Final Transcript

HUD – US DEPT OF HOUSING & URBAN DEVELOPMENT: An Overview of FHA Single Family Housing

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SPEAKERS

Virginia Holman
Eric McDowell

PRESENTATION

Moderator: Ladies and gentlemen, thank you for standing by. Welcome to the Overview of FHA Single Family Housing call. At this time all participants are in listen-only mode. Later, time allowing, we will have a question and answer session. Instructions will be given at that time. [Operator instructions].

I would now like to turn our conference over to our host, Miss. Virginia Holman. Please go ahead.

Virginia: Thank you. We had off for a while [audio drops].

Moderator Miss. Holman, we're having a hard time hearing you.

Virginia I'm going to go over some logistics before we get started. The audio is being recorded. We [audio muffled] and the transcript on HUD Exchange seven [audio drops]. They're also available in the handout section on the control panel. You just need to click the document name to start to download.

We also want you to ask questions. You could write them in your question box, again, on the control panel, and we will answer them during the end of the program. And afterwards, you can also send any questions or comments to housing.counseling@hud [audio drops].

If you've logged on to the webinar, through GoToWebinar, you will receive a Certificate of Training from GoToWebinar, and that's usually within 48 hours. You need to print it out and save it for your records. We suggest you visit the Training Digest on HUD Exchange on a regular basis. It is updated weekly, and gives you really important information about the training offered by HUD and others.

And now, at this point, let me turn it over to Eric McDowell from the Philadelphia Homeownership Center for his program.

Eric Virginia, thank you very much for the introduction. On behalf of the Philadelphia Homeownership Center, our Director Anthony Triolo, and Acting Deputy Director Michael Curry, I would like to thank the Office of Housing Counseling for putting this event together and asking us to be a part of it.

Today, I will provide an overview of FHA Single Family Housing purchase programs. Next slide, please.

Let's start with our disclaimer. If I state anything in this presentation that is a discrepancy with official FHA Policy found in HUD handbooks or mortgagee letters, the official policies found in those documents prevails. Please note, the information provided in this presentation is subject to change. Please consult Handbook 4000.1 and mortgagee letters through our HUD Clips website, which I'll provide a link to at the end, for the most recent updates and current policy. Next slide, please.

I'd like to start by providing a little information about the Federal Housing Administration, FHA. We provide mortgage insurance on loans made by FHA-approved lenders, referred to as mortgagees throughout this presentation. Besides mortgages on single family homes, which is what we will be discussing today, FHA also provides mortgages on multifamily properties, residential care facilities and hospitals. I didn't know about the FHA's involvement in residential care facilities and hospitals until I came to work for HUD.

The mortgage insurance we offer protects mortgages against losses if a property owner defaults on the mortgage. If that happens, we pay a claim to the lender for the unpaid principal balance. The mortgage insurance allows lenders to take on more risk and offer more mortgages to borrowers. Next slide, please.

We collect mortgage insurance premiums for borrowers via the FHA-approved mortgagees. There's an upfront mortgage insurance premium, and an annual mortgage insurance premium that's paid monthly. I will explain these premiums in more detail later in the presentation, with the mortgage insurance premiums FHA primarily operates from its self-generated income. Next slide, please.

I mentioned we will be discussing FHA mortgages on single family homes. The Office of Single Family Housing administers the FHA mortgage insurance programs for mortgages made by HUD-approved mortgagees secured by new or existing one to four-unit residential properties, including condominiums and manufactured homes. We also administer the Home Equity Conversion Mortgage, or HECM program, which is FHA's reverse mortgage program for elderly borrowers.

Also found within the Office of Single Family Housing is HUD's National Servicing Center, the NSC. The NSC works with FHA homeowners, provides direction and training to mortgage lenders, servicers, and housing counseling agencies to better aid homeowners to avoid foreclosure. Next slide, please.

So, as noted on the introduction slide, I work out of the Philadelphia Homeownership Center. Philadelphia is one of four homeownership centers, with the other three being Atlanta, Georgia, Denver, Colorado, and Santa Ana, California. Each Homeownership Center or HOC supports a specific geographic area. The homeownership centers ensure single

family FHA mortgages, assure mortgage quality, and oversee the selling of HUD homes. Next slide, please.

This slide illustrates the HOC jurisdictions. It shows the states and territories that are supported by each of the four homeownership centers. As you can see for Philadelphia, we have from Maine to the north, south of Washington DC, and out west to the state of Michigan. Next slide, please.

