

**U.S. Department of Housing and Urban Development**

**Special Attention of**

All Multifamily Hub Directors  
All Multifamily Program Center Directors  
All Supervisory Housing Project Managers

**Notice 05-01**

Issued: January 7, 2005

Expires: January 31, 2006

Cross References

**SUBJECT:** Fiscal Year 2005 Interest Rate for Section 202 and Section 811  
Capital Advance Projects

1. PURPOSE: This Notice sets forth the Fiscal Year 2005 nominal interest rate for the Section 202 and Section 811 Capital Advance Programs. Based on the formula specified in the Housing and Community Development Act of 1987, the interest rate is 5 1/4 percent.

The processing factors for the 5.25 percent rate are as follows:

40-year LAMP Debt Service Rate: .059864436

Monthly Amortization Factor: .004988703

Initial Curtail Rate: .007364436

2. APPLICABILITY: Under the Capital Advance Program, a capital advance bears no interest and its repayment is not required as long as the housing remains available for very low-income elderly persons or for very low-income persons with disabilities, for a period of 40 years, in accordance with Section 202 of the Housing Act of 1959, as amended, or Section 811 of the National Affordable Housing Act of 1990 (whichever is applicable), the Regulatory Agreement and Regulations.

However, in the event of default under the terms of the Note, Mortgage, Regulatory Agreement or Regulations, at the option of the Secretary, the entire principal with interest shall become due and payable. The Note shall reflect the interest rate that will apply in the event the Secretary declares a default. The interest rate relates to the date of the initial closing. Therefore, the annual interest rate as established herein applies to the Section 202 and Section 811 projects that proceed to initial closing by September 30, 2005.

John C. Weicher, Assistant Secretary  
for Housing – Federal Housing Commissioner

**Distribution: W-3-1,**