

## HUD Announces Expansion of FHA LIHTC Pilot Program

The U.S. Department of Housing and Urban Development has expanded the number of HUD offices participating in its FHA low-income housing tax credit pilot program to open up eligibility to projects anywhere in the country, and will be adding additional lenders as well.



Marie Head

The pilot program was launched in February 2012 with the aim to sharply reduce the amount of time it takes HUD to process applications for FHA mortgage insurance for FHA-insured Section 221(d)(4) loans to fund projects receiving 9% or 4% housing tax credits. (For background and details, see *Tax Credit Advisor*, March 2012, p. 8.)

The pilot was initially limited to 20 Multifamily Accelerated Processing (MAP) lenders approved by HUD, and to loans on LIHTC projects within the jurisdictions of HUD Hub pilot processing offices in Boston, Chicago, Detroit, and Los Angeles.

On September 18, the Department announced the addition of HUD Hub pilot processing offices in Atlanta, Denver, Fort Worth, San Francisco, and Seattle, thereby making LIHTC projects from all states now eligible for the pilot.

HUD said projects not in the jurisdiction of any of the nine total participating Hub pilot processing offices will be assigned by HUD Headquarters to one of the nine Hub offices for underwriting. Firm commitment approval for these will remain with the director of the HUD Hub office in whose jurisdiction the project is located.

HUD will also be qualifying additional MAP lenders to participate in the pilot. On September 26 it issued a letter to all MAP lenders inviting applications from those that didn't previously apply and new applications or notices to rely on their prior application from lenders that applied for the initial phase but weren't approved. HUD indicated that submissions were due within 30 days and that it would make lender selection decisions within the following 30 days, near the end of November.

### Reasons for Expansion

In an interview on October 11, Marie Head, HUD Deputy Assistant Secretary for Multifamily, explained the

reasons for expanding the FHA LIHTC pilot program.

"There was a lot of excitement from our stakeholders and from our own staff for expanding the program, because they were beginning to hear anecdotal evidence from their geographic areas that the developers and lenders in that market wanted us to expand the pilot. So we thought it make a lot of sense to make it nationwide so that it could touch every state."

Head said HUD initiated the pilot program "because we believed that FHA should be a stronger player in the market for the tax credit loans." HUD has added staff and underwriters focused on the pilot program and has implemented streamlined processing procedures. "We're working on 90 to 120 days [from application] to closing," says Head. "We hope to bring that in even tighter as we move along."

The expanded pilot is still restricted for the time being to Section 223(f) mortgages, and the program's original requirements and features regarding eligible loans and projects still apply, such as a \$25 million loan limit and up to \$40,000 per unit in rehabilitation costs allowed to be funded in the mortgage.

Head noted HUD didn't have a fixed figure in mind as to the number of additional MAP lenders it will approve to participate in the pilot.

She said the pilot will definitely be expanded later to make new construction Section 221(d)(4) mortgages eligible for the pilot as well, but noted this probably won't happen until early 2013.

### Dozen Loans in Processing

As of October 11, Head said that no loans had yet been closed under the pilot program but a dozen were in processing. She expected all of these to be closed within the 90- to 120-day target time frame.

Head wasn't surprised by only a dozen applications and no closings so far, "considering the time that it takes to put these transactions together." She noted, "When we announced the pilot program, folks wanted to consider and hear from us about the changes that we were making to the program. So it took a little while to ramp up. But we've really got momentum at this point."

(Details on expansion: <http://tinyurl.com/cqatsgn>) **TCA**