



FHA 203(h) Program Guidelines

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Section 1 Program Summary

Plaza offers FHA's 203(h) program which allows FHA to insure mortgages made to victims of a Presidentially-Declared Major Disaster Area (PDMDA) who have lost their housing and are buying another house, or whose housing was damaged and are in the process of rebuilding. The 203(h) program may be used in conjunction with a 203(b) or a 203(k) mortgage. A 203(h) offers the following benefits to borrowers:

- 100% financing for the purchase of a property. If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV applies.
- Flexibility is allowed in credit, income, and asset documentation.
- Flexibility is allowed in housing payment history analysis and liabilities as related to the destroyed residence.

Plaza's 203(h) guidelines are to be used in conjunction with Plaza's FHA Fixed and ARM Program Guidelines and Plaza's FHA 203(k) Program Guidelines as applicable. Where items are specifically addressed in Plaza's 203(h) guidelines, the 203(h) guidelines will control. Anything not specifically addressed in these 203(h) guidelines will follow Plaza's standard guidelines.

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Section 2 Product Codes

Product Name	Product Code	Available Term in Months
FHA 203(h) 15 Year Fixed	FHA150D	180
FHA 203(h) 30 Year Fixed	FHA300D	360
FHA 203(h) 5/1 ARM	FHA51TD	360
FHA 203(h) 15 Year Fixed High Balance	FHA150HBD	180
FHA 203(h) 30 Year Fixed High Balance	FHA300HBD	360
FHA 203(h) 5/1 ARM High Balance	FHA51THBD	360
FHA 203(h) 30 Year Fixed Standard 203(k)	FHA30DK	360
FHA 203(h) 30 Year Fixed Standard 203(k) High Balance	FHA30HDK	360
FHA 203(h) 30 Year Fixed Limited 203(k)	FHA30DKS	360
FHA 203(h) 30 Year Fixed Limited 203(k) High Balance	FHA30HDKS	360

Section 3 Program Matrix

Purchase - Conforming & High Balance					
Program	LTV	CLTV	Min Credit Score	Max DTI	
				AUS	Manual
203(h) with 203(b)	100%	100%	580	Per AUS	Per 4000.1
	90%	90%	550	Per AUS	31/43% ¹
203(h) with 203(k)	96.5%	96.5%	580	Per AUS	Per 4000.1
	90%	90%	550	Per AUS	31/43% ¹

¹ Manually underwritten loans with Credit Scores below 580 may not exceed 31/43 ratios.

Refinance ² - Conforming & High Balance					
Program	LTV	CLTV	Min Credit Score	Max DTI	
				AUS	Manual
203(h) with Standard 203(k) ²	97.75%	97.75%	580	Per AUS	Per 4000.1
	90%	90%	550	Per AUS	31/43% ¹

¹ Manually underwritten loans with Credit Scores below 580 may not exceed 31/43% ratios.

² Refinances are only eligible in conjunction with a Standard 203(k).

Section 4 Occupancy

Primary Residence Only

Section 5 Transactions

Purchase:

- To acquire an existing property in need of no repairs (203-b)
- To acquire and rehabilitate an existing structure (203-k)
 - Existing structures not located in a PDMDA must have been completed (certificate of occupancy has been issued over 12 months) for at least 1 year
 - Existing structures located in a PDMDA regardless of the age of the property are eligible. The residence only needs to have been completed and ready for occupancy to be eligible.

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Rate/Term Refinance:

- Only allowed in conjunction with a Standard 203(k) to rehabilitate an existing structure that has been destroyed or damaged to such an extent that reconstruction is necessary.

203(k) with 203(h):

- 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 to be eligible under Section 203(k). All other Section 203(k) policy must be followed.

Section 6 Property Flips/ Resale Requirements

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 7 Identity of Interest

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 8 Loan Limits

Maximum Base Loan Amount				
Unit	Contiguous States		Hawaii ¹	
	Standard	High Balance	Standard	High Balance
1	\$806,500	\$1,209,750	\$1,209,750	N/A

¹. There are no properties in Hawaii with loan limits higher than the applicable base conforming limits for 2025. As a result, there are no High Balance limits specific for this state.

Maximum base loan amounts are county specific and may be lower in a particular county.

Maximum loan limits are determined by geographic areas. HUD's website contains a complete schedule of [FHA Nationwide Mortgage Limits](#).

Section 9 Subordinate Financing

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 10 Borrower Eligibility

Documentation must be provided to verify that the borrower's previous residence (owned or rented) was in the disaster area, and was destroyed or damaged to such an extent that reconstruction or replacement is necessary. If purchasing a new house, the house need not be located in the area where the previous house was located.

Application Deadline: The FHA case number must be assigned within one year of the date the PDMDA is declared unless an additional period of eligibility is explicitly provided.

