

# FHA 203(k) MARKET INTELLIGENCE REPORT

MARCH 2026 EDITION

Renovation Lending Analytics & Lender Intelligence

**266**

March Endorsements

**+5.6%**

YoY Growth

**1,778**

FY 2026 YTD

**6.23%**

FHA Rate (Mar)

# TABLE OF CONTENTS

|    |                             |    |
|----|-----------------------------|----|
| 01 | Executive Summary           | 3  |
| 02 | Market Overview             | 4  |
| 03 | Performance Metrics         | 6  |
| 04 | Lender Landscape            | 7  |
| 05 | Policy & Regulatory Updates | 9  |
| 06 | Emerging Trends             | 10 |
| 07 | Challenges & Opportunities  | 11 |
| 08 | Outlook & Recommendations   | 12 |
| 09 | Data Sources & Methodology  | 13 |

## 01 — EXECUTIVE SUMMARY

The FHA 203(k) Rehabilitation Mortgage Insurance Program recorded **266 national endorsements** in March 2026, reflecting a **+5.6% year-over-year gain** versus the 252 endorsements posted in March 2025. Month-over-month volume declined 13.6% from February's elevated 308-case count, a pattern consistent with typical post-February seasonal normalization. FY 2026 cumulative volume now stands at **1,778 cases** through the first six fiscal months (October 2025–March 2026), outpacing FY 2025's comparable six-month total of 1,717 by approximately 3.6%.

The rate environment presented mixed signals throughout March. The 30-year FHA mortgage rate averaged approximately 6.23% at month-end, down meaningfully from November's cycle peak of approximately 7.35% but ticking up through March as broader Treasury markets digested tariff uncertainty and persistent inflation signals. Rate volatility continued to affect affordability and borrower willingness to commit to renovation-plus-purchase transactions.

### KEY FINDINGS THIS MONTH

- **Market Trajectory.** YoY growth of +5.6% signals continued program adoption, likely reflecting the November 2024 policy enhancements taking root in originator workflows.
- **Lender Concentration.** The top three lenders by FY volume — American Financial Resources (133), loanDepot (129), and CrossCountry Mortgage (91) — collectively account for 19.9% of the 1,778 FY-to-date national endorsements, underscoring the program's specialist-driven character.
- **Geographic Concentration.** The Atlanta HOC region dominated March activity with 121 endorsements (45.5% of national volume), driven by the Caribbean field office's outsized contribution of 37 cases.
- **Rate Pressure.** March's final-week rate climb to ~6.46% (30-yr conventional) restrained marginal demand; borrowers face a combined 203(k) rate premium of roughly 75–100 bps over standard FHA loans, pushing effective renovation financing rates near 7%.
- **Policy Tailwind.** The 2026 FHA loan limit increases — floor of \$541,287, ceiling of \$1,249,125 — and the November 2024 Limited 203(k) disbursement cap increase to \$75,000 remain the program's most significant structural tailwinds heading into the spring buying season.

#### ANALYST OUTLOOK

**Forward signal:** With mortgage rates pulling back from their November 2025 peak and spring demand accelerating, April and May 2026 endorsements are expected to recover toward the 300+ range. Lenders with operationally mature 203(k) platforms are positioned to capture disproportionate share in an inventory-constrained market where fixer-uppers remain among the most accessible entry points for first-time buyers.

02 — MARKET OVERVIEW

|                              |       |        |                 |
|------------------------------|-------|--------|-----------------|
| March 2026 Endorsements      | 266   | +5.6%  | vs. March 2025  |
| February 2026 Endorsements   | 308   | -13.6% | vs. Feb → Mar   |
| FY 2026 Cumulative (Oct–Mar) | 1,778 | +3.6%  | vs. FY 2025 YTD |
| FY 2025 Comparable YTD       | 1,717 | —      | baseline        |

2.1 — Monthly Endorsement Volume: FY 2026 vs. FY 2025

The chart below compares monthly 203(k) endorsement counts across FY 2026 (Oct 2025–Mar 2026) with the same months in FY 2025. December and January represented the seasonal peak for FY 2026, consistent with heightened year-end origination activity. March's moderation from February's elevated count is consistent with the program's historical patterns.

