



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:

Notice H 2014-08

All Regional Directors, Multifamily Hub Directors,
Multifamily Program Center Directors,
Supervisory Project Managers

Issued: July 7, 2014
Expires: December 31, 2014

Cross Reference:
Mortgagee Letter 2014-14

SUBJECT: Annual Base City High Cost Percentage and High Cost Area Revisions for 2014

In accordance with Chapter 5, paragraph 5-6 of HUD Handbook 4445.1 REV-2, Underwriting Technical Direction for Project Mortgage Insurance, we have reviewed the High Cost Percentages (HCP) for each Base City. Each Base City HCP has been recalculated based on CPI-U index published by the Consumer Finance Protection Bureau. The results are reflected in the attached list of authorized Base City HCPs, effective January 1, 2014.

Statutory Exceptions to the Maximum Mortgage Amounts and High Cost Areas

Maximum mortgage amounts were revised by the Consolidated Appropriations Act 2008 (Public Law 110-161, approved December 26, 2007) (FY 2008 Appropriations Act) which appropriated Fiscal Year 2008 funds for the majority of Federal agencies, including HUD. Section 221 of the General Provisions of Title II of Division K of the FY 2008 Appropriations Act revises the statutory exceptions to maximum mortgage amounts for the FHA Multifamily Housing Programs, listed in Section 221 of the FY 2008 Appropriations Act, by (1) substituting 170 percent for the 140 percent exception of any geographical area, and (2) substituting 215 percent for 170 percent as the maximum exception allowed for a specific project. Accordingly, the statutory revision allows the Secretary to grant exceptions to maximum mortgage limits for certain Multifamily Housing Programs by (1) up to 170 percent, (equivalent to a 270 percent multiplier) in geographical areas where cost levels so require or (2) up to 170 percent, or up to 215 percent in High Cost Areas, (equivalent to a 315 percent multiplier) where necessary on a project-by-project basis.

The Law does not determine which areas are to be considered "High Cost Areas." Accordingly, the Office of Multifamily Development has developed a list of High Cost Areas. For 2014, the threshold for a High Cost Area has been set for all areas (Special Limit Areas excepted) with a "calculated" High Cost Percentage (HCP) of 281.70 or greater, prior to being capped at the statutory 170% or 270 multiplier. This results in some localities at an HCP of 270 being High Cost Areas and others not. A list of Base City High Cost Percentages is attached.

Hub Offices and Program Centers are instructed to examine the list in order to determine if their area is a High Cost Area, eligible for the maximum 215 percent increase (equivalent to a 315 percent multiplier) on a project-by-project basis.

Note that any change in any Office's annual HCP and High Cost Area can only be made by HUD Headquarters.

Special Limit Areas

Guam, the U.S. Virgin Islands, and the states of Alaska and Hawaii are Special Limit areas. Care should be taken to ensure that the appropriate limits are used for corresponding programs. The HCP for Special Limit Areas is 405 percent.

Exceeding Assigned Geographic Field Office HCPs on a Case-by-Case Basis for FHA Statutory Mortgage Programs

Under the Delegation of Authority, the Commissioner has delegated Hub Directors the authority to waive the Handbook, on a case-by-case basis, and exceed their assigned geographic HCP ceilings, up to statutory maximum of 170 (270 multiplier). Those Directors who choose to exercise this Handbook waiver authority must document the project file in accordance with Paragraph 5-3 of HUD Handbook 4425.1 REV-2 CHG-1.

Carol J. Galante
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[Attachment](#)