



Loan Products for SF Properties Affected by Natural Disasters

Audio is only available by conference call
Please call: Toll-Free: 844-291-6364
Access Code: 8165175

November 8, 2022

Webinar Logistics

- **Audio is being recorded.**
 - The playback number along with the PowerPoint & a transcript will be available on the [HUD Exchange](#).
 - The webinar will be posted in 7-10 days.
- Handouts were sent out prior to webinar. They are also available in **Handouts** section of the Control Panel.
 - Click on the document name to start the download.



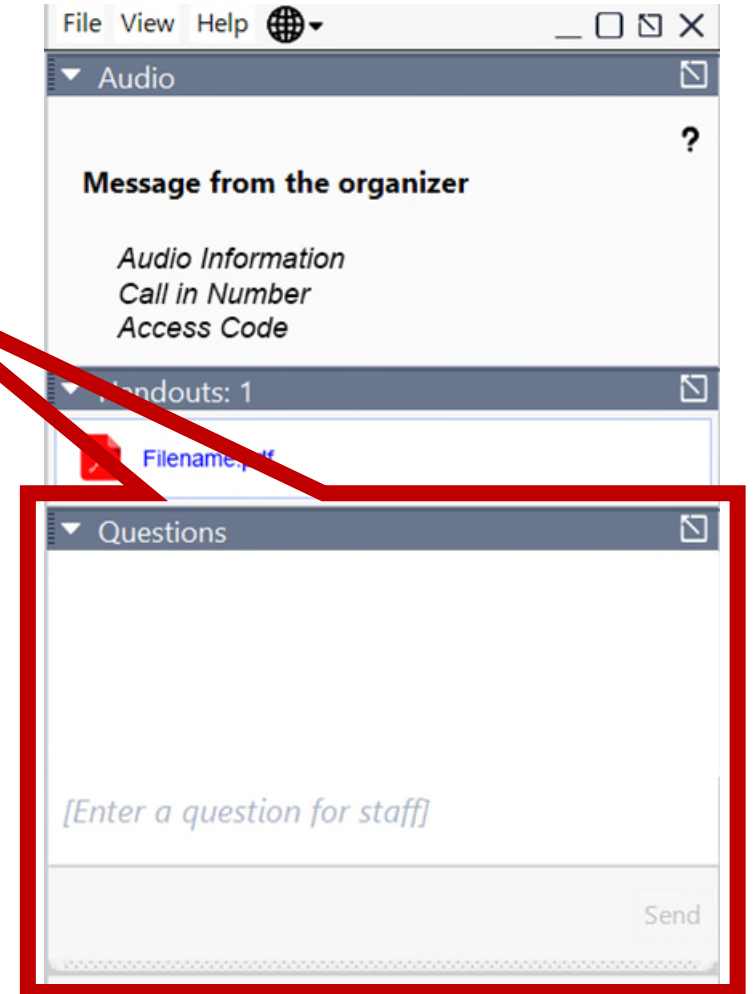
Questions & Comments

There may be Q&A periods, as well as discussions opportunities.

- If so, the operator will give you instructions on how to ask questions or make your comments.
- If your phone is unmuted during Q&A period, please do not use a speaker phone

Ways to Ask Questions

- Please submit your text questions & comments using the **Questions Panel**. We will answer some of them during the webinar.
- You can also send questions to:
housing.counseling@hud.gov
with the topic in the subject line.



Certificate of Training

- If you logged into the webinar, you would receive a Certificate of Training from GoToWebinar within 48 hours.
- Please print it out & save for your records.

Housing Counseling Training Digest

- [Visit the Training Digest on the HUD Exchange](#)
- View upcoming training hosted by HUD & other partners



The Housing Counseling Training Digest is updated weekly to reflect trainings hosted by:

- HUD Office of Housing Counseling (OHC)
- OHC funded training partners
- Other partners that host trainings of interest to housing counselors

Please email housing.counseling@hud.gov to notify HUD about upcoming training and events for housing counselors.

