

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

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OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 2001-30

TO: ALL APPROVED MORTGAGEES
ALL APPROVED NONPROFIT ORGANIZATIONS
ALL PARTICIPATING GOVERNMENT ENTITIES

SUBJECT: Nonprofit Organization and Government Entity Participation in Single Family FHA Activities; Clarification of Net Development Cost Calculation; Expansion of the Use of the Net Development Cost Calculation and Land Use Restriction Addendum to Properties Sold at a Discount of 10 percent or more; Program Definitions; and List of Relevant Documents

This Mortgagee Letter clarifies the calculation of Net Development Cost and expands the use of the Net Development Cost calculation to HUD properties sold at a discount of 10 percent or more. It applies to government entities and qualified nonprofit organizations that have been pre-approved by HUD to purchase HUD Homes (also referred to as Real Estate Owned, or REO properties in other Mortgagee Letters). Nonprofit organizations and government entities must pass on the discount received from HUD to increase homeownership opportunities for low- and moderate-income families and individuals. Appendix A to this Mortgagee Letter provides a detailed list of the costs allowed in the Net Development Cost calculation.

This Mortgagee Letter also expands the use of the Land Use Restriction Addendum to all HUD homes sold to nonprofit organizations and government entities at a discount of 10 percent or greater, effective for all sale contracts executed on or after one month from the date of this Mortgagee Letter. The addendum, to be attached to all Sales Contracts for these discounted properties, stipulates that the property be utilized to expand affordable housing opportunities as stated in 24 CFR 291.301(3). The Land Use Restriction Addendum is set forth in Appendix B to this Mortgagee Letter. Discounted homes purchased through the Dollar Homes, Asset Control Area (ACA), and Officer/Teacher Next Door programs continue to be exempt from these restrictions.

Appendix C to this Mortgagee Letter is a list of definitions for terms commonly used by lenders, nonprofit organizations, and government entities in FHA Single Family Housing

programs and Appendix D to this Mortgagee Letter is a summary reference guide of HUD Handbooks, Mortgagee Letters, and Housing Notices that apply to nonprofit participation in Single Family Housing activities.

Questions regarding this Mortgagee Letter should be directed to the FHA Homeownership Centers in Atlanta (1-888-696-4687), Denver (1-800-543-9378), Philadelphia (1-800-440-8647) or Santa Ana (1-888-827-5605).

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachments