



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: January 14, 2025

Mortgagee Letter 2025-05

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All FHA-Approved Title I Lenders
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Updated Nonprofit Approval and Recertification Procedures

Purpose This Mortgagee Letter (ML) updates the application and recertification requirements for nonprofit entities seeking approval to participate in Single Family nonprofit programs.

Effective Date The provisions of this ML may be implemented immediately but must be implemented no later than 180 days from the date of this ML.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Affected Programs The provisions of this ML apply to the application, recertification, and post-approval requirements for nonprofits participating in FHA's Single Family nonprofit programs.

Background FHA is committed to making affordable homeownership available to qualified buyers for whom homeownership might otherwise be out of reach. One of the many ways FHA tries to accomplish this is through partnering with HUD-approved Nonprofits and Governmental Entities to ensure that financing is available to provide homeownership opportunities to Low- to

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Moderate-Income families. HUD-approved Nonprofits may participate in Single Family nonprofit programs to purchase HUD Real Estate Owned (REO) homes at a discount or during the exclusive listing period, provide secondary financing in conjunction with FHA-insured first lien Mortgages, and secure FHA loans as the Mortgagor.

Nonprofits must be approved by FHA and placed on the HUD-Approved Nonprofit Roster in order to participate in Single Family nonprofit programs. To become HUD approved, a nonprofit must submit an application per HUD's requirements to the FHA Homeownership Center (HOC) of the appropriate jurisdiction for review and approval. Once approved, nonprofits are placed on the roster for a two-year period. Nonprofits must recertify before the end of the two-year approval period to remain on the roster.

This ML streamlines and simplifies the application and recertification requirements nonprofits must meet to participate in Single Family nonprofit programs. This ML expands the relevant experience requirements nonprofits must meet to draw more eligible nonprofits into the program. This ML also revises the allowable Net Development Costs (NDC) for nonprofits that acquire, rehabilitate, and resell HUD REO properties as affordable homeownership by eliminating the requirement that local, state, and federal grant funds be excluded from resale proceeds. This requirement does not align with the typical way a nonprofit organization operates. Eliminating this requirement will help support the creation of new sources of affordable homeownership in the communities served. By updating and revising the nonprofit approval and recertification standards, HUD expects to increase the number of nonprofits approved to participate in the nonprofit program so more Low- to Moderate-Income families have access to affordable homeownership opportunities.

Summary of Changes

This ML:

- updates the required information for each board member (I.B.4.b.iii(A)(2));
- updates Principal Management section by adding a definition and required documentation section (I.B.4.b.iii(A)(3));
- revises the definition of relevant experience to add new construction as acceptable experience, removes the requirement that the two out of five years of relevant experience be consecutive, further defines the information that must be provided related to relevant experience, and clarifies exceptions (I.B.4.b.iii(A)(4));
- revises language for Administrative Capacity and adds other activities acceptable to support experience requirements (I.B.4.b.iii(A)(8));

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- revises the documentation that must be provided as part of the Financial Capacity, including documentation that must be provided by nonprofits who expend federal awards of \$1,000,000 or more (I.B.4.b.iii(A)(9));
 - removes the requirement that photos and floor plans be submitted as part of Adequate Facilities (I.B.4.b.iii(A)(14));
 - updates standards to require nonprofits seeking to operate in new geographic areas to provide an updated Affordable Housing Program Plan (AHPP) to the Jurisdictional HOC that issued its original approval instead of the HOC that has jurisdiction over those new areas (I.B.4.b.iii(A)(16));
 - updates the Application Certification language (I.B.4.b.iii(A)(17));
 - updates program-specific eligibility requirements for HUD Homes, FHA Mortgage, and Secondary Financing (I.B.4.b.iii(B));
 - clarifies that the HOC that initially approves the nonprofit will also review and approve the nonprofit's request to expand the geographic areas in which it operates (I.B.4.b.v);
 - removes the requirement that a nonprofit submit an AHPP for each program it is applying for and instead requires one AHPP that addresses all programs for which the nonprofit seeks approval (I.B.4.b.vii and I.B.4.b.ix(E));
 - eliminates the requirement that nonprofits submit Complete Nonprofit Application documentation at recertification regardless of whether information has changed. Requires nonprofits to submit documentation only for those items that have changed during the approval period (I.B.4.b.ix);
 - updates the recertification certification (I.B.4.b.ix(A)(1)(c));
 - revises the documentation that must be provided as part of the Name and Address Identification (NAID) to no longer require submission of the Internal Revenue Service ([IRS](#)) [Form W-9, Request for Taxpayer Identification Number and Certification](#), and Single Family Acquired Asset Management System (SAMS) form [SAMS-1111, Payee Name and Address](#) and moves the section from Application to Post-Approval Requirements (I.B.4.c.iii); and
 - updates NDC requirements by (1) removing the prohibition that any development cost paid from local, state, or federal grant funds may not be counted in the NDC calculation, and (2) permitting 18 months' worth of mortgage interest, rather than six months, to be counted as an NDC (I.B.4.c.iv(D)).
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**FHA Single
Family Housing
Policy
Handbook
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

