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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5737-N-01]

**Multifamily, Healthcare Facilities, and Hospital Mortgage Insurance Premiums
for Fiscal Year (FY) 2014**

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

ACTION: Notice.

SUMMARY: In accordance with HUD regulations, this Notice announces the mortgage insurance premiums (MIPs) for Federal Housing Administration (FHA) Multifamily, Healthcare Facilities, and Hospital mortgage insurance programs that have commitments to be issued or reissued in FY 2014. FY 2014 MIPs are the same as in FY 2013. In addition, the Notice clarifies that conventional or FHA-insured projects with existing low-income housing tax credits (LIHTC), and other affordable projects that meet the affordability criteria as defined in this Notice, are eligible for the LIHTC MIPs as are projects with new LIHTC generated as a result of or in conjunction with an FY2014-insured loan. Clarification is also provided in regards to the upfront or first-year MIP amount charged for FHA mortgage insurance under Section 223(a)(7) of the National Housing Act, which is 50 basis points (bps) for both affordable and market rate properties for Multifamily, Healthcare Facilities, and Hospital mortgage insurance programs. This Notice does not apply to loans insured under the Risk Sharing programs of section 542(b) or 542(c) of the Housing and Community Development Act of 1992.

DATES: Effective Date: October 1, 2013.

FOR FURTHER INFORMATION CONTACT: Theodore K. Toon, Director, Office of Multifamily Development, Office of Housing, Department of Housing and Urban

Development, 451 7th Street, SW, Washington, DC 20410-8000, telephone number 202-402-8386 (this is not a toll free number). Hearing or speech-impaired individuals may access these numbers via TTY by calling the Federal Relay Service at 800-877-8339 (this is a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Background

HUD's mortgage insurance regulations at 24 CFR 207.254 provide as follows:

Notice of future premium changes will be published in the Federal Register. The Department will propose MIP changes for multifamily mortgage insurance programs and provide a 30-day public comment period for the purpose of accepting comments on whether the proposed changes are appropriate.

Under this regulation, HUD is required to publish a notice in the Federal Register for public comment only when there are premium changes. This notice announces that the FY 2014 MIPs are the same the FY 2013 MIPs, published in the Federal Register on August 15, 2012 (77 FR 49007). Since HUD is not seeking to implement any premium changes for FY 2014 for the mortgage insurance programs listed in this notice, HUD is not seeking public comment. HUD is also issuing this notice to clarify that: (1) the first-year or upfront MIP mortgage insurance fee charged for Section 223(a)(7) loans for Multifamily, Healthcare Facilities, and Hospital mortgage insurance programs, and (2) the eligibility of properties with existing LIHTCs as a result of a previous transaction and other affordable projects, to benefit from the LIHTC MIPs.

II. MIPs for FHA's Mortgage Insurance Programs for FY2014

The chart below announces the MIPs which will be in effect during FY2014 for the Multifamily, Healthcare Facilities, and Hospital mortgage insurance programs authorized under the National Housing Act (12 U.S.C. 1713 et seq.). Multifamily programs are

administered by FHA's Office of Multifamily Housing Programs. Healthcare Facilities and the Hospital mortgage insurance programs are administered by FHA's Office of Healthcare Programs. The programs of these offices are listed separately on the chart.

III. Clarifying Upfront Insurance Fee under Section 223(a)(7)

The upfront or first-year MIP fee for mortgage insurance for projects with or without LIHTCs under Section 223(a)(7) is 50 bps for FHA insured mortgages under Multifamily, Healthcare Facilities, and Hospital mortgage insurance programs. These programs are denoted with two asterisks in the MIP chart below. The first-year insurance fee applies to both affordable and market-rate loan transactions and is collected at the closing of all Section 223(a)(7) loans.

IV. Projects with Existing Low-Income Housing Tax Credits or Equivalent Affordability Requirements, and Projects with Project-Based Section 8 Contracts

HUD is clarifying that projects with either new LIHTC generated as a result of or in conjunction with the new FHA financing and projects with existing LIHTC are eligible to benefit from the LIHTC MIPs. "Existing" LIHTC is defined below. The eligibility of projects with existing LIHTC is intended to support the preservation of already-operating, affordable housing for low-income renters.

