



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Welcome to...

Office of Single Family Housing

Updates to FHA's 203(k) Rehabilitation Mortgage Insurance Program - Industry Briefing – Session 2

Today's webinar begins
at 2:00 PM (Eastern)

We will be underway shortly

Please test your speakers and choose Audio source (computer/smartphone or telephone) by selecting desired option in **Audio Settings** – see left side of toolbar at bottom of screen.



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- Technical issues? Review *Technology FAQs* by clicking **Chat** icon at bottom of screen or **Landing Page**.
- Need additional tech support? Click *Contact Tech Support* icon on **Chat** link or **Landing Page**.



Q&A Session

- Webinar registrants were invited to submit questions in advance.
- The presentation team will address those questions at the end of the presentation.
- Additional questions should be directed to the FHA Resource Center.



Contact FHA Resource Center

- Online at: www.hud.gov/answers
- Via email at: answers@hud.gov
- Via phone at: [1-800-Call-FHA \(1-800-225-5342\)](tel:1-800-225-5342)
- Persons with hearing or speech impairments can access their state's telecommunications relay system (TRS) to make TTY calls by dialing 7-1-1.



Documents/Materials & Training Evaluation

Documents/Materials:

- Click **Chat** icon or **Landing Page** – select *Webinar Documents/Materials* link for copy of presentation.

Webinar Evaluation:

- Click on **Chat** icon or **Landing Page** – select *Survey* link.



Helpful Links

Click **Chat** icon or **Landing Page** – select links to bookmark:

- FHA Single Family Housing page:
https://www.hud.gov/program_offices/housing/sfh
- FHA FAQ page:
<https://www.hud.gov/FHAFAQ>
- Single Family Housing Archived Webinars (On Demand) page:
https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars





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Updates to FHA's 203(k) Rehabilitation Mortgage Insurance Program Industry Briefing – Session 2

August 28, 2024

Presented by the Office of
Single Family Program Development
Home Mortgage Insurance Division:
Migdaliz Bernier, Director
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Disclaimer

The purpose of this presentation is to provide an overview and summation of recent changes to Federal Housing Administration (FHA) policy. It introduces and explains official policy issued in Department of Housing and Urban Development (HUD) Handbooks and Mortgagee Letters (ML). If you find a discrepancy between the presentation and Handbooks, MLs, etc., the official policies prevail. Please note, the information provided in this training is subject to change.

The information in this presentation is current as of the May 20, 2024, publication of HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1), and ML 2024-13 published on July 9, 2024.

Please consult HUD Handbooks and MLs through HUD's Client Information Policy Systems ([HUDCLIPS](#)) for the most recent updates and current policy.



