



CLIENT UPDATE: HUD REVISED RULES PERTAINING TO “CO-OPS”



Recently, the U.S. Department of Housing and Urban Development (HUD) revised its rules to permit FHA insurance of mortgage loans to cooperative multi-family housing projects (“Coops”). In the past, HUD allowed Federal Housing Administration (“FHA”) insurance of mortgages used to purchase or refinance multi-family housing projects however the rules were not clear whether HUD would allow FHA insurance of mortgages as to Coops. To clarify this issue, HUD revised their rules and this rule is will be effective as of August 20, 2014 FHA mortgages. It should be noted that while this change will go into effect in August, the Multi-family Accelerated Processing (“MAP”) system which allows for lenders to prepare, process and submit loan applications to FHA cannot be used initially for cooperative housing loans. The existing restriction that multifamily housing projects which require substantial rehabilitation are ineligible for such FHA mortgage insurance remains in place. **What**

this means: With this change in the federal rules, cooperative housing projects which have been ineligible for FHA mortgage insurance will become eligible. This is an important resource for Coops which often have limited access to financing due to their unique structure.

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