

Mortgage Insurance for Rental and Cooperative Housing: Section 221(d)(4)

Summary:

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. Single Room Occupancy (SRO) projects may also be insured under this section.

Purpose:

Section 221(d)(4) insures lenders against loss on mortgage defaults. Section 221(d)(4) assists private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. The program allows for long-term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

Type of Assistance:

FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:

Insured mortgages may be used to finance the construction or rehabilitation of detached, semidetached, row, walkup, or elevator-type rental or cooperative housing containing 5 or more units. The program has statutory mortgage limits which vary according to the size of the unit, the type of structure, and the location of the project.

Eligible Borrowers:

Eligible mortgagors include public, profit-motivated sponsors, limited distribution, nonprofit cooperatives, builder-seller, investor-sponsor, and general mortgagors.

Eligible Customers:

All families are eligible to occupy dwellings in a structure whose mortgage is insured under this program, subject to normal tenant selection. There are no income limits. Projects may be designed specifically for the elderly or handicapped.

Application:

Section 221(d)(4) is eligible for Multifamily Accelerated Processing (MAP). The sponsor works with the MAP-approved lender who submits required exhibits for the pre-application stage. HUD reviews the lender's exhibits and will either invite the lender to apply for a Firm Commitment for mortgage insurance, or decline to consider the application further. If HUD determines that the exhibits are acceptable, the lender then submits the Firm Commitment application, including a full underwriting package, to the local Multifamily Hub or Program Center for review. The application is reviewed to determine whether the proposed loan is an acceptable risk. Considerations include market need, zoning, architectural merits, capabilities of the borrower, availability of community resources, etc. If the proposed project meets program requirements, the local Multifamily Hub or Program Center issues a commitment to the lender for mortgage insurance.

Applications submitted by non-MAP lenders must be processed by HUD field office staff under Traditional Application Processing (TAP). The sponsor has a preapplication conference with the local HUD Multifamily Hub or Program Center to determine preliminary feasibility of the project. The sponsor must then submit a site appraisal and market analysis (SAMA) application (for new construction projects), or feasibility application (for substantial rehabilitation projects). Following HUD's issuance of a SAMA or feasibility letter, the sponsor submits a firm commitment application through a HUD-approved lender for processing. If the proposed project meets program requirements, the local Multifamily Hub or Program Center issues a commitment to the lender for mortgage insurance.

Technical Guidance:

The 221(d)(4) program is authorized by the National Housing Act (12 U.S.C. 17151 (d)(4)). Program regulations are found at 24 CFR 221, subparts C and D. Basic TAP program instructions are in HUD handbook 4560.01 - Mortgage Insurance for Multifamily Moderate Income Housing Projects available on [HUDclips](#). Refer to the MAP web-site for guidelines and instructions, lender approval requirements, and MAP coordinators. The program is administered by the Office of Multifamily Housing Programs, Office of Production, Program Administration Division.

Program Accomplishments:

In Fiscal year 2015, the Department insured mortgages for 192 projects with 30,412 units, totaling \$2.9 billion.