

PRODUCT DESCRIPTION:

The **203(h) program** is offered through FHA to insure mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a Single-Family property.

Loans are generally processed and underwritten to meet FHA 203(b) program requirements **except** for requirements unique to the 203(h) program, as listed below:

(*Please note: All information contained in the [FHA product guidelines](#) supersede any and all information contained in this Quick Guide)

Eligibility Criteria

General 203(h) Eligibility Requirements

Borrower Eligibility:

- **Application Deadline:** The FHA Case Number must be assigned within one (1) year of the date the PDMDA is declared, unless an additional period of eligibility is provided
- **Primary Residences only;** other occupancy types are ineligible
- **Non-Occupant Coborrowers** are allowed
- Existing credit score & overlays apply; refer to the [Credit Score Overlay Matrix](#) for more details

Property Eligibility

- The previous residence (owned or rented) must have been located in a PDMDA (as determined by FEMA) and destroyed or damaged to such an extent that reconstruction or replacement is necessary
- The purchased or reconstructed property must be a Single-Family Property or a unit in an FHA-approved Condominium project

Minimum Required Investment (MRI)

- The borrower is not required to make the Minimum Required Investment (MRI)

Maximum LTV

- The Maximum LTV is 100% of the Adjusted Value – **UNLESS**
- A 203(k) rehabilitation loan is used in conjunction with the 203(h) program, the 203(k) maximum LTV applies

203(h) Underwriting Considerations

Every effort must be made to obtain traditional documentation, however, if traditional documentation is not available due to the disaster, then alternative documentation may be used, as outlined below:

Credit

- For borrowers with derogatory credit, the borrower may be considered a satisfactory credit risk if the credit report indicates satisfactory credit prior to the disaster, and any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster

Income

- If prior employment cannot be verified because records were destroyed by the disaster, and the borrower is still in the same/similar field: FHA will accept W-2's and tax returns from the IRS to confirm prior employment and income

Liabilities

- If the borrower is purchasing a new home, the mortgage payment on the destroyed residence may be excluded from the borrower's liabilities

Assets

- Statements downloaded from the borrower's financial institution website may be used to confirm sufficient assets

Housing Payment History

- 0x30 payment history prior to the disaster event required (when the mortgage history is known from the credit report or observed based on other underwriting criteria)

Eligibility Criteria (Cont'd)

203(h) Eligibility Documentation Requirements	<ul style="list-style-type: none"> • It must be documented that the borrower's previous residence was in the disaster area and was destroyed or damaged to such an extent that reconstruction or replacement is necessary • Documentation attesting to the damage of the previous house must accompany the mortgage application • If purchasing a new house, the house need not be located in the area where the previous house was located
203(h) Refinancing Policy	<ul style="list-style-type: none"> • Refinancing is permitted in conjunction with rehabilitation
Using 203(k) in Conjunction with 203(h) for Rehabilitation	<ul style="list-style-type: none"> • Damaged residences located in a PDMDA are eligible for Section 203(k) mortgage insurance, regardless of the age of the property. The residence only needs to have been completed and ready for occupancy for eligibility under Section 203(k). All other Section 203(k) policies must be followed.