Content current as of November 16, 2020

[Subscribe to the Housing Counseling Mailing List](#) to receive training updates in your inbox.



Upcoming Training Calendar

View upcoming trainings for Housing Counseling and other HUD funded programs.



Webinar Archive

View past webinars hosted by the Office of Housing Counseling and access related materials.



Online Training

Access self-paced online training modules, such as Introduction to Housing Counseling.



Jerrold H. Mayer
Director, Office of Outreach and Capacity
Building
Office of Housing Counseling



OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



Loan Products for Single Family Properties Affected by Natural Disasters

November 8, 2022

Agenda

Welcome

Office of Housing Counseling

203(h) and 203(k) Overview

Fannie Mae HomeStyle® Renovation / Freddie Mac CHOICERenovation

Questions

Conclusion





OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



203(h) and 203(k) Overview

November 8, 2022

**Denver Homeownership Center
Processing and Underwriting Division**

Agenda

203(h) Mortgage Insurance for Disaster Victims

203(k) Rehabilitation Mortgage Insurance Program

203(h) Mortgage Insurance for Disaster Victims



OFFICE OF SINGLE FAMILY HOUSING



203(h) Mortgage Insurance for Disaster Victims



Section 203(h) of the National Housing Act authorizes the Federal Housing Administration (FHA) to insure Mortgages for the purchase or reconstruction of a Single Family Property for victims residing within a Presidentially-Declared Major Disaster Area (PDMDA).

203(h): Borrower Eligibility

The FHA case number must be assigned within one year of the date the PDMDA is declared.

- The date of the President's signature on the declaration is used; unless
- An additional period of eligibility is provided and signed by the President.



203(h): Previous Property Eligibility

The previous residence (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary.



A list of the specified affected counties and cities, and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA) at www.fema.gov.

203(h): Minimum Required Investment/Maximum Loan-to-Value Ratio

- The Borrower is not required to make the Minimum Required Investment (MRI).
- The maximum loan-to-value (LTV) ratio limit is 100 percent of the Adjusted Value.
- When a 203(k) is used in conjunction with the 203(h), the 203(k) LTV limits apply.
 - Refer to *Single Family Housing Policy Handbook* 4000.1 (Handbook 4000.1), Section II.A.8.a.



203(h): Subject Property Eligibility

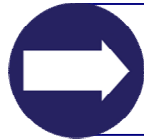


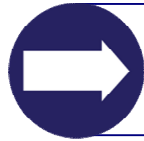

The purchased or reconstructed Property must be a Single Family Property or a unit in an FHA-approved Condominium Project.

If the transaction is a purchase, the house need not be located in the area where the previous house was located.

Disaster victims are not required to purchase the new Property in the PDMDA area.

203(h): Underwriting

Where traditional documentation is unavailable, the Mortgagee may use alternative documentation, subject to additional guidelines for:

-  Credit
-  Income
-  Liabilities
-  Assets, and
-  Housing payment history

203(h): Credit

For Borrowers with derogatory credit, the Mortgagee may consider the Borrower a satisfactory credit risk if:

The credit report indicates satisfactory credit prior to a disaster.

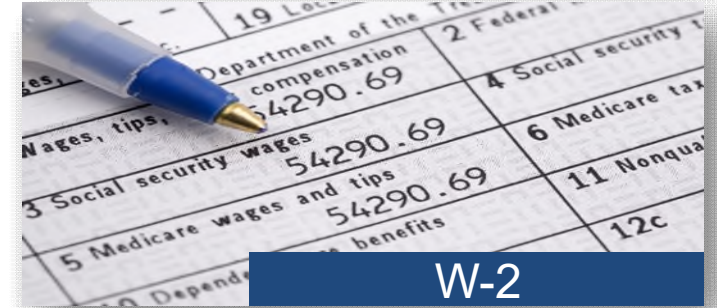


Any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.

203(h): Income

If prior employment cannot be verified because records were destroyed by the disaster, and the Borrower is in the same/similar field, then FHA will accept:

- W-2's and tax transcripts from the Internal Revenue Service (IRS) to confirm prior employment and income.
- Documented short-term employment obtained following the disaster for the calculation of Effective Income.



