



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

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 2022-XX

**TO:** ALL FHA APPROVED MULTIFAMILY MORTGAGEES

**SUBJECT:** Revised Method for Calculation of Cost Not Attributable to Dwelling Units

**I. BACKGROUND**

This Mortgagee Letter implements a revised and greatly simplified method for calculating Criterion 4 of HUD form 92264A, the appraisal supplement. The function of the HUD 92264A is to calculate the several possible mortgage amounts for a proposed HUD FHA insured loan, thus indicating which of these sums yields the lowest mortgage amount, which lowest sum is therefore the maximum permitted amount of the loan. The form accommodates the multiple criteria that lenders and HUD underwriters must apply in order to determine the permitted insurable loan. Most frequently, loans are limited by one of three (of a total of ten) criteria on the HUD form 92264A. These are:

1. The Loan to Value (or Cost) ratio, also identified as Criterion 3;
2. The Debt Service Coverage Ratio, also identified as Criterion 5;
3. Or the cost of refinance when this cost is greater than 80% of value, also identified as Criterion 10.

One of the other seven criteria prevails occasionally but less frequently depending on specific circumstances applicable to each loan. Of these, Criterion 4 is unique because it applies a maximum loan amount per dwelling unit test where the amounts per unit are established by statute for each unit size where "size" means "number of bedrooms." Accordingly Criterion 4 is generally referred to as the "Statutory Limit" and on the HUD form 92264A as the "Amount Based on Limitations per Family Unit." Criterion 4 is also unique because it is not a direct measure of, nor a mitigant for financial risk but rather the means mandated by Congress to assure that FHA mortgage programs finance multifamily properties affordable to most Americans. See 12 U.S. Code 1713(c)(3).

The statutory limits are subject to three important adjustments generally described in the statute. The first of these is related to changes in the Consumer Price Index which is used to adjust the limits per family unit each year based on price changes. The second adjustment is geographically specific by selected cities and their regions and accommodates regional variations in construction cost changes over time based on region specific indices of construction costs. Both of these adjustments are determined by and described in an annual "high cost factors" mortgagee letter and housing notice published by HUD.

The third adjustment is the subject of this Mortgage Letter. It is a calculation of an increase to the statutory limited costs of a specific project by the sub-total of costs that are not attributable to dwelling units. This calculated sub-total is known as "cost-not-attributable." This adjustment recognizes that projects often include building elements (and therefore costs) that are not related to

dwelling use such as parking garages, commercial spaces, and often building features typical of high density urban development. For example, central city locations favor high rise construction and rarely favor first, and sometimes second or third floor level dwelling use for reasons of security, privacy, street noise and street lighting. Owners find other uses for these low floor levels and these spaces represent “costs not attributable” to dwelling use. There are numerous other spaces or features in multifamily projects that may be necessary or beneficial but not attributable to dwelling use.

For decades HUD defined a procedure for calculating cost-not-attributable relying on detailed cost estimates for specific portions of a property deemed not attributable to dwelling use. Though laborious, this procedure worked well enough for construction projects where detailed cost estimates were available as a function of cost estimating for the proposed construction. But in the 2020 MAP Guide the use of cost-not-attributable was extended to applications for refinance under Section 223(f) in part for the purpose of providing workable refinance options for multifamily properties in high cost areas. This extension required rethinking of the customary method because of the absence of already prepared cost data. In addition the former calculation methods generated excessive and frequently arcane efforts to calculate the costs of non-building features such as special landscaping, monuments, sports-courts, etc. The lender and HUD staff resources required to administer this labor intensive methodology in contrast to the greatly increased need to manage quadrupled loan volume compelled the design of a more efficient, simpler methodology.

Working with experienced HUD staff and Chief Underwriters from lenders with significant volume in high cost areas (where cost not attributable calculations are most likely), HUD developed an alternative calculation method which is dramatically simpler and applicable to all Sections of the Act.

The description of the method and its application to various circumstances common in HUD’s mortgage insurance business practice is in the form of a new Appendix A.5.10 for the 2020 Multifamily Accelerated Processing (MAP) Guide. The new Appendix replaces the existing Appendices A.5.10 and A.5.11 and is presented here together with all the necessary additional MAP Guide changes needed to conform the new Appendix with other MAP Guide provisions.