FHA is one of the largest mortgage insurers in the world. At the end of fiscal year 2021, which ended September 30th, FHA had active insurance on more than 7.8 million forward and reverse mortgages. So, 84.61% of FHA forward mortgage purchase endorsements were to first-time homebuyers, which was a new high, and FHA served double the percentage of black and Hispanic borrowers, when compared to mortgage originations by the rest of the housing market. FHA continues to serve as an important source of mortgage financing for individuals and families of color. Next slide, please.

For fiscal year 2021, FHA volume was greater than fiscal year 2020, for both FHA forward and HECM reverse mortgages. FHA endorsed over 1.4

million forward mortgages and over 49,000 HECM reverse mortgages. So, 59% of the forward mortgage volume was purchase mortgages. Next slide, please.

Now, after I just went through some of the FHA statistics, you may be wondering, what are the benefits of an FHA mortgage? So, many people think of FHA as a product only for first-time homebuyers. Although, we do serve first-time homebuyers, anyone can apply for an FHA mortgage. We offer flexible qualifying. We have low minimum credit requirements. We have a low minimum down payment requirement of 3.5%. We permit the use of gift funds, secondary financing, and interested party contributions, also known as seller concessions, to assist the borrower to acquire a home.

So, FHA is a good option for borrowers who have minimum funds for down payment, and FHA is a good option for borrowers who have had challenges with credit in the past. FHA loans are fully assumable. So, with rates being as low as they have been, assuming someone else's mortgage has not been very popular, but if rates continue to increase, this may be something that comes back into style. What fully assumable means is, a borrower can buy someone else's home, who has an FHA mortgage with a

low interest rate. They qualify to assume the mortgage and take over that seller's monthly mortgage payments. To do this, the buyer would need additional assets to pay the difference between the seller's purchase price and what the seller owes on the existing FHA mortgage that's to be assumed. Next slide, please.

The programs we will overview today are our 203 Purchase Program, 203K Rehabilitation Mortgage Insurance Program, 203H Mortgage Insurance for Disaster Victims, and the HECM Purchase Products. We will go over two supplemental programs, the energy efficient mortgage and weatherization program. All the programs I just mentioned are Title Two mortgage insurance programs. This means they are covered under Title Two of the National Housing Act. The 203B, 203K designations, are the section of the act the programs are founded.

We will also review a Title One program for manufactured home loan insurance. Next slide, please.

So, for the Title Two programs, the eligible property types are one to four-unit single family homes, residential homes; manufactured Housing, for Title Two, manufactured housing must be classified as real estate and be

on a permanent foundation. We also cover individual units within FHA-approved condominium projects, or units that have completed the FHA single unit approval process. And we also cover mortgages that are mixed use properties. One to four residential units are also permissible. Next slide, please.

So, FHA mortgages are for owner-occupied principal residences. Secondary residences are only permitted in very rare instances, with written approval from the jurisdictional homeownership Center. Secondary residences are very strict and difficult to meet. The residents must be required, because the commuting distance to a borrower's work creates an undue hardship, and there's no affordable rental housing to meet the borrower's needs within 100 miles of their workplace. The residence cannot be your vacation home or primarily used for recreational purposes. And if we are able to approve a secondary residence, the maximum loan to value, LTV, is 85%, meaning that that property would require a 15% down payment. Next slide, please.

Investment properties are only eligible for FHA insurance when borrowers are FHA-approved nonprofits, or borrowers who are state and local government agencies or instrumentalities of government, who purchase

homes utilizing FHA financing. So, again, I want to reiterate, FHA, for your run of the mill borrower, is for owner-occupied primary residences. Next slide, please.

So, real estate appraisals and [indiscernible] appraisals has been a hot topic late. We believe that home appraisal should be fair and unbiased for all. HUD is chairing an interagency task force, or property appraisal and valuation equity called PAVE. The task force is made up of 13 federal agencies with the goal of ending bias and home evaluations. We included a few slides to explain the role of the appraiser and appraisal report for an FHA-insured mortgage. Mortgagees are responsible for obtaining an appraisal to verify the value of the property, and the property's compliance with HUD's minimum property standards or minimum property requirements. Next slide, please.

