



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

December 3, 2003

MORTGAGEE LETTER 03-21

TO: All FHA APPROVED MULTIFAMILY MORTGAGEES

SUBJECT: FHA Policies for Controlling Multifamily Firm Commitments and Credit Subsidy

The following policies are in effect until further notice:

1. FHA Multifamily Housing and Health Care Firm Commitments – Headquarters will authorize Multifamily Hubs to issue commitments for specific cases based upon the order (time and date) Hub directors submit requests to Headquarters. Hubs cannot submit requests to Headquarters until they have completed all firm commitment processing and are prepared to issue the firm commitment. If there is not enough commitment authority remaining to provide commitment authority for the entire next available project, Headquarters will skip to the next project that is able to use the remaining commitment authority. Once the commitment authority is exhausted, Headquarters will establish a queue based upon the date and time of the request, except that Headquarters may create a special priority for mortgage increases at final endorsement. Hub Directors must receive prior Headquarters approval for specified mortgage amounts before Hubs/Program Centers can:
 - a) issue, amend (increase mortgage amount), or reissue firm commitments (including reopening of expired firm commitments), or approve mortgage increases for all of the multifamily and health care mortgage insurance programs: (Sections 207, 207/223(f), 213, 220, 221(d)(3), 221(d)(4)/ 223(a)(7), 223(d), 231, 232, 232/223(f), 234(d), 241(a));
 - b) issue, amend or reissue firm approval letters to Housing Finance Agencies (HFAs) for Section 542(c) risk-sharing loans; or
 - c) execute addenda to risk-sharing agreements with Government Sponsored Enterprises (GSEs) for Section 542(b) risk-sharing.

2. Processing/Reprocessing with lower MIP - As of October 1, 2003, mortgagees and Hubs/Program Centers are now authorized to process/reprocess applications with the 50 basis point MIP in effect in FY 2004 for Sections 207, 220, 221(d)(4) and 231. If an outstanding commitment is reprocessed with the lower MIP and results in an increased mortgage amount, the Hub Director must submit a request to Headquarters for the new mortgage amount before the firm commitment can be reissued at the higher amount.
3. FHA Endorsements - FHA will continue to endorse mortgages with outstanding firm commitments issued, reissued or amended that were specifically authorized by Headquarters. FHA will also endorse HFA project mortgages under Section 542(c) with outstanding firm approval letters and execute addenda to risk-sharing agreements with GSEs under Section 542(b).
4. Extensions of Outstanding Commitments - Hubs/Program Centers can extend outstanding firm commitments, provided the Hub/Program Center determines that the underwriting conclusions are still valid. If a commitment has been extended 90 days from the original expiration date, the mortgagee must provide updated appraisal/market, cost and mortgage credit information for MAP cases to the Hub/Program Center for review before the Hub/Program Center can issue another extension. On TAP cases, the Hub/Program Center must update its own appraisal/market, cost and mortgage credit underwriting conclusions, before granting further extensions. A new market study is required if the existing market study is over one year old.
5. Reopening of Expired Commitments – Hubs/Program Centers can reopen and reprocess expired firm commitments (applications submitted within the 90 day reopening period), provided the mortgagee provides updated appraisal/market, cost and mortgage credit information for MAP cases. For TAP cases, the Hub/Program Center must update its own appraisal/market, cost and mortgage credit underwriting conclusions. A new market study is required if the existing market study is over one year old. Upon completion of its review, the Hub/Program Center cannot reissue the firm commitment until the Hub Director obtains the prior Headquarters authorization described in #1 above.
6. Credit subsidy - the following programs require credit subsidy:
 - Section 221(d)(3);
 - Section 241(a) for apartments;
 - Section 223(d) operating loss/apartments; and
 - Section 223(d) operating loss /232 health care.

Once Headquarters has authorized issuance of a firm commitment for the above programs, the commitments will be issued subject to the availability of credit subsidy. When the FHA firm commitments for the above programs have been accepted by the mortgagee and mortgagor and returned to the Hub/Program Center, the Hub Director can request credit subsidy. Requests from Hubs will be funded in order based on the date and time the request is received in Headquarters. Hubs/Program Centers will advise you in writing when credit subsidy has been obligated for your project mortgage. The letter amendment will extend the expiration date of the firm commitment to the expiration date of the credit subsidy.

When Headquarters determines that a program set-aside has been so depleted that there is not enough credit subsidy left in a program set-aside to fully fund the next available project, we will skip to the next project that is able to use the remaining credit subsidy.

7. Mortgage Increases at Final Endorsement – additional credit subsidy is still required for mortgage increases on project mortgages (e.g., 221(d)(4)) that required credit subsidy at initial endorsement. The credit subsidy rate for the increase is the rate at which credit subsidy was obligated for the initially endorsed mortgage amount. Headquarters review and prior approval will be required for mortgage increases for projects which required credit subsidy at initial endorsement. If Headquarters does not obligate credit subsidy for the mortgage increase, FHA Hubs/Program centers cannot insure the mortgage increase.

I appreciate your cooperation.

John C. Weicher
Assistant Secretary for Housing –
Federal Housing Commissioner

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Previous edition is obsolete.

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