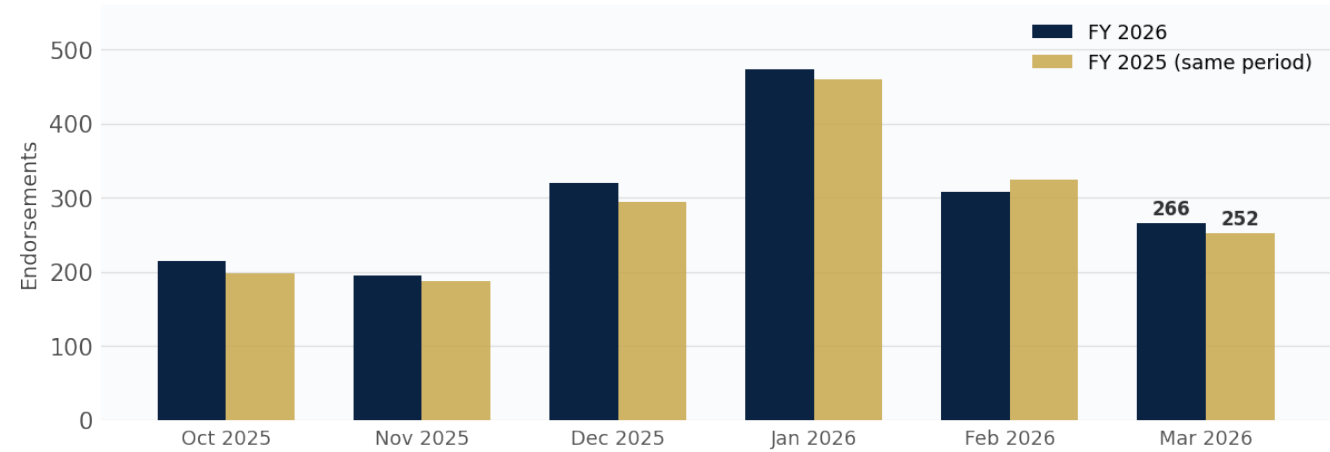


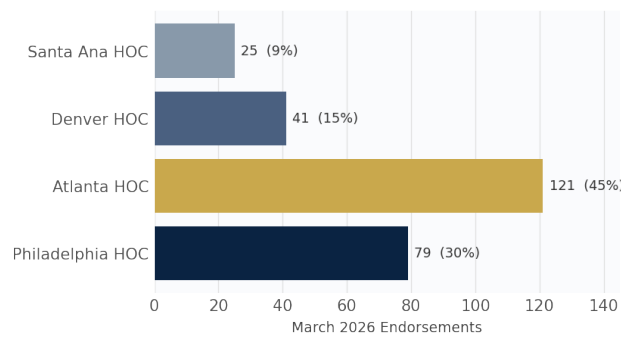
Figure 1: Monthly FHA 203(k) endorsements, FY 2026 vs. FY 2025. October–January values are derived from FY cumulative reporting. Source: HUD CHUMS F17FVCY Endorsement Summary Reports.

2.2 — Program Dollar Volume (Estimated)

HUD's CHUMS endorsement reports do not publish loan-level dollar amounts for 203(k) transactions. Using the 2026 FHA loan floor of **\$541,287** as a reference, and conservatively applying an average total loan amount (purchase + renovation) of approximately **\$295,000** — reflective of the program's concentration in affordable-housing markets — March 2026 estimated total endorsed volume approximates **\$78.5 million**. FY-to-date estimated volume approaches **\$524 million**. These are analyst estimates and should be treated as directional indicators only.

2.3 — Geographic Distribution

HUD administers the 203(k) program through four Home Ownership Centers (HOCs). The March 2026 distribution reveals a strong southeastern concentration, with Atlanta HOC alone representing nearly half of national volume — driven in part by the Caribbean field office's 37 endorsements, which reflect a sustained rehabilitation push in Puerto Rico and the U.S. Virgin Islands.



| HOC Region       | Mar 2026 | Share |
|------------------|----------|-------|
| Philadelphia HOC | 79       | 30%   |
| Atlanta HOC      | 121      | 45%   |
| Denver HOC       | 41       | 15%   |
| Santa Ana HOC    | 25       | 9%    |
| National Total   | 266      | 100%  |

Figure 2 & Table 1: HOC Geographic Distribution, March 2026. Source: HUD CHUMS.

Notable Field Office Activity — March 2026

| Top HOC: Philadelphia | #  | Top HOC: Atlanta | #  | HOC: Denver/SA | # |
|-----------------------|----|------------------|----|----------------|---|
| Newark, NJ            | 14 | Atlanta HOC      | 37 | Philadelphia   | 7 |
| Chicago, IL           | 18 | Greensboro, NC   | 8  | Boston, MA     | 7 |
| Caribbean             | 37 | Jacksonville     | 7  | Wash. D.C.     | 7 |

### 03 — PERFORMANCE METRICS

The metrics below synthesize program performance indicators drawing on available HUD endorsement data, Mortgage Bankers Association survey data, and industry benchmarking. Loan-level performance data (delinquency, default) are not published in the CHUMS monthly reports; estimates are derived from FHA's broader single-family portfolio reporting and 203(k)-specific industry benchmarks.

