



April 17, 2001

Dear : Industry Partner

Subject: Information on FHA Insurance Proposals in Minnesota

The following information relates only to proposals for FHA Insurance on properties located in Minnesota.

Management Certification (HUD Form 9839): On all Section 221(d)(3)'s and other proposals containing Section 8, the per unit per month management fee (shown on page 4 of HUD Form 9839B) must not exceed \$43.

Bedroom definition: To be counted as a bedroom (for purposes of determining the Statutory Maximum Mortgage), a room must have all of the following attributes:

1. it must have a window to the outside.
2. it must have a door that can be closed, which will provide privacy to the room
3. it must have a closet (minimum size = 2' by 4')
4. it must have a minimum area of 80 square feet

Overhead High Voltage Transmission Lines: When a site is located adjacent to an overhead high voltage transmission line (or has the transmission lines running through the site), Electro-Magnetic Field (EMF) readings must be taken where the buildings are closest to the high voltage transmission line as well as other locations on the site until a reading of 3 milligauss or less is found.

For the proposal to be acceptable, all buildings (including decks and patios) must be located: (1) outside the fall distance(s) of all powerline towers and (2) at least 30 feet beyond the outer edge of the powerline easement. **Previously, our requirement was 10 feet beyond the outer edge of the easement.** However, if the EMF readings throughout the site are excessive (as determined by HUD), then this location may not be acceptable.

Assisted Living Facilities: We will only insure assisted living proposals with Mortgagor entities that have principals with previous elderly (with services) housing experience.

Non-profit proposals processed under Section 221(d)(3): All proposals under Section 221(d)(3) must now be approved by HUD Headquarters prior to issuance of a Firm Commitment. The HUD Headquarters review will concentrate mainly on the adequacy of the non-profit sponsor.

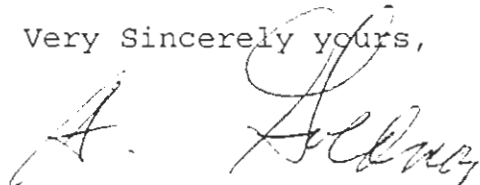
We encourage you to submit the HUD Form 3433 (Request for Preliminary Determination of Eligibility as Nonprofit Sponsor and/or Mortgagor) - as well as required attachments - as early in the process as possible.

Student Housing: We have decided to change our office policy on student housing. We will not insure any project that is designed solely for occupancy of students.

Credit Subsidy: As you likely know, HUD has obligated a good portion of the credit subsidy funding for Fiscal Year 2001. It is likely - absent an infusion of additional credit subsidy by Congress - that we will run out of credit subsidy during this Fiscal Year. Credit Subsidy affects Section 221(d)(3), Section 221(d)(4) and Section 241 loans - among others. Until we find out more, we are proceeding with business as usual. You may want to review the possibility of processing Section 221(d)(3) loans as Section 221(d)(4) loans - (d)(3) loans use substantially more credit subsidy than (d)(4) loans.

We appreciate your continued interest in FHA Insured Programs. If you have any questions regarding this letter, please contact Tim Gruenes, Team Leader, at (612)370-3000 (Ext. 2252) or e:mail him at tim_p._gruenes@hud.gov.

Very Sincerely yours,



Howard Goldman, Director
Minneapolis Multifamily Hub