



## *Industry News and Highlights*

### **HUD Publishes Mortgagee Letter Re: Waiver of Three-Year Rule for Section 223(f) Deals**

On February 6, 2009, HUD issued Mortgagee Letter 2009-06 (copy attached) which grants authority to the local Multifamily Hub Offices to grant waivers of the Three-Year Rule for Section 223(f) deals.

Under HUD's 223(f) program, normally a project is ineligible for financing under Section 223(f) if the project has not been completed or substantially rehabilitated for at least three (3) years prior to the date of application for mortgage insurance pursuant to Section 223(f). HUD Notice 2009-06 allows a waiver of this requirement upon certain conditions, as outlined in the Mortgagee Letter.

Some of the more important conditions are:

1. Projects that previously applied for mortgage insurance under other HUD programs and withdrew their applications are ineligible;
2. The 223(f) mortgage shall be in an amount sufficient to pay off existing indebtedness only and no equity takeout is allowed;
3. The applicant must provide evidence that efforts to obtain permanent conventional financing have been unsuccessful;
4. A minimum of one full year audited financial statements must be submitted;
5. The project must have achieved sustaining occupancy for three months prior to the date of the firm application;
6. Eligible projects must have a Certificate of Occupancy issued prior to July 31, 2008;
7. All critical and non-critical repairs must be made prior to closing and may not be included in the mortgage.

If you have any questions, please contact Mike Polsinelli at (248) 290-2200