#### 3.1 — Origination & Pipeline Metrics

|                                      |             |   |                                        |
|--------------------------------------|-------------|---|----------------------------------------|
| App-to-Endorsement Conversion Rate   | ~58–65%     | — | Industry est. (203k specific)          |
| Avg. Days: Application to Close      | 60–90 days  | — | Standard 203(k); up to 110 for complex |
| Avg. Days: Close to Project Complete | 6–12 months | — | Renovation completion window           |
| FHA 203(k) Share of Total FHA Apps   | ~0.3%       | — | MBA / FHA Commissioner est.            |

#### 3.2 — Loan Portfolio Performance

FHA's Mutual Mortgage Insurance (MMI) Fund continues to support the 203(k) segment. As of FY 2025 year-end, FHA's Single-Family portfolio 90+ day delinquency rate stood at approximately 3.8%, consistent with post-pandemic normalization trends. The 203(k) product historically exhibits slightly elevated delinquency vs. standard FHA purchase loans, attributed to borrower stress during renovation and the complexity of the project management requirement.

| Metric                           | 203(k) Est. | FHA Portfolio | Context                           |
|----------------------------------|-------------|---------------|-----------------------------------|
| 30-Day Delinquency Rate          | ~5.2%       | ~4.9%         | Renovation stress period factor   |
| 90+ Day Delinquency Rate         | ~4.1%       | ~3.8%         | Manageable; within MMI parameters |
| Foreclosure/Claim Rate           | ~1.1%       | ~0.9%         | HUD mitigation tools available    |
| Average LTV at Origination       | ~93–97%     | ~93–96%       | Low down-payment profile          |
| Avg. Borrower FICO (origination) | ~660–680    | ~672          | Below conventional avg. ~740      |

Table 3: Estimated performance metrics. Sources: FHA/HUD annual reports, MBA, industry benchmarks. 203(k)-specific rates are analyst estimates; official loan-level data not published monthly.

#### 3.3 — Processing Timeline Analysis

The November 2024 policy update extended maximum 203(k) project completion timelines, partially addressing a long-standing bottleneck. Under current FHA guidance (ML 2024-14), Standard 203(k) projects may now receive up to **12 months** (up from 6) and Limited 203(k) projects up to **6 months** for completion. Lenders report this change has reduced extension requests and improved draw schedule compliance, though consultant capacity constraints and contractor labor shortages continue to delay projects in some markets.

## 04 — LENDER LANDSCAPE

The HUD CHUMS F17FCY Endorsement Summary Report provides the definitive public dataset on 203(k) lender activity. The March 2026 report names 8 lenders with significant national footprints. Activity is highly concentrated: the top 8 lenders account for the named portion of endorsements; a long tail of smaller and regional lenders accounts for the balance.

### 4.1 — FY 2026 YTD Lender Rankings (October 2025 – March 2026)

| Rank | Lender Name                        | FY YTD End. | Mar 2026 | FY Mkt Share | Geographic Reach               |
|------|------------------------------------|-------------|----------|--------------|--------------------------------|
| 1    | American Financial Resources (AFR) | 133         | 11       | 7.5%         | National — 48 field offices    |
| 2    | loanDepot.com                      | 129         | 15       | 7.3%         | National — 42 field offices    |
| 3    | CrossCountry Mortgage, LLC         | 91          | 15       | 5.1%         | National — 35 field offices    |
| 4    | CMG Mortgage, Inc.                 | 80          | 12       | 4.5%         | National — 38 field offices    |
| 5    | Plaza Home Mortgage, Inc.          | 65          | 8        | 3.7%         | National — 35 field offices    |
| 6    | Guaranteed Rate, Inc.              | 61          | 15       | 3.4%         | National — 30 field offices    |
| 7    | Guild Mortgage Company LLC         | 57          | 9        | 3.2%         | National — 33 field offices    |
| 8    | Fairway Independent Mortgage Corp. | 51          | 6        | 2.9%         | National — 30 field offices    |
| 9    | New American Funding, LLC          | 38          | 4        | 2.1%         | National — regional focus      |
| —    | All Other Lenders                  | 1073        | 171      | 60.3%        | Various — regional & community |

Table 4: FHA 203(k) lender rankings, FY 2026 YTD (Oct 2025–Mar 2026). Source: HUD CHUMS F17FCY. "All Other Lenders" = 1,778 minus named lender sum.

