



# FHA BUSINESS TRENDS

Office of Evaluation  
Office of Risk Management and Regulatory Affairs  
Federal Housing Administration  
U.S. Department of Housing and Urban Development

May 9, 2012

Multifamily  
and  
Healthcare  
Program  
Claim Rates

## **Description of Programs by National Housing Act Section Number**

### **221(d)(4)**

Section 221(d)(4) includes section 221(d)(4) and 221(d)(4) Market. Section 221(d)(4) insures mortgage loans to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, elderly, and the handicapped. The program allows for long-term mortgages (up to 40 years) and is used by profit-motivated sponsors. 221(d)(4) Market includes market rate Section 221(d)(4) including coinsured loans converted to full insurance. 221(d)(4) Market applies to loans endorsed prior to the Federal Credit Reform act effective in 1992.

### **223(a)(7)**

Section 223(a)(7) provides mortgage insurance in connection with the refinancing of projects currently insured by FHA for rate reduction and/or recapitalization. Loans insured under any sections of the National Housing Act may be refinanced under 223(a)(7). The term of the new mortgage is equal to the remaining term of the existing FHA-insured mortgage.

### **223(f)**

Section 223(f) insures mortgage loans to facilitate the purchase or refinancing of existing multifamily rental housing. These projects may have been financed originally with conventional or FHA insured mortgages.

### **Other Rental**

The Other Rental program provides mortgage insurance for the construction, substantial rehabilitation or for repairs, additions and improvements to multifamily rental properties consisting of five or more units. The Other Rental program also includes two-year operating loss loans on properties whose first mortgage is already insured by HUD. Other Rental covers the following sections:

- Section 220 urban renewal housing
- Section 231 elderly housing
- Section 207 mobile home courts
- Section 213 management cooperatives
- Section 221(d)(3) nonprofit and cooperative sponsors
- Section 223(d) operating loss loans
- Section 241(a) improvement loans
- Section 221(d)(3) below market interest rate
- Section 236 interest rate subsidy

### **542(b)**

Government Sponsored Enterprise (GSE) New Construction and Refinance

Under Section 542(b), HUD may share the risk of loss associated with multifamily mortgage defaults with the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). Section 542(b) was established in 1994 to increase the supply of affordable multifamily housing and to enhance the availability of mortgage credit in underserved housing markets.

**542(c)****Housing Finance Agency (HFA) New Construction and Refinance**

Section 542(c) of the Housing and Community Development Act of 1992 allows HUD to enter into risk-sharing agreements, thereby increasing the extension of insurance and credit for multifamily loans not previously authorized by the National Housing Act. HUD insures mortgages for multifamily housing projects that are underwritten, processed, serviced and disposed of by qualified State and local HFAs. The HFA can, in turn, make loans to investors, builders, developers, public entities and private non-profit corporations or associations for such housing projects as new construction, substantial rehabilitation, refinancing and housing for the elderly.

**Section 232 (232 New Construction, 232 Refinance and 223d)**

Section 232 Mortgage Insurance for Residential Care Facilities program provides mortgage insurance for the construction or rehabilitation of nursing homes, assisted-living and board-and-care facilities and the purchase or refinance of existing healthcare facility projects. Section 232 also includes Section 223(d) two-year operating loss loans.

**Section 242**

Section 242 Mortgage Insurance for Hospitals program enables the affordable financing and refinancing of hospitals. Section 242 of the National Housing Act provides mortgage insurance for acute care hospital facilities ranging from large teaching institutions to small rural critical access hospitals.

