

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



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 2022-03

TO: All Multifamily Regional Directors
All Multifamily Production Directors
All Multifamily Operations Officers
Multifamily FHA MAP Lenders

SUBJECT: Termination of ML 2020-11 - Section 223(f) Underwriting Mitigants
for Multifamily Housing Projects Due to Economic Impact of
COVID-19 Emergency

PURPOSE

On April 10, 2020, HUD published a Mortgagee Letter (ML) and corresponding Housing Notice that temporarily specified enhanced risk mitigation underwriting requirements for loans insured under Section 223(f) of the National Housing Act. The Mortgagee Letter was made effective immediately (as of the date of publication) and was to remain in effect until such time as HUD determined that the real estate markets that have been negatively affected by the COVID-19 Emergency have stabilized and additional mitigants for Section 223(f) transactions are no longer required.

Accordingly, HUD has reevaluated its underwriting requirements in relation to market conditions affected by the COVID-19 economic disruption and has determined that the enhanced underwriting mitigants are no longer necessary, and standard MAP Guide risk-based underwriting practices adequately protect HUD and the insurance fund.

TERMINATION OF UNDERWRITING MITIGANTS

Effective immediately, for all insured transactions that have yet to reach endorsement, HUD terminates all underwriting mitigants required under ML 2020-11, including the nine-month debt service reserve fund, the 250% repair escrow, and all guidance relating to treatment of cash out transactions. All refinance transactions resulting in cash out loan proceeds will follow MAP Guide instructions.

Any project reaching final endorsement prior to the effective date of this Mortgagee Letter will be required to maintain any escrows established pursuant to ML 2020-11 and the related [Multifamily Q&A for COVID-19 \(as updated August 9, 2021\)](#).

Please contact Thomas A. Bernaciak, Deputy Director, Office of Multifamily Production with any question or comments at (202) 402-3242, or Thomas.a.bernaciak@hud.gov.

PAPERWORK REDUCTION ACT

The information collection requirements in this Housing Notice are already approved under OMB Approval numbers 2502-0541, 2502-0598 and 2502-0029, issued under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), for multifamily mortgage insurance applications, processing, and endorsement. In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Lopa P. Kolluri
Principal Deputy Assistant Secretary
Office of Housing - Federal Housing
Administration