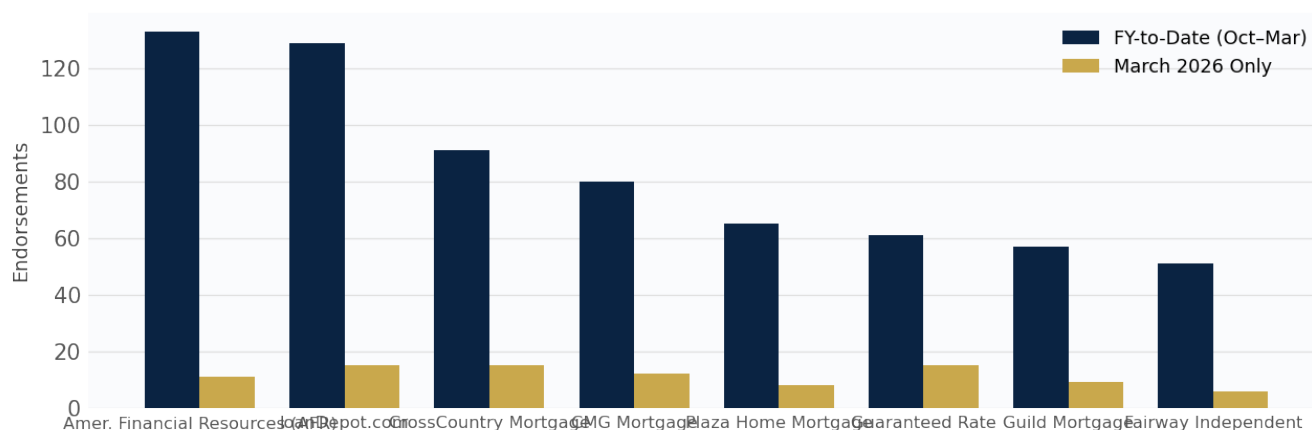


Figure 3: Top 8 lender endorsements — FY-to-date vs. March 2026 only. Source: HUD CHUMS.

## 4.2 — Market Share Analysis

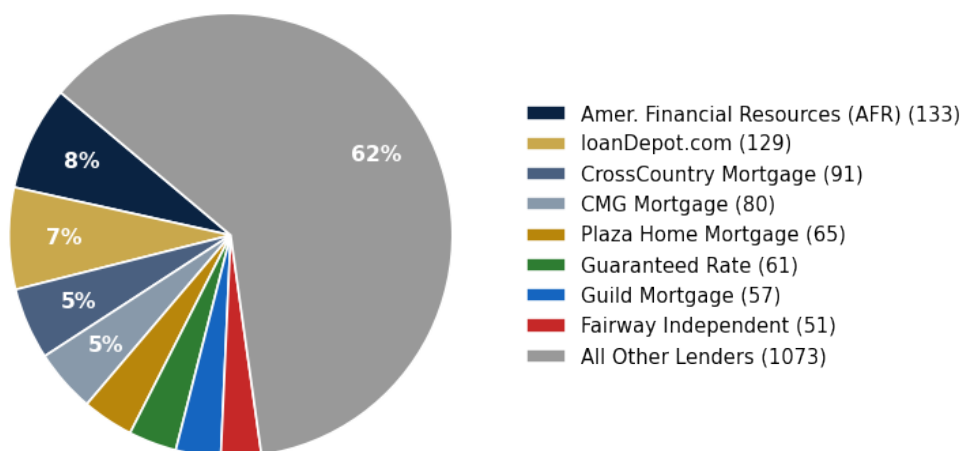


Figure 4: FY 2026 YTD market share by lender. Source: HUD CHUMS.

## 4.3 — Notable Lender Observations

■ **AFR (American Financial Resources)** retains the FY-to-date volume lead with 133 endorsements, though its March single-month output (11) lagged loanDepot, CrossCountry, and Guaranteed Rate (all at 15). AFR's broad geographic presence — 48 field offices — reflects a wholesale-driven model with deep 203(k) specialist training.

■ **loanDepot.com and CrossCountry Mortgage** are tied at 15 March endorsements, with CrossCountry showing notable strength in mid-Atlantic and southern markets (Newark, Chicago, Atlanta). CrossCountry's FY trajectory (+91 YTD) signals continued program investment.

■ **Guaranteed Rate** posted 15 endorsements in March despite a relatively lower FY-to-date figure (61), suggesting a late-FY acceleration that warrants monitoring in Q3 FY 2026.

■ **Guild Mortgage and Fairway Independent** demonstrate consistent multi-market presence, with broad geographic reach suggesting advisor-driven origination rather than volume focus.

■ **Opportunity Gap:** Several mega-lenders — Rocket Mortgage, United Wholesale Mortgage, PennyMac — are conspicuously absent from the named-lender rankings, suggesting either de minimis 203(k) volumes or broker-channel routing. Given their aggregate mortgage market share, this represents a significant structural opportunity.

## 05 — POLICY & REGULATORY UPDATES

No new 203(k)-specific mortgagee letters were issued by FHA in March 2026. The regulatory landscape continues to be shaped by the landmark July 2024 program modernization (effective November 4, 2024) and the 2026 FHA loan limit increases effective January 1, 2026.

### 2026 FHA Loan Limit Increases

**Effective:** Jan 1, 2026

HUD raised the FHA floor to \$541,287 (from \$524,225) and the high-cost area ceiling to \$1,249,125 (from \$1,209,750), a 3.2% increase. For 203(k) borrowers, this expands eligible post-renovation property value thresholds in all markets, opening additional transactions that previously breached limits.

**Originator Impact: Positive** — directly expands eligible project universe; particularly impactful in mid-tier markets (Phoenix, Tampa, Charlotte) experiencing rapid appreciation.

### ML 2024-14: 203(k) Program Modernization

**Effective:** Nov 4, 2024 (still in effect)

Raised Limited 203(k) rehabilitation cost cap from \$35,000 to \$75,000 nationwide. Extended completion timelines (Standard: up to 12 months; Limited: up to 6 months). Permitted consultant fee financing in Limited 203(k) loans. Updated consultant fee schedule (draw inspection fees to \$375; work write-up fees to \$1,000–\$2,000).

