

# SPECIAL EDITION



*from the*  
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In June, the Federal Housing Administration (FHA) notified Congress that it was approaching its annual limit to guarantee mortgages under the agency's General Insurance/Special Risk Insurance (GI/SRI) Fund. This insurance fund supports the construction, rehabilitation, acquisition and recapitalization needs of multifamily rental homes, hospitals, nursing homes, and Title I (manufactured homes and property improvement) loans all across the country.

In letters to Congressional leadership, I requested an additional \$5 billion in commitment authority in order to avoid any possible disruption in financing those transactions that are currently awaiting approval. Even a short suspension of these important programs will negatively impact the availability of affordable credit and could result in some projects losing their additional sources of financing necessary to complete the project.

Congress is actively considering legislation (H.R. 5872) to provide the necessary authority, and it is my hope that the bill will be passed shortly. However, I believe it is prudent to inform you that there is a possibility that in the near future, we will have to temporarily suspend our ability to provide commitments for financing on any multifamily projects, health care facilities or Title I loans across the nation.

Many of you may have questions about what this may mean for transactions already in the approval pipeline or for those applicants who intend to seek FHA-insured financing for multifamily affordable housing, hospital, nursing home development or Title I loans. As FHA nears its current \$15 billion commitment ceiling, the agency needs to immediately centralize its approval process in Washington in order to make certain that it does not exceed statutory commitment limits. While FHA will continue to accept new applications, approvals may be delayed or even deferred until new commitment authority is authorized by Congress as there will be insufficient authority to issue firm commitments for all applications currently being considered.

Very shortly, we will issue a mortgagee letter outlining how FHA intends to treat insurance applications during this time. We intend to provide firm

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commitments on the available amount of authority remaining based on transactions in queue. It is also important to note that in the event of a Continuing Resolution in Fiscal Year 2011, the queue established in Fiscal Year 2010 will continue to be maintained and new applications approved and in need of authorization in Fiscal Year 2011 will be added to the existing queue.

Let me be clear, the commitment authority is not a taxpayer subsidy. In fact, an additional \$5 billion in commitment authority will generate an estimated \$94 million in insurance receipts that can help offset the nation's budget deficit. In short, this additional authority is needed to keep this important financing tool functioning at a time when our economy needs it most.

Rest assured, I will keep you informed of any developments on this issue should they become available.