General Application Requirements (I.B.4.b.iii(A))

(2) Board of Directors and Employees

**Doing Business
with FHA**

(a) Standard

Voting members of the nonprofit's Board of Directors must serve in a voluntary capacity and cannot receive compensation for any service they provide in implementing the nonprofit's Affordable Housing Program (AHP) for which they are seeking HUD approval. Directors may receive reimbursement for expenses.

The nonprofit must operate in a manner so that no part of its net earnings is passed on to any individual board member, corporation, or other entity affiliated with a board member. Board members cannot be employees of the nonprofit.

The occupational activities and obligations of board members cannot conflict with the work of the nonprofit.

It is a conflict of interest for a nonprofit to employ staff who also work for and receive financial benefits from an entity that is providing the nonprofit with services.

(b) Required Documentation

(i) Voluntary Board Certification

The nonprofit must submit a certification signed by an authorized representative of the nonprofit agency confirming that the Board of Directors serves in a voluntary capacity.

(ii) Board of Directors Information

FHA requires information on the job responsibilities of all board members to ensure that their occupational activities and obligations do not conflict with the work of the nonprofit and for compliance with [Ineligible Participants](#) requirements.

The nonprofit must provide the following information for each board member:

- name, board position, length of board term including expiration, and whether member is permitted to vote;
- Social Security Numbers (SSN) for all voting board members;

- name of current employer, job title, nature of business, and job responsibilities.

The [FHA Nonprofit Leadership Worksheet](#) may be used, but is not required to be used, to comply with this section.

General Application Requirements (I.B.4.b.iii(A))

(3) Principal Management

(a) Definition

Principal Management and Staff Members refer to those who direct the activities of the organization and are responsible for organizational finances. This includes, but is not limited to, Executive Director/President or Vice President, Project/Program Director, or similar position.

(b) Standard

(i) Conflict of Interest

Nonprofits must ensure that no conflicts of interest exist between their Boards of Directors, principal [management](#), or any other entities that may participate in operating their AHP.

It is a conflict of interest for a nonprofit to employ staff who also work for and receive financial benefits from an entity that is providing the nonprofit with services related to the nonprofit's Affordable Housing Program Plan (AHPP).

(ii) Staff Experience

Principal [management](#) must have experience in developing and administering housing programs. Hiring of experienced staff does not relieve the nonprofit agency of the [Relevant Experience](#) requirements.

(c) Required Documentation

Nonprofits must provide the following information for principal management to ensure that no conflict-of-interest relationships exist, as well as no sanctions, foreclosures, inappropriate transfers of Real Property, or Business Relationships. FHA will also review the information collected for compliance with the [Ineligible Participants](#)

requirements and to ensure that principal management have the requisite experience.

For each principal management member, the nonprofit must provide:

- name and SSN;
- job title within the nonprofit, job responsibilities within the nonprofit, and length of time in position; and
- relevant former employers, address of former employer, related job responsibilities, and years in position.

The [FHA Nonprofit Leadership Worksheet](#) may be used, but is not required to be used, to comply with this section.

General Application Requirements (I.B.4.b.iii(A))

(4) Relevant Experience

(a) Definitions

Relevant Experience for HUD Homes refers to the acquisition, rehabilitation, and resale or new construction of five Single Family Properties.

Relevant Experience for FHA Mortgagor Programs refers to the housing development or property management of Single Family Properties.

Relevant Experience for Secondary Financing refers to the experience of operating a mortgage lending program or a Secondary Financing program as evidenced by five transactions.

