



**TO: All FHA-Approved Mortgagees
All Other Interested Stakeholders in FHA Transactions**

NEWS AND UPDATES

FHA Clarifies Documentation Requirements for Governmental Entities Providing Downpayment Assistance to FHA Borrowers

FHA insures mortgages for qualified borrowers who contribute a Minimum Required Investment (MRI) of 3.5 percent of the home's purchase price. FHA allows family members, employers, and governmental entities to contribute to a borrower's MRI. Today, the Federal Housing Administration (FHA) issued [Mortgagee Letter \(ML\) 2019-06, *Downpayment Assistance and Operating in a Governmental Capacity*](#), clarifying the documentation that FHA-approved mortgagees must obtain when originating mortgages for borrowers using funds from another person or entity to satisfy any portion of the MRI, including specific documentation when a governmental entity provides downpayment assistance to qualified borrowers within the governmental entity's jurisdiction.

This clarification of current documentation requirements, as outlined in Section II.A of FHA's [Single Family Housing Policy Handbook 4000.1](#) (SF Handbook), should assist mortgagees in determining whether governmental entities providing gifts or secondary financing, or both, towards borrowers' MRI are doing so consistent with FHA requirements.

Consistent with the March 27, 2019 Presidential Memorandum on Federal Housing Finance Reform, and, as a matter of course, FHA continues to review the risks, benefits, and policy considerations of downpayment assistance programs used in connection with FHA-insured mortgages. As noted in today's ML, FHA, in reviewing its current documentation requirements for mortgagees, has determined that those requirements should be clarified to give greater assurances that the standards for providing the MRI have been satisfied by the governmental entity.

Today's ML 2019-06 — which updates existing SF Handbook policy and will be incorporated into a forthcoming update — is effective for case numbers assigned on or after April 18, 2019.

Quick Links

- View Mortgagee Letter 2019-06 at: https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee
- Link to or view either the online or PDF version of the *Single Family Housing Policy Handbook 4000.1* at: https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb

Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at: www.hud.gov/answers.
- E-mail the FHA Resource Center at: answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.

- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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