These MAP Guide changes are effective immediately as of the date of this Mortgagee Letter and will be or will have been incorporated into a revised MAP Guide to be published more or less contemporaneously with this Mortgagee Letter.

## **II. TEXT OF NEW APPENDIX A.5.10 to the 2020 MAP GUIDE**

Delete the existing MAP Guide Appendices A.5.10 and A.5.11 and insert in lieu thereof the following:

### **A.5.10 Cost Not Attributable for Insured Mortgages**

- A. This appendix describes how to determine a cost for portions of structures which are considered non-attributable to dwelling use. This cost can then be included in the statutory limited mortgage amount per Criterion 4 of the HUD form 92264A. The calculations for cost-not-attributable are intended to adjust the statutory loan-amount-per-unit limit for properties with significant elements that are not immediately necessary for dwelling use.
- B. The purpose of the statutory limit is to prevent use of mortgage insurance programs to support luxury housing by applying a maximum mortgage amount per-unit for each dwelling unit type, that is, 1-bedroom, 2-bedroom, 3-bedroom units, etc. Congress

periodically establishes maximum mortgage amounts per unit for each unit type and provides general instructions to HUD for periodic adjustments for inflation and regional variation of costs. The statutory limits apply to costs per dwelling unit, but some projects properly include commercial space or other spaces considered not attributable to dwelling use. The cost of these non-attributable spaces may be added to the Criterion 4 maximum mortgage calculation which is otherwise based only on the number of dwelling units categorized by number of bedrooms in the unit.

- C. The purpose of HUD form 92264A is to calculate the maximum insurable mortgage consistent with various criteria, including the key risk-based criteria, such as Criterion 3 which calculates the maximum loan based on the permitted maximum loan to value or loan to cost ratio and Criterion 5 which establishes the maximum mortgage based on the required minimum debt service coverage ratio. Criterion 4 of the HUD form 92264A is the maximum mortgage based on the statutory limit of costs per dwelling unit. Thus Criteria 4 is not a measure of or a mitigant for underwriting risk. Its sole function is to provide a method for compliance with the statutory limits. Accordingly, a reasonably accurate, consistent, and easily calculated approximation of cost-not-attributable is sufficient.
- D. The basic approach described here is to identify the square-foot area of buildings which is not attributable to dwelling use and then calculate this not attributable area as a percentage of gross floor area (See A.5.10.1) as established on HUD form 92264, Section C, item 33. This percent when applied to calculated costs results in a dollar amount, which is the cost-not-attributable to dwelling use. (See A.5.10.2 and A.5.10.3.) Cost-not-attributable is entered at line b of Section 4 of the HUD form 92264A. (See A.5.10.4)
- E. To simplify both the definition of building spaces and the calculation of square footage of such spaces which are not-attributable to dwelling units in the various circumstances that will arise, HUD will use a standard percentage to augment the net residential square feet (HUD form 92264, Section C, item 34). This augmented residential area is assumed attributable to dwelling use. The difference between this augmented residential area and gross floor area is the number of square feet which are not attributable to dwelling use. But since net rentable commercial space (HUD form 92264, Section C, item 35) is always non-attributable area, while the difference between gross floor area and the augmented residential area may be less than the net rentable commercial area, the area not attributable will be the greater of these two: commercial area; or the difference between gross area and the augmented net rentable area. The standard percentage increase of net rentable residential area is 10%. This means that for each 1000 square feet of net residential rentable area, 100 additional square feet are assumed necessary for residential circulation, access, and related purposes attributable to dwelling units. The actual sum of each separate area attributable to dwelling units may be more or less than 110% of net residential area. But again, absolute accuracy is not required; a standardized, reasonable approximation is sufficient, more efficiently achieved and eliminates dispute over which particular spaces are or are not attributable to dwelling use.

- F. To prevent excess, HUD limits the percent of gross floor area that may be considered non-attributable to dwelling use to 30%. This percentage applies only to the cost-not-attributable calculations described in this Appendix. There are other program underwriting limits on the proportion of space committed to or the percent of revenue obtained from commercial uses which also serve to prevent excessive non-residential use.