203(h): Liabilities

When a Borrower is purchasing a new home, the Mortgagee may exclude the Mortgage Payment on the destroyed residence located in a PDMDA from the Borrower's liabilities.

To exclude this payment, the Mortgagee must:

- Obtain information that the Borrower is working with the servicing Mortgagee to appropriately address their Mortgage obligation; and
- Apply any Property insurance proceeds to the Mortgage of the damaged home.

203(h): Assets

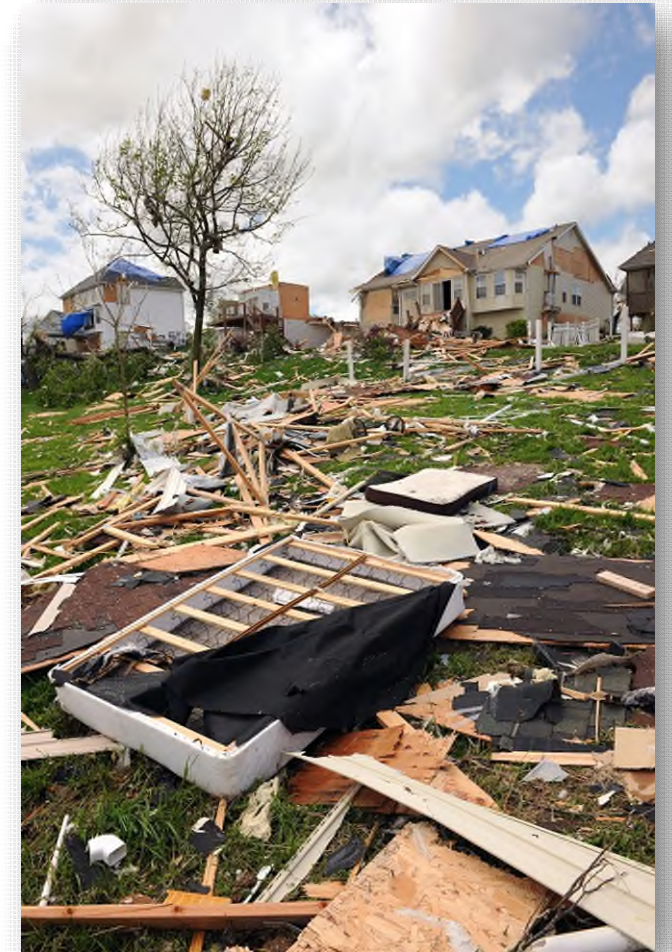
If traditional asset documentation is not available, the Mortgagee may use account statements downloaded from the Borrower's financial institution's website to confirm the Borrower has sufficient assets to close the Mortgage.



See Handbook 4000.1, Section II.A.8.b.

203(h): Housing Payment History

- The Mortgagee may disregard any late payments for a previous obligation on a Property that was destroyed or damaged in the disaster:
 - Where the late payments were a result of the disaster; and
 - The Borrower was not three or more months delinquent on their Mortgage at the time of the disaster.
- The Mortgagee may justify approval when the Borrower is three or more months delinquent if extenuating circumstances are documented by the Mortgagee.



203(h): Eligibility Documentation Requirements

- Documentation attesting to the damage to the previous home must accompany the Mortgage application.
- The Mortgagee must document and verify that the Borrower's previous residence was:
 - In the disaster area; and
 - Destroyed or damaged to such an extent that reconstruction or replacement is necessary.



203(h): Refinancing Using 203(k)

Refinancing is permitted in conjunction with rehabilitation under the 203(k) Program.

Damaged residences located in the PDMDA are eligible for Section 203(k) Mortgage regardless of the age of the Property.

The residence only needs to have been completed and ready for occupancy for eligibility under Section 203(k).

If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV applies.



203(k) Rehabilitation Mortgage Insurance Program

Do You Have a Home You Love That Needs Repair?