Agenda

Program Overview and Context

Overview of Policy Changes

Important Dates and Stakeholder Impact

Resources



Program Overview and Context

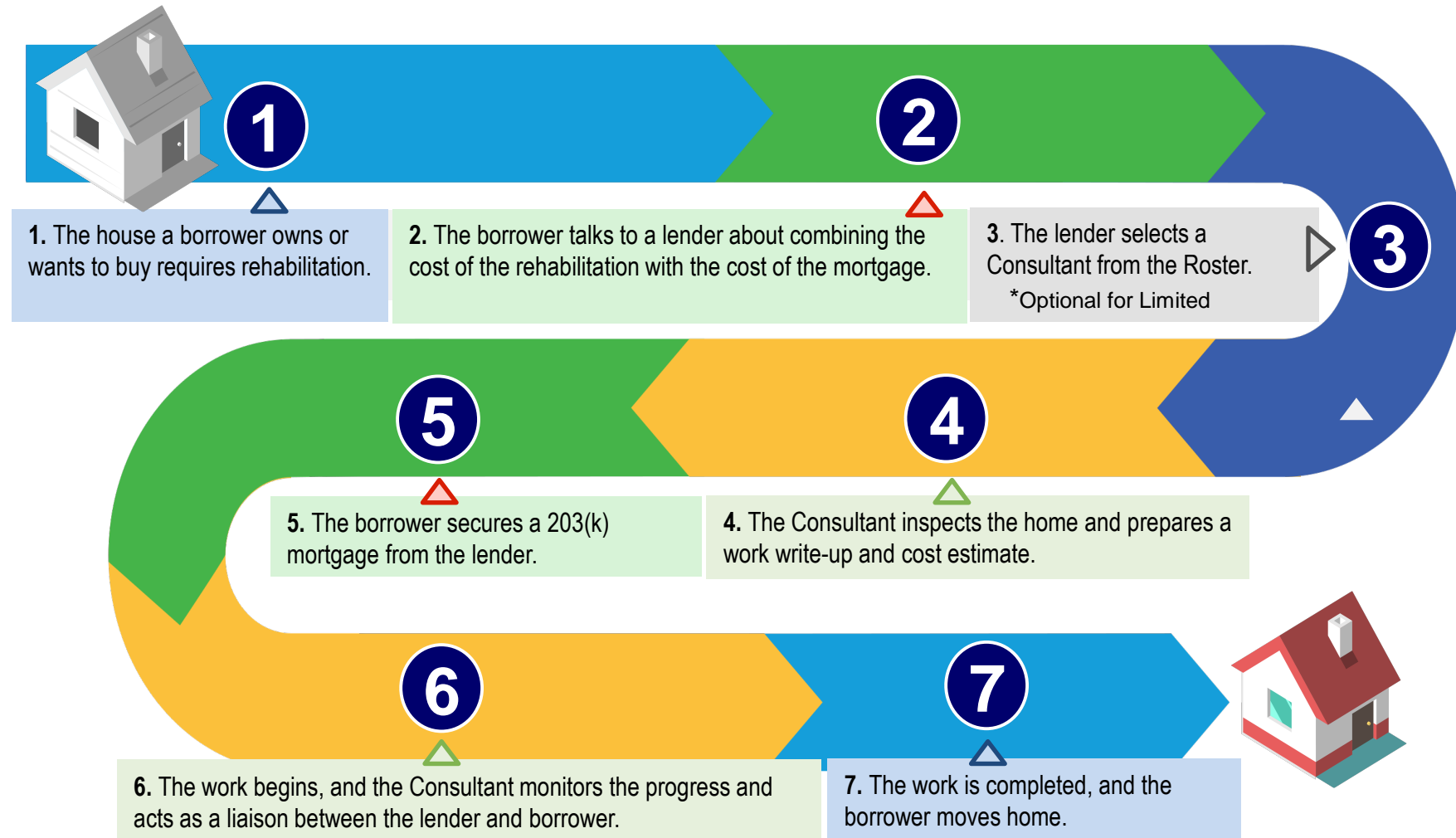


Brief Overview of the Current 203(k) Program

- **FHA 203(k) Rehabilitation Mortgage Insurance Program (203(k) Program) is a rehabilitation and repair mortgage program that allows:**
 - Homebuyers to purchase a home and finance the rehabilitation costs into same mortgage.
 - Homeowners to refinance an existing mortgage and include the cost of improvements.
- **Standard 203(k)**
 - Major renovation, structural or foundation repairs;
 - \$5,000 minimum rehabilitation costs, no maximum amount;
 - FHA-approved 203(k) Consultant is required; and
 - Consultant fee may be financed.
- **Limited 203(k)**
 - Minor renovation, non-structural repairs;
 - \$35,000 maximum rehabilitation cost (up to \$50,000 in Qualified Opportunity Zones) but no minimum;
 - FHA-approved 203(k) Consultant is not required but one may be used;
 - Consultant fee may not be financed.

