DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4679–N–02]

Increase in Certain FHA Multifamily Mortgage Insurance Premiums

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

ACTION: Notice.

SUMMARY: This notice sets new mortgage insurance premiums (MIPs) in multifamily housing programs pursuant to the interim rule entitled ''Mortgage Insurance Premiums in Multifamily Housing Programs'' published elsewhere in today's **Federal Register**. This notice raises the multifamily insurance premium to 80 basis points in certain FHA multifamily programs where the premium was previously set at 50 basis points.

DATES: *Effective Date:* August 1, 2001.

ADDRESSES: Interested persons are invited to submit comments and responses to the Rules Docket Clerk, Office of the General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, DC 20410–0500. Communications should refer to the above docket number and title. Facsimile (FAX) responses are not acceptable. A copy of each response will be available for public inspection and copying during regular business hours (7:30 a.m. to 5:30 p.m. eastern time) at the above address.

FOR FURTHER INFORMATION CONTACT: Michael McCullough, Director, Office of Multifamily Development, U.S. Department of Housing and Urban Development, 451 7th Street, SW., Washington, DC 20410, (202) 708–1142. Hearing or speech-impaired individuals may access these numbers via TTY by calling the Federal Information Relay Service at (800) 877–8339 (this is a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Introduction

HUD's interim rule titled ''Mortgage Insurance Premiums in Multifamily Housing Programs,'' published elsewhere in today's Federal Register (''the interim rule'') revises HUD's regulations at 24 CFR 207.252 and 207.252a, and adds a new § 207.254 to permit the Secretary of HUD to set the mortgage insurance premium (MIP) at a rate between one-fourth of one percent and one percent of the outstanding principal balance per annum. With this change, these revised regulations, which are incorporated by reference in the regulations of each of the multifamily programs listed in this Notice, reflect the statutory authority to set MIP interest rates as authorized in section 203(c)(1) of the National Housing Act. Until this change, the annual MIP had been set by regulations at one-half of one percent for almost all of HUD's FHA multifamily mortgage insurance programs.

The interim rule also provides notice that the Secretary will increase the MIP for certain multifamily insured mortgage programs. The new MIP will take effect upon the effective date of the interim rule, which is 30 days after publication in the Federal Register. This Notice sets the MIP for the programs listed in the table below as of the effective date of the interim rule.

As of the effective date of the interim rule, the multifamily mortgage insurance premiums shall be those premiums as provided in the following table:

Multifamily Loan Program	Annual mortgage insurance premiums charged
Section 207—Multifamily Housing—new construction/substantial rehabilitation	.8%
Section 207—Manufactured Home Parks	.8%
Section 220—Housing In Urban Renewal Areas	.8%
Section 221(d)(3) and 221(d)(4)—Moderate Income Housing	.8%
Section 223(a)(7) Refinancing of Insured Multifamily Project	.5%
Section 223(d) Operating Loss Loans, both apartments and health care facilities	.8%
Section 207/223(f) Purchase or Refinance—housing	.5%
Section 231 Housing for the Elderly	.8%
Section 232 Health Care Facilities	.5%
Section 232 pursuant to Section 223(f) Purchase or Refinance Health Care Facilities	.5%
Section 234(d) Condominium Housing	.5 %
Section 241(a) Additions & Improvements for Apartments	.8%
Section 241(a) Additions & Improvements for Health Care Facilities	.5%
Section 242—Hospitals	.5%
Title XI—Group Practice	.5%
HOPE VI Projects—[207, 220, 221(d)(4) and 231]	.8%
Tax Credit Projects [207, 220, 221(d)(4) and 231] without HOPE VI	.5%

The multifamily mortgage insurance premiums are increased to 80 basis points from 50 basis points for the following programs, as shown in the table, above. The programs are the same as those which require credit subsidy in FY 2001, as specified in Mortgagee Letter 01–10: Section 221(d)(3) apartments or cooperatives; sections 207, 220, 221(d)(4) and 231 HOPE VI transactions with or without Low Income Housing Tax Credits; New construction/substantial rehabilitation apartments financed without Low Income Housing Tax Credits under sections 207, 220, 221(d)(4) and 231; section 207 manufactured home parks, section 241(a) supplemental loans for additions or improvements of apartments, with or without Low Income Housing Tax Credits, and section 223(d) operating loss loans on apartments and health care facilities.