#### **A.5.10.1 Instructions for Calculating Building Area Not Attributable to Dwelling Use**

- A. Calculate the building area not attributable to dwelling use as follows:

Calculate the number of square feet assumed attributable to dwelling use:		
1	Enter net residential area (HUD Form 92264, Section C, line 34)	
2	Multiply the result in step A1 by 1.1 (110%), rounding up to the nearest whole number. This is total square feet assumed attributable to dwelling use	
Calculate the square foot area of buildings not attributable to dwelling use:		
3	Enter the gross floor area of buildings (HUD form 92264, Section C, item 33)	
4	Subtract the result of Step A2 from the result of Step A3.	
5	Enter the net rentable commercial area from HUD form 92264 Section C, item 35.	
6	Enter the greater of the result of Step A4 or Step A5	
7	Divide the result of Step A6 by the result of Step A3. Enter the lesser of this calculation or 30%. (Round to the nearest mil, i.e., XX.xx%) This is the percent of area not attributable to dwelling use.	

#### **A.5.10.2 Instructions for Calculating Project Cost**

- A. Calculate the cost for new construction projects as follows:

1	Enter the Total Estimated Development Cost, HUD form 92264, Section G, Line 72	
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- B. Calculate the cost for substantial rehabilitation projects as follows:

1	Enter the Total Estimated Development Cost, HUD form 92264, Section G, Line 72	
2	Enter the "As Is" value of the property, HUD form 92264, Section G, Line 73b	
3	Enter the Estimated value of the land without improvements, HUD form 92264, Section H, Note 2	
4	Subtract the result of Step B3 from the result of Step B2	
5	Add the results of Steps B1 and B4	

C. Calculate the cost for Section 223(f) transactions:

The lender has the option of establishing cost by one of two methods:

Option 1: Use the replacement cost (insurable value) as estimated by the needs assessor in the Capital Needs Assessment (CNA e-Tool), HUD Form 92329; or

Option 2: If determined by the lender’s third-party appraiser on HUD form 92264 Section L, the value by summation (less land).

Calculate cost for Section 223(f): Option 1 (skip Steps C2 thru C4)		
1	Enter the estimated replacement cost of structures from the Capital Needs Assessment (CNA e-Tool), HUD form 92329, (\$X.xx)	
Calculate cost for Section 223(f): Option 2 (skip Step C1)		
2	Enter property value by summation, (HUD form 92264 Section L) only if determined by third-party appraisal.	
3	Enter value of land fully improved (HUD form 92264, Section J, item 9)	
4	Subtract the result of Step C3 from the result of Step C2	

**A.5.10.3 Calculate Cost-Not-Attributable**

A. Calculate the Cost-Not-Attributable for the Insured Mortgage Project

1	Enter the percent of area not attributable to residential use per the calculation described at A.5.10.1 Step A7	
2	Enter the cost determined by the calculation described at A.5.10.2, paragraph A for New Construction, paragraph B for Substantial Rehabilitation, or Paragraph C for Section 223(f)	
3	Multiply the result of Step A1 times the result of Step A2. This is the cost-not-attributable for the project.	

**A.5.10.4 Complete Criterion 4 of the HUD form 92264A**

A. Use the calculated cost-not-attributable for the project to complete the computation of the Criteria 4 maximum insurable mortgage as follows:

Complete Criterion 4 Calculation on HUD Form 92264A		
1	Enter the cost-not-attributable result of A.5.10.3 Step A3 in HUD Form 92264A, Criterion 4, line b	
2	Enter “100” as the percentage for HUD Form 92264A, Criterion 4, line b	
3	Enter the cost-not-attributable result of A.5.10.3 Step A3 in HUD Form 92264A, Criterion 4, line b, column 1	
4	Follow remaining instructions for HUD Form 92264A	

