

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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E-NAHMA Analysis 2004-1115 Section 202 Refinancing Notice

There is good news to report on the matter of Section 202 Refinancing. HUD issued Notice H 04-21 on Nov. 12, which amends the underwriting guidelines for refinancing of Section 202 mortgages and 202/8 direct loan prepayments.

The notice includes an important provision supported by NAHMA which will make Section 202 refinancing with FHA insurance a more viable option. In particular, it provides revised underwriting guidelines for processing FHA multifamily mortgage insurance in refinancing Section 202 direct loans which permit underwriting rents at the contract rent. The original guidance in Notice H 2002-16 required underwriting to the lesser of contract rents or market rates.

NAHMA has long sought this change. This issue has been raised with HUD officials at several NAHMA membership meetings. Likewise, in formal comments submitted to HUD on January 23, 2004 regarding regulatory barriers to production and/or preservation of affordable housing, NAHMA identified the requirement in notice H2002-16 to underwrite rents to the lesser of contract or market rents as a regulatory barrier. We offered a solution of permitting rents to be underwritten at the existing contract rents. (These comments can be found on NAHMA's HUD member webpage at <http://www.nahma.org/member/Regulatory%20Barriers%20Comments.pdf>. NAHMA was joined by 4 industry partners in these comments.)

Notice H 04-21 also:

- Revises the maximum developer's fee;
- Revises the limits on surplus distribution;
- Adds provisions on mandatory meals;
- Adds provisions on property tax abatement; and
- Makes changes in Section 223(f) loan-to-value ratio and debt service coverage.

The notice specifies that, "revisions herein apply only to Section 202 direct loan refinancings, and apply to both Multifamily Accelerated Processing (MAP) and Traditional Application Processing (TAP)." Notice H-2002-16 remains in effect, except for the provisions amended by the new guidance, H 04-21.

For more information, the Notice H 04-21 can be found at [http://hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=HSGN&s1=04-21\\$\[NO\]&SECT5=HSGN&SECT1=TXTHLB&l=50&u=../cgi/newsdoc_run.cgi&p=1&r=1&f=G](http://hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=HSGN&s1=04-21$[NO]&SECT5=HSGN&SECT1=TXTHLB&l=50&u=../cgi/newsdoc_run.cgi&p=1&r=1&f=G).

The Notice H 2002-16 is available at [http://hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=HSGN&s1=02-16\[no\]&SECT1=TXTHLB&SECT5=HSGN&u=../cgi/newsdoc_run.cgi&p=1&r=1&f=G](http://hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=HSGN&s1=02-16[no]&SECT1=TXTHLB&SECT5=HSGN&u=../cgi/newsdoc_run.cgi&p=1&r=1&f=G).