



# Partnering with HUD on Affordable Housing Homeownership







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# Introduction by Matthew Heckles



HUD Regional Administrator  
Region III (MidAtlantic)

- Appointed as the Regional Administrator of HUD's Mid-Atlantic region in February 2022
- Responsible for the oversight and delivery of HUD programs and services throughout Delaware, Maryland, Pennsylvania, Virginia, Washington, D.C. and West Virginia.
- He serves as HUD's liaison to elected officials, congressional delegations, city managers, stakeholders, and customers.



# Adam Hoffberg



Director  
Housing Finance Analysis Division  
Office of Economic Affairs



Within the Office of Economic Affairs is the Housing Finance Analysis Division, which is staffed by economists and others who conduct HUD’s research into Housing Finance.





# Positive Rental History (PRH) for Homeownership

## Borrowers have PRH When:

They can demonstrate a history of on-time rent payments of at least \$300 per month for the previous 12 months.

## PRH gives Borrowers:

A lower threshold for obtaining FHA insurance.

## Eligibility:

### A Purchase

The transaction is a purchase

### Firsttime Buyer

At least one applicant is a first-time buyer.

### Credit Decision

A minimum 620 credit score

## History:

Fannie Mae has included PRH in its underwriting decisions since September 2021, and Freddie Mac has included it since July 2022.

Takeaway for practitioners: due to “seasoning” requirement, early identification of possible beneficiaries is advantageous.





# Migdaliz Bernier



Director  
Home Mortgage Insurance Division  
Office of Single Family Program Development



The Home Mortgage Insurance Division within the Office of Single Family Program Development is responsible for:

- Program Administration: Oversees the SFH mortgage insurance program
- Policy Development: Forms and implements policy and regulation for SFH mortgage insurance
- Technical Support: Provides guidance and resources on the program
- Risk Management: Monitors financial risk



# FHA Policies to Expand Homeownership



- Updated guidance to allow consideration of rental income from an accessory dwelling unit (ADU) in underwriting;
- ML issued on July 9, 2024, to update the program guidelines for the 203(k) Rehabilitation Mortgage Insurance Program (203(k) Program).
- Federal Housing Administration (FHA) policies on downpayment assistance programs.

# FHA's ADU Policy: Changes to Rental Income Policies

Updated the definition of ADU to conform with industry standard.

01

## Income from Existing ADU

Allow 75% of the actual or estimated ADU rental income to qualify for an FHA-insured mortgage on a property with an existing ADU.

02

## FHA's 203(k) Rehabilitation

Allow 50% of the estimated rental income from a new ADU the borrower plans to attach to an existing structure.

03

## Rental Income History

When there is limited or no history of rental income, the amount of income used is limited to 30% of the total effective income.

04

## Reserves Requirements

If Rental Income from the ADU is used to qualify, Reserves equivalent to two months' PITI after closing is required for a one-unit with an ADU.







# FHA 203(k) Program Overview

The FHA’s 203(k) program is a rehabilitation and repair program that allows:

- Homebuyers to purchase a home and finance the rehabilitation costs into same mortgage.
- Homeowners to refinance a current mortgage and include the cost of improvements.

Standard 203(k)	Limited 203(k)
<ul style="list-style-type: none"><li>• Major renovation, structural or foundation repairs;</li><li>• \$5,000 minimum rehabilitation costs;</li><li>• No maximum; and</li><li>• FHA-approved 203(k) Consultant is required.</li></ul>	<ul style="list-style-type: none"><li>• Minor renovation, non-structural repairs;</li><li>• No minimum;</li><li>• \$75,000 maximum rehabilitation cost; and</li><li>• FHA-approved 203(k) Consultant is not required, but one may be used.</li></ul>



# FHA 203(k) Program: Recent Policy Updates

## The FHA has:

- Increased the total rehabilitation cost for the 203(k) Limited program from \$35,000 to \$75,000 nationwide.
- Adequate property enhancements increase market value, preserve aging homes, and contribute to overall community revitalization and stability.
- Increased the rehabilitation period from six months to nine months for the 203(k) Limited program and to 12 months for the 203(k) Standard program.
- Allows borrowers to finance the 203(k) Consultant Fee, if one is used for the 203(k) Limited program, providing expert advice without upfront cost.
- 203(k) Consultant Fees have increased to align with the current market and support participation of skilled professionals in the program.





