

FHA – 203(h) Mortgage Insurance for Disaster Victims

Mortgage Insurance Premium (MIP)								
Terms	> 15-Year term (base loan amount ≤ \$625,500)				≤ 15-Year term (base loan amount ≤ \$625,500)			
	LTV	UFMIP	Annual	Duration	LTV	UFMIP	Annual	Duration
	> 95.00%	1.75%	0.85%	Mortgage Term	> 90.00%	1.75%	0.70%	Mortgage Term
Terms	> 15-Year term (base loan amount > \$625,500)				≤ 15-Year term (base loan amount > \$625,500)			
	LTV	UFMIP	Annual	Duration	LTV	UFMIP	Annual	Duration
	> 95.00%	1.75%	1.05%	Mortgage Term	> 90.00%	1.75%	0.95%	Mortgage Term
UFMIP Notes								
<p>Program eligibility is determined using the base loan amount prior to financing UFMIP UFMIP must be 100% financed into the mortgage or paid entirely by cash; partial financing is not permitted</p>								
General Loan Information								
Application Deadline	<ul style="list-style-type: none"> • FHA case number must be assigned within one year of the date from the Presidentially-Declared Major Disaster Areas (PDMDA) • Only one transaction allowed per PDMDA event 							
Program Eligibility	<ul style="list-style-type: none"> • The previous residence (owned or rented) must have been: <ul style="list-style-type: none"> ○ Located in a PDMDA declared eligible for Individual Assistance. Evidence borrower lived in the impacted area is required, AND ○ The property (structure) must be destroyed or severely damaged to such an extent that the <i>entire</i> property needs reconstruction or in need of a replacement. A list of the specified affected areas and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA) • Purchases: The new residence is not required to be located in the area where the previous house was located • Documentation supporting the damage of the previous house must be provided with the mortgage application: <ul style="list-style-type: none"> ○ Homeowner(s) must provide: <ul style="list-style-type: none"> ▪ Insurance claim evidencing the previous residence was destroyed in a PDMDA and ▪ Servicing Agreement for the payoff of the mortgage ○ Renter(s) must provide: <ul style="list-style-type: none"> ▪ Evidence of permanent residence in the affected area (i.e. valid driver’s license, utility bills, etc.) ▪ Evidence previous residence was destroyed in a PDMDA with a report and photographs showing the destruction or damage (i.e. insurance report, or an inspection report by an independent fee inspector/gov’t agency) ▪ Signed/dated LOE from landlord confirming the property was destroyed and the borrower has been relieved of his/her monthly rent obligation 							
Eligible Terms	<p>FHA 203(b)(h): Purchase only</p> <ul style="list-style-type: none"> • 15 Year, 30 Year Fixed Conforming and High Balance Fixed FHA 203(b)(h) loan plans • CMT 5/1 ARM Conforming and High Balance FHA 203(b)(h) loan plans • All ARM loans are 30-year fully amortizing with 1/1/5 caps, 1-Year CMT index and 1.75 margin. • Qualify at Note rate <p>FHA 203(k)(h): Purchase and No Cash Out Refinance</p> <ul style="list-style-type: none"> • 15 year, 30 Year Conforming and High Balance Fixed FHA 203(k)(h) Limited and Standard loan plans • CMT 5/1 ARM Conforming and High Balance Fixed FHA 203(k)(h) Limited and Standard loan plans • All ARM loans are 30 year fully amortizing with 1/1/5 caps, 1-Year CMT index and 1.75 margin. • Qualify at Note rate <p>Note: HUD allows 1 FHA insured mortgage only. If borrower currently has an FHA mortgage, borrower is not eligible.</p>							