(b) Standard

The nonprofit must have a minimum of two years of relevant experience within the last five years.

The hiring of experienced staff does not relieve the nonprofit agency of the relevant experience requirements.

Exception

A nonprofit that does not meet this experience requirement may be able to obtain limited approval if it has at least one year of relevant experience as defined above and one year of other related housing experience. The nonprofit's "other related housing experience" must demonstrate that the organization has the financial and administrative capacity to finance, purchase, rehabilitate, or resell homes, or provide

downpayment assistance to serve Low- to Moderate-Income individuals or families.

(c) Required Documentation

After the preliminary information has been accepted and the nonprofit is granted permission to complete the application, the nonprofit must submit a brief narrative describing its relevant housing experience. In addition, the nonprofit must provide:

- for the FHA Mortgagor and HUD Homes programs, details of past transactions including property address, acquisition date, loan amount, rehabilitation, date sold, and any delinquency. Transactions must span the period of relevant experience; or
- for the FHA Secondary Financing program, a list of past first lien mortgage loans and/or secondary financing loans including loan amounts, transaction dates, and addresses of the properties financed. Transactions must span the period of relevant experience.

General Application Requirements (I.B.4.b.iii(A))

(8) Administrative Capacity

(a) Standard

The nonprofit must demonstrate the capability to develop and carry out its homeownership program, as described in the nonprofit's AHPP, in a reasonable time frame and a successful manner.

Based on the level of administrative capacity, FHA may limit the number of Properties purchased at a discount and Mortgages insured by FHA.

(b) Required Documentation

The nonprofit must provide a narrative describing its past experience, if any, in acquisition, rehabilitation, property sales, downpayment assistance, Single Family mortgage lending, housing counseling, and administration of a homeownership program or other AHPs.

General Application Requirements (I.B.4.b.iii(A))

(9) Financial Capacity

(a) Standard

The nonprofit must have the financial capacity to operate its homeownership program. FHA will assess the nonprofit's financial stability in terms of cash balances, assets and liabilities, annual expenses, and cash flow from operations.

Based on an analysis of submissions, FHA may limit the number of Properties a nonprofit may purchase at a discount and purchase with FHA-insured financing.

(b) Required Documentation

Documentation requirements differ based on the amount of a nonprofit's expended federal award, as defined by the [Office of Management and Budget](#).

(i) Expended Federal Awards of \$1,000,000 or More

The nonprofit must submit the **two** most recent year-end audited financial statements, profit and loss statements, and balance sheets. The audited financial statements must be provided by the applicant's Independent Public Accountant (IPA) certifying that the nonprofit:

- maintains internal controls over federal awards;
- complies with applicable laws, regulations, and contract or grant provisions; and
- prepares appropriate financial statements.

The nonprofit must also submit the most recent quarterly financial statements along with certification from a Certified Public Accountant (CPA) or other financial professional attesting that the information accurately represents the financial condition of the nonprofit agency.

(ii) Expended Federal Awards Less than \$1,000,000

Nonprofits must submit two years of audited or unaudited financial statements, prepared in accordance with Generally Accepted Accounting Principles (GAAP) and reporting practices, and must include:

- an auditor's review report, if available;

- a treasurer's report; and
- any supplemental schedules.

The nonprofit must also submit the most recent quarterly financial statements along with certification from a CPA or other financial professional attesting that the information accurately represents the financial condition of the nonprofit agency.

The nonprofit must document and provide proof of the current source of operating funds and the long-term stability of these funding sources, which may include funding from governments, private entities, foundations, or other organizations.

There must not be any identity of interest between the capital provider and a nonprofit's Board of Directors or principal management.

General Application Requirements (I.B.4.b.iii(A))

(14) Adequate Facilities

(a) Standard

Nonprofits are required to have an adequate main office space in a designated physical location where the nonprofit manages its operations, meets with clients, distributes information, and renders services to the public.

The nonprofit must not share its office space, general reception area, entrance, or lobby with any entity with whom the nonprofit has a conflict of interest.

The office space must be clearly defined for the public and include a permanent and prominently displayed sign.

(b) Required Documentation

The nonprofit must submit the contact information and physical address of the agency's main office and submit proof of the physical location. HUD may request additional information, like floor plans, photographs, or billing statements that include the physical address, to confirm the validity of the office space and that it meets requirements.

