

CHAPTER 3. STATUTORY MORTGAGE LIMITS - HIGH COST AREAS

- 3-1. Basic Statutory Limits. Title 24 CFR Part 200 lists the statutory limits by section of the Act for each insured multifamily program. Maximum mortgage limits established for a Field Office must not be less or 110 percent higher than the Basic Statutory Limits.
- 3-2. Mortgage Limit Exceptions - Section 810 and 220(h) Solar Energy Systems and High Cost Waivers under Section 207, 213, 220 221 d)(3), 231 and 234.
 - a. Section 810. The Secretary is authorized to increase Basic Statutory Mortgage Limits not to exceed 45 percent.
 - b. Section 220(h). Reference 10 of the foreword tells how to establish mortgage limits for this program.
 - c. Solar Energy Systems. The sections listed above authorize the Secretary to recognize added cost for qualifying systems and increase Maximum Statutory Limits not to exceed an additional 20 percent.
 - d. High Cost Area Waivers. The sections listed above authorize the Secretary to increase Basic Statutory Limits, when necessary, to recognize higher than typical costs, for an individual project, not to exceed 140 percent.

NOTE: Authorization is limited to not more than 90 percent for any project to be financed with tandem funds and purchased by GNMA.

- 3-3. Delegated Authority. The Secretary's authority to increase Basic Statutory Mortgage Limits is delegated through the Assistant Secretary for Housing-Federal Housing Commissioner to each Field Office Manager, subject to these instructions.

3-4. Terminology.

- a. Locality. A designated geographical area that generally includes several counties or parishes sharing similar construction costs.
 - (1) Base Locality. The area with the most construction activity and generally the location of the Field Office.
 - (2) Key Locality. Other areas in the Field Office Jurisdiction, generally identified by the municipality with the most construction activity.
- b. High Cost Area. A Base or Key Locality where multifamily housing replacement cost exceeds Basic Statutory Mortgage Limits.

- (3-4.) c. High Cost Percentage (HCP). Reflects relationship between the level of multifamily housing replacement cost and the Basic

- d. Determine the maximum limits for locality by multiplying the "min." by the applicable HCP. (Limits never less than "min." or more than "max.")
 - e. Sign and date.
- 3-9. Mortgage Limit Schedule Distribution. Send copies to the Director, Office of Housing, Regional Office and distribute to appropriate Field Office staff.
- 3-10. Documentation. Keep on file in the Field Office copies of all Documentation used to develop the HCP for Key Localities and the mortgage limits.
- 3-11. Waiver Requests - HCP.
- a. Procedures: Field Office prepares the package described below and submits it for Headquarters' approval. Address it to the Director, Office of Insured Multifamily Housing Development.
 - b. Policy: The revised HCP will pertain only to the project for which it is requested; and waivers will be considered only on a project-by-project basis.

Waivers are subject to the limitations detailed in paragraph 3-2 of this book.

- c. Requirements for Approval.
 - (1) The package submitted to Headquarters must prove that:
 - The housing is necessary.
 - There is clear justification for the excessive cost. (For example - confined inner-city sites, remote location, scattered sites, or historic preservation are some conditions that make costs higher than for similar construction in the area.)
 - Technical processing of the proposal was acceptable. (No waiver will be granted without all the exhibits that are required below.)
 - (2) The HCP requested must reflect, to the decimal (two places are sufficient - e.g., 178.52), the exact percentage needed to calculate a maximum mortgage supporting the underwriting conclusions.

- d. Required Contents of Package for Headquarters.
 - (1) Exhibits. (Send copies of the HUD/FHA forms or counterpart automated printouts and supplemental estimate worksheets.)

- (a) 92013 Application for Multifamily Housing Project
- (b) 2328 - Contractor's and/or Mortgagor's Cost Breakdown (firm stage only).
- (c) 2325 - Report of Cost Processing.
- (d) 2326A - Project Cost Estimate Worksheet.
- (e) 2326- Project Cost Estimate (Selected Comparable).
- (f) 2326 - Project Cost Estimate (Commissioner's estimate).
- (g) 92264 - Rental Housing Project Income Analysis and Appraisal.
- (h) 92264A - Supplement to Project Analysis (Criterion 4, must show the maximum mortgage calculated by using the HCP requested.)
- (i) Worksheets: Include all documentation not shown on the processing forms used to develop the replacement cost estimate and all supplemental estimates. The worksheets must show units of measure and bench mark costs used to prepare the estimates.

Note: Rehabilitation proposal exhibits will include the combined work write-up resulting in the HUD estimate, instead of Exhibits (c), (d) and (e) above.

- e. Narrative Justification. The Office Manager's cover memorandum must: describe the need for the housing; state why the cost of the proposal is higher than similar construction in the area; and specify the HCP requested.

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Figure

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MAXIMUM MORTGAGE LIMITS - NON-ELEVATOR CONSTRUCTION

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Figure 2

MAXIMUM MORTGAGE LIMITS - ELEVATOR CONSTRUCTION

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