Eligible projects with "existing" LIHTCs must meet the following criteria of affordability consistent with guidance given in Mortgagee Letter 2010-21¹ to benefit from the LIHTC MIPs: (a) projects that have a recorded regulatory agreement in effect for at least 15 years after final endorsement and monitored by competent public authority; (b) projects that meet at least the minimum LIHTC restrictions of 20 percent of units at 50 percent of the Area Median Income (AMI); or 40 percent of units at 60 percent of AMI, with economic rents (i.e.,

¹ Mortgagee Letter 2010-21 can be accessed at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee/2010ml

the portion paid by the tenants) on those units no greater than LIHTC rents; and (c) mixed income projects if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria.

Loans for properties with an active Project-Based Section 8 contract covering any of the units continue to be exempt from the increases established with the FY 2013 MIPs, which means that FY 2014 loans are subject to the “with LIHTC” rates for the programs stated below. Loans with other affordability requirements, i.e., not LIHTC or Project-Based Section 8, may likewise be eligible for the “with LIHTC” rates, provided the affordability requirements are equivalent to all of the criteria described above for “existing” LIHTCs.

V. Positive Credit Subsidy Programs

HUD will continue to suspend issuance and reissuance of commitments under two programs that have previously required positive credit subsidy: Section 221(d)(3) New Construction/Substantial Rehabilitation (NC/SR) for Nonprofit/Cooperative Mortgagors without LIHTC and Section 223(d) Operating Loss Loans for Apartments.

The MIPs to be in effect for FHA Firm Commitments issued or reissued in FY 2014 are shown in the chart below:

Fiscal Year 2014 MIP Rates	
Multifamily, Healthcare Facilities and Hospital Insurance Programs	
FHA Multifamily	Basis Points
207 Multifamily Housing New Construction/Sub Rehab without LIHTC	70
207 Multifamily Housing New Construction/Sub Rehab with LIHTC	45
207 Manufactured Home Parks without LIHTC	70
207 Manufactured Home Parks with LIHTC	45
221(d)(3) New Construction/Substantial Rehabilitation (NC/SR) for Nonprofit/Cooperative mortgagor without LIHTC	N/A
221(d)(3) Limited dividend with LIHTC	45
221(d)(4) NC/SR without LIHTC	65
221(d)(4) NC/SR with LIHTC	45
220 Urban Renewal Housing without LIHTC	70
220 Urban Renewal Housing with LIHTC	45

213 Cooperative	70
207/223(f) Refinance or Purchase for Apartments without LIHTC	60*
207/223(f) Refinance or Purchase for Apartments with LIHTC	45*
223(a)(7) Refinance of Apartments without LIHTC	50**
223(a)(7) Refinance of Apartments with LIHTC	45**
223d Operating Loss Loan for Apartments	N/A
231 Elderly Housing without LIHTC	70
231 Elderly Housing with LIHTC	45
241(a) Supplemental Loans for Apartments/coop without LIHTC	95
241(a) Supplemental Loans for Apartments/coop with LIHTC	45
FHA Healthcare Facilities (Nursing Homes, ALF & B&C)	Basis Points
232 NC/SR Healthcare Facilities without LIHTC	77
232 NC/SR – Assisted Living Facilities with LIHTC	45
232/223(f) Refinance for Healthcare Facilities without LIHTC	65*
232/223(f) Refinance for Healthcare Facilities with LIHTC	45*
223(a)(7) Refinance of Healthcare Facilities without LIHTC	55**
223(a)(7) Refinance of Healthcare Facilities with LIHTC	45**
223d Operating Loss Loan for Healthcare Facilities	95
241(a) Supplemental Loans for Healthcare Facilities without LIHTC	72
241(a) Supplemental Loans for Healthcare Facilities with LIHTC	45
FHA Hospitals	Basis Points
242 Hospitals	70
223(a)(7) Refinance of Existing FHA-insured Hospital	55**
223(f) Refinance or Purchase of Existing Non-FHA-insured Hospital	65*
241(a) Supplemental Loans for Hospitals	65

*The first-year or upfront MIP fee for loans insured under Section 223(f) for Multifamily, Healthcare Facilities, and Hospital programs is 100 basis (one percent) points. The annual MIP amounts are otherwise shown above for the respective Section 223(f) programs.

**The first-year or upfront MIP fee for loans under Section 223(a)(7) for Multifamily, Healthcare Facilities, and Hospital programs is 50 basis points. The annual MIP amounts are otherwise shown above for the respective Section 223(a)(7) programs.

Dated: September 20, 2013.

Carol J. Galante,
Assistant Secretary for Housing – Federal
Housing Commissioner.

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