#### **A.5.10.5 Cost-Not-Attributable for Supplemental Loans-Section 241(a)**

- A. Cost-not-attributable may apply to supplemental loans when the combined balance of the existing insured first mortgage plus the amount of the proposed insured Supplemental Loan exceeds the statutory limit for the total number and type of units in the project upon completion of construction. Calculating the amount of cost-not-attributable to be added to the maximum mortgage calculation on HUD form 92264A (See A.5.10.4, above) follows the procedures described in this appendix except when an addition is proposed, in which event the calculation for the existing buildings must be separate from the calculation for the addition with the two results added together before completing Criteria 4 on the HUD form 92264A. This separation accommodates the fact that procedures differ for new construction/substantial rehabilitation versus financing for existing properties.
1. The building area not attributable is always calculated by the same method as described at A.5.10.1 provided however that if an addition of new structures with dwelling units is proposed, then the building area not attributable for the existing property and the proposed new residential building(s) must be calculated separately.
  2. The cost of area not attributable should follow the relevant instructions based on the kind of construction activity proposed. If construction on the existing building area is limited to activities that otherwise would be eligible in a Section 223(f) refinancing then the cost estimating procedure at A.5.10.2, paragraph C should be used to determine the cost. Or if the construction on the existing building area is work that otherwise would be substantial rehabilitation, then paragraph B should be used. Meanwhile, the cost of an addition, if any, should be calculated consistent with A.5.10.2 paragraph A.
  3. If the supplemental loan does not include an addition, then the percent of area not attributable and the relevant cost are multiplied as described in A.5.10.3 in order to determine cost-not-attributable.
  4. If the supplemental loan does include an addition, then the percent of area not attributable and the relevant cost for the existing building area are multiplied to determine cost-not-attributable for the existing structures while the percent of area not attributable and the cost of the addition are multiplied to determine the cost-not-attributable for the addition. The two cost-not-attributable results are added together and entered on the HUD form 92264A consistent with the instructions at A.5.10.4. Also, if additional land is acquired for the addition, the combined value of the improved site or sites is added back on Criterion 4, line “c.”
  5. With or without an addition, the entire number of units, both existing and proposed, should be used in Criterion 4, line “a.”

End of Proposed Revised Appendix A.5.10 & A.5.11

### III. Changes to Other MAP Guide Sections to Conform to the Revised Appendix A.5.10

#### A. Existing Text: 3.1.18

### 3.1.18 Statutory Loan Limits

A. The statutory loan limits for each FHA multifamily insurance program are issued annually in the Federal Register, and are used to determine the maximum per unit loan amount to complete Criterion 4 of the form HUD-92264-A. The Regional Director may grant exceptions to the maximum mortgage limits

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Chapter 3 Programs  
3.1 General Program Requirements

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for certain Multifamily Housing Programs by (1) up to 170 percent, (equivalent to a 270 percent multiplier) in geographical areas where cost levels so require or (2) up to 215 percent in High Cost Areas, (equivalent to a 315 percent multiplier) where necessary on a project-by-project basis. When Criteria 4 is relevant to sizing the mortgage, the calculated statutory limit may be adjusted for project costs not attributable to residential use as described in [Chapter 5, Section 5.12.2.B.3.c](#) or [Section 5.12.2.B.3.d](#) When refinancing a previously insured property, the loan amount determined by Criterion 4 shall not be less than the Criterion 4 amount determined for the previously insured loan (assuming no demolition or reduction of improvements since endorsement of the previously insured loan).

Conforming Revision:

Delete the chapter references in the box and insert the following:

“Chapter 5.12.2.B.3 and Appendix A.5.10.”

#### B. Existing Text: 3.7.15

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Chapter 3 Programs  
3.7 Section 207/223(f) Refinance or Acquisition

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### 3.7.15 Cost Not Attributable to Dwelling Space

A. A calculation for cost not attributable for dwelling space may be included in the determination of final loan amount for purposes of Criterion 4 for Section 223(f) projects. (See [Chapter 5, Section 5.12.2.B.3.d](#))

Conforming Revision: Change chapter reference to “See Appendix A.5.10 and A.5.10.2.C specifically for costs in a Section 223(f) transaction”

### C. Existing Text: Ch 5.6.1.D.2

2. Lenders and MF Regional Center/Satellite Offices should consider the complexity of the proposed design and construction when determining whether to permit the deferred submission of final drawings and specifications. Complex issues unsuited to streamlined processing include, but are not limited to:
  - a. Any claim of exemption from the design and construction requirements of the Fair Housing Act based on site impracticality (terrain unsuited to accessible paths and building entrances);
  - b. Projects where costs not attributable to residential use must be calculated because Criteria 4 of the form HUD-92264A, Statutory Limitations of cost per family unit, is material to the calculation of the maximum mortgage amount;
  - b.-c. Projects with complex mixed-use, commercial use, or use of new, complex construction technology; and
  - c.-d. Projects with complex environmental remediation issues or issues that cannot be resolved without the final set of plans and specifications (e.g., noise, historic preservation).

