ɔice Voucher program by $1.8 billion. As a result ears of short-funding and raiding reserves, we e seen the number of vouchers in use fall, and n some families terminated from the program. are committed to making sure that this does not pen in the current fiscal year—and to putting program on a sound footing going forward.

at are your top priorities at HUD? To at extent have they been accomplished?

ɔb number one is to stop foreclosures—Making ne Affordable is on track to do what we expect- in the volume we expected. At the same time, D has a big role to play in helping our commu- ɛs recover and stabilizing our neighborhoods.

/e have been at the center of the Administra- 's response to the economic crisis in many ways. ting in February, HUD began investing nearly billion under the Recovery Act in our commu- ɛs—three-quarters of which we allocated in the week. In addition to the $4 billion to make rovements to public housing, that funding udes $2 billion for project-based rental housing $1.5 billion to prevent homelessness.

ılso mentioned the Neighborhood Stabilization ;ram—we're investing an additional $2 billion : to help communities purchase and convert closed and abandoned properties into new rdable housing, land banks, or other options preserve neighborhoods. At the same time, e using those dollars to encourage state and l governments to develop new and innovative ; to improve public housing and rebuild com- ıities. In fact, right now, HUD has made the : competitive dollars available in its history.

'hen it comes to putting Recovery Act funds to : creating jobs, aiding states and jump-starting ·el-ready projects, we're right on-schedule—in y cases, ahead of schedule. That doesn't mean ɛ in recovery yet—but we have created the sta- y necessary to get us there, and are laying the dation for long-term growth.

·forming and modernizing the Federal Housing ıinistration is also one of my top priorities. Just did when President Franklin Roosevelt created years ago during the Great Depression, FHA is : again playing a critical counter-cyclical role ıg a downturn in our housing markets, stepping ı ensure access to homeownership for families ı banks can't—or won't. And if we needed any ɛnce of that, we need only look at FHA's share e mortgage market. Only three years ago, it was han 2 percent—today, it's nearly 24 percent.

What Construction Bust?

HUD Program Keeps Architect Busy Designing New Multifamily Projects

By Keat Foong, Executive Editor

Dallas—Financing for new construction? As commercial banks have virtually shut down their balance-sheet funding of new construction, pretty much the only game in town is the Federal Housing Administration's (FHA) mortgage insurance program.

Financing insured under the FHA 221(d)(4) program for new construction or substantial rehabilitation provides fixed-rate, up to 40-years amortizing, financing for both the construction and ownership of market-rate (non-rent-regulated) multifamily housing. The loan rolls over from a construction to a permanent loan at the same interest rate.

It is still surprising that many developers are not aware of this alternative financing program, administered by the Department of Housing and Urban Development (HUD), that will enable them to build market-rate new apartments at this time.

For the benefit of its clients, the architectural firm of Humphreys & Partners Architects LP held a webinar in March this year and expected 50 attendees, but drew 451 attendees instead. Counting downloads up to today, about 1,000 developers have attended or downloaded the webinar, which continues to be downloaded every day, says the firm.

For now, despite the recession, Humphreys & Partners is able to keep busy, designing new multifamily projects under the FHA 221(d)(4) program. Since January of this year, the firm says it has designed 40 new FHA projects currently moving through HUD's pipeline or about to be submitted. This compares with 42 projects the company has designed in the U.S. in all of the last 15 years.

"It is extraordinary," says Mark Humphreys, CEO. "Before, we would have two or one (d)(4)s all year, or three in six or seven months." He explains this phenomenon: "There is no [other] construction financing available for any type of project today."

HUD reports that this year's Section 221(d)(4) volume, by number of loans, is slightly down from last year—57 loans (representing $874 million and 9,946 units) have been insured through August 10, versus 60 loans (representing $717 million and 9,609 units) in the same period last year.

"This trend is consistent, although less dramatic, than the downturn in the overall multifamily financing market," HUD states. Nevertheless, "We estimate that this year's unit and mortgage volume will match or exceed last year's activity," says HUD.

HUD says that by appropriation, loan authority is limited. However, "this limitation will not impact the Department's ability to honor all outstanding commitments issued through Sept. 30, 2009."

Humphreys says that his firm is receiving inquiries, for example, from retail developers with land that they cannot do anything with, condominium and townhome developers who are considering converting projects from rental to for-sale down the road, and merchant builders.

Developing a multifamily project using FHA financing is a "wholly different scenario," than conventional projects, says Humphreys. For example, a HUD-approved appraiser is required; HUD will conduct a strict proforma review—no "fluffing up of numbers" is accepted—and if there is another FHA 221(d)(4) project in the market, the project will not be approved unless that other project is already approved and stabilized, he notes.

HUD's litmus test requires developers to first show demand in the marketplace, selecting sites in the submarkets with 91 percent occupancy or higher, and few, if any, concessions, according to Humphreys & Partners.

The application must also include a full set of designs, projected rents, and estimated operating costs, among other requirements. "The up-front architectural requirements, as a result, account for the largest piece of the package in a loan process that takes nearly five months to complete," according to Humphreys.

The developer will also need to work with a HUD-approved lender. The FHA application will take another 45 to 60 days to be approved (including a pre-application, which lets the developer know whether the project will have a high likelihood of approval).

Humphreys says his projects are located across the country—in the Bay Area, Orlando, Denver, Texas, New York, Kentucky, Utah, Louisiana, Virginia, Connecticut, Illinois, California, South Carolina and Florida. He says it's easier to obtain financing for simpler and smaller, up to 250-unit, wood-frame projects without podium parking garages. It is more difficult to obtain financing for complicated, expensive projects because of the loan limits of $250,000 per unit, which knocks many high-end infill projects out of consideration.