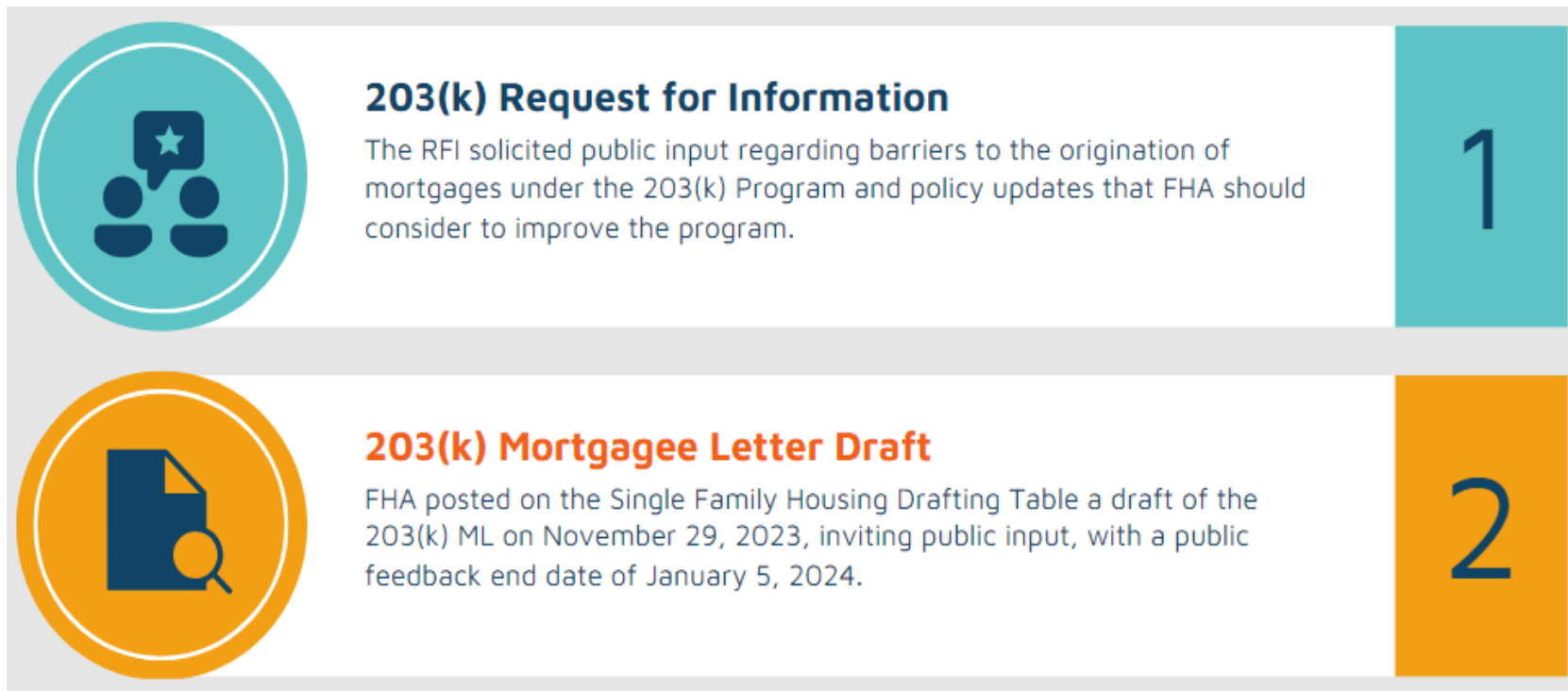


203(k) Program Process Flow



Two-Step Policy Change Process

To identify potential causes of the declining use of 203(k) in recent years and opportunities to address them, FHA engaged in a two-step process to obtain stakeholder feedback.



Overview of Policy Changes

(Effective November 4th, 2024)



Updates to Limited 203(k) Program

- ↑ Increases the total rehabilitation cost from \$35,000 (\$50,000 in Qualified Opportunity Zones (QOZ)) to \$75,000 nationwide.
- ↑ Introduces an annual review process for updating the total rehabilitation cost.
- ↑ Increases the rehabilitation period from six months to nine months.
- ↑ Increases the number of days a borrower is unable to occupy a property during the rehabilitation period from 15 to 30.
- ❖ Allows the Borrower to finance the 203(k) Consultant fee.

Updates to Standard 203(k) Program

- **Increases rehabilitation period from six to 12 months.**

- **Increases the mortgage payment reserves from six to 12 months.**

Updates to 203(k) Consultant Fee Work Write-Up Schedule

- Simplifies and updates 203(k) Consultant Work Write-Up fee schedule.
 - Fee schedule has been reduced from a seven-tier schedule to four tiers.
 - Fee amounts have been increased to align with industry and market conditions.