Conforming Revision:

Delete the entire sub-paragraph “b.” and re-label the existing sub-paragraphs “c” to “b” and “d” to “c”.

Calculation of cost not attributable is simplified such that it is no longer a reason to prevent streamlined processing.



## D. Existing Text: Ch 5.12.2.B.3

3. **Cost Not Attributable.** Cost Not Attributable to dwelling use is the construction cost estimate of certain project amenities not directly used for residential dwelling and is calculated only for

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Chapter 5 Architectural and Construction Analysis  
5.12 Cost Estimating for Lenders

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properties where Criterion 4 is the determining criterion. This cost is calculated by the cost analyst and used by the appraiser to increase the maximum mortgage amount under Criterion 4 of form HUD-92264-A (Statutory maximum insurable mortgage amount per dwelling unit). Criterion 4 is typically not material in determining the maximum insurable mortgage, and the calculation is material only when project costs are likely to exceed the statutory limit and when a portion of those costs are not attributable to dwelling units.

- ~~a. Cost Not Attributable must be included within the estimate of total structures and land improvements, and the costs must be itemized and reported separately on form HUD-92326 and Section M of form HUD-92264. The reason to estimate cost not attributable is to isolate construction costs for (A) all improvements and for (B) selected improvements not related to or necessary for the dwellings (non-residential use). In each case, the total is without general requirements and fees.~~
- ~~b. The percentage of (B) divided by (A) is the percentage of costs not attributable. Such a percentage should be calculated for both residential buildings/spaces and commercial buildings/spaces in the project, and neither number may exceed a fixed maximum of 15%. The two are added together to obtain the project percentage of cost not attributable.~~
- ~~c. This figure is used to allocate a proportionate share of all other mortgageable costs (fees, construction period interest and finance charges, etc.) between dwelling use and costs not attributable to dwelling use. The total of all Costs Not Attributable times the maximum percentage loan-to-cost ratio is added to the maximum statutory limit calculated for the number of units by type. The sum is the maximum mortgage amount per Criteria 4. (See [Appendix 5, Section A.5.10](#)).~~
- ~~d. Cost Not Attributable to dwelling use for Section 223(f) Statutory Limit Constrained deals may be used to adjust the statutory limits (Criteria 4 of the form HUD-92264A) for all Section 223(f) insured loans applications. See [Appendix 5, Section A.5.11](#) for calculating Cost Not Attributable for Section 223(f)a.~~

### 5.12.3 Allowances and Fees

#### Conforming Revision:

Add appendix reference to end of first paragraph “For cost not attributable calculation See Appendix A.5.10.”

Delete sub-paragraphs a., b., c., and d.

## E. Existing Text: Ch 5.14.1.B.4.b

4. **Form HUD-92264. Project Income Analysis and Appraisal.**

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5.14 Firm Commitment Cost Package

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a. **Section G. Estimated Replacement Cost.** Line 36a through 52 is used to summarize Total Structures, Land Improvements, General Requirements, and Fees from form HUD-92326, and also records estimated construction time. This section is primarily used for substantial rehabilitation and new construction.

→ b. **Section M.** This is used to summarize Cost Not Attributable to Dwelling Use (lines 10 through 15), and Offsite Requirements (lines 16 and 17).

c. **Section O.** The "Remarks" Is used to explain Unusual Land Improvements, Other Fees, itemization of professional fees (e.g., engineers), the overall difference between Lender's and Borrower's cost estimates, and other cost items.

Conforming Revision:

Replace underscored with "(on line 15 "Total" enter the costs not attributable to dwelling use calculated consistent with Appendix A.5.10.)"

## F. Existing Text: Ch 5.14.2.A.5

5. **Rehabilitation Cost Not Attributable to dwelling use** includes an "as-is" value for non-attributable items in addition to a value for actual work performed. Calculate by using the format in [Appendix 5, Section A.5.10.2](#). The Construction Analyst completes steps 1, 2, and 3; steps 4 through 8 are completed by the appraiser.

Conforming Revision:

Delete enclosed text and substitute "is calculated using instructions described in Appendix A.5.10 and specifically A.5.10.2.B for costs of rehabilitation where the residual cost of any existing improvements is added to the cost rehabilitation."

