Office of Assistant Secretary for Housing, HUD

§ 232.903 Maximum mortgage limitations.

Notwithstanding the maximum mortgage limitations set forth in §232.30, a mortgage within the limits set forth in this section shall be eligible for insurance under this subpart.

(a) Value limit. The mortgage shall involve a principal obligation of not in excess of eighty-five percent (85%) for a profit motivated mortgagor (ninety percent (90%) for a private nonprofit mortgagor) of the Commissioner’s estimate of the value of the project, including major movable equipment to be used in its operation and any repairs and improvements. The Commissioner’s estimate of value shall result from consideration of:

(1) Estimated market value of the project by capitalization,
(2) Estimated market value of the project by direct sales comparison, and
(3) Total estimated replacement cost of the project.

In the event the mortgage is secured by a leasehold estate rather than a fee simple estate, the value of the property described in the mortgage shall be the value of the leasehold estate (as determined by the Commissioner) which shall in all cases be less than the value of the property in fee simple.

(b) Debt service limit. The insured mortgage shall involve a principal obligation not in excess of the amount that could be amortized by eighty-five percent (85%) for a profit motivated mortgagor (ninety percent (90%) for a private nonprofit mortgagor) of the net projected project income available for debt service. Net projected project income available for debt service shall be determined by reducing the Commissioner’s estimated gross income for the Project by a vacancy and collection loss factor and by the cost of all estimated operating expenses, including deposits to the reserve for replacements and taxes.