The appraiser is the onsite representative for the mortgagee, who provides preliminary verification that a property meets HUD's property acceptability criteria. That the homes insured by FHA be safe, sound and secure. Minimum property requirements are general requirements that all homes must meet. Minimum property standards are regulatory requirements for new construction properties. Next slide, please.

HUD expects all parties engaged in FHA mortgage insurance programs to eliminate all considerations of race, color, national origin, religion, sex, familial status, or disability from the appraisal process. Next slide, please.

HUD expects all parties engaged in FHA mortgage insurance programs to comply with all antidiscrimination laws, rules and requirements in the performance of their duties. Next slide, please.

Now, let's get into some of the purchase programs. The 203B purchase program is our bread and butter product. This is the product with the low down payment requirement of 3.5%. Gifts and grants from acceptable sources are permitted for 100% of that down payment requirement, and those gifts and grants can also be used to cover closing costs and prepaid expenses. We have low credit score requirements, 580 or above for maximum financing, 500 to 579 are permitted with a higher down payment of 10%. Secondary financing is permitted. Government entities and family members can provide secondary financing to meet the borrower's 3.5% minimum down payment requirement. HUD-approved nonprofits, private individuals, and other organizations can provide

secondary financing, but it cannot be used to meet the borrower's 3.5% minimum required investment down payment.

So, I have an underwriting background, and it's hard to state FHA's flexible qualifying requirements without touching just a little on how FHA mortgages are underwritten. FHA mortgages are underwritten and approved one of two ways, via FHA's technology open to approve lenders, acronym TOTAL, mortgage scorecard, or manual underwriting guidelines. TOTAL is not an automated underwriting system or AUS, but it's a scorecard that must interface through a system-to-system connection with an automated underwriting system. Based on data input by the mortgagee, TOTAL makes a credit risk evaluation of accept or refer. TOTAL is more lenient, and does not require credit explanation letters and allows for higher ratios. Manual underwriting is stricter. It requires a direct endorsement underwriter to review the borrower's credit history, document that explained derogatory credit was caused by extenuating circumstances not likely to reoccur. Ratio requirements are stern, and compensating factors can be required to justify the approval. Next slide, please.

This slide illustrates the manual underwriting credit score requirements, ratio requirements, and acceptable compensating factors that a direct endorsement D underwriter must document to approve an FHA mortgage as a manually underwritten mortgage. As you can see, with a 580 or better credit score, maximum ratios are 4050 with two documented compensating factors needed, with the compensating factors stated that are required. Next slide, please.

So, earlier, I mentioned FHA is a good option for borrowers who have had challenges with credit in the past. I also wanted to explain the difference between TOTAL and manual underwriting because of how those guidelines address past credit challenges, such as bankruptcies and foreclosures. If a borrower has had a chapter 7 bankruptcy, and it's been discharged for at least two years at the time of the FHA case number assignment, the borrower can be eligible for a TOTAL accept risk evaluation. If the bankruptcy has been discharged less than two years, but not less than 12 months, the borrower may still be eligible for approval, but must meet manual underwriting guidelines, with the lender having to document the bankruptcy was caused by extenuating circumstances, and that the borrower has exhibited a documented ability to manage their financial affairs in a responsible manner. Next slide, please.

For chapter 13 bankruptcy, for TOTAL, there's still the two-year discharge requirement which is the same as a chapter 7. If not discharged two years, the borrower must meet manual underwriting guidelines. The FHA manual underwriting guidelines for a chapter 13 allow a borrower to still be in a Chapter 13 and be eligible, as long as they've been in the payout period for at least 12 months, with a satisfactory payment history, and written permission from the bankruptcy court and/or mortgage transaction. Next slide, please.

Borrowers with previous foreclosures, deed in lieu of foreclosures, for TOTAL, a borrower may be eligible if the title transferred because of that foreclosure or deed in lieu of foreclosure, three years or greater at the time of case number assignment. If less than three years, the borrower may still be eligible under manual underwriting guidelines. If a mortgagee is granting an exception to the three-year requirement under manual underwriting guidelines, then they must explain and document the foreclosure or deed in lieu of foreclosure was caused by extenuating circumstances. Next slide, please.

I also mentioned earlier that FHA primarily operates from self-generated income that comes from mortgage insurance premiums we charge. The upfront mortgage insurance premium on the Title Two forward mortgage that we're currently discussing under current guidelines is 175 basis points, or 1.75% of the base loan amount. Next slide, please.

