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Housing Opportunity Through Modernization Act of 2016

Introduced into the House of Representatives in October 2015, by Rep. Blain Luetkemeyer (R-MO) and approved unanimously by both the House and Senate, the Housing Opportunity Through Modernization Act (HOTMA) aims to reform several areas of housing assistance programs. It was signed into law by President Barack Obama on July 27, 2016, and carries with it an estimated \$311 million in taxpayer savings over five years, according to the Congressional Budget Office.

There are three primary areas of reform on which the law focuses:

Federal Housing Administration's Mortgage Insurance for Condominiums

The Federal Housing Administration (FHA) insures mortgages against default. This new law reforms the way a determination is made as to whether or not a condominium unit allows the potential purchaser to apply for a mortgage with FHA insurance. The goal is to make financing insured by FHA more accessible to homebuyers by having more eligible units on the market.

This is significant for first-time homebuyers and low-to-mid-income homebuyers, as they are statistically the two groups who typically apply for FHA insured mortgages. Because of the changes in qualifications for condominiums to be able to be purchased under this program, there are more options and opportunities for these two groups to become home owners.

Condominiums are an excellent option for those first-time buyers, young people, and low-to-mid-income buyers. Desirable homes because of their often lower cost, the real estate industry pushed for HOTMA to include a condominium recertification process that is not as cumbersome as in the past.

The law states that the Secretary of Housing and Urban Development shall, "streamline the project certification requirements that are applicable to the insurance... for mortgages for condominium projects so that recertification is substantially less burdensome than certifications. The Secretary shall consider lengthening the time between certifications for approved properties, and allowing updating of information rather than resubmission." Condominium associations will only need to file paperwork pertaining to substantive changes from their initial approval when applying for recertification instead of resubmitting all paperwork.

Additionally, the FHA insurance requirement for owner-occupancy ratio was lowered. The agency has 90 days from the law being signed to release guidelines on the percentage of owner occupied units required in a complex in order for units to qualify. If guidance is not released within the 90 days, then the law states that at least 35% of family units must be occupied by owners as a primary or secondary residence, with no stipulation on how many of those may or may not have FHA insured mortgages.

No more than 25% of the space may be used for commercial purposes but the law states circumstances of the property's local economy can be considered if an appeal is made. Many see this law as an opening to a more streamlined exemption process in light of a HUD initiative encouraging the development of mixed-use communities.

Transfer fees will be aligned with Federal Housing Finance Agency standards to allow for them in loans. Fees are used by condominium associations for the betterment of the community through its operations and will no longer be a deterrent when applying for an FHA loan.

United States Department of Agriculture's Rural Housing Program

The United States Department of Agriculture (USDA) will be able to grant certain preferred lenders authority to approve and execute binding guaranteed loans through the Rural Housing Service program. These loans are available to homebuyers in eligible rural areas who meet income eligibility guidelines. Lenders are selected based on predetermined standards.

Since the income threshold varies by geographic area, and since not all areas are eligible, it is advised to consult the list provided on the USDA's web site (www.rd.usda.gov). Loans must be used for the purchase of a primary residence by a U.S. citizen, a non-citizen national, or a qualified alien. A fee of up to \$50 per loan may be assessed to support internet technology infrastructure.

Housing and Urban Development Rental Assistance and Public Housing Program

Through project-based vouchers attached to specific housing units, the intent is to allow families to rent in areas with better schools and lower crime rates. The housing agencies will be able to use more of the project-based vouchers to assist the elderly, veterans, the homeless, and children aging out of the foster care system.

Eligibility for the housing assistance program will be based upon an initial financial review when entering the program and an annual review thereafter. An electronic income verification system will be developed to verify employment and income for individuals and families so as to help the government in helping those who need the assistance most. Families who exceed 120% of the area's median household income for two consecutive years will have their access to public housing restricted.

Inspection regulations are modified to help get people into voucher housing more quickly. While a dwelling with a housing assistance payment contract must be inspected prior to receiving rental payment, if a unit does not pass because of a non-life threatening infraction, the tenants may move in as long as a correction is made within 30 days. Payment will be held until the problem is corrected.

The Housing Opportunity Through Modernization Act (HOTMA) aims to reform several areas of housing assistance programs

See you at the settlement table!