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens
- Non-occupant co-borrowers

Ineligible Borrowers:

- Charitable organizations
- Non-profit agencies
- Non-permanent resident aliens
- Deferred Action for Childhood Arrivals (DACA) program recipients
- State or local government agencies
- Foreign Nationals

Section 11 Underwriting Method

Automated Underwriting Systems (AUS):

All loans must be decisioned through FHA TOTAL Scorecard. Provide a copy of the TOTAL Scorecard recommendation from DU or LPA. Loans not receiving an acceptable AUS result must be manually underwritten subject to FHA and Plaza eligibility requirements.

Manual Underwriting: For loans that receive an AUS Refer or that otherwise require a downgrade to manual underwriting, refer to the **FHA Single Family Housing Policy Handbook 4000.1**.



Section 12 Credit

Credit Score: Minimum credit score is **550**.

Pre-Purchase Housing Counseling: Counseling is required on purchase transactions when the qualifying FICO < 640 and qualifying DTI > 45% (when both exist).

- At least one borrower on the loan must complete counseling
- Counseling must be provided by a HUD-approved agency, GSE, or mortgage insurance company
- Counseling must be completed no more than six months prior to loan closing

Qualifying Credit Score:

- A tri-merge credit report is required on all loans
- Qualifying score:
 - Where three scores are reported, the middle score is the qualifying score
 - Where two scores are reported, the lowest score is the qualifying score
 - Where only one score is reported, that score is the qualifying score
- Where the Mortgage involves multiple Borrowers, the lowest qualifying score of all borrowers is used
- Where the Mortgage involves multiple Borrowers and one or more of the Borrowers do not have a credit score (non-traditional or insufficient credit), the lowest qualifying score of the Borrower(s) with credit score(s) is used
- At least one occupant borrower must have a credit score. Manual underwriting guidelines apply for loans that receive a "Refer" recommendation where the co-borrower does not have a credit score. Non-traditional credit must be established per FHA guideline requirements.

Housing Payment History:

Late payments may be disregarded on a property that was destroyed or damaged in the disaster, where the late payments were a result of the disaster, and the Borrower was not delinquent on their Mortgage at the time of the disaster.

Disaster Related Derogatory Credit:

Borrowers 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 directly related to the effects of the disaster.

Section 13 Income and Employment

Prior Employment Verification: If prior employment cannot be verified because records were destroyed by the disaster, and the borrower is in the same/similar field, then FHA will accept W-2s and tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income.

Short Term Employment: Short-term employment obtained following the disaster may be included in the calculation of Effective Income.

Verbal Verification of Employment:

- Required on all loans.
- VOE must cover the most recent 2-year period.
- Must be performed within 10 days of the loan closing.



Verbal VOE for Self Employed Borrowers:

- Must verify the existence of the borrower's business within 30 days prior to the funding date.
- Verify from a third party, such as a CPA, regulatory agency or the applicable licensing bureau and by verifying a phone listing and address for the borrower's business using a telephone book, the Internet or directory assistance.
- Verify and document the name and title of the person that confirmed the employment and the date of the call.
- The Telephone Verification of Employment form must also include the name and title of the Plaza associate that performed the verification.

IRS Form 4506-C:

- All transactions require a signed and dated IRS Form 4506-C for all borrowers completed prior to closing.
- Refer to Plaza's **Credit Guidelines** to determine if transcripts are required.
- Executed 1040 transcripts are required when grossing up non-taxable income for qualifying.
 - Self-employment and/or Capital Gains losses must be addressed per the **FHA Single Family Housing Policy Handbook 4000.1**.

Section 14 Qualifying Ratios

Debt Ratios: Refer to the **Program Matrix** for specific debt ratio requirements.

Pre-Purchase Housing Counseling: Counseling is required on purchase transactions when the qualifying FICO < 640 and qualifying DTI > 45% (when both exist).

- At least one borrower on the loan must complete counseling
- Counseling must be provided by a HUD-approved agency, GSE, or mortgage insurance company
- Counseling must be completed no more than six months prior to loan closing

Mortgage Payment on Destroyed Residence:

When a Borrower is purchasing a new house, the mortgage payment on the destroyed residence may be excluded from the borrower's liabilities if:

- Documentation is provided that verifies the borrower is working with the servicing lender to appropriately address their mortgage obligation on the destroyed residence. Plaza also requires evidence that an insurance claim has been filed; and
- Any property insurance proceeds must be applied to the mortgage of the destroyed house.

Section 15 Down Payment / Gifts

Down Payment:

- The Borrower is not required to make the Minimum Required Investment (MRI). The maximum LTV is 100% percent of the Adjusted Value.
- If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV applies.

If traditional asset documentation is not available, statements downloaded from the borrower's financial institution website to may be used to confirm the borrower has sufficient assets to close the Mortgage.



Section 16 Reserves

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 17 Interested Third Party Contributions

Interested Party Contributions are limited to 6%

Section 18 Property Eligibility

Documentation must be provided to verify that the borrower's residence (owned or rented) was in the disaster area, and was destroyed or damaged to such an extent that reconstruction or replacement is necessary. If purchasing a new house, the house need not be located in the area where the previous house was located. A list of affected areas and corresponding disaster declarations are provided by the Federal Emergency Management Agency and can be located here ([FEMA](#)).

