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Middle Income Housing

Mortgagee Letter 2025-2
HUD 221(d)(4) Program

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Moderated by: Bruce Minchey, Colliers

AGENDA

ML 2025-2

- I. Introductions**
- II. Program Overview & Intent**
- III. Key Features**
- IV. Program Intent**
- V. “What If” Q & A**
- VI. Local Examples**
- VII. Questions**

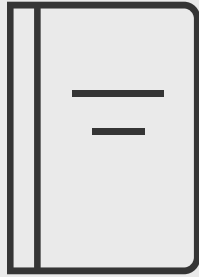
What is Middle Income Housing?

- There is not an industry wide universal definition of Middle-Income Housing.
- A common definition is housing that is affordable to individuals and families earning from 60% to 120% of Area Median Income (AMI).
 - Possibly as high as 150% of AMI in some high-cost communities.

Overview & Program Intentions

- The purpose of the 2025-2 Mortgagee Letter is to create a new set of underwriting thresholds for Middle Income Housing with HUD-221(d)(4) projects to stimulate housing production.
- ML 2025-2 recognizes the need to assist households that are in the Middle, with incomes above levels defined as affordable that have trouble affording market-rate housing.
- The goal is to align with state and local initiatives to ensure that Projects are meeting an identified local need.

Key Features of ML 2025-2



Definition: 50% of units targeted for tenant income levels up to 120% AMI



Revised underwriting criteria:

LTC: 90% (previously 85%)

DSCR: 1.11 (previously 1.176)

Vacancy Factor: 7%

Key Features of ML 2025-2



**Minimum 10-year use restriction period
to be recorded in the public records**



**Regional Center Director Waiver Authority
for shorter terms not less than 5-years**



**Annual monitoring by state or local
government entity**

What If?

Addressing Common Questions
ML 2025-2

What If?

Question 1

Q1: What if there is not an existing local middle-income program and the Developer:

1. Develops a self-imposed program.
2. Creates a one-off program with a local/city agency, inclusive of a use agreement.

Answer #1

A: HUD's intent is to align with local initiatives and address local and state identified needs.

- HUD does not want to create a new program but instead provide latitude to support an existing program.
- HUD wants to avoid projects with self imposed restrictions or seeking a one-off program with a local agency, such as a housing authority.

What If?

Question 2

Q2: Will the Project qualify if the calculation of Area Median Income (AMI) is different from LIHTC? A few examples include:

- 1.5 persons per household
- Rents capped at greater than 30 percent of the income eligible for occupancy under the LIHTC program

Answer #2

A: ML 2025-2 does not have a required AMI calculation.

- The proposal must meet the state/local program requirements.
- Documentation of local program requirements for AMI target should be provided to HUD.
 - Typically found in a MOU, LURA, Board Resolution, Program Guide, etc.

What If?

Question 3

Q3: What if there is no advantage to market rent?

Answer #3

A: ML 2025-2 does not require a market rent advantage. However, the intention is to allow lower underwriting criteria for projects that will target housing in the middle and not at the Top of the Market.

- Geographically Specific. Each area may be different. In some areas, market rents are below 80% AMI and in other areas, 80% is well below market.
- **Understand the program, define your market and the benefit to the tenants.**

What If?

Question 4

Q4: Chapter 7.16.2 and 7.16.3 of the MAP Guide outlines requirements to underwrite Tax Abatements.

- What if the state/local program comes with a Tax Abatement and the Tax Abatement Runs with the Real Estate or the Ownership?
- Can you underwrite and if so, for the full or partial term of the Mortgage?

Answer #4

A: Discuss this at your concept meeting.

- The Regional Center Director has authority to waive the MAP Guide in the case of LIHTC deals and may consider for a Middle-Income deal – on a case by case.
- In most cases, you may need to bifurcate the loan based on term of the abatement. Discuss with HUD.

What If?

Question 5

Q5: I have a large loan. Does the ML 2025-2 apply to projects that qualify as a Large Loan?

Answer #5

A: The ML 2025-2 is silent on large loans, however:

- The Large Loan guidance in the MAP Guide trumps the underwriting standards in ML 2025-2.
- In rare or unique situations, HUD may consider a waiver.
- Discuss potential waiver at or prior to concept meeting.

What If?

Question 6

Q6: What if I am hoping to apply for a reduced MIP.

- Can Projects that qualify for ML 2025-2 also Qualify for the Affordable MIP?

Answer #6

- The ML 2025-2 does not establish a lower MIP for Middle Income Housing.
- To obtain the affordable MIP, the Project would need to meet the criteria established in the Federal Register.

Local Middle Income Program Examples

- Metro Nashville Davidson County Mixed Income Pilot Program
- South Carolina - Jobs Economic Development Authority “JEDA”
- Florida SAIL, CDBG, HOME
- Florida Live Local - It Depends
- Miami FL Workforce Housing Program
- Fort Meyers Affordable Housing Trust
- Density Bonus, Impact Fees
- Others

Questions?