



MORTGAGE BANKERS ASSOCIATION

April 24, 2026

The Honorable Scott Turner
HUD Secretary
US Department of Housing and Urban Development
2415 Eisenhower Avenue
Alexandria, VA 22314

Dear Secretary Turner:

Thank you for your leadership and ongoing commitment to Opportunity Zones and for finding additional ways for them to promote investment, advance neighborhoods, and grow our nation's housing supply. This letter provides recommendations for how HUD can improve its multifamily mortgage insurance programs to better support the development and preservation of housing in Opportunity Zones. These recommendations would reduce friction in FHA execution, align underwriting with the time-sensitive nature of Opportunity Zone capital, and encourage more production in communities where additional housing investment is urgently needed.

MBA¹ and its members appreciate your continued efforts to expand housing supply. In that spirit, we have outlined below a focused set of recommendations to help make HUD-insured financing a more effective tool for multifamily development in Opportunity Zones.

I. RECOMMENDATIONS FOR OPPORTUNITY ZONE TRANSACTIONS

A. Treat All Opportunity Zone Properties Similar to Middle Income Properties

- HUD should allow construction properties located in Opportunity Zones to be underwritten with the same favorable sizing parameters available to Middle Income properties (Mortgagee Letter 2026-1), including a 1.11x minimum debt service coverage ratio and 90% loan-to-cost. Note, the HUD 221(d)(4) program previously allowed 1.11x minimum debt service coverage ratio and 90% loan-to-cost prior to 2009 as well. These enhanced leverage parameters would make a broader range of

¹The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

housing transactions feasible in Opportunity Zones and help attract private capital to areas where additional housing production is needed.

B. Expand Commercial Income and Space Flexibility for All 221(d)(4) Opportunity Zone Transactions

- HUD should permit all Section 221(d)(4) Opportunity Zone transactions to utilize commercial space and income limits like those available under the Section 220 program. Many Opportunity Zone developments are in mixed-use or revitalizing corridors where neighborhood-serving retail and commercial uses are critical to project success. Aligning these standards would better support economically viable, community-oriented development patterns.
- Note that while the Section 220 program is available for Opportunity Zone transactions, the more favorable 221(d)(4) underwriting parameters were not provided for the 220 program in Mortgagee Letter 2025-03, which makes the program less attractive from a loan sizing perspective.

C. Create Express Lane Processing for All Opportunity Zone Transactions

- HUD should create an Express Lane (similar to that used by the Office of Residential Care Facilities) for processing FHA multifamily Opportunity Zone transactions within no more than 30 days. Because Opportunity Zone deals are subject to strict tax-law deadlines, delays in HUD processing can cause sponsors to lose investor equity or miss the transaction entirely. A faster review process would help preserve viable housing deals, keep Opportunity Zone capital flowing into underserved communities, and better align FHA execution with the time-sensitive nature of Opportunity Zone financing.
- In addition, HUD should encourage direct-to-firm processing to streamline approvals, shorten execution timelines, and better accommodate the time-sensitive deployment requirements that frequently apply to Opportunity Zone equity and related investment structures.

D. Eliminate the Application of NEPA for FHA-Insured Transactions

- Chapter 9 of the 2020 MAP Guide outlines HUD's requirements to comply with the National Environmental Policy Act (NEPA). President Trump issued Executive Order 14154, eliminating the implementing regulations from NEPA, and the Council for Environmental Quality (CEQ) subsequently rescinded its NEPA implementing regulations at 40 C.F.R. Parts 1500–1508, effective April 11, 2025. This provides HUD and other agencies the flexibility to amend or eliminate many of their NEPA implementation rules, which would streamline the development of quality rental housing. HUD should rescind its application of NEPA regulations for FHA-insured transactions to accelerate the delivery of affordable housing.

E. Eliminate or Suspend Davis-Bacon Requirements, Including Opportunity Zone Transactions

- Given the current housing emergency and the pressing need to accelerate new housing production, HUD should seek authority to eliminate Davis-Bacon requirements for Opportunity Zone transactions or otherwise suspend Davis-Bacon requirements to establish meaningful relief that reduces labor-cost burdens on these developments. Davis-Bacon requirements materially increase total development costs and can make otherwise viable housing transactions infeasible in the very areas where HUD and other policymakers are attempting to spur investment. The Davis-Bacon Act allows the President to suspend the statute at his discretion during a “national emergency.” A suspension would help achieve President Trump’s stated goal of delivering “emergency price relief,” including through lowering the cost of housing and expanding housing supply.

If Davis-Bacon wages cannot be eliminated or suspended, all Opportunity Zone transactions should obtain a Residential wage rate, regardless of the number of stories of the building.

F. Reduce or Cap Inspection Fees for Opportunity Zone Transactions

- HUD should reduce or cap inspection fee amounts for all Opportunity Zone transactions. These fees can be significant on larger developments and unnecessarily increase project costs at a time when HUD should be seeking to maximize the impact of every financing dollar devoted to housing production. The HUD inspection fee costs should be commensurate with HUD’s actual cost to inspect the property over the construction period.

G. Allow Developer Fees to Be Mortgageable for Opportunity Zone Transactions

- HUD should allow developer fees to be mortgageable for all Opportunity Zone transactions. This change would reduce the need for additional gap financing, improve capital stack efficiency, and better reflect the real costs associated with delivering housing in underserved and emerging markets. A developer fee is typical in all real estate developments and should be an allowable mortgageable cost.

H. Allow Flexibility in the Use of Mortgage Loan Proceeds During Construction for Opportunity Zone Transactions

- HUD should allow maximum flexibility in drawing insured loan proceeds during the construction period. Accelerating the drawdown of insured loan proceeds results in a lower interest rate since the investor that funds the loan receives interest on those funds sooner than under the current policy, which requires the sponsor’s equity to be used first. Lenders escrow the sponsor’s equity at closing, so there is no elevated risk to HUD by allowing insured loan proceeds to be drawn earlier in the construction period.

Housing affordability and supply remain urgent national priorities, and the Opportunity Zones you have championed represent an important platform for attracting long-term private investment into communities that need additional housing. The proposed recommendations will reduce regulatory barriers, expedite processing, lower costs, and increase the production of quality multifamily housing in Opportunity Zones. MBA and its members appreciate your consideration of these recommendations and would welcome the opportunity to discuss ways to implement them. For additional information or questions about these recommendations, please feel free to contact Megan Booth at 202-557-2740 or mbooth@mba.org.

Sincerely,

A handwritten signature in black ink, appearing to read "R. D. Broeksmit", with a stylized flourish at the end.

Robert D. Broeksmit, CMB
President and Chief Executive Officer
Mortgage Bankers Association