General Application Requirements (I.B.4.b.iii(A))

(16) Affordable Housing Program Plan

(a) Definition

An Affordable Housing Program Plan (AHPP) refers to an approved plan that is a narrative describing a nonprofit's plans to implement the Single Family nonprofit program(s) for which it is approved. The AHPP addresses how the nonprofit intends to provide affordable homeownership opportunities for Low- to Moderate-Income buyers by financing, purchasing, rehabilitating, and/or reselling homes to eligible buyers.

(b) Standard

The nonprofit must submit the AHPP as part of its application for approval. The nonprofit must address the general AHPP requirements and any program-specific AHPP requirements for each program for which it seeks approval. The nonprofit must submit a copy of the AHPP as part of their application to the Jurisdictional HOC where the nonprofit's main office is located. The nonprofit must adhere to the AHPP during the entire approval period.

After approval, if the nonprofit seeks to expand the geographic area where it conducts its program or expand or modify its AHPP, the nonprofit must update the AHPP to include the new geographic area and submit an updated AHPP to the Jurisdictional HOC that issued its original approval.

(c) AHPP Requirements

The AHPP must address all general AHPP requirements and any program-specific AHPP requirements for each program for which the nonprofit seeks approval.

The general AHPP must:

- explain how the nonprofit intends to operationalize the program(s) for which it seeks approval;
- describe the geographic area and provide the city, county, state, and ZIP codes where the nonprofit plans to administer its program(s). The program(s) must be operated within the geographic area specified by the AHPP. The AHPP must describe the nonprofit's ability to execute its program throughout the geographic area in which it plans to operate;

- provide an overview of the target population or community needs and challenges of the geographic area in which the nonprofit plans to operate, including the homeownership needs of the community, and describe the demographics of the community, including racial composition, income, and household size;
- address how Low- to Moderate-Income individuals and families will benefit from participation in the program and how the nonprofit will locate the Low- to Moderate-Income individuals and families to participate;
- explain how the nonprofit will transition Low- to Moderate-Income individuals and families into homeownership;
- describe the type of homeownership counseling the nonprofit will provide to prospective homebuyers, if any; and
- describe how the nonprofit will serve non-English speaking populations and clients with disabilities.

(i) Program-Specific AHPP Requirements for HUD Homes and FHA Mortgagor

If the nonprofit is applying for approval for HUD Homes or the FHA Mortgagor program, the nonprofit must also provide in its AHPP:

- a general timeline or workflow for purchasing, rehabilitating, and selling properties the nonprofit intends to purchase;
- the number of properties the nonprofit expects to purchase under the program; and
- a copy of the lease purchase agreement, if applicable, and a description of the program, including how the nonprofit will transition renters to homeowners, how rent will be collected and applied, and if repair reserves will be used to minimize repair costs after purchase.

(ii) Program-Specific AHPP Requirements for Secondary Financing

If the nonprofit is applying for approval for the Secondary Financing program, the nonprofit must also provide in its AHPP:

- a program overview with a description of the Secondary Financing program, including eligibility requirements, restrictions on transferability and owner occupancy, and equity sharing, if applicable;
- a characterization of all fees and amounts charged to the Borrower and whether they will be part of the secondary lien;
- the number of secondary financing loans the nonprofit agency expects to provide per year;
- a description of how the nonprofit will maintain control and oversight of the servicing of the nonprofit's loans; and

- a description of how the agency will ensure the amount of assistance provided to homebuyers will conform with FHA underwriting guidelines.

(iii) Board Resolution

The nonprofit must submit a copy of a board resolution that adopts the completed AHPP, including the general AHPP requirements and any program-specific AHPP requirements. This resolution must be signed and dated by the appropriate persons under applicable state law and as identified in the Articles of Organization or other governing documents.

(d) Required Documentation

The nonprofit must submit a copy of the AHPP.

For secondary financing, nonprofits must submit a copy of the agreement between the nonprofit and the servicing entity if the nonprofit plans to use another entity to service the subordinate lien.

The nonprofit must submit a copy of the board resolution that adopts the AHPP.

General Application Requirements (I.B.4.b.iii(A))

(17) Application Certification

The nonprofit must include the following certification with the submission of a Complete Nonprofit Application:

I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802).

