



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

SEP 23 2005

Mr. Wendell J. Chambliss
Associate General Counsel
Legislative and Regulatory Affairs
Freddie Mac
8200 Jones Branch Drive, MS 211
McLean, VA 22102-3110

Dear Mr. Chambliss:

By letter to Freddie Mac dated October 14, 2003, the Department authorized Freddie Mac's use of rent allocation percentages developed by the National Investment Center for the Senior Housing and Care Industries (NIC) for purposes of estimating the portion of monthly payments attributable to rent for senior housing where services are provided. HUD's approval covered housing goals reporting for 2003 and 2004.

The Department has re-evaluated its previous guidelines and determined that, for reporting years 2005-2008, its recently published regulations provide, at 24 C.F.R. 81.15(e)(6)(i)(A)(1), a straightforward affordability estimation methodology for multifamily rental units with missing rent data that generates estimates that are comparable to those produced through the use of NIC data. Accordingly, the Department will require that rent estimations for seniors housing units where services are provided be based on the multifamily estimation methodology described in HUD's regulations.¹ This methodology may be used up to a nationwide maximum of 10 percent of the total number of rental units in properties securing multifamily mortgages purchased by Freddie Mac in the current year, including multifamily seniors housing units.²

Seniors Housing Units Eligibility Criterion:

Effective upon receipt of this letter, senior housing units that require an entry, or up-front fee, in addition to a monthly rent/service fee from the senior occupant will not be eligible for goals credit. The Department believes that units for which residents must pay such fees as a condition of occupancy in addition to the monthly rent are not affordable housing that may be counted towards the low-and moderate-income and special affordable housing goals under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA), codified at 12 USC 4501 *et. seq.* and the Department's regulations at 24 CFR Part 81. The Department will, however, permit goals credit for units that require small application processing fees, first-month advanced rent payments, security deposit fees, and/or similar fees provided these are typical and customary charges associated with apartment rental practices in general in the local area. Freddie Mac must

¹ See the READ_ME file for "Rental Unit Affordability Estimation Data" (revised 5/5/2005) for more information regarding determination of the affordability of senior housing units and the data reporting format for such units.

² See 24 C.F.R. 81.15(e)(6)(i)(C).

collect and retain information on entry or up-front fees charged in addition to the monthly rent/service fee sufficient to support its determination of eligibility.

Counting Units with Multiple Occupancy

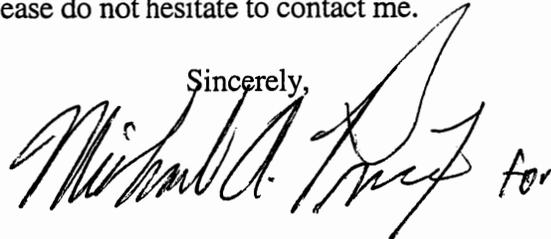
Freddie Mac must score mortgages financing seniors housing on the basis of the number of dwelling units in the financed properties regardless of the circumstances of occupancy. Should Freddie Mac wish to count any seniors housing dwelling unit, with services provided, that is leased to more than one person, more than once towards any housing goal, Freddie Mac must obtain the Department's prior written approval.

Reporting Data on Senior Housing Mortgage Purchases

In the mid-year and year-end computerized loan level data that Freddie Mac provides with its second quarter Mortgage Report and the Annual Housing Activity Report, the RENT field in the unit-class level database should be coded as missing for senior housing units. Unit affordability is reported by means of the data elements LM_ID, SA_ID, LM_QUAL and SA_QUAL, which will indicate, for the low- and moderate-income and special affordable housing goals, respectively, the number of units in the unit-class that qualify to count toward the goal based on the estimation process. In addition, Freddie Mac must continue to provide with its mid-year and year-end reporting a supplemental database on senior housing mortgage purchases consistent with its previous reporting.

Should you have any questions about these revised counting rules for seniors housing units where services are provided, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sandra L. Fostek for".

Sandra L. Fostek
Director
Office of Government Sponsored
Enterprises Oversight