This slide illustrates how the upfront mortgage insurance premium is calculated. The upfront MIP can be financed into the FHA mortgage, or the borrower has the option of paying it in cash. If it's being paid in cash, the entire upfront MIP must be paid. For Title Two, FHA does not allow a portion of the upfront MIP to be paid and a portion to be financed. When I reference the base loan amount, that means the loan amount without the upfront MIP being financed into the loan. So, for this example, as shown, the base loan amount would be 100,000. If the upfront MIP is financed, the TOTAL loan amount would be 101,750. Next slide, please.

In addition to the upfront MIP, or upfront mortgage insurance premium, there's an annual mortgage insurance premium charged. The borrower pays this monthly to the mortgagee as part of their mortgage payment to the FHA-approved lender or servicer. This chart illustrates the annual MIP, which is based on the base loan amount, and the loan to value LTV

factor. The chart also illustrates how long the MIP must be paid. For the examples on the previous slide, with the 100,000 base mortgage amount, if the LTV is maximum financing at 96.5%, and the mortgage term is 30 years, the annual MIP is 85 basis points, or 0.85% of the base loan amount, which would equal $850. The 850 divided by 12 months would result in a $70.83 a month charge that the borrower pays as part of their mortgage payment.

With the mortgage term being more than 15 years, and the LTV being greater than 95% for this example, the annual MIP is required to be paid for the duration of the mortgage term, 30 years, or until the mortgage is paid off, refinanced or sold. Next slide, please.

Our property repair or rehabilitation programs, or the 203K energy efficient mortgage and weatherization programs. The 203K program is a standalone mortgage program. The energy efficient mortgage and weatherization programs are supplemental programs that can be added to a 203B, 203K, or 203H program. And these two programs can also be combined with each other. And I'll explain that in a little more detail a little later. Next slide, please.

The 203K program is used to purchase and rehabilitate an existing one to four-unit property. This program allows for borrowers to buy a home and finance the rehabilitation or repairs to the home in the mortgage. It's a great program for borrowers who are purchasing a property that needs repair or updating, properties that are being sold as is, such as foreclosures or other properties with known issues. You will see some of our HUD real estate-owned properties offered for sale under this program. If there's a home for sale below the rest of the market because of it being in disrepair, or of it needing to be updated, that's where this program works.

The maximum mortgage amount and the amount of rehabilitation that can be financed are determined by an after-improved value determined by the appraiser. The appraiser reviews the 203K consultant's work write-up, or contractor's proposal and cost estimates, and determines the after-improved value based on a hypothetical condition that the repairs or alterations have been completed. The mortgagee then uses this value to determine the maximum loan amount, to determine the value of the home after the repairs, supports financing repairs. There is a standard 203K and unlimited 203K. Next slide, please

The standard 203K is for remodeling and repairs, including structural repairs. There is a minimum repair cost for the standard 203k of $5,000, and the use of a 203K consultant is required. Next slide, please.

So, 203K consultants must meet qualifications of being a state licensed engineer, or be a state licensed architect, or have at least three years' experience as a remodeling contractor or general contractor, or have at least three years' experience as a home inspector. The consultant must inspect the property and prepare a work write-up and cost estimate. The consultant can be asked to complete a feasibility study when necessary to determine if the rehabilitation is feasible.

The consultant inspects the work for completion and quality of workmanship at each draw request. They review proposed changes to the work write-up, and prepare change orders, and must inform the mortgagee of the progress of the rehabilitation and of any problems that arise. Next slide, please.

The limited 203K is for minor remodeling and nonstructural repairs. The limited 203k does not require the use of a 203k consultant, but one can be used if chosen. There is no minimum rehabilitation costs, but the total

rehabilitation costs must not exceed $35,000. That amount's increased to $50,000 if the property is in a qualified opportunity zone. So, if repair costs exceed 35,000, then the property would not be eligible for a limited, and would need to go standard. So, for structural repairs, repairs exceeding 35,000 standard, if minor remodeling below 35,000, nonstructural repairs limited. Any health, safety, or property security items must be addressed with the repairs. The program cannot be used to finance recreation or luxury improvements, such as tennis courts, barbecue pits, fire pits, exterior hot tubs or spas, gazebos, things of that nature. Swimming Pools cannot be installed with this program, but existing pools on the property can be repaired with the program. And improvements that solely benefit any commercial functions are not permitted either. Next slide, please.

