



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

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**October 16, 2024**

**MORTGAGEE LETTER 2024 -XX**

**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 (542) loans.

These changes are in response to current real estate and financing markets and are intended 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 the multifamily market and will enhance housing unit output.

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

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

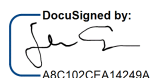
	Criteria 3 (Loan to Value/Loan to Cost)		Criteria 5 (Debt Service Coverage)		Vacancy Factor
	Current	New LTV/LTC	Current	New DCR	
<b>90% or Greater Units with Rental Assistance</b>					
221(d)(4)NC/SR	90%	No Change	1.11	No Change	3%
223(f) Refinance or Acquisition*	90%	No Change	1.11	No Change	
<b>Affordable Housing (LIHTC w/ Rent Advantage to Market)</b>					
221(d)(4) NC/SR	87%	90%	1.15	1.11	5 %
223(f) Refinance or Acquisition	87%	90%	1.15	1.11	
<b>Market Rate (or LIHTC w/o Rent Advantage)</b>					
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 Mortgage Letter is effective immediately and remains effective until amended, superseded, or rescinded. For questions about this Mortgage Letter, please contact Willie Fobbs, Production Director, Office of Multifamily.

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Julia R. Gordon  
Assistant Secretary for Housing- FHA Commissioner

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Date