



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

January 8, 2025

MORTGAGEE LETTER 2025 -03

TO: All FHA-Approved Multifamily Mortgagees

SUBJECT: Multifamily Changes in Debt Service Coverage Ratios (DSCR) and Loan to Value/Loan to Cost Ratios (LTV/LTC)

I. Purpose

This Mortgagee Letter (ML) updates the Federal Housing Administration's (FHA's) Multifamily Housing Programs' underwriting standards and guidelines. It is not applicable to the health care programs administered by the Office of Healthcare Programs (Section 232 or refinancing of Section 232 pursuant to Sections 223 (f) or 223 (a) (7)), nor does it apply to Risk Share (Section 542) loans.

These changes are in response to current real estate and financing markets and are intended to stimulate FHA's countercyclical role while ensuring the continued availability and stability of FHA insurance.

II. Background

As part of the Biden-Harris Administration's commitment to expanding housing supply, both affordable and market rate, FHA is updating its policies to make financing of both existing and new housing units feasible for more properties. This adjustment is in line with trends in the private multifamily market and will enhance housing unit output.

III. Changes in Debt Service Coverage Ratios and Loan to Value Ratios

Under the Multifamily Accelerated Processing Guide (MAP Guide), maximum loan amounts are the lesser of: a) the requested mortgage amount, b) the amount allowed by statutory limits, c) the amount supportable by applicable debt service coverage ratios, or d) the amount supportable by the applicable loan ratios. To help boost housing supply, HUD is revising its underwriting policies. The previous and new debt service coverage ratios (DSCR) and loan to value / loan to cost ratios (LTV/LTC) are listed in the table below:

	Criteria 3 (Loan to Value/Loan to Cost)		Criteria 5 (Debt Service Coverage)		Vacancy Factor
	Previous	New LTV/LTC	Previous	New DSCR	
90% or Greater Units with Rental Assistance					
221(d)(4)NC/SR	90%	No Change	1.11	No Change	3%
223(f) Refinance or Acquisition*	90%	No Change	1.11	No Change	
Affordable Housing (LIHTC w/ Rent Advantage to Market)					
221(d)(4) NC/SR	87%	90%	1.15	1.11	5%
223(f) Refinance or Acquisition*	87%	90%	1.15	1.11	
Market Rate (or LIHTC w/o Rent Advantage)					
221(d)(4) NC/SR	85%	87%	1.176	1.15	7%
223(f) Refinance or Acquisition*	85%	87%	1.176	1.15	

**There is no change to the current Criteria 10 loan to value ratio for cash out refinancing, and there is no proposed change in the current vacancy factor underwriting.*

IV. Implementation

Changes will be implemented immediately for any application that has not reached initial endorsement. This Mortgagee Letter is effective immediately and remains effective until amended, superseded, or rescinded. MAP Guide Chapter 3 will be revised to incorporate the changes specified in this Mortgagee Letter. Additionally, related MAP Guide cross references will be revised for consistency with the revisions. For questions about this Mortgagee Letter, please contact Margaret Lawrence, Deputy Director, Office of Multifamily Production at margaret.a.lawrence@hud.gov.

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0541. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Julia R. Gordon
Assistant Secretary for Housing- FHA Commissioner

Date