



January 5, 2024

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

Via Email

Dear Commissioner Gordon,

The National Council of State Housing Agencies (NCSHA)¹ appreciates the opportunity to provide comments on behalf of our state Housing Finance Agency (HFA) members on the Department of Housing and Urban Development's (the Department or HUD) Draft Mortgage Letter (ML) that revises the Section 203(k) Program.

Currently, fifteen state HFAs permit Section 203(k) Program loans to be originated under their state's homeownership programs, recognizing that the Program can be an important tool to preserve and improve the homes that may be the most affordable to first-time or lower-income homebuyers, particularly older homes that need remodeling or repairs.

NCSHA applauds the Department for updating several key parameters of its Section 203(k) Program. The adjustments proposed in the ML help bring key elements of the Program in line with current economic and cost conditions while also acknowledging that our country's existing housing stock continues to age as time goes by. The Department's proposed changes acknowledge not only that the cost of and need for remodeling and repairs has increased with a continuously aging housing stock, but that the time allowed to complete a greater level of remodeling and repairs should also be extended.

The Department's proposal to raise the cap on the total rehabilitation costs permitted under the Limited 203(k) from \$35,000 to \$50,000 generally, and from \$50,000 to \$75,000 in high-cost areas was especially welcome as it recognizes that rehabilitation costs have increased and will help Limited 203(k) borrowers finance more repairs. Additionally, by including an indexing

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provision allowing FHA to periodically adjust the total rehabilitation costs under the Limited 203(k) Program, the Department is ensuring that the program remains relevant and useable over time. Furthermore, increasing the amount of time to complete repairs and improvements from six to seven months as well as the amount of time that repairs could prevent a homeowner from occupying the property from 15 days to 30 days should help homeowners access the Limited 203(k) program, too.

We recommend that the Department make one additional change – permitting the Limited 203(k) program to be used to add an accessory dwelling unit (ADU) to the property where the ADU is not connected to the home – to do even more to help alleviate current housing shortages while potentially giving borrowers an additional source of income that could help them more easily make their mortgage payments.

Thank you for this opportunity to provide comments on the proposed revisions to the Section 203(k) Program. NCSHA welcomes the opportunity to discuss our comments further and answer any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman

Director of Housing Advocacy and Strategic Initiatives