



**FHA INFO 2023-97**

**November 29, 2023**

### **FHA Seeks Further Feedback on Proposed Updates to its 203(k) Rehabilitation Mortgage Insurance Program**

Today, the Federal Housing Administration (FHA) posted to its [Single Family Housing Drafting Table](#) a draft Mortgagee Letter (draft ML), *Revisions to Increase the Maximum Rehabilitation Costs for Limited 203(k), Rehabilitation Period for Both Standard and Limited 203(k), and Consultant Fees Schedule for the 203(k) Rehabilitation Mortgage Insurance Program (Section 203(k) Program)*. The proposed changes would update key provisions of the program and are designed to make it more useful for today's market, increase flexibility for borrowers, and decrease operational burdens for lenders, 203(k) Consultants, and other program participants.

The proposed policies in the draft ML reflect input received from the Request for Information (RFI) regarding 203(k) Rehabilitation Mortgages that published in the Federal Register ([Docket No. FR-6366-N-01](#)) on February 14, 2023.

Specific changes proposed through this draft ML include:

- Increasing the maximum allowable rehabilitation costs for the Limited 203(k) program from \$35,000 to \$50,000 (\$75,000 in high-cost areas) to address increased costs associated with repairs;
- Increasing the number of days for which the repairs prevent the borrower from occupying the property during the rehabilitation period in the Limited 203(k) program from 15 days to 30 days before categorizing the renovations as major rehabilitation;
- Allowing 203(k) Consultant fees to be included in the financed mortgage amount for both the Limited 203(k) and Standard 203(k) programs;
- Increasing the allowable rehabilitation period for the Standard 203(k) program from six months to 10 months, and for the Limited 203(k) program from six months to seven months to account for longer repair and rehabilitation timeframes that are common for more complex projects;
- Increasing the allowable initial draw amount to include up to 75 percent of material costs, versus 50 percent under the existing policy, so the borrower can make payment to a supplier or manufacturer; and
- Updating the 203(k) Consultant fee schedule, including a streamlining and substantial increase of allowable fees for preparation of work write-ups and architectural exhibit

reviews. FHA is also proposing increasing the maximum amount for other allowable fees, including the Draw Inspection fee and the Change Order Request fee. The proposed fee increases are designed to appropriately compensate Consultants for their role and incentivize more of them to participate in the program.

Interested stakeholders are encouraged to thoroughly review the draft ML and provide feedback through January 5, 2024. Instructions for viewing the draft ML and providing feedback are available on the [Drafting Table](#). FHA will carefully consider all feedback received before publishing a final ML.

As a reminder, this draft ML is not official Departmental policy and cannot be used in connection with any FHA-insured mortgage. FHA's existing policies remain in effect until amended upon publication of a final ML on HUD's website.

For more information, read today's [press release](#).

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