER INFORMATION CONTACT:** Michael McCullough, Director, Office of Multifamily Development, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-8000, (202) 708-1142 (this is not a toll-free number). Hearing- or speech-impaired individuals may access these numbers through TTY by calling the Federal Information Relay Service at (800) 877-8339 (this is a toll-free number).

### SUPPLEMENTARY INFORMATION:

#### Introduction

On March 17, 2003 (68 FR 12792), HUD published a final rule on "Mortgage Insurance Premiums in Multifamily Housing Programs," which adopted, without change, the interim rule published on July 2, 2001 (66 FR 35072). The final and interim rule revised the regulatory system for establishing the MIP. Instead of setting the MIP at a specific rate, the Secretary is permitted to change an MIP within the full range of HUD's statutory authority of one fourth of one percent to one percent through a notice, as provided in section 203(c)(1) of the National Housing Act (the Act) (12 U.S.C. 1709(c)(1)). The final rule states that HUD will provide a 30-day period

for public comment on future notices changing mortgage insurance premiums in multifamily insured housing programs. These regulations are codified at 24 CFR 207.252, 207.252a, and 207.254.

This Notice announces the lowering of mortgage insurance premiums in FY 2004 to 50 basis points for multifamily programs authorized under sections 207, 220, and 221(d)(4) of the Act without low-income housing tax credits, section 231 of the Act, and insured programs with HOPE VI with or without low-income housing tax credits. The effective date of these changes is October 1, 2003. Multifamily programs under the following sections of the Act will remain at 80 basis points and will continue to require a credit subsidy obligation: Section 221(d)(3) for nonprofit and cooperatives for new construction or rehabilitation, section 223(d) for operating loss loans for both apartments and health care facilities, and section 241(a) for supplemental loans for additions or improvements to existing apartments. The MIP for sections 223(a)(7), 207 pursuant to 223(f), 232, 232 pursuant to 223(f), 242, and 241(a) of the Act for health care facilities, Title XI, and low-income housing tax credit projects remain unchanged at 50 basis points.

The mortgage insurance premiums to be in effect for FHA firm commitments issued, amended, or reissued in FY 2004 are shown in the table below:

#### FISCAL YEAR 2004

Multifamily loan program	Basis points
Section 207—Multifamily Housing—New Constr/Sub. Rehab .....	50
Section 207—Manufactured Home Parks .....	50
Section 220—Housing In Urban Renewal Areas .....	50
Section 221(d)(3)—Moderate Income Housing .....	80
Section 221(d)(4)—Moderate Income Housing .....	50
Section 223(a)(7)—Refinancing of Insured Multifamily Project .....	50
Section 223(d)—Operating Loss Loans .....	80
Section 207 pursuant to 223(f)—Purchase or Refinance Housing .....	* 50
Section 213—Cooperatives .....	50
Section 231—Housing for the Elderly .....	50
Section 232—Health Care Facilities .....	50
Section 232 pursuant to Section 223(f)—Purchase or Refinance Health Care .....	* 50
Section 234(d)—Condominium Housing .....	50
Section 241(a)—Additions & Improvements for Apartments .....	80

#### FISCAL YEAR 2004—Continued

Multifamily loan program	Basis points
Section 241(a)—Additions & Improvements for Health Care Facilities .....	50
Section 242—Hospitals .....	50
Title XI—Group Practice .....	50

\* First Year MIP for these programs remain at 100 basis points.

#### Applicable Mortgage Insurance Premium Procedures

The MIP regulations are found in 24 CFR part 207. This Notice is published in accordance with the procedures stated in 24 CFR 207.252, 207.252(a), and 207.254.

#### Transition Guidelines

##### A. General

If a firm commitment has been issued at a higher MIP, and FHA has not initially endorsed the note, the lender may request the field office to reprocess the commitment at the lower MIP and reissue the commitment on or after October 1, 2003. If the initial endorsement has occurred the MIP cannot be changed.

##### B. Extension of Outstanding 57 and 61 Basis Points Firm Commitments

FHA may extend outstanding firm commitments when the Hub/Program Center determines that the underwriting conclusions (rents, expenses, construction costs, mortgage amount and case required to close) are still valid.

##### C. Reprocessing of Outstanding 57 and 61 Basis Points Firm Commitments

FHA will consider requests from mortgagees to reprocess outstanding firm commitments at the lower mortgage insurance premium once the new premiums become effective in FY 2004:

1. Outstanding commitments with initial 60-day expiration dates on or after the effective date of this MIP notice.
  - FHA Multifamily Hub/Program Center staff will simply reprocess these cases to reflect the impact of the lower MIP and reissue commitments with a new date.
2. Outstanding commitments with initial expiration dates prior to the effective date of this MIP notice which have pending extension requests or have had extensions granted by FHA beyond the initial 60-day period.
  - These cases will require more extensive reprocessing by FHA staff. Reprocessing will include an updated FHA field staff analysis and review of

rents, expenses, construction costs, particularly considering any changes in Davis-Bacon wage rates, and cash required to close. (An updated appraisal may be required from the mortgagee depending on the age of the appraisal.) If reprocessing results in favorable underwriting conclusions, Hub/Program Center staff will reissue commitments with a new date at the new MIP.

*D. Reopening of Expired 57 or 61 Basis Points Firm Commitments*

FHA will consider requests from mortgagees, which may be either updated Traditional Application Processing (TAP) firm commitment applications or updated Multifamily Accelerated Processing (MAP) applications with updated exhibits, to reopen expired 57 or 61 basis points commitments on or after the effective

date of the MIP notice, provided that the reopening requests are received within 90 days of the expiration of the commitments and include the \$.50 per thousand of requested mortgage reopening fee. Reopening requests will be reprocessed by FHA field staff under the instructions in paragraph C.2 above.

After expiration of the 90-day reopening period, mortgagees are required to submit new applications with the \$3 per thousand application fee (MAP applications must start at the pre-application stage).

**Credit Subsidy**

Mortgagee Letters will be issued from time to time to advise mortgagees of any requirements for credit subsidy and the availability of credit subsidy. In FY 2004, the same three programs will require credit subsidy as in FY 2003: Section 221(d)(3) for nonprofit and

cooperatives for new construction or substantial rehabilitation, section 223(d) for operating loss loans for both apartments and health care facilities, and section 241(a) for supplemental loans for additions or improvements to existing apartments only. FHA will not issue amended commitments for increased mortgage amounts nor obligate additional credit subsidy for projects requiring credit subsidy in FY 2004.

Dated: June 24, 2003.

**John C. Weicher,**

*Assistant Secretary for Housing-Federal Housing Commissioner, HUD.*

**Sean Cassidy,**

*General Deputy Assistant Secretary for Housing.*

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