The certification must include the date, and the authorized representative's printed name, signature, and title.

Program Specific Eligibility Requirements (I.B.4.b.iii(B))

(1) HUD Homes [Text was deleted in this section.]

(a) Restrictions on Sale or Lease of Properties

FHA strictly prohibits the sale or lease of Properties acquired through the HUD Homes program to any of the nonprofit's officers, directors, elected or appointed officials, employees, or business associates, either during their tenure or for one year thereafter, or to any individual who is related by blood, marriage, or law to any of the above.

(b) Conflicts of Interest

No person who is an employee, officer, or elected or appointed official of the nonprofit agency, or who is in a position to participate in a decision making process pursuant to the AHPP or gain inside information with regard to the lease or purchase of the Property pursuant to the AHPP may obtain a personal or financial interest or benefit from the purchase of the Property, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for themselves, or for those with whom they have family or business ties, during their tenure or for one year thereafter.

(2) FHA Mortgagor [Text was deleted in this section.]

(a) Restrictions on Sale or Lease of Properties

FHA strictly prohibits the sale or lease of Properties acquired by the nonprofit with FHA-insured financing to any of the nonprofit's officers, directors, elected or appointed officials, employees, or business associates, either during their tenure or for one year thereafter, or to any individual who is related by blood, marriage, or law to any of the above.

(b) Conflicts of Interest

No person who is an employee, officer, or elected or appointed official of the nonprofit agency, or who is in a position to participate in a decision making process pursuant to the AHPP or gain inside information with regard to the lease or purchase of the Property pursuant to the AHPP may obtain a personal or financial interest or benefit from the purchase of the Property, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for themselves, or for those with whom they have family or business ties, during their tenure or for one year thereafter.

(3) Secondary Financing [Text was deleted in this section.]

(a) Restrictions on Conveyance

(i) Standard

Restrictions on conveyance must comply with the requirements in [24 CFR § 203.41](#), including that they must automatically terminate if title to the mortgaged Property is transferred by foreclosure or Deed-In-Lieu (DIL) of Foreclosure, or if the Mortgage is assigned to the Secretary.

(ii) Required Documentation

The nonprofit must submit copies of the legal instruments, such as the Mortgage and Note used by, or proposed to be used by, the nonprofit agency when providing secondary financing. Legal instruments with restrictions on conveyance must comply with the requirements in [24 CFR § 203.41](#).

Application and Approval Process (I.B.4.b)

v. Processing the Application

The Jurisdictional HOC will review all completed applications for approval to determine whether the nonprofit complies with all eligibility requirements. The location of the nonprofit's main office will determine the Jurisdictional HOC.

If the Jurisdictional HOC requires additional documentation or clarifying information, it may request such additional information and provide the nonprofit with a deadline for response. If the nonprofit does not provide the additional information requested by any specified deadline, the Jurisdictional HOC may deny approval on this basis.

Application and Approval Process (I.B.4.b)

vii. Application Approval [Text was deleted in this section.]

Nonprofit agencies that are approved for participation will be issued an approval letter from the Jurisdictional HOC describing which activities the nonprofit is approved for and any limitations associated with that approval.

Application and Approval Process (I.B.4.b)

ix. Recertification

(A) Standard

(1) Recertification Process

To retain FHA approval, nonprofits must complete FHA's recertification process prior to the two-year approval expiration. Recertification of nonprofit agencies is not automatic.

Recertification requires that a nonprofit meet the Complete Nonprofit Application requirements and provide a program activity update.

(a) Complete Nonprofit Application Requirements

Recertification requires the nonprofit to certify it continues to meet the Complete Nonprofit Application requirements, except for the [Relevant Experience](#) requirement.

The nonprofit must identify the requirements of the Complete Nonprofit Application that have not changed. For any Complete Nonprofit Application requirements that have changed during the approval period, including but not limited to the Board of Directors, principal management, consultant services, adequate facilities, or lending partners, the nonprofit must identify those requirements, describe what has changed, and upload the updated information or documentation into the Nonprofit Data Management System (NPDMS).

The nonprofit must provide updated [Financial Capacity](#) documentation at recertification.

