

FHA Announces Updates to its 203(k) Rehabilitation Mortgage Program and 203(k) Industry Stakeholder Briefing

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2024-13, Revisions to the 203\(k\) Rehabilitation Mortgage Insurance Program including updates to the 203\(k\) Consultant Requirements and Fees](#). This ML implements updates to the Section 203(k) program guidelines, which are intended to reduce barriers to using the program.

Enhancing the 203(k) Rehabilitation Mortgage Insurance Program (203(k) program) is an integral part of FHA's goals to increase the supply of affordable housing, expand affordable financing options for homes in need of repair, and stabilize neighborhoods by reducing the blight of vacant and abandoned properties.

With the publication of today's ML, FHA has now enhanced its 203(k) program guidelines to:

- increase the Limited 203(k) total rehabilitation cost from a maximum of \$35,000 to a maximum of \$75,000;
- introduce an annual review process for updating the maximum total rehabilitation cost for Limited 203(k);
- extend the rehabilitation period to 12 months for the Standard 203(k) and nine months for the Limited 203(k);
- increase the number of days that a borrower is unable to occupy the subject property during the rehabilitation period for Limited 203(k) from 15 to 30 days;
- permit mortgagees to increase the number of months of financeable Mortgage Payment Reserves for the Standard 203(k);
- allow financing of 203(k) Consultant fees for Limited 203(k); and
- revise the 203(k) Consultant fee schedule.

FHA believes these latest revisions will make the program offerings more attractive to mortgagees, 203(k) Consultants, real estate professionals, home buyers, and homeowners as a tool for revitalizing homes and neighborhoods, thereby providing greater access to, and increased production of, affordable housing.

The publication of these policy updates is the result of many months of engagement with stakeholders. In recent years home buyers obtained fewer 203(k) program renovation mortgages despite the growing market need.

To identify potential causes for that decline and opportunities to improve the 203(k) program, FHA undertook a two-pronged approach — by first publishing on February 14, 2023, a Request for Information (RFI) notice in the Federal Register [[Docket No. FR-6366-N-1](#)] seeking public comments, and then following up by posting the draft ML on its [Single Family Housing Policy Drafting Table](#) on November 29, 2023, seeking stakeholder feedback — regarding the barriers that might be limiting the program's usage.

The program enhancements contained in today's ML must be implemented for all FHA case numbers assigned on or after November 4, 2024, and will be incorporated into a future update of the [FHA Single Family Housing Policy Handbook 4000.1](#).