**FHA Commercial Loan Insurance  
Annual Claim Rates by Major Program Area and Fiscal Year**

Fiscal Year	Active Loans Beginning of Year		Full Claims						Partial Payment of Claims (PPCs)					
			Counts		Dollars				Counts		Dollars			
	Count	UPB (millions)	Count	Rate	Total (millions)	Rate	Average (millions)	Count	Rate	Total ( millions)	Rate	Average (millions)		
<b><i>Multifamily Programs</i></b>														
2008	9,855	\$ 37,860	39	0.40%	\$ 200	0.53%	\$ 5	4	0.04	\$ 11	0.03%	\$ 3		
2009	9,640	37,141	61	0.63	571	1.54	9	5	0.05	22	0.06	4		
2010	9,587	38,506	51	0.53	493	1.28	10	18	0.19	118	0.31	7		
2011	9,966	45,489	23	0.23	159	0.35	7	15	0.15	92	0.20	6		
2012	10,221	51,498	19	0.19	189	0.37	10	9	0.09	39	0.08	4		
2013 <sup>a</sup>	10,521	59,809	9	0.09	93	0.16	10	4	0.04	15	0.02	4		
<b><i>Nursing Home and Assisted Living Programs</i></b>														
2008	2,143	\$ 12,725	13	0.61%	\$ 61	0.48%	\$ 5	0	0.00	\$ 0	0.00%	\$ 0		
2009	2,167	12,995	16	0.74	109	0.84	7	0	0.00	0	0.00	0		
2010	2,362	14,761	12	0.51	59	0.40	5	0	0.00	0	0.00	0		
2011	2,543	16,697	5	0.20	18	0.11	4	1	0.04	4	0.03	4		
2012	2,698	18,283	8	0.30	40	0.22	5	1	0.04	4	0.02	4		
2013 <sup>a</sup>	2,918	20,453	2	0.07	8	0.04	4	2	0.07	7	0.04	4		
<b><i>Hospitals</i></b>														
2008	80	\$ 5,640	1	1.25%	\$ 26	0.46%	\$ 26	0	0.00	\$ 0	0.00%	\$ 0		
2009	84	6,071	0	0.00	0	0.00	0	0	0.00	0	0.00	0		
2010	92	7,025	1	1.09	26	0.36	26	0	0.00	0	0.00	0		
2011	105	8,545	1	0.95	14	0.16	14	0	0.00	0	0.00	0		
2012	109	8,704	0	0.00	0	0.00	0	0	0.00	0	0.00	0		
2013 <sup>a</sup>	113	8,687	0	0.00	0	0.00	0	0	0.00	0	0.00	0		

<sup>a</sup> FY 2013 data is for October – March.

Source: US Department of HUD/FHA; May 2013.

**FHA Multifamily Insurance  
Annual Claim Rates by Program and Fiscal Year**

Program Class	Fiscal Year	Active Loans Beginning of Year		Full Claims					Partial Payment of Claims (PPCs)				
				Counts		Dollars			Counts		Dollars		
		Count	UPB (millions)	Count	Rate	Total (millions)	Rate	Average (millions)	Count	Rate	Total (millions)	Rate	Average (millions)
221d4	2008	973	\$11,249	7	0.72%	\$92	0.82%	\$13	1	0.10%	\$5	0.05%	\$5
	2009	926	10,937	12	1.30	140	1.28	12	0	0.00	0	0.00	0
	2010	924	11,465	15	1.62	178	1.55	12	8	0.87	52	0.46	7
	2011	908	12,392	8	0.88	73	0.59	9	7	0.77	49	0.39	7
	2012	785	11,481	7	0.89	156	1.36	22	4	0.51	21	0.19	5
	2013 <sup>a</sup>	712	11,382	5	0.70	83	0.73	17	0	0.00	0	0.00	0
223a7	2008	2,665	\$6,268	4	0.15%	\$20	0.31%	\$5	0	0.00%	\$0	0.00%	\$0
	2009	2,621	6,031	9	0.34	18	0.30	2	0	0.00	0	0.00	0
	2010	2,580	6,224	7	0.27	40	0.65	6	5	0.19	25	0.40	5
	2011	2,697	7,674	2	0.07	4	0.05	2	2	0.07	11	0.14	6
	2012	3,086	11,991	4	0.13	9	0.08	2	1	0.03	3	0.02	2
	2013 <sup>a</sup>	3,388	15,340	2	0.06	6	0.04	3	2	0.06	6	0.04	3
223f	2008	1,652	\$6,797	9	0.54%	\$62	0.92%	\$7	1	0.06%	\$3	0.04%	\$3
	2009	1,767	7,152	3	0.17	15	0.21	5	0	0.00	0	0.00	0
	2010	1,935	8,233	11	0.57	54	0.66	5	0	0.00	0	0.00	0
	2011	2,337	12,356	11	0.47	73	0.59	7	2	0.09	6	0.05	3
	2012	2,641	14,879	6	0.23	17	0.11	3	0	0.00	0	0.00	0
	2013 <sup>a</sup>	3,137	19,807	2	0.06	5	0.02	2	0	0.00	0	0.00	0
Other Rental	2008	98	\$1,168	0	0.00%	\$0	0.00%	\$0	0	0.00%	\$0	0.00%	\$0
	2009	105	1,130	2	1.90	46	4.09	23	0	0.00	0	0.00	0
	2010	111	1,162	3	2.70	68	5.85	23	1	0.90	15	1.28	15
	2011	120	1,619	0	0.00	0	0.00	0	0	0.00	0	0.00	0
	2012	106	1,594	0	0.00	0	0.00	0	0	0.00	0	0.00	0
	2013 <sup>a</sup>	97	1,587	0	0.00	0	0.00	0	0	0.00	0	0.00	0
Tax Credit	2008	1,056	\$6,379	1	0.09%	\$8	0.12%	\$7	1	0.09%	\$2	0.02%	\$2
	2009	1,107	6,515	17	1.54	199	3.05	12	5	0.45	22	0.33	4
	2010	1,128	6,517	7	0.62	121	1.85	17	3	0.27	25	0.38	8
	2011	1,217	7,010	1	0.08	7	0.11	7	4	0.33	26	0.37	6
	2012	1,293	7,555	1	0.08	6	0.09	6	4	0.31	15	0.20	4
	2013 <sup>a</sup>	1,353	8,116	0	0.00	0	0.00	0	2	0.15	9	0.11	4

