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- * CHAPTER 2. INCREASE IN INTEREST RATE: MULTIFAMILY MORTGAGE AND LOAN INSURANCE PROGRAMS *
- * 2-1. 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 increased. 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 on these loans may not exceed the rate applicable to the other multifamily programs by more than 1/4 percent. It is expected that mortgagees who have committed to lend at the previous rate will honor their commitments or adjust any discounts or points to be collected as equitably as possible. *
- 2-2. APPLICATIONS IN PROCESS. Multifamily applications in process will be processed at the interest rate in effect at the time the application was received or, upon written request of the mortgagee, at the new maximum rate.
- 2-3. OUTSTANDING COMMITMENTS. Outstanding commitments, upon written request of the mortgagee and return of such commitments, may be reprocessed and reissued at the new maximum interest rate. Mortgagees and sponsors should be alerted to the possibility of a reduced mortgage amount in those instances in which the outstanding commitment amount was controlled by the debt service limitation. Any special instructions applicable to subsidized housing reprocessing will be issued when changes in the maximum FHA interest rate are announced.
- 2-4. MORTGAGES ENDORSED FOR INSURANCE. Mortgages that have been endorsed for insurance, either on an initial or final basis, may not be reprocessed for a change in interest rate.

- 2-5. 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.
- 2-6. 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.
- 2-7. OBLIGATION OF CONTRACT AUTHORITY - SECTIONS 235(j)(1) AND 236. An increase in the annual per thousand dollar factor used in obligating contract authority under Sections 235(j)(1) and 236 is made necessary by the increase 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.
- 2-8. 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 and annually thereafter. The premium account will be adjusted after final insurance endorsement in accordance with the scheduled disbursements of mortgage proceeds.