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LTV	<ul style="list-style-type: none"> • Max 100% LTV for FHA 203(b)(h) • Max 203(k) LTV applies for FHA 203(k)(h)
Occupancy	<ul style="list-style-type: none"> • Owner-occupied principal residence
Property Types	<p>Eligible</p> <ul style="list-style-type: none"> • The purchase or reconstructed property must be a 1-unit single family residence or a unit in a HUD-approved condo project <p>Ineligible</p> <ul style="list-style-type: none"> • Only a portion of the property needs to be replaced or repaired • 2-4 Units • Incomplete homes • Manufactured Home/On-frame modular construction • Agricultural properties • Co-op/Condotels/Geodesic dome/Log/Berm homes
Eligible Borrowers	<ul style="list-style-type: none"> • US Citizens • Non-occupant co-borrowers • Inter Vivos revocable trusts • Permanent and non-permanent resident aliens
DTI Ratios	<ul style="list-style-type: none"> • Per AUS or follow manual underwrite guidelines
Appraisal Requirements	<ul style="list-style-type: none"> • Appraisals must be completed by HUD-approved appraiser eligible to appraise for 203(h) transactions • Health and safety standards must be met prior to close for all disaster repair/reconstruction loans
Ineligible Transactions	<ul style="list-style-type: none"> • EEM (Energy Efficient Mortgage) • FHA Section 8 loans • FHA Secure • Hope for Homeowners • Down payment assistance options • Texas 50(a)(6) loans • Cash Out Refinances • Second homes and Investment properties • Hawaiian Home Land Transactions • Properties located in Hawaii Lava Zones 1 & 2



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Underwriting

- FHA 203(h) mortgages must be processed and underwritten in accordance with the regulations and requirements applicable to the FHA 203(b) program. Any 203(b) program guidance that conflicts with the specific requirements of 203(h) mortgage section, the 203(h) specific guidance must be followed
- All loans must be submitted through FHA TOTAL Scorecard (DU/LPA permitted). **Note:** On a 203(b)(h) purchase transaction, If the LTV > 96.50% (max 100% LTV) TOTAL Scorecard may issue an Approve/Ineligible or Accept/Ineligible recommendation. The only reason for “Ineligible” recommendation is due to the LTV.
- Manual approvals must follow manual underwriting guidelines
- Traditional documentation is required for credit/employment/income/asset information, and must document attempts accordingly. If traditional documentation is unavailable, HUD allows the use of alternative documentation as noted below. Where specific requirements are not provided, may use alternative documentation that is reasonable and prudent to rely upon in underwriting a mortgage
- **Credit:** Minimum 520 credit score up to \$453,100; all others 580
 - All borrowers must have at least one valid credit score
 - Any derogatory credit that occurred since the disaster date was due to the effect of the disaster may be considered an acceptable credit risk if the credit report indicates borrower had satisfactory credit prior to disaster event
 - Mortgage history: May disregard any late payments on a property that was destroyed or severely damaged in a disaster where the mortgage late payments were a result of the disaster and the borrower was not three or more months delinquent on the mortgage at the time of the disaster.
 - Note:** If the borrower was ≥ 3 months delinquent, may justify approval only if extenuating circumstances are documented.
 - Liabilities: If the borrower is purchasing a new home to replace the destroyed residence located in a PDMDA, the existing mortgage payment can be excluded from borrower’s liabilities/DTI with the following:
 - Obtain documentation that the borrower is working with the servicing lender to appropriately address his/her current mortgage obligation, AND
 - Apply any property insurance proceeds to the current mortgage of the destroyed residence
- Credit report for non-borrowing spouse must be pulled in community property states with individual debts being included in the DTI. This applies if the subject property is located in a community property state or if the borrower's primary residence is in a community property state even though the subject property is not in a community property state. The non-borrowing spouse’s SSN must match with the Social Security Administration and/or must obtain non-borrowing spouse’s consent and authorization to verify the SSN with the SSA
- **Employment/Income:** If prior employment cannot be verified due to records were destroyed by the disaster and the borrower is in the same or similar field, then HUD will accept W-2’s and tax returns from the IRS to confirm prior employment and income. Income earned from short-term employment obtained following the disaster may be included in the effective income calculation
- A fully executed IRS form 4506T is required for each borrower on the loan. Refer to [Tax Transcripts-4506-T Policy](#) for when transcripts are required
- **Assets:** If traditional asset documentation is not available, statement(s) from financial institution website to confirm the borrower has sufficient assets to close may be used. FHA 203(b)(h) purchase transaction, borrower is not required to make the minimum required investment (MRI). **Note:** MRI is required for FHA 203(k)(h) purchase transaction.
- Escrow holdbacks allowed

Limited 203(k)(h)