FHA-Insured Rehabilitation mortgages can help!

Renovating Your Existing Home?

- If you want to buy a home that needs significant repairs, or to finance repairs to your current home, the FHA Section 203(k) Rehabilitation Mortgage Insurance Program may be the right choice for you.
 - This program, available through FHA-approved lenders, allows you to finance the purchase of a home or refinance your current mortgage, and include the cost of repairs through a single mortgage.
 - The eligible improvements range from smaller renovation projects to foundation repair, structural changes, or additions.
- The Section 203(k) Program is FHA's primary program for the rehabilitation and repair of single family properties.
 - Section 203(k) mortgages are provided through FHA-approved lenders nationwide and insured by FHA.

Advantages of a 203(k) Rehabilitation Mortgage

You can obtain a Section 203(k) mortgage as a 15- or 30-year fixed-rate mortgage or an Adjustable Rate Mortgage (ARM):

- The total amount of your mortgage will be based on the projected value of your home after the renovation is complete, taking into account the cost of the work.
- Like all FHA-insured mortgages, your down payment may be as low, if not lower, than other conventional mortgages.
- A portion of your total mortgage amount is used to pay for the purchase of the home or, in the case of a refinance, to pay off your existing mortgage.
- The remainder of your total mortgage amount is placed in an interest- bearing account on your behalf and released in stages as rehabilitation is completed.

Eligible Homes

The property must be used as your principal residence. You may use an FHA-insured 203(k) mortgage to finance the rehabilitation of the following types of properties:

- A one-to-four unit residence that has been completed for at least one year, such as detached homes and townhouses;
- Condominium unit in a FHA-approved project. Note that improvements are limited to the interior of the unit;
- Manufactured homes titled as Real Estate; and
- Mixed-use properties that include commercial space, which are primarily residential.

Two Types of 203(k) Rehabilitation Mortgages

STANDARD 203(k)

- Suitable for a home that requires structural repairs or requires repairs and remodeling costing at least \$5,000.
- The use of a 203(k) Consultant is required.
- All repairs must be completed within six months.
- If the home will not be habitable during renovation, the lender can include sufficient funds in the mortgage amount to pay the monthly mortgage payment, property taxes, and insurance for up to six months, so you will not be burdened with a house payment and rent during renovation.
- This option is suitable for major rehabilitation projects, including foundation work, adding rooms or a garage, or altering basic systems.

Two Types of 203(k) Rehabilitation Mortgages (continued)

LIMITED 203(k)

- Suitable for a home that needs minor non-structural repairs or renovations costing no more than \$35,000.
- There is no minimum rehabilitation cost.
- The use of a 203(k) Consultant is not required.
- All repairs must be completed within six months of closing.
- This option is suitable for remodeling, home improvements, energy efficient improvements, new appliances, or replacing dated carpeting.

Eligible Improvements

STANDARD 203(k) IMPROVEMENTS

- Converting a one-family structure to a two-, three-, or four-family structure; or reducing an existing multi-unit structure to a one- to four-family structure;
- Reconstructing a demolished structure, provided the complete existing foundation system is not affected and will still be used;
- Repairing, reconstructing, or elevating an existing foundation where the structure will not be demolished;
- Purchasing an existing structure on another site, moving it onto a new foundation, and repairing or renovating it;
- Structural alterations, such as the repair or replacement of structural damage, additions to the structure, and finishing attics and basements; and
- Rehabilitating, improving, or constructing a garage.

Eligible Improvements (cont'd.)

STANDARD OR LIMITED 203(k) IMPROVEMENTS

- Installing or repairing wells and septic systems;
- Connecting to public water and sewage systems;
- Repairing or replacing plumbing, heating, air conditioning, and electrical systems;
- Making changes for improved functions and modernization;
- Making changes for aesthetic appeal;
- Repairing or adding roofing, gutters, and downspouts;
- Creating accessibility for persons with disabilities;
- Installing or repairing fences, walkways, and driveways;

Eligible Improvements (cont'd.)

