



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

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**MAR 07 2016**

Mr. Joe B. Nye  
OMB Policy Analyst  
Office of Management and Budget  
Office of Information and Regulatory Affairs  
New Executive Office Building  
Washington, DC 20503

Dear Mr. Nye:

The Department of Housing and Urban Development (HUD) is seeking an emergency review of the Paperwork Reduction Act requirements for the 1) HUD-92013-D entitled "Owner's Certification for Broadly Affordable, Affordable, Green/Energy Efficient Multifamily Housing Mortgage Insurance Premiums and the Acceptance of Housing Choice Vouchers and 2) a Rider, HUD-92466-R5. The Notices of Paperwork Submission (copies enclosed), proposed for immediate Federal Register publication, explains the burden of the collection requirements and invites public comment on them.

In compliance with the requirements of 5 CFR 1320.13, this letter requests emergency processing within 14 days from the date of publication of the Federal Register Notice. This emergency processing is essential to effectuate the implementation of the Federal Register Notice (FR-5878-N-02) (MIP FR Notice) which was issued on January 28<sup>th</sup> 2016 (copy attached) entitled "Changes in Certain Mortgage Insurance Premiums", scheduled to become effective April 1, 2016. The subject forms are FHA borrower certifications, and acknowledgement that the requirements to qualify for the proposed MIP rates have been satisfied.

HUD publishes multifamily MIP rates, and proposed changes to those rates, in the Federal Register for 30 days of public notice and comment prior to implementation, as required by regulation. Multifamily MIP rates are generally published annually. Unlike a typical issuance, however, the January 28 MIP FR Notice contains changes to MIP rates, including new forms that are subject to the 5 CFR 1320 clearance process. Pursuant to 5 CFR 1320.13 (a)(2), the Department has determined that adherence to normal clearance procedures would likely result in public harm related to economic disruption of the multifamily construction and finance markets, and loss of confidence in the Department's multifamily finance programs. The emergency review is therefore necessary in this case because public harm is reasonably likely to result if normal clearance procedures are followed:

- The Department was not able to begin the clearance processing prior to publication of the MIP FR Notice; the proposal to lower multifamily MIP rates, made public through issuance of the FR Notice, has been highly confidential. Throughout the development of the proposed changes the Department tightly controlled release of any information suggesting our intent to modify the current MIPs. Advance knowledge of the Department's intent to change its

MIP structure could advantage industry participants such as mortgage lenders, developers, architects, engineers etc. over other industry participants. As an example, prior knowledge could allow participants to initiate early marketing of the advantages of the rate structure to clients to the disadvantage of other industry participants without this knowledge. These activities would undermine confidence and public trust in FHA multifamily programs. Further, regulation requires proposed multifamily MIP changes to be published in the Federal Register. Therefore the 5 CFR 1320 clearance had to begin concurrent with or after the publication of the MIP FR Notice.

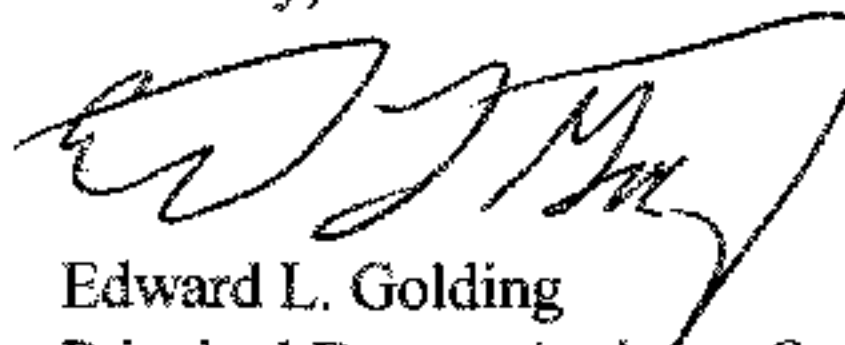
- Normal clearance procedures would require an implementation date for the new MIP rates that is several months out, as opposed to April 1, 2016, as proposed. This delay is reasonably likely to result in public harm related to disruption the FHA multifamily markets and to the Department's efforts to foster green and energy efficient housing. Specifically, the proposed new MIP rates are generally and considerably lower than current rates, and therefore financially beneficial to FHA borrowers (property owners and developers). FHA borrowers will utilize the lower MIP rates to acquire, build and/or rehabilitate affordable and/or energy efficient housing, resulting in production of new housing, preservation of affordable housing, and energy efficiency retrofits to existing housing, all resulting in economic activity and jobs creation. (We have estimated that on the average FHA multifamily loan, the reduced rates will result in 3%-5% additional loan proceeds, which may be used to develop more units, complete additional repairs and rehabilitation, and/or undertake green and energy efficiency retrofits.) FHA borrowers will likely delay the closings of their FHA loans and the start of their construction activities until the new rates are available (the rates cannot be applied retroactively to closed transactions). We have already witnessed this behavior since publication of the January 28<sup>th</sup> MIP FR Notice. FHA borrowers and lenders have suggested that the economic benefits of the reduced rates warrant the extending of their closing timelines until after April 1<sup>st</sup>. The timeline between the MIP FR Notice and proposed implementation is approximately sixty days. Extending this timeline to accommodate normal clearance procedures will delay the closing of loans in the pipeline, and delay construction start dates for FHA insured multifamily projects, resulting in associated economic disruption. Further, changes to MIP rates supports the production and retrofit of properties to be more energy efficient, in support of the Department's and Administration's Climate Action Plan, which has great urgency.
- FHA borrowers are currently reprocessing affordable and green transactions in our pipeline, through our HUD field offices, to utilize the new rates by closing these transactions in the months of April and May. We are also experiencing a uptick in applications for new financings which would close in the June-September time frame, with the expectation that the mortgage insurance applications can be processed with the expectation of closing under the proposed MIP rate structure. If we comply with the normal timing required for clearance procedures and PRA issuance, the closings on these transactions will be unnecessarily delayed, to the detriment of the economy. There is potential that FHA borrowers who have initiated energy efficient/green changes to their projects, to be funded through the lower premiums, will abandon these rehabilitation plans if the access to the proposed lower rates is significantly delayed. This harms the Administration's and Department's efforts to promote the development of affordable and/or energy efficient/green

multifamily housing.

The FHA multifamily MIP rate changes as proposed in the MIP FR Notice are essential to the mission of the Department, as they promote core initiatives: the development, preservation, and rehabilitation of affordable and energy efficient housing. Public harm will likely result from the delayed implementation that will be necessitated by following traditional approval timelines. HUD has anticipated, and built into its budget projections, positive financial benefit to the government resulting from the proposed MIP rate changes. Yet the normal process for clearance of the new forms related to the proposed changes would delay implementation that would cause public harm. As a result, we believe it is in the best interests of the public, the Department, and the government, to implement the proposed rate changes on April 1, 2016. We therefore request emergency processing of this 5 CFR 1320 clearance process.

Thank you for your consideration. Please contact Ted Toon, Director, FHA Multifamily Production (202.402.8386) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. L. Golding', written over a white background.

Edward L. Golding  
Principal Deputy Assistant Secretary for  
Housing

Enclosures