- Minor remodeling and non-structural repair(s)
- Minimum \$5,000 repair amount and maximum \$35,000 including all costs
- A 203(k) fee consultant is not required but may be used
- Repairs must start within 30 days and be completed within 6 months
- Maximum of 2 draws (Initial and Final)
- Projects cannot have more than three (3) specialized contractors without use of a General Contractor to manage the project
- Projects that contain self-help must be done as a Standard with consultant. The material and labor from the Maximum Mortgage Worksheet (MMWS) will be financed. Painting and appliance purchases may be included on a Limited as self-help



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Limited 203(k)(h) Repair List

Eligible Repairs/Improvements include but not limited to:

- Eliminating health and safety hazards to meet HUD's minimum property requirements (MPRs)
- Repair/replacement of roof provided the structural integrity of the structure will not be impacted by the work being performed; siding; gutters and downspouts
- Repair/replacement/upgrade of existing: HVAC systems, plumbing, and electrical systems
- Repair/replace/add exterior decks, patios, porches (must increase As-Is Property Value equal to the dollar amount spent on the improvement)
- Minor remodeling, such as kitchens, which does not involve structural repairs
- Painting, exterior and interior (changes for improved functions and modernization)
- Eliminating obsolescence
- Purchase and installation of appliances including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Lead-based paint stabilization or abatement of lead-based paint hazards if the structure was built before 1978
- Septic system and/or well repair or replacement
- Connecting to public water and sewage systems
- Pool repairs
- Installing/repairing fences, walkways and driveways
- Check HUD's website for a more complete list of allowable repairs; www.hud.gov

Note: All repairs/improvements must meet HUD's MPR and meet or exceed local building codes.

Ineligible Repairs/Improvements

- Major rehabilitation/remodeling, such as when any of the following exists:
 - Repairs/improvements requiring a work schedule longer than six months to complete
 - Rehab activities require more than 2 payments per specialized contractor
 - The required repairs arising from the appraisal requiring a HUD Consultant to develop a specification of repairs/Work Write-Up or requiring architectural exhibits/plans
 - The repair prevents the borrower from occupying subject property for more than 15 days during the rehabilitation period
- Major remodeling and structural repairs/alterations such as 1-4 structure conversion, additions, finished attics, basements, constructing a garage, changing footprint or requiring architectural plans, etc.
- Site improvements and landscaping
- Constructing a windstorm shelter
- Additions/alterations to support commercial use or to equip/refurbish space for commercial use
- Recreational or luxury improvements such as –
 - Swimming pools
 - Exterior hot tub, spa, whirlpool bath or sauna
 - Barbecue pits, outdoor fireplaces or hearths
 - Bath houses, tennis courts, satellite dishes, photo murals, gazebos,
 - Tree surgery (except when eliminating an endangerment to existing improvements)



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Standard 203(k)(h)

- Major remodeling and structural repair(s)
- Minimum \$5,000 repair amount; No maximum
- Repairs must start within 30 days and be completed within 6 months
- Up to 5 draws; No initial draw is allowed. The Homeowner/Contractor Agreement and Consultant Work Write Up is signed by all parties agreeing to the draw schedule and holdback policy
- Inspection and Title Update required prior to each draw
- Must have HUD-accepted 203K fee consultant to ensure program compliance:
 - Initial review prior to appraisal:
 - Cost of Repairs/Fee: varies, contact the 203k Consultant
- 10% holdback is required for each draw in the Contingency Reserve
- Projects cannot have more than three (3) specialized contractors without use of a General Contractor to manage the project
- Projects that contain self-help must be done as a Standard with consultant. The material and labor from the MMWS will be financed. Painting and appliance purchases may be included on a Limited as self-help
- Up to 6 months PITIA can be financed if home is deemed uninhabitable by the HUD Consultant

Standard 203(k)(h) Repair List

Eligible Repairs/Improvements include but not limited to:

- Major remodeling and structural repairs/alterations such as 1-4 structure conversion, additions, finished attics, basements, constructing a garage, changing footprint or requiring architectural plans, etc.
- Eliminating health and safety hazards to meet HUD's minimum property requirements (MPRs)
- Installing or repairing wells and/or septic systems
- Connecting to public water and sewage systems
- Repairing/replacing plumbing, heating, AC and electrical systems
- Making changes for improved functions, modernization, and aesthetic appeal
- Installing/adding/repairing roof, gutters, downspouts, fences, walkways, and driveways
- Creating accessibility for person(s) with disabilities
- Repairing or removing an in-ground swimming pool
- Installing appliances, built-in microwave oven, washer/dryer, and smoke detectors
- Make site improvements
- Installing/repairing exterior decks, patios, porches, and windstorm shelter
- Cover lead-based paint stabilization costs if structure was built before 1978
- Check HUD's website for a more complete list of allowable repairs; www.hud.gov

Note: All repairs/improvements must meet HUD's MPR and meet or exceed local building codes.

Ineligible Repairs/Improvements of luxury item, or improvement that does not become permanent part of the subject:

- Recreational or luxury improvements such as –
 - Swimming pools (existing swimming pools can be repaired)
 - Exterior hot tub, spa, whirlpool bath or sauna
 - Barbecue pits, outdoor fireplaces or hearths
 - Bath houses, tennis courts, satellite dishes, photo murals, gazebos,
 - Tree surgery (except when eliminating an endangerment to existing improvements)
- Additions or alterations to support commercial use or to equip/refurbish space for commercial use



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Fees	<ul style="list-style-type: none"> • The Consultant Fee is required to be disclosed, if applicable. Note: HUD consultant typically requires payment up front by the borrower at time of services rendered. • The holdback allocation amount must be disclosed <p>Note: Reno Desk to ensure the above fees are properly disclosed.</p> <ul style="list-style-type: none"> • The following repair/improvement costs and fees may be financed: <ul style="list-style-type: none"> ○ Cost of construction, repairs and rehabilitation ○ Inspection fees performed during the construction period that are reasonable/customary for the area ○ Title update fees ○ Permits ○ Architectural/engineering professional fees - Standard only ○ Consultant fee subject to limits in the 203(k) Consultant Fee Schedule – Standard only ○ A Feasibility Study when necessary to determine if the rehabilitation is feasible – Standard only • Ineligible Fees and Costs that may not be financed for the Limited: <ul style="list-style-type: none"> ○ Mortgage payment reserves ○ Architectural/engineering professional fees ○ 203(k) Consultant Fee ○ A Feasibility Study
Forms	<ul style="list-style-type: none"> • The following must be provided and/or completed in their entirety: <ul style="list-style-type: none"> ○ Borrowers Work Plan (Limited only) ○ Notice to Borrower ○ Notice to Contractor ○ Notice to Consultant (Standard) ○ Homeowner/Contractor Agreement ○ Completed W-9 for contractor ○ Contractor Profile ○ Contractor Licensing information ○ Contractor Liability Insurance ○ Contractor Certification ○ Self-Help Agreement (if the borrower(s) are doing the work) ○ 203(h) Borrower’s Acknowledgement ○ Borrower’s Identity of Interest ○ Consultants Identity of Interest (Standard) ○ Consultant/Borrower Allowable Fee Agreement ○ Fully executed contract detailing repairs, cost of materials and required permits signed by the borrower(s) and contractor(s) ○ FHA Consultant Work Write-Up (Standard) ○ Permits and Certifications required, if applicable ○ Initial Disbursement Request (Limited only) • Forms may NOT be signed in counterpart
Contractor Requirements	<ul style="list-style-type: none"> • A borrower’s Work Plan is required on a Limited and use one or more contractors to provide the Cost Estimate, contractor’s Bids and complete the required improvements/repairs • Contractor to provide proof that they meet all jurisdictional licensing and bonding requirements • Contractor must be licensed in the scope of work they are completing • Contractor must agree to complete the work within the allotted timeframe • Contractor must have minimum of 3 years’ experience and have proof of liability insurance
Other 203(k) Requirements	<ul style="list-style-type: none"> • Damaged residences located in PDMDA are eligible for FHA 203(k) mortgage insurance regardless of the age of the property. The residence only needs to have been completed and ready for occupancy for eligibility under 203(k). • All other 203(k) policies must be followed, refer to FHA 203(k) matrix for complete details