# FHA's ADU Income and 203(k) Enhancements

- Improvements eligible to be financed with a 203(k) loan include ADUs as follows:
  - Converting a one-unit family Structure to a one-unit family Structure with an ADU.
  - Adding an ADU that will be attached to an existing Structure.
  - Renovating an existing ADU that is attached or unattached to an existing Structure.
- As an example, borrowers can use up to 50 percent of the estimated rental income for a new attached ADU.
- The FHA 203(k) Program cannot be used to build a new unattached ADU.



# FHA Partners with Governments

- FHA partners with Governmental Entities to support homeownership opportunities for low- to moderate-income families.
- Governmental Entities may provide grants or secondary financing assistance to homebuyers utilizing FHA insurance on a first mortgage.
- Governmental Entities are permitted to purchase homes from the U.S. Department of Housing and Urban Development (HUD) at a discount.
- Governmental Entities are permitted to purchase properties, without a discount, during the exclusive listing period for owner occupant purchasers.





# FHA Resource Center

Option	Point of Contact	Hours Available	Comments
Website	<a href="http://www.hud.gov/answers">www.hud.gov/answers</a>	24/7/365	Website includes option to email questions.
Email	<a href="mailto:answers@hud.gov">answers@hud.gov</a>	24/7/365	
Telephone	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.	8:00 AM to 8:00 PM Eastern M - F (including all non-Federal holidays)	Voicemail is available after hours or during extended wait periods. FHA FAQs are available after hours.



# Claudia G. Brenzia



Senior Housing Program Specialist  
Housing Voucher Management and Operations Division  
Office of Public and Indian Housing

The Office of Housing Voucher Management within the Office of Public and Indian Housing is responsible for:

- Program Administration: Oversees the Housing Choice Voucher program
- Policy Development: Forms and implements policy for the HCV program
- Technical Assistance: Provides TA on the program
- Oversight: Monitors PHAs for compliance





# Housing Choice Voucher Homeownership Program

## Program Overview:

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- Optional for PHAs with an HCV Program
- Enables eligible families to use Housing Choice Vouchers for homeownership
- Focuses on assisting low-income families to achieve homeownership
- No special funding or set-aside from HUD, PHA uses the current ACC funds and allocation

## Eligibility Criteria:

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|---|---|---|
| • Must meet your PHA's Eligibility Criteria | • Complete a Homeownership Counseling Program | • Family must qualify for a mortgage loan |
|---|---|---|

## Additional Criteria:

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- |  |   |                                     |
|--|---|-------------------------------------|
| • The entire homeownership unit must be owner-occupied | • The unit must pass two home inspections (HQS and independent) | • Must be within PHA's jurisdiction |
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# HCV Homeownership Initiatives

## What HUD is doing:

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- Increased the administrative fee from \$200 to \$1,500 per closing
- HUD will also fund a one-time \$2,500 special fee for each newly created HCV Homeownership Program at any PHA in CY 2024
- Formed the "Keys to Homeownership Committee"
  - Focused on addressing challenges and reducing barriers
  - Engaged PHAs and Industry stakeholders interested in elevating HCV Homeownership
- Established an Internal HUD HCV Homeownership Working Group :
  - Expand program visibility Revitalize and promote homeownership through updated communication materials
- Homeownership Virtual Convenings
- Proposed Rule in 2024 Reg Agenda: Extending the term limit on HCV Homeownership assistance from 15 years to 30 years to align with the length of mortgages



