U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY PLANNING AND DEVELOPMENT

Special Attention of:
All Secretary's Representative
All CPD Division Directors
All HOME Participating Jurisdictions
All HOME Coordinators

Notice: CPD-15-03

Issued: March 17, 2015
Expires: **This NOTICE is effective until it is amended, superseded, or rescinded**

Cross References: 24 CFR Part 92

Subject: Interim Policy on Maximum Per-unit Subsidy Limits for the HOME Program

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Attachment A: Annual Indexing of Basic Statutory Mortgage Limits for Multifamily Housing Programs for 2014
Attachment B: Annual Base City High Cost Percentage and High Cost Area Revisions for 2014

I. PURPOSE

This Notice establishes alternate maximum per unit subsidy limits for the HOME Investment Partnerships Program due to the discontinuation of the Section 221(d)(3) mortgage insurance program. HUD Field Office staff and HOME participating jurisdictions (PJs) must follow this interim policy until HUD publishes a regulation for effect establishing new maximum per unit subsidy limits for the HOME Program.

II. BACKGROUND

Section 212(e)(1) of the National Affordable Housing Act of 1990 (NAHA), as amended, directed HUD to establish maximum per-unit subsidy limits for the HOME Program that were no greater than the mortgage limits established for Section 221(d)(3) mortgage insurance program for elevator-type projects. In the HOME Final Rule issued on March 16, 1991, HUD adopted the mortgage limits under Section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151 (d)(3)(ii)) as the maximum per-unit subsidy limit for the HOME Program (hereinafter referred to as the "221(d)(3) limits"). NAHA and the HOME implementing regulations at 24 CFR 92.250(a) authorized HUD to increase the per-unit subsidy limit in any "high cost" geographic area by an amount not to exceed 140 percent of the basic mortgage limit, to the extent that the costs of multifamily housing construction exceed the basic mortgage limit. Thus, the ceiling for a HOME maximum per-unit subsidy limit has been 240 percent of the Section 221(d)(3) basic mortgage limit (i.e., 100 percent of the basic mortgage limit plus 140 percent) in high cost areas.

Through 2012, each year, HUD's Office of Multifamily Housing updated the Section 221(d)(3) basic mortgage limits and published them in the Federal Register. The Office of Multifamily Housing also established high cost percentage exceptions (HCP) for specific areas. The HCP is a multiplier of the basic mortgage limit. Effective 2013, the Section 221(d)(3) mortgage insurance program was discontinued and HUD ceased calculating separate limits for the program.

Because HUD is no longer updating and publishing limits for the Section 221(d)(3) mortgage insurance program, HUD is required to undertake rulemaking to establish new maximum per unit subsidy limits for the HOME Program. HUD will publish a rule for comment proposing a new maximum per-unit subsidy limit for the HOME Program. Until a new rule can be published for effect, HUD is adopting an interim policy directing PJs to use the Section 234-

Condominium Housing basic mortgage limits as an alternative to the Section 221(d)(3) limits in order to determine the maximum amount of HOME funds a PJ may invest on a per-unit basis in HOME-assisted housing projects. This interim policy remains in effect until the effective date of new final rule provisions amending the existing provisions of 24 CFR 92.250(a)(2).

III. INTERIM POLICY

To ensure that HOME maximum per-unit subsidy limits continue to be updated annually until a new regulation for effect can be issued, HUD is establishing an interim policy requiring PJs to use the Section 234-Condominium Housing, elevator-type, basic mortgage limits in lieu of the Section 221(d)(3) limits. Similar to the Section 221(d)(3) program, the Section 234 -Condominium Housing Insurance Program uses statutory per-unit mortgage limits that vary according to the size of the unit, the type of structure, and the location of the project. The Section 234 program insures blanket mortgages for the construction or substantial rehabilitation of multifamily projects to be sold upon completion as individual condominium units.

Over time, the limits issued by HUD for the Section 234 program have been identical to the 221(d)(3) limits. Consequently, substituting the Section 234 basic mortgage limit for the Section 221(d)(3) limit until a new final rule can be published is consistent with the intent of NAHA and the implementing provisions of the HOME Final Rule. To ensure consistency with the provisions of section 212(e)(1) of NAHA, the HOME maximum per-unit subsidy limit that HUD can approve for a PJ cannot exceed 240 percent of the Section 234 basic mortgage limit.