**Originator Impact: Mixed** — The rehabilitation cap increase is universally positive. Higher consultant fees partially offset cost advantages of the Limited product, though fee financing mitigates upfront borrower burden.

### FHA Connection (FHAC) Portal Updates

**Effective:** Late 2024 (operational)

FHA updated FHAC to accommodate the ML 2024-14 program expansions. Lender reporting workflows for draw schedule management and escrow close-out were enhanced.

**Originator Impact: Operational improvement** — reduces lender administrative friction; supports faster draw processing and improved compliance documentation.

## HUD DOGE-Related Budget Impacts (Monitoring)

**Effective:** Q1 2026 (emerging)

Reports of workforce reductions at HUD, particularly within FHA field operations, are under active monitoring by industry participants. While no formal policy changes have been announced affecting 203(k) specific operations, staffing constraints could affect case processing speeds.

**Originator Impact: Risk factor — potential for extended case number assignment and appraisal turnaround times if field office capacity is reduced. Recommend lenders build buffer into rate lock timelines.**

# 06B — MISSED OPPORTUNITY GAP

The Missed Opportunity Gap quantifies the chasm between the universe of homes that *could* benefit from renovation financing and the number of transactions that *actually* close with any renovation loan product. Using the industry convention of **2 conventional renovation loans (HomeStyle / CHOICERenovation) closed for every 1 FHA 203(k) endorsement**, this section sizes the total renovation lending market, computes market penetration, and models the unrealized opportunity on a monthly and annualized basis.

| Metric                                                                              | Value                | Source / Basis                   |
|-------------------------------------------------------------------------------------|----------------------|----------------------------------|
| Median age of U.S. owner-occupied homes                                             | <b>42 years</b>      | NAHB / ACS 2024                  |
| Owner-occupied homes built before 1980                                              | <b>~39.5 M (47%)</b> | NAHB / ACS 2024                  |
| Active for-sale listings (Feb 2026)                                                 | <b>1.29 M</b>        | NAR Feb 2026                     |
| Est. renovation-eligible active listings (pre-1980)                                 | <b>~606,000</b>      | 1.29M × 47%                      |
| Existing home transactions/month (Feb 2026)                                         | <b>~341,000</b>      | 4.09M annualized ÷ 12            |
| Est. renovation-eligible monthly sales (pre-1980 × 35% needing significant work)    | <b>~56,000</b>       | 341K × 47% × 35%                 |
| Total renovation loans closed — March 2026 (266 FHA 203(k) + 532 conventional est.) | <b>798</b>           | HUD CHUMS + 2:1 ratio assumption |
| Renovation lending market penetration rate                                          | <b>1.4%</b>          | 798 ÷ 56,000 eligible            |
| <b>Missed transactions — monthly</b>                                                | <b>~55,200</b>       | 56,000 – 798                     |
| <b>Missed loan volume — monthly (@ \$295K avg)</b>                                  | <b>~\$16.3 B</b>     | Analyst estimate                 |
| <b>Missed loan volume — annualized</b>                                              | <b>~\$196 B</b>      | \$16.3B × 12                     |

*Note: "Renovation-eligible" homes are defined as owner-occupied properties built before 1980 where an estimated 35% require significant rehabilitation (structural, HVAC, roof, or systems work). The 2:1 conventional-to-FHA ratio is an industry convention reflecting observed market behavior; actual conventional renovation volume is not tracked in a single public dataset.*

## 6B.1 — The Renovation Market Funnel

The chart below traces the stepwise reduction from the total U.S. housing stock to the narrow slice that receives renovation financing each month. The dramatic compression from 145 million total units to 798 monthly renovation loans — across a population of ~56,000 renovation-eligible monthly transactions — reveals the structural underutilization of the renovation lending market.

