Notice: H 2019-07

Special Attention of:
All Multifamily Regional Directors

Issued: May 9, 2019
Expiration: This Housing Notice (“HN”) remains in effect until amended, revoked or superseded.

All Multifamily Branch Chiefs
All Multifamily Operations Directors
All Multifamily Asset Management Directors
All Multifamily Field Counsel
All Contract Administrators
All Multifamily Accelerated Processing (“MAP”) Lenders


I. BACKGROUND

The 2017 Tax Cuts and Jobs Act (P.L. 115–97, Dec 22, 2017) created a new tax incentive known as Qualified Opportunity Funds, which invest capital gains into projects located in Opportunity Zones. Opportunity Zones are census tracts that are low-income communities as defined in Section 1400Z(c) of the Act, which references the New Market Tax Credit program at 26 U.S.C. 45D(e). On July 9, 2018, the IRS published a list of more than 8,700 census tracts designated by the Secretary of the Treasury as qualified opportunity zones in the 50 states and U.S. territories: https://www.irs.gov/pub/irs-irbs/irb18-28.pdf. The list was updated on December 14, 2018 to include two additional census tracts in Puerto Rico and can be found at: https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx.

An Executive Order 13853 establishing the White House Opportunity and Revitalization Council, signed December 12, 2018, created a Council “to encourage public and private investments in urban and economically distressed areas, including qualified opportunity zones.”
II. PURPOSE

To further promote Opportunity Zones, the Department of Housing and Urban Development (HUD) is introducing incentives for property owners applying for certain loans with FHA multifamily mortgage insurance for properties located in a qualified opportunity zone census tract.

Processing by Designated HUD Underwriters

HUD has designated specialized Senior Underwriters in each region of the country to process certain applications for FHA mortgage insurance for properties in qualified opportunity zones. Lenders must identify in their application that the following criteria is met so that an FHA Senior Underwriter is assigned to the application:

1. The application is being submitted pursuant to Section 221(d)(4), Section 220, or the Section 223(f) program for a property located in a qualified opportunity zone census tract, and/or
2. The application involves an investment from a Qualified Opportunity Fund.

This will ensure expert and expedient review of these applications by FHA underwriters. Eligible applicants should identify the opportunity zone tract in which the property is or proposed to be located and (if applicable) the associated Qualified Opportunity Fund in order to receive this incentive.

Reduced FHA Mortgage Insurance Application Fee

Applicants to FHA’s Section 221(d)(4), Section 220, and Section 223(f) mortgage insurance programs for properties located in qualified opportunity zones will be eligible for reduced application fees, as detailed below. Eligible applicants should identify the opportunity zone tract in which the property is or proposed to be located in order to receive this incentive.

Broadly Affordable Housing

For broadly affordable housing transactions located in a qualified opportunity zone census tract, the FHA mortgage insurance application fee may be reduced from the current fee of $3.00 per thousand dollars of the requested mortgage amount to $1.00 per thousand dollars of the requested mortgage amount. Consistent with HUD’s Federal Register notice dated March 31, 2016 (81 FR 18473), broadly affordable housing must have either:

1. at least 90% of units covered by a Section 8 Project Based Rental Assistance (PBRA) contract; or

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1 Certain LIHTC applications may also benefit from accelerated processing via a separate pilot. Additional information is available in Notice H 2019-03, “Section 221(d)(4) and Section 220 New Construction and Substantial Rehabilitation Multifamily Projects with Low Income Housing Tax Credits Pilot Program.” Notice H 2019-03 was published on February 21, 2019 and can be found at: https://www.hud.gov/sites/dfiles/OCHCO/documents/LIHTCPilotNotice022119.pdf.
2. at least 90% of its units covered by an affordability use restriction under the Low Income Housing Tax Credit program.

**Market Rate and Affordable Housing**
For market rate and affordable housing transactions located in a qualified opportunity zone census tract, the FHA mortgage insurance application fee may be reduced from the current fee of $3.00 per thousand dollars of the requested mortgage amount to $2.00 per thousand dollars of the requested mortgage amount. Affordable housing transactions are defined in HUD’s Federal Register dated March 31, 2016 (81 FR 18473).

### III. IMPLEMENTATION

Incentives announced under this Notice are available immediately for market-rate properties that have not yet submitted a pre-application, and for affordable properties that have not yet applied. Interested applicants may contact their local HUD office for information on how to identify their eligibility for these incentives. If there are any questions regarding this Notice, please contact Elizabeth H. Arteaga, Housing Program Officer, Office of Multifamily Production at (202) 402-3584. Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

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Federal Housing Commissioner

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