IV. IMPLEMENTATION

HUD's Office of Multifamily Housing updates the Section 234 basic mortgage limits annually and publishes them in the Federal Register. The Office of Multifamily Housing also establishes high cost percentage exceptions (HCP) for specific areas. Each year, HOME PJs must contact the CPD Division in their local HUD Field Office to obtain the Section 234 basic mortgage limits and, if applicable, the appropriate HCP for their area. Consistent with NAHA and the HOME regulations at 24 CFR 92.250(a), HUD may authorize a PJ to use the most recent HCP and corresponding Section 234 mortgage limit, provided the resulting HOME per-unit subsidy limit does not exceed 240 percent of the Section 234 basic mortgage

limit. For a PJ whose HCP has been increased above 240 percent, the CPD Division must cap the HOME per-unit subsidy limit at 240 percent of the Section 234 basic mortgage limit.

The Section 234 basic mortgage limits for 2014 are listed in the table below.

2014 Section 234 – Condominium Housing Limits: *Effective January 1, 2014*	
Bedrooms	Elevator-type Basic Limit
0 BR	$57,234
1 BR	$65,611
2 BR	$79,782
3 BR	$103,212
4+ BR	$113,295

NOTE: The maximum per-unit subsidy limit applies to the location of the HOME-assisted unit, not to the PJ. Consequently, when two PJs (e.g., the State PJ and a local PJ) are investing HOME funds in the same project, they must ensure through cost allocation and other means, that the total HOME investment in the project does not exceed the maximum per unit subsidy for the area in which the property is located, and that the period of affordability imposed on the project reflects the per unit subsidy from both PJs.

V. DETERMINING THE MAXIMUM HOME PER-UNIT SUBSIDY LIMIT

A. PJ listed on the High Cost Percentage Exception List

The HOME regulations state that HUD will allow the per-unit subsidy amount to be increased on a program-wide basis to an amount, up to 240 percent of the original per unit limits, to the extent that the costs of multifamily housing construction exceed the Section 221(d)(3) limits. Under this guidance, the Section 234 basic mortgage limits are used in place of the Section 221(d)(3) limits.

For PJs that are listed on the High Cost Percentage Exception List issued by HUD's Office of Multifamily Housing, in order to determine the HOME maximum per-unit subsidy limit, multiply the Section 234 elevator-type basic limit for the corresponding bedroom size by the HCP (the HCP should be a percentage). The resultant dollar value will be the HOME maximum per-unit subsidy limit for that

Section 234 Elevator-type Basic Limit (by BR size)
X (multiplied by) HCP %
= HOME Maximum Per-Unit Subsidy Limit

bedroom size. As a reminder, for a PJ whose HCP has been increased above 240 percent, the HOME per-unit subsidy limit is capped at 240 percent of the Section 234 basic mortgage limit. Therefore, the HCP multiplier must be 240 percent.

Example 1 – HOME PJ HCP is > 240%

Richmond, VA – HCP of 263%			
Bedrooms	Section 234 Basic (Elevator-type) Limit	HCP	HOME Maximum Per-Unit Subsidy Limit
0 BR	$57,234	240%	$137,361.60
1 BR	$65,611	240%	$157,466.40
2 BR	$79,782	240%	$191,476.80
3 BR	$103,212	240%	$247,708.80
4+ BR	$113,295	240%	$271,908.00

When calculating the HOME maximum per-unit subsidy limit in Example 1, the PJ's high cost percentage is greater than 240 percent therefore the HCP must be capped at 240 percent. For example, the HCP for Richmond, Virginia in 2014 was 263 percent. Therefore, in order to calculate the one-bedroom HOME maximum per-unit subsidy limit in Richmond, Virginia, the one-bedroom basic limit of $65,611 is multiplied by the capped HCP of 240 percent for a HOME maximum per-unit subsidy limit of $157,466.40. The HOME maximum per-unit subsidy limits for other bedroom sizes in this area are calculated in a similar manner.

