

Committee on Healthcare Financing

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1050 30th Street N.W.
Washington D.C. 20007

May 29, 2015

The Honorable Theodore W. Tozer
President
Government National Mortgage Association
451 7th Street, SW, Room B-133
Washington, DC 20410

Re: FHA-insured Loans pursuant to Section 241

Dear Mr. Tozer:

I am writing on behalf of the Committee on Healthcare Financing to raise our concerns regarding recent statements by FHA officials that the Government National Mortgage Association (“Ginnie Mae”) will prohibit the closing and funding of any FHA loan insured pursuant to Section 241 of the National Housing Act if the prior FHA-insured loan was funded with a Ginnie Mae MBS that was placed into a real estate mortgage investment conduit (“REMIC”).

FHA’s Section 241 supplemental loan insurance program allows borrowers that have a loan under FHA’s housing or healthcare programs (i.e., Sections 207, 223(f), 232, or 242) to obtain additional financing to expand or renovate their projects. By obtaining a Section 241 loan, a borrower is able to retain the favorable FHA-insured loan it has on an existing project when it accesses the capital markets to obtain supplemental financing to invest in and upgrade their facility. By providing access to affordable capital for existing projects, Section 241 loans strengthen existing facilities and help them remain competitive. This is of direct benefit to Ginnie Mae and the Ginnie Mae investors, as the underlying collateral for its REMICs becomes improved when borrowers enhance, expand, or upgrade their properties.

Several members of the Committee have been told that Ginnie Mae has taken the position that once a Ginnie Mae MBS is placed into a REMIC, a Section 241 loan may not be obtained. This of course would reverse decades of practice and effectively terminate FHA’s Section 241 loan insurance program for multifamily housing projects, skilled nursing homes, assist living facilities, and senior housing projects. Ginnie Mae’s position already has created turmoil in the marketplace: some lenders, including members of our Committee, have received FHA mortgage insurance commitments for Section 241 loans and have locked interest rates, but are now being told they cannot close their loans. Moreover, FHA officials have told lenders that Ginnie Mae will take action against any lender that closes a Section 241 loan, even if the lender has an FHA firm commitment for mortgage insurance.

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We understand that Ginnie Mae is still reviewing its position; however, we believe that the FHA lending community cannot remain in limbo regarding the ability to close and fund outstanding firm commitments for Section 241 loans, let alone develop new mortgage insurance applications for Section 241 loans. This program is a vital tool for borrowers to access affordable capital to improve and enhance their projects while keeping in place the favorable terms of their existing FHA-insured loans.

Therefore, we request a meeting with you and your staff at the earliest possible date so that we can receive a clear explanation as to why Ginnie Mae's is denying funding of a Section 241 loan if the prior loan's security has been placed in a REMIC. Once we are able to understand Ginnie Mae's position, we may be able to work with your organization and FHA to resolve this matter quickly and satisfactorily to all parties.

Thank you for your attention to this matter. We look forward to meeting with you.

Very truly yours,



Roderick D. Owens
Executive Director

CC: Edward Golding, Principal Deputy Assistant Secretary, Office of Housing, HUD
David Stevens, President, Mortgage Bankers Association
Leonard Russ, Chairman, American Health Care Association
David Schless, President, American Senior Housing Association
James Balda, Assisted Living Federation of America
Stephen Maag, Leading Age