HUD-Approved Nonprofit Participation in FHA Loan Financing

FHA offers approved nonprofit agencies the opportunity to act as a Mortgagor utilizing FHA mortgage insurance. Nonprofit agencies participating in the HUD nonprofit program are approved by their local Homeownership Center (HOC) to participate in FHA Nonprofit activities, and only HUD approved Nonprofit Organizations are eligible to participate as a FHA mortgagor. FHA encourages lenders to make loans to HUD-approved Nonprofit Organizations, by insuring lenders against loss in the event that borrowers default on their loans.

HUD/FHA allows nonprofit agencies to finance FHA-insured mortgages (203B and 203K) with the same terms and conditions as an owner-occupant. These owner-occupants terms include a low down payment requirement of 3.5% and can assist the nonprofit agency in leveraging their organization’s funds. Properties purchased utilizing FHA mortgage insurance must be resold to low-to-moderate income families.

For additional information regarding nonprofit agencies Acting as Mortgagors, please review Mortgagee Letter 96-52 and HUD Handbook 4155.1, REV-4, CHG 1, Mortgage Credit Analysis for Mortgage Insurance on One to Four Family Properties at: http://www.hudclips.org/

For lenders seeking to learn more about FHA’s Single Family Program for Nonprofits and for a roster of nonprofits approved to act as mortgagors, please click on