## G. Existing Text: Ch 7.13.11

### 7.13.11 Rehabilitation Cost not Attributable to Residential Use

A. This entry must be completed for all rehabilitation projects and is prepared on Rehabilitation Cost Not Attributable to Residential Use, found in the MAP Form Book, and transferred to line 4b under Criterion 4 (Amount Based on Limitations per Family Unit) on form HUD-92264A.

Conforming Revision:

Delete entire text and substitute “For calculation of substantial rehabilitation costs not attributable to dwelling use as well as treatment of the calculated results in Criterion 4 of the HUD form 92264A, see Chapter 8.10.1.A.1.c, Appendix A.5.10, and specifically A.5.10.2.B for substantial rehabilitation costs.”

## H. Existing Text: Ch 8.10.1.A.1.c

### 8.10 Commitment Processing 220, 221(d), 231, 241(a)

#### 8.10.1 Mortgage Amounts and Cash Requirements

##### A. Firm Commitment Processing.

1. For new construction, the insurable loan amount is the lowest of four criteria on form HUD-92264-A, Supplement to Project Analysis: the application amount, the cost amount, the statutory limits amount, and the debt service amount, which are described below. Refer to [Appendix 3, Section A.3.1](#) for the applicable program’s required maximum loan ratios and the debt service coverage ratios needed to complete criteria for Firm applications for new construction and substantial rehabilitation:

- a. The Application amount.
- b. The Amount Based on Value or Replacement Cost. The result of Lender’s estimate of the replacement cost after completion, multiplied by the applicable program percentage.

→ c. The Amount Based on Limitations Per Family Unit - Statutory Limits:

- 1) The Statutory limits are determined by an amount attributable to per unit limitation type as adjusted by the High Cost Percentage (HCP) and dwelling use (excluding land).
- 2) Record the sum of costs not attributable to dwelling use from Section M Line 15, form HUD-92264 into Criterion Line 4.b. Insert the same program percentage loan-to-cost ratio noted in A.1 above in the percentage space in Line 4.b. Multiply the sum of costs not attributable with the percentage loan-to-cost ratio and record the sum.
- 3) On Line 4.c, insert the full value of the “warranted price of the land” (see Section G Line 73a, form HUD-92264) or the full amount of the “As Is” value of the Land Without the Improvements (strike through “warranted price of the land” and insert “As Is Value”) if the transaction is a substantial rehabilitation loan (see Section H Remarks Section, form HUD-92264).
- 4) On Line 4.e, total costs not attributable multiplied by the percentage of the loan-to-cost ratio, plus (added to) the maximum statutory limit calculated for the number of each by-unit-type. The sum calculated is the criterion mortgage amount. Strike a line through Line 4.e “Total Number of Spaces” field or leave blank, this field is no longer applicable.
- 5) For the latest High Cost Percentages visit the HUD web site at:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/mfinfo](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfinfo).

## Conforming Revisions:

Item “1)” is poorly worded, delete existing and insert: “The statutory limits are established by Congress as cost limitations per dwelling unit (where units are categorized by number of bedrooms) which amounts are adjusted by the High Cost Percentage (HCP) applicable to the location of the project.”

Item “2)” delete existing and insert: “Enter the cost not attributable to dwelling use on Criterion 4, Line 4.b of HUD Form 92264A The cost not attributable is calculated per Appendix A.5.10 and entered in HUD form 92264 Section M, line 15. Enter 100 as the percentage on line 4.b. and line 4.c. Enter the full amount of cost not attributable on Line 4.b., column 1.”

Item “4)” delete existing and insert: “On line 4.d of HUD Form 92264A enter the sum of the column 1 totals for lines 4.a, 4.b., and 4.c. This sum is the Criterion 4 maximum mortgage amount. Strike out line 4.e “*Total Number of Spaces*” because this field is no longer used.”

