



January 5, 2024

The Honorable Julia R. Gordon
Assistant Secretary for Housing and Federal Housing Commissioner
Federal Housing Administration
U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410

Dear Commissioner Gordon,


On behalf of 1.5 million REALTORS®, we write to thank you for the Federal Housing Administration's (FHA) draft Mortgagee Letter, which strengthens FHA's 203(k) Rehabilitation Mortgage Insurance Program. NAR applauds FHA and President Biden's Administration for taking important steps to address the nation's critical housing supply shortage, with an eye towards first-time and low to moderate-income buyers. The substantive changes included in FHA's Draft Mortgagee Letter create significant opportunities for homebuyers to make real improvements to their home purchase, while simultaneously rehabilitating the limited housing supply stock and ensuring low- to moderate-income buyers have the opportunity to participate in revitalizing their communities.

The proposed changes significantly enhance financing opportunities for buyers with FHA-insured loans hoping to make home improvements. Specifically, NAR commends FHA for proposing to increase the maximum allowable costs for the Limited 203(k) program. Increasing the allowable costs to meet market standards, with the option to index them in the future, enables buyers to quickly obtain the necessary financing for projects that qualify under the 203(k) limited program.

FHA's Draft Mortgagee Letter also updates the allowable timeframes for improvements and costs that can be financed and initially drawn by homebuyers. Under the proposed amendments, buyers will be able to include consultant fees in the mortgage for both the Standard and Limited 203(k) programs and increase the amount that can be drawn for material costs. This is a significant change that allows buyers to better plan for renovation projects and work with contractors.

FHA's 203(k) program creates an opportunity for homebuyers to finance both the purchase and renovations of a home through a single mortgage. Alternatively, existing homeowners can use this program to finance renovations of their current homes. In a tight-inventory environment, 203(k) loans create an opportunity for low- to moderate-income and first-time buyers to participate in homeownership by facilitating the financing of homes in need of rehabilitation. At the same time, 203(k) loans create an opportunity for FHA to directly play a role in revitalizing the existing housing supply stock.

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If you have any questions or comments, please feel free to reach out to Jeremy Green, NAR's Federal Housing Policy Representative at JGreen@nar.realtor.

Sincerely,



Tracy Kasper
2024 President, National Association of REALTORS®

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