So, this slide illustrates the expense items that can be financed. The program is a one-time closing. The property is bought, the repair rehabilitation funds are held in an escrow account, and as the contractor completes work according to the plans and specifications, the mortgagee disperses funds to pay the contractor. Repairs are to be completed within six months for both the limited and standard 203K programs. For the standard 203K, contingency reserve funds may be required to be set aside for unforeseen project costs. The contingency reserve is established as a

percentage of the financeable repair and improvement cost. Additionally, the standard program allows for the option of financing of mortgage payment reserves when the property cannot be occupied during rehabilitation. Next slide, please.

The energy efficient mortgage program allows mortgagees to offer financing for cost-effective energy improvements. A qualified Home Energy Rater is required to prepare a Home Energy Report to verify the energy efficient improvements are cost-effective. The mortgagee must calculate the dollar amount of the cost-effective energy package as determined by the home energy audit. They then use that amount to calculate the maximum financeable energy package. The improvements can include energy-saving equipment, active and passive solar and wind technologies.

The energy-efficient mortgage is a program that can be used in conjunction in conjunction with any mortgage insurance under Title Two, including 203B, 203K, and our 203H programs. Next slide, please.

The weatherization product permits the borrower to finance the cost of eligible energy-related weatherization improvements, such as insulation,

duct sealing, smart thermostats, and equipment controls for low-flow water fixtures, to name a few. Weatherization improvements can be financed in conjunction with 203B, 203K, and 203H. For existing properties, weatherization and energy-efficient mortgages can be combined to finance improvements.

And something that we don't have a slide for in this presentation, but FHA also offers a solar and wind technology program. The solar and wind technology policy allows the mortgagee to increase the base loan amount to cover the cost and installation of new solar or wind energy system improvements made, or to be made, to the property at the time of a purchase or refinance. This is another program that is used in conjunction with 203B, K, or 203H. Active and passive solar systems, as well as wind-driven systems are acceptable. Leased systems are not acceptable, so the systems must be bought and owned. This program allows up to 20% of the property value to be added to the base loan amount to finance these systems. Next slide, please.

The 203H program is mortgage insurance for disaster victims. So, when a disaster occurs, such as wildfires, floods, hurricanes, and the area's deemed a presidentially-declared major disaster area, this program allows

victims to purchase a new home or reconstruct the home. If purchasing a new home, the house does not need to be located in the disaster area. So, borrowers can use this program to relocate. Next slide, please. The requirement for the program is the residence the borrower's occupying must be destroyed or damaged, and require reconstruction or replacement. The borrower may have been a renter who had an apartment destroyed, and they can use this program to buy a home or to relocate. Borrowers may relocate anywhere in the US, and this program is eligible for 100% financing. The program offers qualifying flexibilities. The mortgagee is directed to be as flexible as prudent decision making permits. Program permits minimum credit score of 500. Derogatory credit caused by the disaster can be excused, and the program outlines alternative documentation that can be used when traditional documentation is not available because of the disaster. Next slide, please.

Now we're going to move on to the Home Equity Conversion Mortgage, HECM purchase program. FHA's reverse mortgage product for elderly borrowers is the Home Equity Conversion Mortgage, known as acronym HECM.

Some borrower eligibility items I want to note is that borrowers must be 62 years old or older. Younger non-borrowing spouses are permitted. Mortgagees must complete a financial assessment to determine borrowers have the financial resources to make ongoing property charges, such as property taxes, homeowners insurance, utility payments, and homeowner association dues or fees if applicable. And the HECM program requires counseling with a HUD-approved counselor. Next slide, please.

The mortgage insurance on a HECM reverse mortgage is different than what we discussed earlier on the FHA forward mortgage. The initial MIP is 2% of the max claim amount for a HECM. For a HECM purchase, the max claim amount is the lesser of the appraised value, sales price, or the FHA HECM national limit. The current FHA HECM national mortgage limit for calendar year 2022 is $970,800. For most borrowers, it will be the lower the sales price or the appraised value. The annual premium is 0.50% of the outstanding mortgage balance. Next slide, please.

So, a HECM can be used to purchase property. It does require a significant investment by the borrower, usually around a 40% to 50% down payment. The HECM principal limit factors provide the percentage of the max claim amount, given the age of the youngest borrower or non-borrowing spouse,

and the expected interest rate of the loan. Mortgagees perform a calculation to determine the principal limit, which would be the maximum amount available to the borrower. The borrower must provide a cash investment equal to the difference between the HECM principal limit and the property sales price, plus any loan-related fees that are not financed into the loan, minus the amount of the earnest deposit. And that's the calculation that's going to determine the size of the down payment required.