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- FHA-approved Condos

Ineligible Properties:

- 2-4 units
- Manufactured Housing
- Commercial property
- Cooperatives
- Condotels
- Geothermal homes
- Geodesic Domes
- Mobile homes
- Non-warrantable condos
- Timeshares
- Working farms, ranches, orchards

Section 19 Appraisal

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).



Section 20 Geographic Restrictions

The borrower's previous residence must have been in a PDMDA and have been destroyed or damaged to such an extent that reconstruction or replacement is necessary. If purchasing a new house, the house need not be located in the area where the previous house was located.

Hawaii: Properties in Lava Flow Zones 1 or 2 are not allowed.

Iowa: An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.

Massachusetts:

Septic system inspection required when a property is transferred to a different owner (purchase money). All systems must be inspected within 2 years prior to the transfer of title to the property served by the system. Inspections conducted up to 3 years before the purchase may be eligible when accompanied by records demonstrating that the system was pumped at least once a year during that time.

Montana: Lot size of the property may not exceed 40 acres.

Section 21 Max Financed Properties

Maximum Loans/Maximum Exposure:

Borrowers are generally limited to one FHA Insured mortgage. If a borrower's home was destroyed and qualifies for the 203(h) program then it may be acceptable for a multiple FHA loan exception.

A maximum of four Plaza loans is permitted to one borrower.

Section 22 Mortgage Insurance Premiums

UFMIP Premiums:

Effective for loans with case numbers **endorsed on or after March 20, 2023.**

Base Loan Amounts less than or equal to \$726,200:

LTV	Mortgage Term Greater Than 15 Years
> 95%	1.75% / 0.55%
< = 95%	1.75% / 0.50%

LTV	Mortgage Term Less Than or Equal to 15 Years
> 90%	1.75% / 0.40%
< = 90%	1.75% / 0.15%

Base Loan Amounts greater than \$726,200:

LTV	Mortgage Term Greater Than 15 Years
> 95%	1.75% / 0.75%
< = 95%	1.75% / 0.70%

LTV	Mortgage Term Less Than or Equal to 15 Years
> 90%	1.75% / 0.65%
>= 78.01 to < = 90%	1.75% / 0.40%
<=78%	1.75% / 0.15%

Upfront Mortgage Insurance Premium (UFMIP) and Refinance Transactions: If a borrower is refinancing an FHA-insured mortgage to another FHA insured Mortgage within 3 years, a refund credit is applied to reduce the amount of the UFMIP on the new loan. See the table below for refund percentages.

UFMIP Refund Percentages												
Year	Month of Year											
	1	2	3	4	5	6	7	8	9	10	11	12
1	80%	78%	76%	74%	72%	70%	68%	66%	64%	62%	60%	58%
2	56%	54%	52%	50%	48%	46%	44%	42%	40%	38%	36%	34%
3	32%	30%	28%	26%	24%	22%	20%	18%	16%	14%	12%	10%

Section 23 Escrow Accounts

Escrow/impound accounts are required for property taxes and insurance. The amount must be included in qualifying ratios.

Section 24 Repair Escrow

Both weather related and non-weather related holdbacks will be considered.

HUD REO repair escrows follow the sales contract and standard FHA guidelines.

Section 25 ARM Adjustments

Characteristic	ARM			
Amortization Term	30 years			
Index	Treasury, weekly average of U.S, Treasury securities adjusted to a constant maturity of one year.			
Margin	2.000%			
Life Floor	5% below the start rate, but never lower than the margin.			
Interest Rate Caps	Product	First Adjustment	Subsequent Adjustments	Lifetime
	5/1	1%	1%	5%
Interest Rate Adjustment Date	5/1	The first adjustment is 60-66 months after the first payment date. For correspondent clients preparing closing documents, refer to Plaza’s Correspondent Seller Guide for ARM interest rate change dates.		
		After the initial fixed period, the interest rate may adjust annually.		
Payment Adjustment Date	The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.			
Conversion Option	Not allowed.			
Temporary Buydowns	Not allowed.			

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Section 26 Temporary Buydowns

Not allowed.

Section 27 Prepayment Penalty

Not allowed.

Section 28 Streamline Refinance

Not allowed.

Section 29 Energy Efficient Mortgages

Energy Efficient Mortgages are eligible as purchase to incorporate the cost of energy-efficient improvements into the mortgage.

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 30 Good Neighbor Next Door (GNND)

GNND aims to revitalize neighborhoods by encouraging borrowers in selected professions to purchase and live in HUD-acquired single-family properties.

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 31 HUD REO

Through the Property Disposition Insured Sales Program, HUD offers its Real Estate Owned (REO) properties for sale with FHA-insured financing available. Properties must meet the intent of the FHA's Minimum Property Standards (MPS) to be eligible for this program.

Refer to the [FHA Single Family Housing Policy Handbook 4000.1](#).

Section 32 Insurance

Refer to Plaza's [Loan Closing Manual](#).