(b) Program Activity

The nonprofit must provide information about the nonprofit's activity in the nonprofit programs for which it was approved, during the approval period. Nonprofits must demonstrate that they have created affordable housing opportunities. Nonprofits must demonstrate that they met the following standards, if applicable, during the approval period:

- ability to meet the goal of expanding affordable housing opportunities for Low- to Moderate-Income individuals and families;
- compliance with the program requirements for each program the nonprofit is approved to participate in; and

- adherence to the AHPP for the programs in which the nonprofit participates.

The nonprofit must submit information about its program activity, for each program it participates in, during the approval period. The nonprofit must provide the specific program activity information as set forth below:

Program Activity	Required Information
HUD Homes	<ul style="list-style-type: none"> • Property address • FHA case number (on acquisition) • Date of acquisition • Loan type • Purchase price • Mortgage amount • Name of Mortgagee • Discount amount • Net Development Costs (NDC) • Sold to Low- to Moderate-Income individual or family (yes or no) • Resale price • Resale date
FHA Mortgagor	<ul style="list-style-type: none"> • Case number • Mortgage amount • Settlement date • Loan type • If 203(k), date of rehabilitation completion • Name of Mortgagee • Is the loan part of a lease purchase program (yes or no) <ul style="list-style-type: none"> ○ If so, have renters become homeowners under the terms of the agreement (yes or no) • Sales price if property resold • Sale to a Low- to Moderate-Income individual or family (yes or no) • Was the loan assumed (yes or no) • Delinquency date • Foreclosure date
Secondary Financing	<ul style="list-style-type: none"> • Property address • First lien mortgage amount • Second lien mortgage amount • Date of origination • Name of Mortgagee • Forgivable (yes or no)

	<ul style="list-style-type: none">• Delinquency date• Foreclosure date
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(c) Recertification Certification

The nonprofit must include the following certification with the submission of the recertification package:

I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802).

The certification must include the date, and the authorized representative’s printed name, signature, and title.

(2) Filing Deadline

The required documentation must be submitted to the Jurisdictional HOC at least 90 Days prior to the end of the approval period. The HOC must be notified of any changes that impact the recertification application after it has been submitted.

(B) Required Documentation

The recertification process requires a nonprofit to identify requirements of the Complete Nonprofit Application that have not changed. For any Complete Nonprofit Application requirements that have changed during the approval period, the nonprofit must identify those requirements, describe what has changed, and upload the updated information or documentation into the Nonprofit Data Management System (NPDMS).

To assist in identifying requirements that have not changed, as well as those that have, nonprofits may use, but are not required to use, the [FHA Nonprofit Recertification Checklist](#).

Nonprofits must submit program activity data in NPDMS. Nonprofits may use, but are not required to use, the [FHA Nonprofit Activity Workbook](#).

(C) Incomplete Recertification Application

Nonprofit agencies that submit incomplete recertification applications will receive a letter indicating the information required to cure the

deficiency. This letter will give nonprofit agencies 15 Days from the date on the letter to correct any deficiencies. If the nonprofit applicant does not satisfy the outstanding requirement in its entirety and within the prescribed deadlines, the approval for recertification will be denied.

If the nonprofit does not submit an acceptable recertification application before the expiration of the two-year approval period, the nonprofit will be removed from the HUD Nonprofit Roster.

(D) Failure to Recertify

Failure to recertify will result in the nonprofit's removal from the program and the HUD Nonprofit Roster.

The nonprofit must comply with all program requirements for any program activity that was not finalized at the time of removal.

(E) Recertification Application Approval [Text was deleted in this section.]

Nonprofit agencies that are recertified for participation will be issued an approval letter from the Jurisdictional HOC describing which activities the nonprofit is approved for and any limitations associated with that approval. The approval is valid for a two-year period.

(F) Recertification Application Rejection

A nonprofit's recertification application may be rejected due to deficiencies or for failure to submit a program that complies with applicable regulations and requirements of this Handbook 4000.1.

Nonprofit agencies that are not approved for recertification will be issued a rejection letter from the Jurisdictional HOC describing the reasons for the rejection of the recertification application and will be removed from the HUD Nonprofit Roster.

Post-approval Requirements (I.B.4.c)

iii. HUD Homes – Name and Address Identification

(A) Standard

In order to bid on Real Estate Owned (REO) Properties, a nonprofit must obtain a Name and Address Identification (NAID), after it receives an approval letter from HUD to participate in the HUD Homes Program. To

obtain an NAID, a nonprofit must submit the required documentation through the online NAID application portal at the [HUD Home Store](#).