Where this product can be popular is for elderly borrowers who are downsizing, selling a large family home, moving to a smaller home or retirement community. They can take the net proceeds from the home they are selling, use those for the down payment requirement, move into the new smaller home, and not have to make monthly mortgage payments on the new home. They would just have to pay taxes, insurance, utilities, and any homeowner associations dues or fees, if applicable, in this home they're purchasing with the program. Next slide, please.

So, that does it for the Title Two programs in this presentation. Now we're going to discuss the Title One manufactured or mobile home loan program. So, again, I stated earlier in the presentation, Title Two allows

for manufactured homes that are classified as real estate. Title One manufactured home loan program, this allows manufactured homes to be treated as personal property or chattel, where the home still has a vehicle title or certificate of title. It may be treated as realty, or, like I said, it may be treated as personal property. Next slide, please.

So, for Title One, borrowers are not required to purchase or own the land on which their manufactured home is placed. The land or lot may be leased. When there is a lease, HUD requires the lessor to provide an initial lease term of three years, and in the event the lease is terminated, advanced written notice of at least 180 days is required. Next slide, please.

The maximum loan amount and loan term is determined based on if the loan is for a manufactured home only, or a lot only, or combination of home and lot. A manufactured home and lot loan term with a multiple unit home can go five years longer than a single unit. This program has credit scores above 500 require a 5% down payment. So, the maximum loan to value, or LTV, is 95%. Credit scores 500 and below require a 10% down payment, or a maximum LTV of 90%. FHA's manufactured home insurance program requires the payment of an upfront insurance premium, UFIP, which is 2.25% of the base loan amount.

Unlike Title Two, this may be financed in the loan in full or in part, provided the loan does not exceed national loan limits. The Title One program has an annual loan insurance premium, which, again, is payable monthly. The loan insurance premium charges 1% of the remaining principal balance, based upon the loan scheduled amortization. Next slide, please.

For Title One to qualify, borrowers must have sufficient funds for the down payment. They have to demonstrate they have sufficient income to pay for the loan and meet their other expenses. Again, this program is for principal residences, so they must occupy the property as a primary residence. And when they're purchasing a manufactured home, they have to have a suitable site to place that home. Next slide, please.

The manufactured home must meet model manufactured home installation standards. If it's a new home, it must carry a one-year manufacturer's warranty. It must be installed on a home site that meets local standards, has adequate water supply and sewage disposal. And loan proceeds may not be used for furniture, but the proceeds are permitted to finance wall-to-

wall carpeting, build-in appliances and build-in equipment. Next slide, please.

So, if you have questions about FHA mortgage programs, or are seeking additional information pertaining to FHA, you can contact us through our FHA Resource Center. We have a new and improved FHA knowledge base FAQ website that contains approximately 2,000 frequently asked questions and answers. And you can email us at answers@hud.gov, or you can reach us via telephone at 1-800-CallFHA, which is 1-800-225-5342. Next slide, please.

This is an example of one of our knowledge base FAQs pertaining to housing counseling services. So, if you go to that FAQ website and type in housing counseling, or how to find housing counseling, this will be the FAQ that comes up. Next slide, please.

And here are some helpful links to find additional FHA information. If anyone has any questions on the material covered today, I'll be happy to answer them at this time.

W Hi there. We do have several questions that have come in. So, the first question we have, actually a couple are on 203K. "Can a 203K loan be used for refinancing?"

Eric Yes, we do have a 203K refinance program. This presentation was put together to cover the purchase programs. But if you currently own a home and want to finance repairs, we offer a 203K refinance program. The way that works is, they would look at what you owe on the home to pay off your existing mortgage if you have a mortgage on it, and then they'll look at the repairs that you want to have done. And depending on that amount, or if you're doing structural repairs, you would go standard or limited. You'll get the estimate from a contractor. The appraiser will look at those repairs that you want to have done, determine the after-improved value, essentially stating what the house would be worth after the repairs are done. And then the mortgagee would do the calculation to determine if those repairs can be financed. And that's how they calculate the maximum mortgage amount to pay off your existing debt with your existing mortgage, and finance the repairs to refinance the home.

W Very good. Thank you. "On weatherization, who does the qualified energy inspection? Is that done by a HUD vendor?"

