



ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: March 12, 2019**

**Mortgagee Letter 2019-05**

**To:** All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All FHA Roster Appraisers  
All Warranty Plan Issuers  
All FHA-Approved 203(k) Consultants  
All HUD-Approved Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject**                      **Removal of the FHA Ten-Year Protection Plan Requirements**

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**Purpose**                      This Mortgagee Letter eliminates the 10-year protection plan requirements, allowing borrowers to qualify for FHA mortgage insurance on high loan-to-value mortgages where the dwelling was not approved for guaranty, insurance, or a direct loan before the beginning of construction and where the dwelling is less than one year old.

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**Effective Date**            These changes are effective for all case numbers assigned on or after March 14, 2019.

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

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**Public Feedback**            HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send any feedback to the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov). HUD will consider the feedback in determining the need for future updates.

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### **Affected Programs**

This guidance applies to the origination of all FHA Title II forward mortgage programs.

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### **Background**

On December 14, 2018, at FR-6029-F-01, HUD published a Final Rule to streamline the warranty requirements for FHA single-family mortgage insurance, effective March 14, 2019. As part of this rule, HUD eliminated the Insured Ten-Year Protection Plan requirements codified at 24 CFR 203.200-203.209.

FHA is retaining the requirement that the Warranty of Completion of Construction (form HUD-92544) be executed by the builder and the buyer of a new construction home, as a condition for FHA mortgage insurance.

FHA has determined that the inspection requirements and the Warranty of Completion of Construction achieve the intent of providing assurance of quality more effectively than the ten-year protection plan, while eliminating the additional cost of the ten-year protection plan.

The ten-year protection plan, also referred to as the “ten-year warranty,” is an agreement between the Borrower and a plan issuer containing warranties on the construction and structural integrity of the property. Established FHA policy require properties which are under construction or existing for less than one year as ineligible for a mortgage with greater than a 90 percent LTV ratio unless they meet pre-approval requirements or are covered with a HUD-accepted insured ten-year protection plan. For FHA-insured mortgages, the plan must be a HUD-accepted, insured ten-year protection plan. FHA is eliminating these requirements.

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### **Summary of Changes**

This Mortgagee Letter streamlines home warranty requirements for FHA single-family mortgage insurance by removing the policy guidance that require borrowers to purchase 10-year protection plans in order to qualify for certain mortgages on newly constructed single-family homes.

The buyer will still retain a one-year warranty, which provides assurance to FHA that the home was built according to plan, and protects the buyer against defects in equipment, material, or workmanship supplied or performed by the builder, subcontractor, or supplier. The warrantor agrees to fix and pay for the defect and restore any component of the home damaged in fulfilling the terms and conditions of the warranty. The one-year warranty commences on the date that title is conveyed to the buyer, the date that construction is complete, or upon occupancy, whichever date occurs first.

**HUD Single  
Family  
Housing  
Policy  
Handbook  
4000.1**

Requirements for a ten-year warranty will be removed from the following subsections of the HUD Single Family Housing Policy Handbook 4000.1:

- **Section II. A. 8. i. ii. (A) Site Built Housing and Condominiums (By Construction Status at Time of Appraisal)**
  - (1) Proposed Construction
  - (2) Under-Construction
  - (3) Existing for Less than One Year (100 Percent Complete)
- **Section II. A. 8. i. ii. (B) Manufactured Housing (By Construction Status at Time of Appraisal) Inspection Requirements for Maximum Financing**
  - (1) Proposed Construction
  - (2) Under-Construction
  - (3) Existing for Less than One Year (100 Percent Complete)
- **Section II. A. 8. i. iii. Required Documentation for Maximum Financing**
- **Section II. A. 8. i. iv. Financing LTV Limit**

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**Paperwork  
Reduction  
Act**

The information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0059 (Warranty of Completion of Construction (form HUD-92544)). In accordance with the Paperwork Reduction Act, 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.

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### **Questions**

For additional information on this ML, please visit [www.hud.gov/answers](http://www.hud.gov/answers) or call FHA's Resource Center at 1-800-CALL-FHA (1-800-225-5342).

Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Relay Service at 1-800-877-8339.

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### **Signature**

Brian D. Montgomery  
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Federal Housing Commissioner