<sup>a</sup> FY 2013 data is for October – March.

Source: US Department of HUD/FHA; May 2013.

**FHA Healthcare Insurance  
Annual Claim Rates by Program and Fiscal Year**

Program Class	Fiscal Year	Active Loans Beginning of Year		Full Claims					Partial Payment of Claims (PPCs)				
				Counts		Dollars			Counts		Dollars		
		Count	UPB (millions)	Count	Rate	Total (millions)	Rate	Average (millions)	Count	Rate	Total (millions)	Rate	Average (millions)
Section 232 New Construction	2008	540	\$4,440	6	1.11%	\$37	0.83%	\$6	0	0.00%	\$0	0.00%	\$0
	2009	529	4,386	5	0.95	49	1.11	10	0	0.00	0	0.00	0
	2010	559	4,674	5	0.89	18	0.39	4	0	0.00	0	0.00	0
	2011	555	4,905	1	0.18	6	0.11	6	0	0.00	0	0.00	0
	2012	493	4,510	1	0.20	25	0.56	25	1	0.20	4	0.08	4
	2013 <sup>a</sup>	399	3,817	0	0.00	0	0.00	0	1	0.25	4	0.10	4
Section 232 Refinance	2008	1,485	\$7,870	5	0.34%	\$22	0.27%	\$4	0	0.00%	\$0	0.00%	\$0
	2009	1,538	8,246	11	0.72	60	0.73	5	0	0.00	0	0.00	0
	2010	1,710	9,779	7	0.41	41	0.41	6	0	0.00	0	0.00	0
	2011	1,908	11,533	4	0.21	12	0.11	3	1	0.05	4	0.04	4
	2012	2,138	13,542	7	0.33	15	0.11	2	0	0.00	0	0.00	0
	2013 <sup>a</sup>	2,469	16,451	2	0.08	8	0.05	4	1	0.04	3	0.02	3
Section 242	2008	64	\$5,113	1	1.56%	\$26	0.51%	\$26	0	0.00%	\$0	0.00%	\$0
	2009	70	5,639	0	0.00	0	0.00	0	0	0.00	0	0.00	0
	2010	80	6,650	1	1.25	26	0.38	26	0	0.00	0	0.00	0
	2011	95	8,209	1	1.05	14	0.17	14	0	0.00	0	0.00	0
	2012	100	8,410	0	0.00	0	0.00	0	0	0.00	0	0.00	0
	2013 <sup>a</sup>	104	8,431	0	0.00	0	0.00	0	0	0.00	0	0.00	0

<sup>a</sup> FY 2013 data is for October – March.

Source: US Department of HUD/FHA; May 2013.