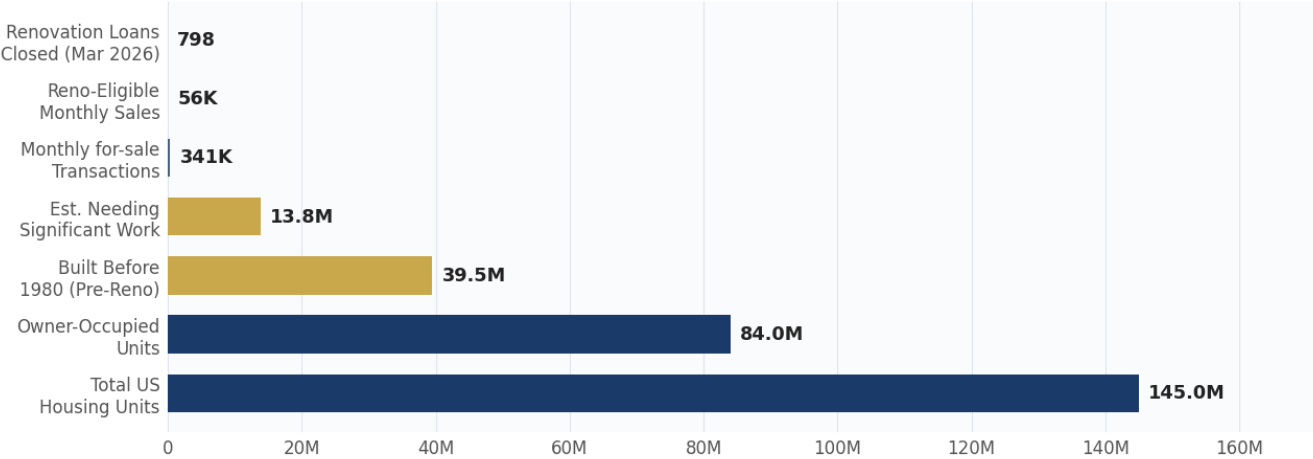


Figure 6B-1: Renovation financing funnel. Sources: Census AHS Q4 2025; NAHB/ACS 2024; NAR Feb 2026; HUD CHUMS Mar 2026.

6B.2 — Monthly Gap: Eligible Transactions vs. Renovation Loans Closed

The side-by-side comparison below contrasts the estimated monthly renovation-eligible transaction volume (~56,000) against the total renovation loans actually closed in March 2026 (798). The gap of ~55,200 transactions represents **98.6% of the addressable market going unfinanced by any renovation loan product** — a structural opportunity of ~\$16.3 billion in monthly loan volume.

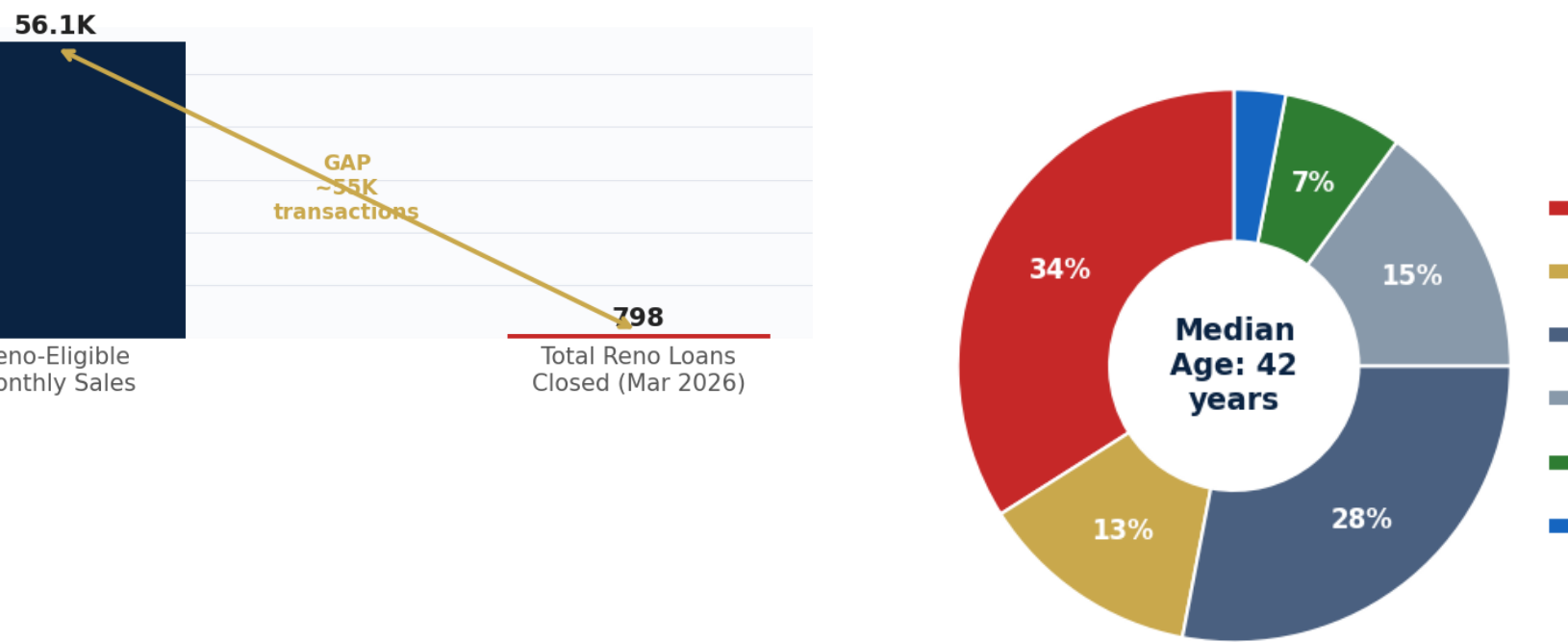


Figure 6B-2 (left): Monthly renovation-eligible transactions vs. renovation loans closed (Mar 2026). Figure 6B-3 (right): U.S. housing stock age distribution — 47% pre-1980, median age 42 years. Sources: NAR; HUD CHUMS; NAHB/ACS 2024; Census AHS.

