

## NAHMA HUD Update: FHA To Cut Insurance Rates on Multifamily Mortgages, New Rates Published

Dear NAHMA Members-

Today, HUD Secretary Julián Castro announced a Federal Housing Administration (FHA) multifamily insurance rate reduction, designed to boost capital financing of affordable and energy-efficient apartments.

Secretary Castro stated, “America is facing an affordable housing crisis; half of all renters are cost-burdened and nearly a quarter pay more than half of their income on rent. Every dollar these families spend on higher rents reduces their available budget for groceries, healthcare, retirement and college....By reducing our rates, this Administration is taking a significant step to encourage the preservation and development of affordable and energy efficient housing in communities large and small. This way, hard-working families won’t have to make the false choice between quality or affordable housing.”

According to HUD’s [press release](#), the rate reductions will take effect on April 1, 2016, and directly impact FHA’s Multifamily Housing programs and properties serving low and moderate-income families and/or developments installing energy-efficient systems or building within federal energy guidelines.

**FHA’s new mortgage insurance rates** are available [here](#). FHA’s new annual multifamily insurance rates include:

- For ‘Broadly Affordable’ housing (at least 90% of the units are under Section 8 contract and/or covered by Low Income Housing Tax Credit (LIHTC) affordability requirements), FHA is lowering annual rates to 25 basis points, a reduction of 20 or 25 basis points from current rates.
- For Affordable mixed-income properties that is properties that set-aside units based on affordability including partial LIHTC, partial section 8, inclusionary zoning, or other local affordability requirements, FHA is lowering annual rates to 35 basis points, a reduction of 10 to 35 basis points from current rates.
- For energy-efficient properties (those committed to industry-recognized green building standards, **AND** committed to energy performance in the top 25 percent of multifamily buildings nationwide), FHA is lowering annual rates to 25 basis points, a reduction of 20 to 45 basis points. Qualification for the top 25% will be determined using EPA’s Portfolio manager 1-100 score.
- To ensure that the Broadly Affordable and energy-efficient properties benefit directly from the lower rates, FHA will limit the fees that can be charged on these loans.
- Multifamily insurance rates for **market-rate properties** that are not energy efficient (as defined above) will remain **unchanged**.
- FHA is also reducing upfront premiums to support the affordable housing and energy efficiency goals stated above and to streamline the premium structure. Upfront insurance rates will be set at 25 basis points for Broadly Affordable and Energy-Efficient properties and 35 basis points for Mixed-Income properties. Upfront premiums for market rate properties that are not energy-efficient will remain unchanged.

FHA estimates that the multifamily insurance rate reductions will incentivize the rehabilitation of an additional 12,000 units of affordable housing per year nationally, over the next three years nearly 40,000 families could benefit from higher quality and affordable housing.

Secretary Castro also noted the policy change will have no impact on the FHA's Mutual Mortgage Insurance Fund or Capital Reserve ratios. However, it is expected to reduce FHA receipts by \$64 million. This cost will be factored into HUD's budget and will be in President Obama's Fiscal Year (FY) 2017 budget request.

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***NAHMA is the leading voice for affordable housing management, advocating on behalf of multifamily property managers and owners whose mission is to provide quality affordable housing.***