Eric For weatherization, the maximum cost, for weatherization, that's a minor fees that can be financed for that. So, it would be things for insulation, duct sealing. So, you're looking at, usually for that program, it allows like 2,000 without a separate value determination. So, if you're having that done, the appraisal would note if that adds anything, or without having anything done, you can finance $2,000 to have those weatherization repairs made with a separate value determination, where the appraiser notes. And it's supported, you can go up to $3,500.

If you want to go higher than that, then you'd have to have a separate onsite inspection, which is made by an International Code Council or residential combination inspector, or a combination inspector. So, those are who would have to do that inspection, based on what you're looking to have done. But if you were just buying a home that needed caulking and things like that, without any separate determination, you could essentially finance $2,000. With the appraiser confirming that the house needs that weatherization and supports the value, you could go to $3,500. And if you go the extra route of getting an inspection made by an International Code Council or residential combination inspector, or combination inspector, to

support the weatherization repairs, then you can go much higher, essentially to whatever they state the home would need.

W Okay, that's really helpful. Thank you. Switching gears a little bit, we had a couple of questions about bankruptcy. Question is, “Did FHA policy change with regard to participation in a nonprofit credit counseling debt management program? A lot of loan officers still refer to DMPs as similar to a chapter 13 bankruptcy.”

Eric We don't have any guidelines for credit counseling. So, if you're talking like debt consolidation, essentially, it's just how that's reported on their credit report. So, if they have a loan where they're using a service that's paying all that, it's all dependent on how it shows on their credit report. So, there isn't a separate guideline, or we don't have any separate requirements to gather additional documentation for someone that's reporting in that program.

I know some of the pitfalls in the past with things like that, or if those accounts are all reported as being late or not paid on time, that's going to affect the borrower's credit score. The borrower is essentially going to be qualified off of the payments that are reported on the credit report for

those debts. I mean, essentially, we qualify them based on what's reported on the credit report.

W Thank you. Question about eligibility. “Do you need to be a US citizen to apply for an FHA loan?”

Eric You don't have to be a US citizen. We've had some recent changes with DACA recipients, and things of that nature, over the past couple of years for clarification. You're required to have a valid Social Security number. There's some exceptions to that, if you're an employee of like the World Bank, and some of the International Monetary Funds, and things of that nature. But other than that, you just have to be a lawful resident or nonpermanent resident alien with an employment authorization document issued by the United States Citizens and Immigration Services, that document you're able to legally work in the United States. So, that's essentially how we determine the eligibility.

W Okay, thank you. I have a question about MIP. “How long does the homeowner have to pay for MIP?”

Eric As the presentation showed on the one slide, it all determines on the max mortgage amount and the loan to value factor when the borrower obtains the mortgage. So, if you're doing a 30-year term, and you're over a 95%, loan to value limit, you have to pay that mortgage insurance premium for the entire life of the loan. There is no, once you reach an 80% LTV, that that goes away. So, for those really high max financing, they have to pay for the life of the loan, where essentially the borrower is going to have to refinance when they have sufficient equity in the home to get out of paying it.

There's some other terms. If you're below a 95% LTV, then I believe it's 11 years, off the top my head, that it has to be paid. But, yes, that chart, I forget the slide number, but I could probably find it here in my notes real quick. But that one chart actually shows, based on the max mortgage amount and the loan to value factor, how long it has to be paid.

W Okay, thank you. Another question is about manufactured housing. And the question is, “Did guidelines change on manufactured housing loans? My understanding is the lease had to be greater than the average amortization.”

Eric So, yes, there's two programs. For Title Two, which we be, we'd do a manufactured home under our 203B mortgage program, that has to be classified as real estate, and you have to own the property, or the property has to be held in a leasehold estate. So, that might be the guideline they're asking about. So, that would be where you're getting 203B, FHA Title Two mortgage, where the leasehold estate has to be equal to or longer than the max mortgage term, so a 30-year mortgage, if that's what you're getting.

Title One, you don't have to own the property. You can lease it. It can be in a manufactured home, park, or residence area, with the requirement that the lease just has to be for a three-year term, and they have to give sufficient notice that the lease is ending of 180 days.

W Okay, thanks.