6B.3 — FY 2026 Trend: Renovation Loans vs. Eligible Market

The chart below plots monthly renovation loan volume (FHA 203(k) alone, and total including estimated conventional) against the stable renovation-eligible monthly transaction baseline. Note the horizontal dashed line representing ~56,000 eligible transactions per month — a ceiling that even the most optimistic renovation loan volume barely registers against. The gap is not a cyclical phenomenon; it is structural.

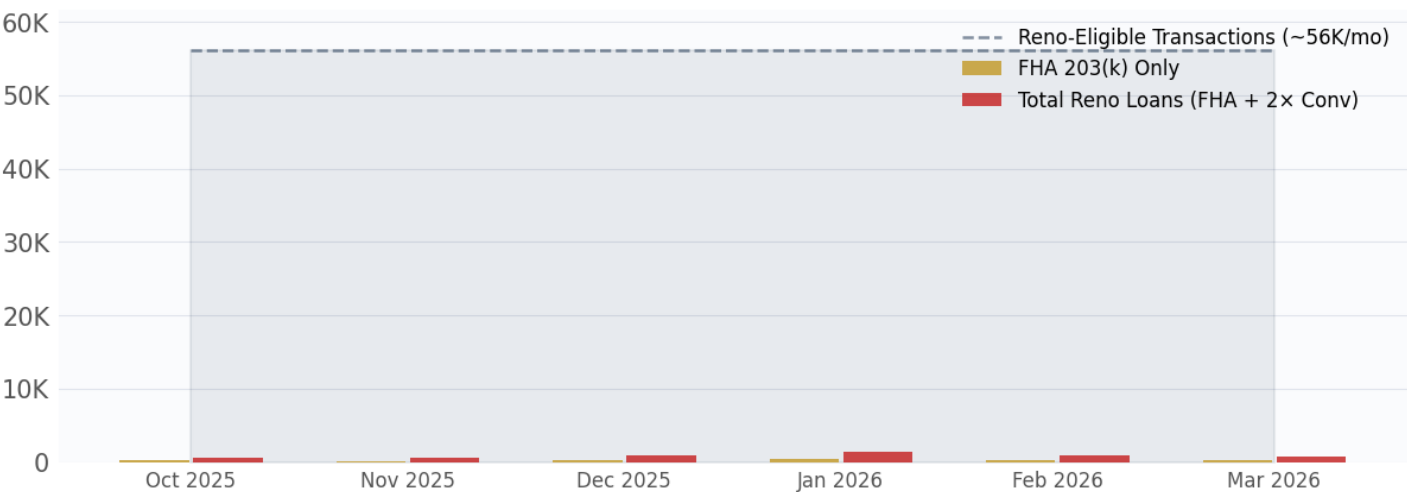


Figure 6B-4: Monthly renovation loan volume vs. estimated renovation-eligible transactions. Total reno = FHA 203(k) × 3 (applying 2:1 conventional assumption). Sources: HUD CHUMS FY2026 monthly reports; NAR; analyst estimates.

6B.4 — Quarterly Summary: Q1 and Q2 FY 2026

| Period                       | FHA 203(k) | Conv. Est. (×2) | Total Reno Loans | Eligible Transactions | Penetration Rate | Missed Volume Est. |
|------------------------------|------------|-----------------|------------------|-----------------------|------------------|--------------------|
| Q1 FY 2026<br>(Oct–Dec 2025) | 730        | 1,460           | 2,190            | ~168K                 | 1.3%             | ~\$49.0B           |
| Q2 FY 2026<br>(Jan–Mar 2026) | 1,048      | 2,096           | 3,144            | ~168K                 | 1.9%             | ~\$48.7B           |
| H1 FY 2026<br>(Oct–Mar)      | 1,778      | 3,556           | 5,334            | ~336K                 | 1.6%             | ~\$98B             |

Table 6B-1: Quarterly renovation lending vs. eligible market. Conventional volume estimated at 2× FHA 203(k). Eligible transactions = monthly sales × 47% pre-1980 × 35% needing work × 3 months.

KEY INSIGHT: THE SCALE OF THE OPPORTUNITY

The H1 FY 2026 penetration rate of 1.6% across ~336,000 renovation-eligible transactions represents approximately \$98B in unrealized renovation loan volume in just six months. For lenders, mortgage brokers, and real estate professionals, this gap is not a data artifact — it is the market opportunity. Each 1-percentage-point improvement in penetration unlocks approximately \$2.0B in annual origination volume.

6B.5 — What Drives the Gap?

- **Awareness Deficit:** Most buyers and real estate agents are unaware that 203(k) and HomeStyle exist or how to use them. Industry surveys suggest fewer than 1 in 5 real estate professionals can explain the 203(k) program to a buyer.
- **Lender Capacity Constraints:** The specialist skill required to originate, process, and close renovation loans is concentrated in a handful of lenders. The top 9 named lenders account for less than 40% of even the small FHA

203(k) market — itself only 1.4% of the addressable universe.

