

FHA INFO #19-21
May 16, 2019



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

NEWS AND UPDATES

FHA Provides Guidance to Clarify Policy Differences for Construction to Permanent and Building on Own Land Programs

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2019-08: Construction to Permanent and Building on Own Land Programs](#), to revise and clarify its policy for each program. The ML seeks to resolve difficulty operationalizing the two programs. This guidance will further align HUD policy with industry standards and addresses the ability to utilize either program to obtain permanent FHA-insured financing.

Specifically, this ML provides revisions that separate the two programs according to the “one-time close” feature of the Construction to Permanent (CP) program and the “two-step close” structure of the Build on Own Land (BOOL) program (either separate or builder-financed construction and an ultimate FHA “take out” mortgage after construction completion). While the past policy did not fully recognize the operational impacts of these distinct processes, the revised policy structure is designed to specifically address them.

The guidance also addresses the use of the borrower’s equity in the land for the purpose of satisfying the borrower’s Minimum Required Investment (MRI) in both programs. Borrowers can now benefit through the operation of either program regardless of how long the borrower has owned the land.

This revised guidance applies to all CP and BOOL FHA Title II forward mortgages and may be implemented immediately; however, it must be implemented for mortgages with case numbers assigned on or after June 17, 2019.

Quick Links

- View Mortgagee Letter 2019-08 and all other archived Mortgagee Letters at:
https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee

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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