### I. Existing Text: Ch 8.11.1.A.1.c

## 8.11 Sections 223(a)(7) and 223(f) Firm Commitment Processing

### 8.11.1 Determining Mortgage Amounts, Cash Requirements, and Related Matters

#### A. Firm Commitment Processing for Section 207 Pursuant to Section 223(f)

1. Amount of loan in a purchase transaction. In a purchase transaction involving an arm's length sale, the mortgage may not exceed the lowest of 5 criteria on form HUD-92264-A, Supplement to Project Analysis: the application amount, the loan to value amount, the statutory limits amount, the debt service amount, and the cost amount, which are described below. Refer to [Chapter 3](#) for the applicable maximum loan ratios and the debt service coverage ratios needed to complete criteria for a Firm application for a purchase transaction.

a. Application amount.

b. Loan-to-Value Ratio amount. Refer to [Chapter 3](#) for ratios. These loan-to-values apply to both for-profit and nonprofit Borrowers. (The amount based on value for Section 202 or 202/8 Direct Loan purchase transactions is 90%).

c. Statutory Limits Amount. This limit is based on maximum costs. The maximum per family unit limitation for refinance under Section 207 may be increased by the percentage of the High Cost Percentages (HCP) plus the percentage loan ratio noted in [Section 8.11.1.A.1.b](#), above. Follow the same guidance for inclusion of cost not attributable as set forth in [Section 8.10.1.A.1.c](#).

NOTE: Per family unit limits may be increased by the High Cost Percentages. The per-unit limits and HCP may be obtained on the HUD web site at:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/hicost/hicost](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/hicost/hicost)

## Conforming Revision:

Enclosed text of sub-paragraph “c” is revised as follows: “The statutory limits are established by Congress as cost limitations per dwelling unit categorized by number of bedrooms which amounts are

adjusted by the High Cost Percentage (HCP) applicable to the location of the project. When completing Criterion 4 on HUD form 92264A, follow Appendix A.5.10 and the same guidance for Section 207 pursuant to Section 223(f) transactions as is stated for construction loans in chapter 8.10.1.A.1.c.”

**J. Existing Text: Appendix A.2.1.1.10.M**

2. A detailed independent cost estimate must provide the following:
a. Documentation of the method of estimation and data source.
b. To be summarized on form HUD-92326:
1) Detailed structure(s) and land improvement cost estimates, and costs of any unusual site development
2) Contractor's general requirements
3) Contractor's general overhead
4) Contractor's profit (for non-BSPRA cases)
5) Architect's design and supervision fees
6) Bond premium and mortgagor's and contractor's Other Fees
7) Onsite demolition costs
8) Offsite improvements costs
<del>9) Project's Cost Not Attributable (CNA) to dwelling use _____</del>
<del>10) For sub rehab projects, complete Rehab CNA Worksheet (MAP Guide <a href="#">Appendix S, Section A.5.10</a>).</del>

Conforming Revision:

Revise item “9)” to read “Project’s Cost Not Attributable to dwelling use calculated consistent with Appendix A.5.10.”

Delete Item “10)”

**K. Existing Text: Appendix A.3.1.1 Program Specifications, New Construction/Substantial Rehab**

	least 10% below market.)	
Criterion 4 (Statutory Limit on loan amount per unit)	Where percentages are required, enter the same percentage applied under Criterion 3. See Chapter 8 for complete details and the MF Housing website: <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/hicost/hicost">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/hicost/hicost</a> on information for per family unit limits and the high cost percentage (HCP) by jurisdiction.	The Supplemental Loan, when added to the outstanding balance of the mortgage covering the project or facility, may not exceed the maximum Statutory Limit Applicable to the building and unit type for the Section of Act (SOA) under which the existing first mortgage is insured.
Criterion 5	90% (1.11 DSCR) –Projects with 90% or greater	90% (1.11 DSCR) for

Conforming Revision:

Delete the enclosed text and insert the following: “Where percentages are indicated on HUD form 92264A Criteria 4, enter 100%. See Chapter 8.10.1.A.1.c and Appendix A.5.10”....

#### L. Existing Text: Appendix A.3.1.2 Program Specifications, Refinance/Acquisition

Criterion 4 (Statutory Limit on Loan Amount per unit)	least 10% below market.) Where percentages are required, enter the same percentage applied under Criteria 3. See <a href="#">Chapter 8, Section 8.10.1.A</a> for complete details and the Multifamily Housing website for the latest high cost	N/A
MAP Guide, March 2021 Go to beginning of <a href="#">Appendix 3</a>	Appendix 3 Page A3-3	Bookmarked Version Go to <a href="#">Acronym and Abbreviation List</a> , <a href="#">Glossary</a> , <a href="#">Index</a>

#### Conforming Revision:

Delete the enclosed text and insert the following: “Where percentages are indicated on HUD form 92264A Criteria 4, enter 100%. See Chapter 8.10.1.A.1.c and Appendix A.5.10 for”....