Item	Current Fee Schedule	New Fee Schedule
Work Write-Up	<ul style="list-style-type: none"> • \$400 for repairs less than \$7,500 • \$500 for repairs between \$7,501 and \$15,000 • \$600 for repairs between \$15,001 and \$30,000 • \$700 for repairs between \$30,001 and \$50,000 • \$800 for repairs between \$50,001 and \$75,000 • \$900 for repairs between \$75,001 and \$100,000 • \$1,000 for repairs over \$100,000 	<ul style="list-style-type: none"> • Up to \$1,000 for repairs less than or equal to \$50,000 • Up to \$1,200 for repairs between \$50,001 and \$85,000 • Up to \$1,400 for repairs between \$85,001 and \$140,000 • 1% of the repair costs or \$2,000, whichever is lower, for repairs above \$140,000



Updates to 203(k) Fees

Updates to fee schedule for other rehabilitation work items.

Items	Current Fee Schedule	New Fee Schedule
Feasibility Study	\$100	\$375
Draw Inspection Fee	\$350	\$375
Change Order Fee	\$100	\$120
Reinspection Fee	\$50	\$225



Updates to the 203(k) Consultant Policy

Policy Topic	Current Policy	Updated Policy
Application and Approval Process	Initial application submitted to Jurisdictional HOC by mail or email	Initial applications and Recertifications submitted to Resource Center by email attachment only
Consultant Selection and Identification Number	Section header reads as: “Consultant Identification Number” and was applicable to Standard 203(k) only (II.A.8.a.vi(C)).	Revised section header to read as: “Consultant Selection and Identification Number” and added new section for Consultant Selection under Limited(k) (II.A.8.v(B)).
Consultant Recertification Periods	Policy only discussed under Biennial Recertification (I.B.2.c.vi)	Added language under Application Approval (I.B.2.c.iv) to clarify that approval is valid for two years and the due date for recertification.



Benefits of the Policy Changes

- Increase in Limited 203(k) rehabilitation cost limit allows for adequate property enhancements without the additional requirements of the Standard 203(k).
 - Adequate property enhancements increase market value, preserve aging homes, and contribute to overall community revitalization and stability.
- Extended project timelines mitigate unforeseen project delays, promoting smoother project completion and reducing pressure on borrowers.
- Financing 203(k) Consultant fees under the Limited 203(k) Program provides access to expert advice without upfront costs, making this service more accessible to underserved borrowers.
- Updated 203(k) Consultant Fee Schedule supports participation of skilled professionals, providing borrowers access to quality services.

Important Dates



Effective Date and System Changes

- Policy and system changes take effect simultaneously **on November 4, 2024.**
- System changes include increasing the total rehabilitation cost to \$75,000 and allowing financing the 203(k) Consultant fee for the Limited 203(k) program.
- Additional information regarding system changes will be published in a future FHA INFO.



Training and Outreach

- 203(k) Industry Briefing Webinars
 - Wednesday, July 24, 2024 – 3:00 PM - 4:00 PM (Eastern)
 - Wednesday, August 28, 2024 – 2:00 PM - 3:00 PM (Eastern)
- Training and Outreach Updates
 - FHA is updating its training and marketing materials.
 - Planning future outreach activities to increase awareness.

Resources



Helpful Links

- SF Handbook 4000.1 Information
 - https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
- Upcoming Single Family Housing Events and Training
 - https://www.hud.gov/program_offices/housing/sfh/events
- Subscribe to FHA INFO
 - https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe
- HUD's Client Information Policy Systems (HUDCLIPS)
 - <https://www.hud.gov/guidance>



Additional Links

- For more information about the 203(k) Program, view the following resources on hud.gov:
 - https://www.hud.gov/program_offices/housing/sfh/203k/203k--df
 - https://www.hud.gov/sites/dfiles/SFH/documents/MO_203k_Lender_FS.pdf
 - [https://www.hud.gov/sites/dfiles/SFH/documents/MO_FS_203\(k\)_Consumer.pdf](https://www.hud.gov/sites/dfiles/SFH/documents/MO_FS_203(k)_Consumer.pdf)
 - https://www.hud.gov/sites/dfiles/SFH/documents/MO_203k_CnsltRole_FS.pdf
 - https://www.hud.gov/sites/dfiles/SFH/documents/MO_203k_Program_Comparison_FS.pdf

Note: These resources are being updated and will be available November 4, 2024.

FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALLFHA (1-800-225-5342) Information on how to make an accessible phone call: https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs .	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.



Q & A Session



Thank you for joining us today!

