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- CHAPTER 4. DECREASE IN INTEREST RATE:
* MULTIFAMILY MORTGAGE AND *
* LOAN INSURANCE PROGRAMS *
- * 4-1. GENERAL. This chapter includes instructions applicable *
to all multifamily mortgage and loan insurance
programs shown in Appendix 4 and is to be utilized
whenever the maximum FHA interest rate for these
programs is decreased. At any given time, a single
maximum FHA interest rate is applicable to all such
multifamily programs, with the exception of supplemental
loans insured under Section 232(i) which are
used to finance the purchase and installation of fire
safety equipment for nursing homes and intermediate
care facilities. The maximum interest rate on these
loans may not exceed the rate applicable to the other
* multifamily programs by more than 1/4 percent. It is *
the basic policy of FHA to encourage mortgagees to
reduce the interest rate in all cases that have not
been closed prior to the effective date of the
decrease in maximum interest rate. Upon request by
mortgagees, outstanding site appraisal and market
analysis (SAMA) or feasibility letters and commitments
issued at a time when a higher interest rate was in
effect will be reprocessed at the new lower rate.
- 4-2. REQUESTS FOR SAMA OR FEASIBILITY LETTERS. Requests
for such letters in process or received on or after
the date of the new maximum rate will be processed
at the new lower rate.
- 4-3. APPLICATIONS FOR CONDITIONAL OR FIRM COMMITMENTS.
Applications for conditional or firm commitments
received on or after the effective date of the new
lower maximum rate will be processed at such rate,
with the exception of applications submitted pursuant
to unexpired SAMA or feasibility letters or outstanding
conditional commitments issued prior to the effective
date of the new rate. In these instances, applications
involving insurance under any section (other than
Section 236) will be processed at the higher rate
previously agreed upon by the parties, unless the
mortgagee requests processing at the new lower rate.
If insurance under Section 236 is involved and the
permanent mortgage is to be purchased by GNMA, the
commitment will be issued at the new lower rate. If the
permanent mortgage is not to be purchased by GNMA and
the mortgagee does not request a reduction in interest
to the new lower rate, the commitment will be issued
at the higher rate previously agreed upon by the parties.
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- 4-4. OUTSTANDING SAMA OR FEASIBILITY LETTERS AND COMMITMENTS. Multifamily cases in which a conditional or firm commitment is outstanding, or in which an unexpired SAMA or feasibility letter has been issued prior to the effective date of the new maximum rate, will be processed at the higher rate previously agreed upon by the parties or at a lower rate if requested by the mortgagee. In all Section 236 cases, the originating mortgagee is strongly urged to arrange with the permanent mortgagee for a reduction in the interest to the new lower rate, which may take effect upon final endorsement.
- 4-5. REQUESTS FOR INCREASES IN MORTGAGE AMOUNT. All requests for reconsideration involving an increased mortgage amount in process or received on or after the effective date of the new maximum rate will show the new lower rate.
- 4-6. EXTENSIONS OF COMMITMENT TERMS OR REOPENING OF EXPIRED COMMITMENTS. Applications for extensions of commitment terms may be approved at the maximum interest rate specified in the original commitments. Applications for the reopening of expired commitments will be processed at the new lower rate.
- 4-7. FACTORS FOR COMPUTING ASSISTANCE PAYMENTS UNDER SECTION 235(j)(1) AND INTEREST REDUCTION PAYMENTS UNDER SECTION 236. Appendix 1 contains the factors, per \$1,000, needed to compute the difference between the amount of principal, interest and mortgage insurance premium on a mortgage at the specified new interest rate, and the amount of principal and interest on a mortgage at 1 percent, for the first amortization year, which is used to calculate the monthly assistance payment or interest reduction payment.
- 4-8. COMPUTATION OF MARKET RENTS FOR SECTION 236. The computation of market and basic rents as described in HUD Handbook 4510.1 is unchanged. The market rent factor for a 40-year mortgage applicable to each of the various possible FHA maximum interest rates is shown in Appendix 2.

- 4-9. OBLIGATION OF CONTRACT AUTHORITY - SECTIONS 235(j)(1) and 236. A decrease in the annual per thousand dollar factor used in obligating contract authority under Sections 235(j)(1) and 236 is made necessary by the decrease in the maximum interest rate. This annual factor is based on a 40-year insured mortgage. All future requests for obligation of contract authority for Section 235(j)(1) and for Section 236 shall be based on the new per thousand dollar factor rounded up to the next higher dollar. The factor applicable to each of the various possible FHA maximum interest rates is shown in Appendix 3.
- 4-10. AMORTIZATION FACTORS, DEBT SERVICE AND INITIAL CURTAIL RATES. For all multifamily programs in which the use of the Level Annuity Monthly Payment (LAMP) method of amortization is authorized, monthly principal and interest factors, debt service rate factors, and initial curtail rate factors for each of the various possible FHA maximum interest rates and terms are shown in Appendix 1. Factors are not necessary for MIP billings. An initial MIP amount equivalent to one-half of 1 percent of the outstanding principal balance of the mortgage will be paid at initial endorsement (or at initial/final endorsement for insurance upon completion cases) and annually thereafter. The premium account will be adjusted after final insurance endorsement in accordance with the scheduled disbursements of mortgage proceeds.