

U.S. Department of Housing and Urban Development

Special Attention of
All Multifamily Hub Directors
All Program Center Directors
All Project Managers
All Field Office Directors

Notice H 2010-01

Issued: January 11, 2010

Expires: January 11, 2011

Cross Reference: ML 09-20, ML 10-01

SUBJECT: Extension of Authority for Processing Pre-application
Firm Invitation and Firm Commitment Extension Requests

Purpose

The Department is extending the special authority for processing Pre-application Firm Invitation and Firm Commitment extension requests established by Mortgagee Letter 2009-20 for a period of one year from the publication date of this Housing Notice. ML 2009-20, published June 26, 2009, expired December 31, 2009. The Department has determined the extension authority is still needed because of market conditions.

This extension of the Multifamily Hub/Program Center Directors' authority to grant extensions for up to 90 days of the Pre-application Firm Invitation letter and extensions of up to 120 days of an issued Firm Commitment, is the same guidance provided under ML 2009-20 with one clarification. Hub/Program Center Directors have the authority to grant additional Firm Invitation and Firm Commitment extensions beyond the terms described in this Housing Notice without Headquarters review and approval (see below).

Background

A Pre-application Firm Invitation is issued for 120 days and the Lender currently has the option of requesting up to three 30-day extensions. A Firm Commitment is issued for 60 days, and the Lender currently has the option of requesting an extension of the Commitment to prepare for the Initial Endorsement submission.

This Housing Notice provides relief to the Lender when extenuating circumstances warrant an extension of time to submit a Firm Application in response to a Pre-application Review Invitation, or an extension of an issued Firm Commitment prior to Initial Endorsement. It is more cost effective and efficient for a Lender to submit and HUD to review and process one extension request for up to 90 days instead of three 30-day requests.

When requesting an extension of the Pre-application Firm Invitation, the Lender must certify and HUD must concur that the documentation provided in the request demonstrates that granting the extension will not likely change the underwriting data on which the invitation was based or

undermine the feasibility of the project due to a change in the market or other factors determined at Pre-application.

When requesting an extension to a Firm Commitment, the Lender must also certify and HUD must concur that the documentation provided by the Lender demonstrates that granting the extension will not likely change the underwriting data on which the Firm Commitment was issued or undermine the feasibility of the project due to a change in the market, inflation or other factors impacting cost. A change in the interest rate or other terms or conditions of the Firm Commitment may require reprocessing and amendment of the Firm Commitment.

Pre-application Firm Invitation

Pre-application Firm Invitation letters are issued for 120 days. An extension up to 90 days may be granted.

Firm Commitment Issued - Applicability

Firm Commitments are issued with a 60 day time frame. An extension up to 120 days may be granted.

Due Diligence Requirements for Extension Requests

In accordance with current policy; the Appraisal and market study (where applicable) must have an effective date within 120-days before the date the Pre-application or Firm Commitment package is delivered by the Lender to HUD. Hubs or Program Centers granting extensions should ensure that the underwriting data on which the Firm Commitment or Pre-application Firm Invitation letter was based is sufficiently current as deemed, by both the Lender and HUD to be valid and reliable. If the information is dated to the point it is unreliable, extensions must be based on updated due diligence.

If a Commitment has been extended beyond 120-days from the original date of the Firm Commitment, the Lender must provide updated appraisal/market study, cost and mortgage credit, or other information as required by the Hub or Program Center for review prior to loan closing.

The former ML 2009-20 stated that additional extension requests beyond the timeframes as outlined above will not be granted. This Notice provides Hub/Program Center Directors with the authority to grant additional extensions on a case-by-case basis, so long as prolonged extensions of commitments do not occur. As noted, any such approval must be based on updated due diligence. The Hub Director must document that the requested delay will not significantly change the underwriting data on which the commitment was based or to undermine the feasibility of the project due to a change in the market, inflation, or other factors affecting cost.

If there are any questions regarding the Mortgagee Letter, please contact Joseph Sealey, Director of Technical Support at (202) 402-2559 or Dan Sullivan, Director of Policy at (202) 402-6130.

David H. Stevens
Assistant Secretary for Housing –
Federal Housing Commissioner