



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

MEMORANDUM FOR: Multifamily Regional Center Directors  
Multifamily Satellite Office Directors  
Multifamily Asset Management Division Directors  
Multifamily Account Executives  
Multifamily Owners and Management Agents

FROM: Christie M. Newhouse, Acting Director, Office of Asset  
Management and Portfolio Oversight, HTG

SUBJECT: CNA Requirements for Properties with an FHA-Insured Loan

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The purpose of this memo is to clarify under what circumstances a Capital Needs Assessment (CNA) is required for multifamily properties with an FHA-insured loan, particularly as it pertains to 10-year update CNAs. These requirements are not uniform for all FHA-insured loans and vary based on authorizing statute and final endorsement date. This memo will convey guidance for determining if a CNA is required for a given property.

### **223(f) Program**

HUD began requiring a CNA be submitted with the application for 223(f) loans in the 2002 MAP Guide.<sup>1</sup> The 2002 MAP Guide further required that “the Lender must obtain a new CNA every 10 years which covers the next ten years [or the remaining term of the Mortgage] plus two years.”<sup>2</sup> The MAP Guide was published on March 15, 2002, so any application for firm commitment on a 223(f) loan submitted after that date is subject to this CNA requirement.

223(f) loans subject to the 2002 MAP Guide’s CNA requirement that were subsequently refinanced under the 223(a)(7) program are still subject to the requirement to provide a CNA every 10 years, calculated from the date the original (or previous CNA) was performed.

### **221(d)(4), 221(d)(3), 220, 223(a)(7), 231, and 241(a) Programs**

HUD expanded the applicability of its CNA requirement to cover additional loan insurance programs including 221(d)(4), 221(d)(3), 220, 223(a)(7), 231, and 241(a) via the publication of ML 2010-21/HN 2010-11 titled “HUD Multifamily Risk Mitigation.”<sup>3</sup> This policy expanded the CNA requirement, both upon submission of the application for firm commitment and for 10-year update CNAs, to these programs as of September 4, 2010. As a result, any loan insured under these programs, with the exception of 223(a)(7) (see next

<sup>1</sup> <https://archives.hud.gov/offices/hsg/mfh/map/mapguide.pdf>

<sup>2</sup> 2002 MAP Guide, Appendix 5, Section VI.C.1.a.

<sup>3</sup> <https://www.hud.gov/sites/documents/10-21ML.PDF>; <https://www.hud.gov/sites/documents/10-11HSGN.PDF>

paragraph), with an initial endorsement date after December 31, 2010 must submit a CNA update every 10 years calculated from the final endorsement date.<sup>4</sup> Properties with 10-year update CNA's that indicate a property needs to make a one-time deposit and/or changes to their annual deposit, should submit a 9250 in conjunction with the CNA requesting the necessary changes.

Please note that, while loans insured under the 223(a)(7) program that refinanced a 223(f) are subject to the CNA requirement if the original loan application was submitted on March 15, 2002 or later, 223(a)(7) refinances of loans insured under any other program were not subject to this requirement until the publication of the HUD Multifamily Risk Mitigation [Notice](#) and [Mortgage Letter](#) and, as a result, are only required to submit a 10-year update CNA with an endorsement after September 30, 2010.

### **213 Program**

HUD began including a CNA requirement in the firm commitments of properties participating in the 213 program starting January 1, 2017. As a result, any property who signed a firm commitment after January 1, 2017 must submit a CNA every 10 years calculated from the final endorsement date.

### **Timeline**

The CNA must be submitted on or before the 10-year anniversary of the date of the latest CNA. HUD will approve or reject CNA recommendations within 60 days of receipt. Critical repairs are required to be completed on the most expeditious possible schedule or within 90 days from the date of the conditional approval. If the proposed Reserve for Replacement (RfR) deposits are insufficient to fund all required repairs identified in the CNA submittal, the Owner must submit a HUD-approved Capital Action Plan (CAP) within 30 days to bring the property into compliance. Within 10 days of approval of the CAP, the Owner must begin making relevant immediate adjustments to monthly deposits. If the property is unable to afford these changes, the CNA will be given conditional approval per Notice H 2023-03, but shall be required to make whole the RfR account within 12 months.

### **Compliance**

The CNA is considered a mutual, non-severable obligation between the Lender and the Owner. If a CNA is found to be deficient, HUD staff may inspect the property. In the event of non-compliance, the Secretary or his or her successors or delegates may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate. Such actions may include (but are not limited to) suspending a Lender's authority to manage critical and non-critical repair escrow releasees without a site inspection and approval of escrow disbursements by HUD staff, placing a Lender on Probation, suspending a

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<sup>4</sup> Loans that were in the application process during the policy effective date of September 4, 2010 should consult their firm commitment to confirm their CNA requirements.

Lender's MAP eligibility, and terminating a Lender from the MAP program. Additional examples of enforcement actions are outlined in Chapter 15 or the MAP Guide.<sup>5</sup>

### **CNA E-Tool**

The Office of Asset Management and Portfolio Oversight has developed guidance for fully adopting the CNA E-Tool currently utilized by the Offices of Production and Recapitalization with Multifamily Housing. This guidance has been published separately as a Housing Notice – Notice H 2023-03.

If you have any questions about this memorandum, please reach out to Michael Bruggman, Director, Multifamily Asset & Counterparty Oversight Division at [Michael.Bruggman@hud.gov](mailto:Michael.Bruggman@hud.gov) or (202) 402-5619.

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<sup>5</sup> For more information about CNA requirements see the 2020 Multifamily Accelerated Processing (MAP) Guide Appendix A.5.7 Capital Needs Assessments and Housing Notice 2012-27.