The mortgage insurance premium remains at 50 basis points for mortgages insured under sections 223(a)(7), 207 pursuant to 223(f), 232, 232 pursuant to 223(f), 234(d), 241(a) for health care facilities, 242, Title XI, and for new construction/substantial rehabilitation under sections 207, 220, 221(d)(4), and 231 with Tax Credits, but without HOPE VI.

For Programs Subject to the Increased Premiums

The following rules are applicable for those programs, shown in the table above, where the mortgage insurance premium is increased to 80 basis points.

A. Firm Commitments Issued or Reissued on or After the Effective Date of This Notice

The mortgagee, upon the initial endorsement of the mortgage for insurance, shall pay to the Commissioner a first mortgage insurance premium equal to 0.8 percent of the original face amount of the mortgage.

(a) If the date of the first principal payment is more than one year following the date of such initial endorsement, the mortgagee, upon the anniversary of such insurance date, shall pay a second premium equal to 0.8 percent of the original face amount of the mortgage. On the date of the first principal payment, the mortgagee shall pay a third premium equal to 0.8 percent of the average outstanding principal obligation of the mortgage for the following year which shall be adjusted so as to accord with such date and so that the aggregate of the three premiums shall equal the sum of:

(1) One percent of the average outstanding principal obligation of the mortgage for the year following the date of initial insurance endorsement, and

(2) 0.8 percent per annum of the average outstanding principal obligation for the period following the first anniversary of the date of initial insurance endorsement to one year following the date of the first principal payment.

(b) If the date of the first principal payment is one year, or less than one year following the date of the such initial insurance endorsement, the mortgagee, upon such first principal date, shall pay a second premium of 0.8 percent of the average outstanding principal obligation of the mortgage for the following year which shall be adjusted to accord with such date and so that the aggregate of the said two premiums shall equal the sum of:

(1) One percent per annum of the average outstanding principal obligation of the mortgage for the period from the date of initial insurance endorsement to the date of first principal payment, and

(2) 0.8 percent of the average outstanding principal obligation of the mortgage for the year following the date of the first principal payment.

(c) Where the credit instrument is initially and finally endorsed for insurance pursuant to a Commitment to Insure Upon Completion, the mortgagee on the date of the first principal payment shall pay a second premium equal to 0.8 percent of the average outstanding principal obligation of the mortgage for the year following such first principal payment date which shall be adjusted so as to accord with such date and so that the aggregate of the said two premiums shall equal the sum of 0.8 percent per annum of the average outstanding principal obligation of the mortgage for the period from the date of the insurance endorsement to one year following the date of the first principal payment.

Until the mortgage is paid in full, or until receipt by the Commissioner of an application for insurance benefits, or until the contract of insurance is otherwise terminated with the consent of the Commissioner, the mortgagee, on each anniversary of the date of the first principal payment, shall pay an annual mortgage insurance premium equal to 0.8 percent of the average outstanding principal obligation of the mortgage for the year following the date on which such premium becomes payable.

B. For Those Programs Where the Premium Remains at 0.5 Percent

For those programs where the premium is unchanged at 0.5 percent, according to the chart, above, the mortgage insurance premium is in accordance with paragraph 1(a), (b),(c), and (d), above, except that wherever 0.8 percent appears, the number 0.5 percent should be inserted in lieu of 0.8 percent.

Transition Rules

The interim rule on this subject published elsewhere in today's Federal Register includes transition provisions. There may be changes in those transition provisions due to potential changes in law being contemplated. HUD will advise on whether the transition provisions in the interim rule remain in effect or are changed in a future Notice.

Credit Subsidy

Mortgagee Letters will be issued from time to time to advise mortgages of any requirements for credit subsidy, and the availability of credit subsidy. The increase in the MIP substantially reduces the requirement for credit subsidy in FY 2001, and for FY 2002 it is expected that only three programs will require credit subsidy: section 221(d)(3) for nonprofits and certain other borrowers for new construction or substantial rehabilitation, section 223(d) for operating loss loans for housing and health care facilities, and section 241(a) for supplemental loans for additions or improvements to existing apartments.

Refund of Application Fees

The Multifamily Hubs or Program Centers will refund FHA application fees without question to mortgagees who wish to surrender outstanding commitments or to withdraw their pending applications because of the increase in MIP. The refund policy includes applications in the SAMA, Feasibility, Conditional Commitment (Section 241(a) only) stages as well as the firm commitment.

Dated: June 26, 2001.

John C. Weicher,

Assistant Secretary for Housing-Federal Housing Commissioner.

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