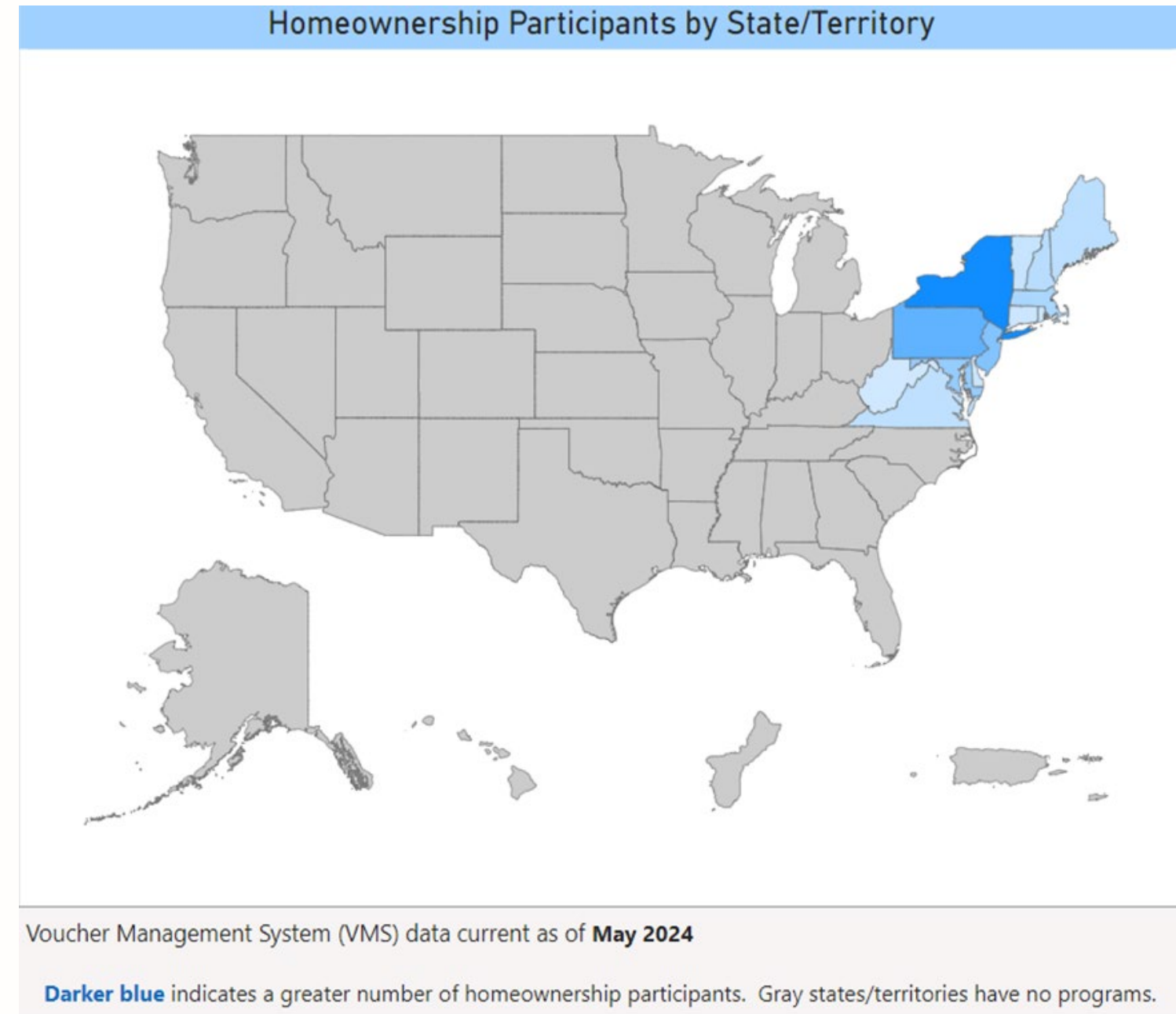
# Concentration of Homeownership Vouchers

Vouchers nationwide: 9629

Vouchers in Regions 1, 2 and 3: 3129

Vouchers by State:

1. New York - 867
2. Pennsylvania - 522
3. New Jersey - 376
4. Maryland - 301
5. Massachusetts - 216
6. New Hampshire - 153
7. Maine - 139
8. Virginia - 128
9. Vermont - 94
10. Rhode Island - 80
11. Connecticut - 77
12. Delaware - 68
13. West Virginia - 57





# More Information on the Homeownership Program

## For Updated Homeownership and Educational Materials:

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- HCV Homeownership Guidebook
- Homeownership Webinar
- Flyers and tutorials

## HUD Exchange:

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- Please visit: [HCV Homeownership- HUD Exchange](#)

## More Information:

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- [Homeownership - HUD | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)
- PHA'S and other stakeholders may send questions to:
  - [HCV\\_Homeownership@hud.gov](mailto:HCV_Homeownership@hud.gov)