(B) Required Documentation [Text was deleted in this section.]

The nonprofit must submit the IRS Letter of Determination/Ruling and HUD Nonprofit Approval Letter.

HUD Homes – Net Development Costs (I.B.4.c.iv(D))

(1) Costs Allowed in Calculating the Net Development Costs

Only the costs specifically included in the following list, within the prescribed limitations and/or conditions, may be included in calculating the NDCs:

- the discounted purchase price paid to HUD;
- upon the purchase of the Property from HUD, prepaid items and financing and closing costs actually incurred, which must be reasonable and customary for the area in which the Property is located;
- for the time period the nonprofit organization or Governmental Entity holds title, the following costs, limited to amounts that are reasonable and customary for the area in which the Property is located, may be included:
 - fees paid to an approved 203(k) Consultant for Work Write-Ups, Cost Estimates, and inspections only;
 - property management, but only if related to periodic inspection and/or minor maintenance of the Property;
 - architectural fees, but only if the services are provided by a licensed architectural firm or individual architect;
 - rehabilitation costs, which are the total verifiable contractor and vendor expenditures incurred in the actual reconstruction, repair, restoration, and physical improvement of the Property. Rehabilitation costs are limited to the actual price paid to the contractor for completing each repair or improvement, and may also include expenditures for mechanical systems inspections, sewer and well inspections, repair inspections, foundation certifications for Manufactured Housing obtained from a licensed engineer, and roof inspections from a licensed contractor. HUD may require canceled checks and corresponding receipts as proof of rehabilitation costs. When calculating the NDC, Governmental Entities or HUD-approved Nonprofits using grant funds for the rehabilitation of HUD Homes acquired at a discount, cannot include the cost of the rehabilitation that is paid for by those grant funds;

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- cost of public and municipal services and utilities and real property taxes for the subject premises, except for delinquent interest or penalty charges incurred as a result of failure of program participant to pay these expenses in a timely manner;
- cost of termite inspection and extermination services;
- Homeowners' Association (HOA) or Condominium Fees;
- permits and other fees paid to units of state and local governments that are required by rule, law, regulation, or other legally binding mandate that must be paid before initiating or completing the rehabilitation or property improvement;
- survey costs;
- hazard and liability insurance premiums; and
- interest portion of Mortgage Payments limited to a maximum of 18 months' interest payments, less any and all rents received. If the Property is resold in less than 18 months, the interest payment credit must be pro-rated on the basis of the actual payments made – rent received and interest paid would be allowable costs but not the principal; and
- upon the resale of the Property to a new purchaser, only the following seller closing costs that are actually incurred, limited to amounts that are reasonable and customary for the area in which the Property is located, may be included:
 - ½ of closing agent fee (seller's portion);
 - electronic wiring fees;
 - courier and mailing fees (seller's documents only);
 - title insurance premium (owner's policy only);
 - state, county, or city tax stamps, if local law requires the seller to pay these costs;
 - homeowners warranty premium;
 - environmental hazard certification;
 - document preparation fee (seller's documents only);
 - recording (deed only) and reconveyance fees;
 - sales commissions for real estate broker/agent services; and
 - condominium transfer fee.

(2) Costs Not Allowed in Calculating the Net Development Costs

Costs not listed in [Costs Allowed in Calculating the Net Development Costs](#) are ineligible and cannot be included in the NDC calculation. Ineligible costs include:

- general administration cost of the nonprofit organization's or Governmental Entity's AHPP and homeownership programs, including overhead and staffing costs;
- housing developer fees and/or real estate consultant fees;
- sales bonuses and sales incentives (other than sales commissions) for selling or listing real estate brokers/agents;

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- Gifts to the Low- to Moderate-Income purchaser for downpayment, financing or closing costs, prepaid items, and any other purchaser-related expenses associated with their purchase of the Property;
 - development, maintenance, and management costs related to other Properties in the nonprofit organization's or Governmental Entity's inventory;
 - delinquent property tax or utility penalties and interest; and
 - Mortgage Payment late fees, prepayment penalties, payoff quote fees and fax charges.
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Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0328; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Feedback or Questions

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Julia R. Gordon
Assistant Secretary for Housing -
FHA Commissioner