STANDARD OR LIMITED 203(k) IMPROVEMENTS (cont'd.)

- Installing new appliances;
- Repairing or removing an in-ground swimming pool;
- Installing smoke detectors;
- Making site improvements;
- Landscaping;
- Installing or repairing exterior decks, patios, and porches;
- Constructing a windstorm shelter; and
- Lead-based paint stabilization if the structure was built before 1978.

Ineligible Purposes

- Improvements cannot include commercial use or luxury items, such as tennis courts, gazebos, or new swimming pools.
- The borrower may not be compensated for their labor, but may be reimbursed for purchased materials.

Resources

Helpful Links

- 203(K) Calculator:
 - <https://entp.hud.gov/idapp/html/f17203k-look.cfm>
- Find an FHA-Approved Lender:
 - <https://go.usa.gov/xNwsp>
- 203(K) Approved Consultants:
 - <https://entp.hud.gov/idapp/html/f17cnsldata.cfm>
- Single Family Housing Handbook:
 - 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



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-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe





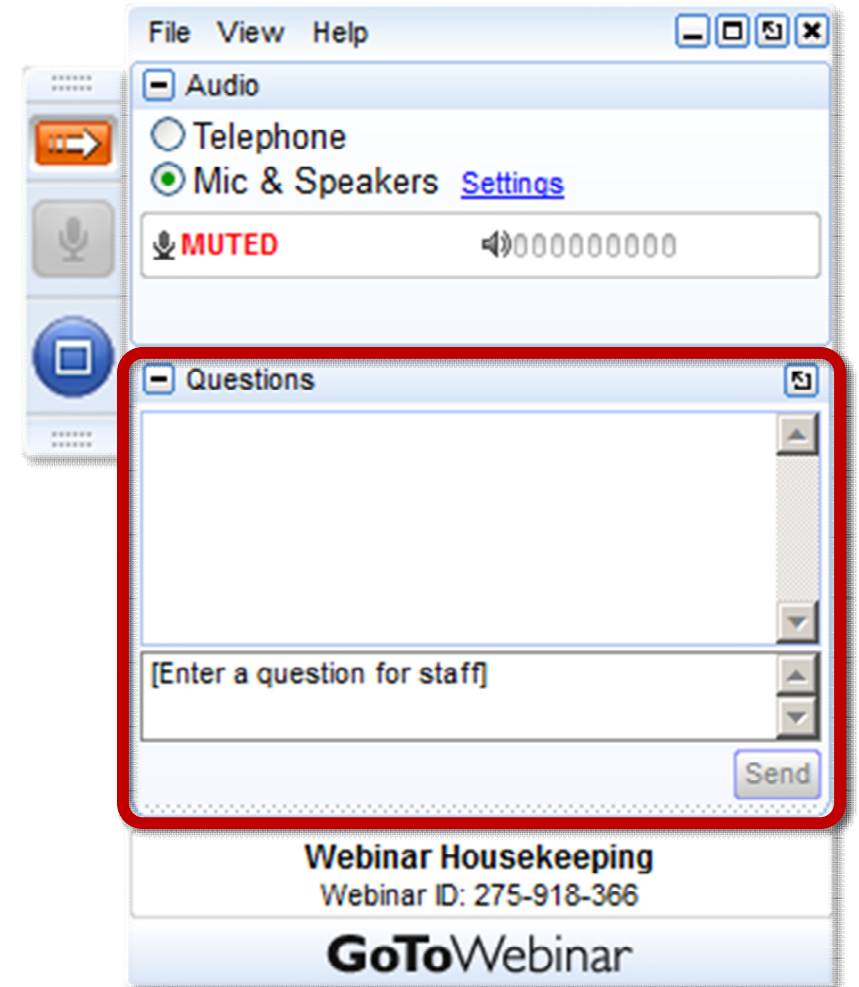
Questions



Before You Go

Please give us feedback in the Question Box

- Was this webinar useful to you? To your clients?
- Will you share the information with your co-workers?
- Any other comments?





Thank You for
Attending!