Eric So, the key point to make on that is the two programs, and I know we covered a lot today, so Title Two would be like your traditional 30-year FHA mortgage. The manufactured home has to be classified as real estate, where the borrower is going to own the lot and own the home. It's all one property. And then, like I said, that gets into like if the property's owned

with fee simple title, where we do permit leasehold estates, which are popular in certain areas. I know there's quite a few like in Baltimore, Maryland. But those are where those leasehold estates, where they have long-term leases, and essentially, it's treated as if the borrower owns it. Title One would permit someone to buy a manufactured home, put it on a site that they don't own, where it would permit them to actually put the site on a home that is currently leased, such as purchasing a home in a manufactured home, mobile home park.

W Okay, okay. Thank you. That's helpful as well. We have a question about what types of properties are eligible for an FHA loan. For example, is a mixed-use eight-unit property with a store, where the residential area is more than 51% qualify?

Eric No. We do residential one to four units. We would permit mixed-use where it has to be less than 51% for commercial use. Once you get above the four unit, or you exceed that, then it becomes a commercial property. That wouldn't be eligible for FHA single family housing mortgage insurance. So, the example given, where it's eight units with a storefront, mixed-use, because it's eight units, that wouldn't qualify. If that storefront exceeded the commercial space 51% guideline, that wouldn't be eligible.

But if it's just a one to four-unit property with a mixed-use storefront, that would meet our guidelines.

W Another question is, “Does FHA finance [indiscernible] anything over ten acres?”

Eric The highest and best use for the property has to be residential for FHA. So, it's all going to depend on the market and what the property is used for. So, you typically run into issues when, generally speaking, when the property exceeds ten acres, but that's not a hard and fast rule. Again, it's going to depend on the area, and ultimately, what the property is being used for.

So, the short answer would be, if the primary use of the whole property is farm, it wouldn't meet FHA guidelines. If it's something where it's ten acres, and someone has some horses on it, or something that might be considered like a hobby farm, where there's like a small crop on it, those can be eligible, but again typically, the lender won't know, and the lender or mortgagee won't know that or be able to make that determination until an appraisal is done on the property.

But if it's truly known that it's an income-producing farm with commercial property, commercial farm property value on it, it's generally not going to be eligible for FHA. It would most likely fall under some of the other government programs, like maybe USDA, or something like that, to get financing.

W Oh, that's interesting. We have one final question, and we need to wrap up. "Do all banks provide FHA loans, especially 203K loans?"

Eric So, not all banks provide FHA loans. Banks have to come through HUD and get FHA approval. If you go to our frequently asked website, you can search on that, and you'll find a link where you can look to find FHA-approved lenders in your area. And not all FHA-approved lenders offer all the FHA products. So, you will have to do some investigation or searching if you're interested in some of the programs like the 203K. So, I would say visit our website, find the approved list, and then look to see where you might have to contact some of those banks, mortgage companies, to determine what programs they offer.

But we do have that resource on our FAQ site for you to be able to look up the approved lenders in the area that you're looking.

W Oh, very good. Thank you. And I will turn it back to Ginger to close us out.

Eric Thank you, everyone.

W Actually, I can do the close-out. Ginger may be having some difficulties. Oh, sorry, go ahead.

Virginia I realized I was on mute. Just a reminder that you were sent the PowerPoint this morning, which should have all the information and the links that you've wanted. It will also be posted on HUD Exchange in about a week. So, you'll have all the information. I know somebody asked for a screen grab, but you'll have access to all the information.

One thing that we have through HUD Exchange is, once our webinar, or any of our webinars are posted in the webinar archives on HUD Exchange, you can search by date or topic. And if you look at that webinar, there's a link where you can click for, get credit for this training, and it will give you credit into your HUD Exchange account. But that's the only way

you'll get an official credit for this. But remember, you're going to get a Certificate of Training.

We are always looking for feedback. If you have anything useful that you want to tell us, or did you find the webinar useful? Are you going to share it, anything else? Just put the comments in that question box and we'll look at it. Relating to the questions, if yours was not answered, go to housing.counseling@hud.gov, give us your question, and we'll pass it on to the single family people.

Here are some more links that will come across when you get your PowerPoint. And again, thank you for attending. Eric, thank you for a fantastic job. This was a needed piece of information for all our housing counselors.

Eric Or you're welcome. Again, thank you for having us be a part of the event, and thank you everyone who attended.

Virginia Okay. Maggie, we are done with the webinar.

Moderator All right, thank you. Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation, and for using AT&T Event Conferencing. You may now disconnect. Speakers, please hold for transfer.