MEMORANDUM FOR: Multifamily FHA MAP Lenders
HUD Multifamily Production Staff

FROM: Patricia M. Burke, Acting Director, Office of Multifamily Production, HT


This Memorandum is being reissued in its entirety to address technical corrections.

The MAP Guide was published on January 29, 2016 (2016 MAP Guide) and became effective for Multifamily FHA mortgage insurance applications submitted on or after May 31, 2016. Based on requests to further align our programs with the LIHTC program and to follow common industry standard practices, this memorandum provides Regional HUD offices the authority to approve waivers of Chapter 14.13.D of the 2016 MAP Guide.

Chapter 14.13: Developer Fees and GC Profit

Current HUD policy found under MAP Guide 14.13.D requires that Deferred Developer Fees (DDF) treated as debt must meet all private secondary debt requirements described in MAP Guide Chapter 14.14. This includes documentation of the debt in HUD's form of Surplus Cash Note (92223M) or subsequent version and a repayment term that is coterminous with or exceeds the term of the first mortgage. After further analysis, we found that the industry rarely requires the DDF to be evidenced by a Note. To better align our programs with the LIHTC program, we determined that HUD should follow the common industry standard and allow the DDF to remain solely an obligation under the Limited Partnership Agreement (LPA) or Operating Agreement (OA) and the Development Agreement. Housing staff will review these documents to verify the payment terms.

Effective immediately, the requirements of Chapter 14.13.D requiring that DDF meet all secondary debt requirements found under Chapter 14.14 of the MAP Guide may be waived by the HUD Regional Office. If the tax credit allocating agency requires the DDF to be evidenced by a Note, then the requirements found under Chapter 14.14 continue to apply. However, waivers of the loan term may be considered on an exception basis.

This issue will be further addressed in the next version of the MAP Guide. Please send any additional questions and comments to Elizabeth H. Arteaga, Housing Program Officer, at Elizabeth.h.arteaga@hud.gov.