#### M. Existing Text: Appendix A.5.9.2.1.B.2

2. HUD Cost Review. If not acceptable, indicate reasons. a. Comparison of Lender's cost estimate and contractor's form HUD-2328 with HUD cost data: 1) Total Structures 2) Total Land Improvements 3) General Requirements 4) Fee items	MAP Guide, March 2021 Go to beginning of <a href="#">Appendix 5</a>	Appendix 5 Page A5-62	Bookmarked Version Go to <a href="#">Acronym and Abbreviation List</a> , <a href="#">Glossary</a> , <a href="#">Index</a>
To return to this page after clicking a link, press <b>ALT + Back Arrow</b>			
Appendix 5 Architectural and Construction Analysis A.5.9 HUD Cost Reviewer Reports Format			
<del>5) Cost Not Attributable items</del>			

#### Conforming Revision:

Delete item “5)” altogether.

## N. Existing Text: Glossary

<p><b>Cost Not Attributable (to Dwelling Space)</b></p>	<p>Cost Not Attributable to dwelling use is the construction cost estimate of spaces or features of a project not directly used for residential dwellings. Cost Not Attributable is used to adjust the statutory limited mortgage amount to add costs that may be excluded from the statutory limit. It is calculated only for properties where Criterion 4 is the determining criterion. See Criterion 4. _____</p>
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Conforming Revision:

Add the following sentence to the existing text: “See Appendix A.5.10 for how to calculate Cost Not Attributable.”

## O. Existing Text: Index

<p>BSPRA.....3-3, 3-8, 3-14, 3-17, 3-18, 3-19, 5-50, 7-44, 7-53, 8-30, 8-34, 8-50, 8-51, 13-1, 13-18, 13-26, 13-27, 13-28, 13-29, 13-37, 13-38, 14-9, 19-44, 19-65, A2-20, A2-21, A2-24, A3-2, A3-3, A3-7, A3-8</p> <p>Controlling Mortgage Criteria</p> <p>Controlling Mortgage Criteria..... 3-17, 3-18, 3-19, 3-29</p> <p>Criterion 1.. 3-15, 3-23, 3-25, 3-26, 3-34, 3-45, 8-44, 14-4, 17-5, 18-2</p>	<p>Extension of Contract Time ..... 12-24</p> <p>Short-Form Cost Certification ..... 19-75</p> <p><b>Cost Not Attributable</b></p> <p>Calculating Cost Not Attributable for Substantial Rehabilitation.....A5-71</p> <p>Commercial Cost Not Attributable .....A5-66</p> <p>Commercial Costs Not Attributable .....A5-66, A5-67</p> <p>Cost Not Attributable for Existing Properties .....A5-69</p>
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<p><b>Cost Not Attributable to Dwelling Space</b> ..... 3-27</p> <p><b>Costs Not Attributable for Existing Properties</b> .....A5-69</p> <p><b>Costs Not Attributable for New Construction</b> .....A5-64</p> <p>Cost Portions</p> <p>Cost Portions of Form HUD-92264.....5-38, 5-53, 5-55, A2-20, A2-22</p> <p>Cost Report</p>	<p style="text-align: center;"><b>D</b></p> <p>Davis-Bacon</p> <p>Davis-Bacon Wage Rate ..... 5-22, 5-30, 5-45, 8-47, 9-2, 12-2, 12-39, 12-47, 14-15, 19-80, 19-82, A2-17, A5-30</p> <p>Labor Standards ..... 3-12, 3-24, 5-34, 12-2, 12-3, 12-7, 12-10, 12-30, 12-31, 12-39, 19-10, 19-11, 19-19, 19-64, 19-80, 19-84, A12-8</p>
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Conforming Revision: Adjust enclosed Index references consistent with revised text sections, a task to be executed by Training and Technical Assistance contractor following approval of all changes.

## P. Existing Text: Table of Contents

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<b>A.5.10</b>	<b>Costs Not Attributable for New Construction.....</b>	<b>A5-64</b>
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Conforming Revision: Adjust indicated Table of Contents references consistent with revised text sections, and revise all text references to existing A.5.12 to A.5.11, a task to be executed by Training and Technical Assistance contractor following approval of all changes.

End of Conforming Revisions

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Julia R. Gordon Assistant Secretary for Housing –  
FHA Commissioner



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