



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

APR 25 2005

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

MEMORANDUM FOR: All Multifamily Hub Directors  
All Multifamily Program Center Directors

FROM: Stillman D. Knight, Deputy Assistant Secretary for Multifamily  
Housing Programs

SUBJECT: Clarifications to Housing Notice 2004-20, Guidelines for Continuation of Interest Reduction Payments after Refinancing: Decoupling, under Section 236(e)(2) and refinancing of insured Section 236 projects into non-insured Section 236(b) projects.

This is to provide guidance on the processing of Section 236 Decoupling proposals.

Due to inconsistencies between the Decoupling Guidelines and the Section 8 Renewal Guidelines, there have been questions raised regarding the inclusion of new debt in those cases where the budget-based rent increase process is used to arrive at new Section 8 rents based on a Decoupling proposal. Please be advised that for Decoupling transactions new debt may be included in the budget-based rent increase calculation as long as the resulting Section 8 rents are not above market comparable rents. Headquarters is currently assessing this inconsistency. Until specific instructions to the contrary are issued from Headquarters, these Decoupling transactions are to be processed in this manner. Any other Section 8 HAP Contract renewals, not involving Decoupling, are to be handled per the Section 8 Renewal Guide.

There has also been some discussion regarding Decoupling transactions involving "at risk projects" (projects that can prepay without HUD's permission) verses "not at risk projects" (projects that cannot prepay without HUD approval) and whether these transactions should be treated differently in terms of the sales price and/or rent increases that could be approved for these transactions. Headquarters is currently assessing the impact and appropriateness of treating the transactions in the same manner or under different instructions for the different types of transactions. Until specific instructions are issued from Headquarters, these transactions are to be processed in accordance with outstanding instructions contained in the Decoupling Notice.