

Federal Register

**Wednesday
May 14, 1980**

Part V

Department of Housing and Urban Development

**Office of Assistant Secretary For
Housing—Federal Housing
Commissioner and Office of Assistant
Secretary for Policy Development and
Research**

**Existing Multifamily Housing,
Demonstration; Interim Rule on Low Cost
and Moderate Income Mortgage
Insurance**

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**Office of Assistant Secretary for
Housing—Federal Housing
Commissioner**

**Office of Assistant Secretary for
Policy Development and Research**

24 CFR Part 221

[Docket No. R-80-803]

**Low Cost and Moderate Income
Mortgage Insurance; Existing
Multifamily Housing Demonstration**

AGENCY: U.S. Department of Housing
and Urban Development.

ACTION: Interim rule.

SUMMARY: The Department of Housing and Urban Development, under its Title V research authorities (12 U.S.C. 1701z-1), is conducting a Demonstration to develop and test new and improved mechanisms for the purchase and/or refinancing of existing multifamily housing projects. This regulation is in support of that Demonstration. It implements the policy and authority of Section 223(f) of the National Housing Act of 1934, as amended, pursuant to Section 221(d)(3) to permit cooperative conversions of existing multifamily projects as a part of the Demonstration. It will permit the insurance of mortgage loans made in connection with the purchase and refinancing of existing, conventionally-financed, multifamily, rental projects, for the purpose of converting them to management-type projects.

The Demonstration is limited to a total of not more than thirty (30) projects located in not more than six (6) metropolitan areas of the country. Projects will be selected from applications which meet the purposes of the Demonstration to test a range of alternate financing mechanisms, under varying project and tenant circumstances, and from different locales, and which also meet requirements for project quality, underwriting soundness, and fairness of conversion price. This rule is only one alternative of the Demonstration. Alternatives involving amendments to other Parts of the Regulations will be published separately. Administration procedures for the Demonstration, and invitations to submit applications to it, will appear as Notices in subsequent issues of the *Federal Register*.

DATES: Effective: June 13, 1980.

Comments due: July 14, 1980.

FOR FURTHER INFORMATION CONTACT:
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Secretary for Research, Department of
Housing and Urban Development,

Washington, D.C. 20410 (202) 755-5561, or Alexander J. Pires, Deputy Assistant Secretary for Multifamily Housing, Department of Housing and Urban Development, Washington, D.C. 20410 (202) 755-6495. The telephone numbers are not toll-free numbers.

SUPPLEMENTARY INFORMATION: The Demonstration will test a number of alternative purchase and/or refinancing mechanisms for existing multifamily housing. Among them is the implementation of the authority of Section 223(f) to expand cooperative ownership opportunities for those with moderate incomes. The availability of cooperative mortgage insurance will offer tenants who could not otherwise afford the purchase of a share in a cooperative the advantages of long term financing and feasible down payment requirements. Under existing regulations, the opportunities for cooperative ownership have only been available with new construction and substantial rehabilitation. By this Interim Rule, the Department will test the usefulness of extending cooperative homeownership opportunities to the thousands of multifamily dwelling units whose owners are interested in conversion but have lacked the means by which they could make their satisfactorily maintained structures available for purchase by tenants of moderate means. Such conversions are also seen as a possible additional tool to permit tenants in residence to remain in neighborhoods experiencing upgrading and displacement.

The Secretary has determined that prior notice and public procedure are not necessary, are contrary to the public interest, and good cause exists for making this regulation effective as soon as possible because: (1) HUD standards for moderate income cooperative ownership are well established, and those standards will be applied in this Demonstration; (2) the use of Section 223(f) has been effectively demonstrated with a related multifamily program; (3) the legislative direction, as in House Report 96-658, clearly encourages this Demonstration; and (4) the application of this rule will only be for a limited number of demonstration projects. The Department has determined that an Environmental Impact Statement is not required with respect to this Interim Rule. A copy of the Environmental Finding of Inapplicability is available for public inspection during regular business hours in the Office of the Rules Docket Clerk, Office of the General Counsel, Room 5218, Department of Housing and Urban Development, 451, 7th Street, SW., Washington, D.C. 20410.

This rule was listed as item number S-5-79 on the Department's semi-annual agenda of significant rules, pursuant to Executive Order 12044.

The effective date shall be June 13, 1980.

Accordingly, Part 221 is amended as shown below.

**PART 221—MULTIFAMILY HOUSING
MORTGAGE INSURANCE**

**Subpart C—Eligibility Requirements—
Moderate Income Projects**

1. The Table of Contents is amended to include a new section numbered § 221.560b, and named "Eligibility of Cooperative Mortgages for Existing Multifamily Housing Demonstration"
2. The following new section is added and designated as § 221.560b:

**§ 221.560b Eligibility of cooperative
mortgages for existing multifamily housing
demonstration.**

(a) *Eligibility.* Notwithstanding the generally applicable requirement that mortgages insured under this part be limited to projects to be constructed or substantially rehabilitated after commitment for mortgage insurance, a mortgage executed in connection with the purchase or refinancing for cooperative ownership of an existing multifamily housing project that has been designated to be part of the Existing Multifamily Housing Demonstration may be insured under this part pursuant to Section 223(f) of the Act. A Mortgage insured pursuant to this section shall meet all other requirements of cooperative ownership insured pursuant to Section 221(d)(3), except for such waivers or modifications as may be made to accommodate the purposes of the Demonstration under § 221.560b(f) below.

(b) *Limited Applicability.* The number of projects which may be insured under this or any other section, as part of the Demonstration, shall be limited to a total of not more than thirty (30) projects, located in not more than six (6) metropolitan areas of the country.

(c) *Joint Approval.* Mortgages insured under this section shall require the joint Central Office review and the written approval of both the Assistant Secretary for Policy Development and Research and the Assistant Secretary for Housing/Federal Housing Commissioner, or their Central Office delegates, prior to issuance of commitment for such mortgages by the Manager of HUD's local office.

(d) *Related Programs.* Projects eligible for insurance under this section may also be eligible for any other applicable program(s) of HUD.

(e) *Administrative Procedures for Demonstration.* Notice(s) will be published in the Federal Register concerning the administrative procedures for the Demonstration, including, but not limited to: Eligibility, invitation to submit applications, processing standards, underwriting criteria, and other requirements of the Demonstration.

(f) *Demonstration Waivers.* Non-statutory requirements for projects insured or otherwise assisted under this section may be waived, modified, or added to, upon a joint finding by the Assistant Secretary for Policy Development and Research and the Assistant Secretary for Housing/Federal Housing Commissioner that it is necessary or appropriate to do so, in order to serve the purposes of the Existing Multifamily Housing Demonstration. Notice of any such waivers, modifications, or additions shall be published in the Federal Register.

(g) *Sunset provision.* Authority to insure mortgages under this section shall expire on March 15, 1984, or upon endorsement of the thirtieth project in the Demonstration, for § 221.560b(b) above, whichever occurs sooner.

(Title V of Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1); sec. 223(f) of National Housing Act of 1934, (12 U.S.C. 1701); sec. 7(d) of Department of HUD Act of 1967, (42 U.S.C. 3535(d)))

Issued at Washington, D.C., April 17, 1980.
March 5, 1980.

Lawrence B. Simons,

Assistant Secretary for Housing/Federal Housing Commissioner.

Michael A. Stegman,

Deputy Assistant Secretary for Research.

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