Example 2 – HOME PJ HCP is > 100%, but < 240%

Nashville, TN – HCP of 234%			
Bedrooms	Section 234 Basic (Elevator-type) Limit	HCP	HOME Maximum Per-Unit Subsidy Limit
0 BR	$57,234	234%	$133,927.56
1 BR	$65,611	234%	$153,529.74
2 BR	$79,782	234%	$186,689.88
3 BR	$103,212	234%	$241,516.08
4+ BR	$113,295	234%	$265,110.30

In Example 2, the PJ's high cost percentage is less than 240 percent; therefore, the full published HCP may be used as the multiplier. For example, the HCP for Nashville, Tennessee in 2014 was 234 percent. Therefore, in order to calculate the two-bedroom HOME maximum per-unit subsidy limit in Nashville, Tennessee, the two-bedroom basic limit of $79,782 is multiplied by the HCP of 234 percent for a HOME maximum per-unit subsidy limit of $186,689.88. The HOME maximum per-unit subsidy limits for other bedroom sizes in this area are calculated in a similar manner.

B. PJ not listed on the High Cost Percentage Exception List

When a PJ is not listed on the most recently published High Cost Percentage Exception List, the HOME maximum per-unit subsidy limit is equal to the Section 234 basic limit.

Example 3 – HOME PJ is not on the HCP List

Detroit, MI		
Bedrooms	Section 234 Basic (Elevator-type) Limit	HOME Maximum Per-Unit Subsidy Limit
0 BR	$57,234	$57,234
1 BR	$65,611	$65,611
2 BR	$79,782	$79,782
3 BR	$103,212	$103,212
4+ BR	$113,295	$113,295

For example, the three-bedroom HOME maximum per-unit subsidy limit in Detroit, Michigan is $103,212, which is equal to the Section 234 basic limit of $103,212. The Section 234 basic limit is used in this example because Detroit, Michigan is not identified on the High Cost Percentage Exception List issued by HUD's Office of Multifamily Housing. The HOME maximum per-unit subsidy limits for other bedroom sizes in this area are calculated in a similar manner.

VI. CONTACT INFORMATION

HOME PJs with questions about this Notice may contact their local HUD CPD Field Office, contact information may be found at: https://www.hudexchange.info/manage-a-program/cpd-field-office-directory/. CPD Field Offices should direct their questions to HUD's Office of Affordable Housing Programs.

FHA MULTIFAMILY STATUTORY MORTGAGE PROGRAMS

BASE CITY HIGH COST PERCENTAGES Effective January 1, 2014

Boston MA Hub	270
Hartford CT	270
Bangor ME	270
Manchester NH	270
Providence RI	270
Burlington VT	270
New York NY Hub	270
Buffalo NY	270
Albany NY	270
Philadelphia PA Hub	270
Charlestown WV	270
Camden NJ	270
Newark NJ	270
Pittsburg PA	270
Wilmington DE	270
Baltimore MD Hub	270
Washington DC	270
Richmond VA	263
Greensboro NC Hub	252
Columbia SC	241
Atlanta GA Hub	252
Louisville KY	244
Knoxville TN	228
Memphis TN	224
Nashville TN	234
San Juan PR	270
US Virgin Isl. (spec limit)	405
Jacksonville FL Hub	252
Birmingham AL	228
Jackson MS	224
Miami FL	260
Tampa FL	263
Chicago IL Hub	270
Springfield IL	270
Indianapolis IN	251
Columbus OH Hub	251
Cleveland OH	270
Cincinnati OH	248
Detroit MI Hub	270
Grand Rapids MI	241
Minneapolis MN Hub	270
Milwaukee WI	270
Fort Worth TX Hub	218
Little Rock AR	224
New Orleans LA	228
Shreveport LA	224
Albuquerque NM	251
Dallas TX	218
Houston TX	214
Lubbock TX	214
San Antonio TX	197
Kansas City MO Hub	270
Des Moines IA	241
Topeka KS	241
St. Louis MO	270
Omaha NE	234
Oklahoma City OK	234
Tulsa OK	228
Denver CO Hub	270
Helena MT	255
Fargo ND	244
Sioux Falls SD	231
Salt Lake City UT	270
Casper WY	266
Los Angeles CA Hub	270
Santa Ana CA (LA)	270
San Diego CA	270
San Francisco CA Hub	270
Phoenix AZ	258
Sacramento CA	270
Honolulu HI (spec limit)	405
Las Vegas NV	270
Seattle WA Hub	270
Anchorage AK (spec limit)	405
Boise ID	270
Portland OR	270
Spokane WA	270

Note: Offices with a "calculated" HCP of 281.70 (before the statutory cap of 270) or higher are designated "High Cost Areas" and are shaded.