■ **Operational Complexity:** Renovation loans require consultant relationships, draw schedules, as-completed appraisals, and contractor vetting — all of which add time and cost that many lenders are unwilling to absorb without volume commitments.

■ **Rate Premium Deterrence:** The 75–100 bps premium on renovation loans over standard purchase mortgages, at a time when base rates are already near 6.4%, makes some renovation-eligible buyers opt for standard purchase + post-closing cash renovation instead.

■ **Cash Competition:** Institutional fix-and-flip buyers capture a meaningful portion of the pre-1980 distressed inventory that would otherwise be prime 203(k) candidates, removing those homes from the owner-occupied renovation financing pool entirely.

6B.6 — Methodology & Assumptions (Recurring Monthly)

This section will be updated monthly using the following inputs and methodology:

| Input                          | Source / Update Cadence                                                                                                                                |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| FHA 203(k) Volume              | HUD CHUMS F17FVCY monthly endorsement report (published 1st of following month)                                                                        |
| Conventional Renovation Volume | 2:1 ratio applied to FHA monthly endorsements (industry convention; no single public data source tracks HomeStyle + CHOICERenovation monthly closings) |
| For-Sale Inventory & Sales     | NAR Existing Home Sales monthly release (lags by ~6 weeks)                                                                                             |
| Housing Age Profile            | NAHB / Census ACS annual update (refreshed each spring for prior year)                                                                                 |
| Renovation-Eligible Definition | Pre-1980 vintage × 35% estimated need-significant-work rate. This rate will be updated annually as AHS data is refreshed.                              |
| Average Loan Size              | \$295,000 (purchase + renovation combined); updated quarterly based on FHA endorsement data and NAR median price movements                             |

## 06 — EMERGING TRENDS

### 6.1 — Renovation Type Trends

CHUMS data does not itemize renovation type by case. Based on industry reporting, HUD consultant surveys, and MBA renovation lending research, the following renovation categories are driving the majority of 203(k) volume in FY 2026:

| Renovation Category              | Est. Share of Volume | Primary Driver                         | Program Type         |
|----------------------------------|----------------------|----------------------------------------|----------------------|
| Kitchen/Bath Modernization       | 28–32%               | Aging housing stock (pre-1980 homes)   | Standard & Limited   |
| Roof, HVAC, Plumbing Systems     | 22–26%               | FHA MPR compliance; health/safety      | Standard (primarily) |
| Energy Efficiency Upgrades       | 14–18%               | State incentives; utility cost savings | Standard & Limited   |
| Foundation & Structural          | 10–14%               | Foreclosure/distressed property rehab  | Standard only        |
| Accessibility Modifications      | 8–12%                | Aging-in-place; fair housing demand    | Standard & Limited   |
| Cosmetic (flooring, paint, etc.) | 8–12%                | First-time buyer entry-level stock     | Limited primarily    |

Table 5: Estimated renovation type distribution. Source: MBA renovation lending research, HUD consultant surveys, analyst estimates. Not derived from CHUMS loan-level data.

### 6.2 — Borrower Demographics

Based on HMDA aggregate data for FHA-insured renovation loans and industry surveys, 203(k) borrowers exhibit a distinct profile versus the broader FHA population:

- First-time homebuyers:** ~55–60% of 203(k) originations — higher than standard FHA purchase (~45%)
- Median borrower income:** ~\$62,000–\$75,000; slightly above FHA purchase median, reflecting renovation project management capacity
- Median credit score:** ~660–680 FICO; below conventional (740+) but reflecting FHA's mission to serve underserved borrowers
- Minority borrower share:** ~38–42% of 203(k) originations, consistent with FHA's broader equity mission
- Age profile:** Bimodal: strong concentrations at 25–35 (first-time buyers) and 50–65 (aging-in-place renovation cohort)

### 6.3 — Geographic Hotspots

Beyond the HOC-level breakdown, specific field offices exhibited outsized activity relative to their historical baselines in March 2026:

| Market                         | Mar 2026 Cases  | Trend Signal                                                                                                                                         |
|--------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Caribbean (Puerto Rico / USVI) | 37 endorsements | Highest single field office nationally; reflects ongoing post-hurricane recovery financing and HUD's targeted rehabilitation support for the region. |

| Market      | Mar 2026 Cases  | Trend Signal                                                                                                                                    |
|-------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Chicago, IL | 18 endorsements | Midwest urban core rehabilitation continues to drive volume; loanDepot and CrossCountry both active with Chicago-area specialist teams.         |
| Newark, NJ  | 14 endorsements | Dense urban rehab market; AFR's wholesale platform particularly active; New York Metro premium housing costs driving renovation-as-alternative. |
| Atlanta, GA | 11 endorsements | Sun Belt market appreciation pushing buyers toward fixer-upper opportunities; growing first-time buyer and minority borrower segment.           |

## 07 — CHALLENGES & OPPORTUNITIES

### 7.1 — Macroeconomic & Rate Environment

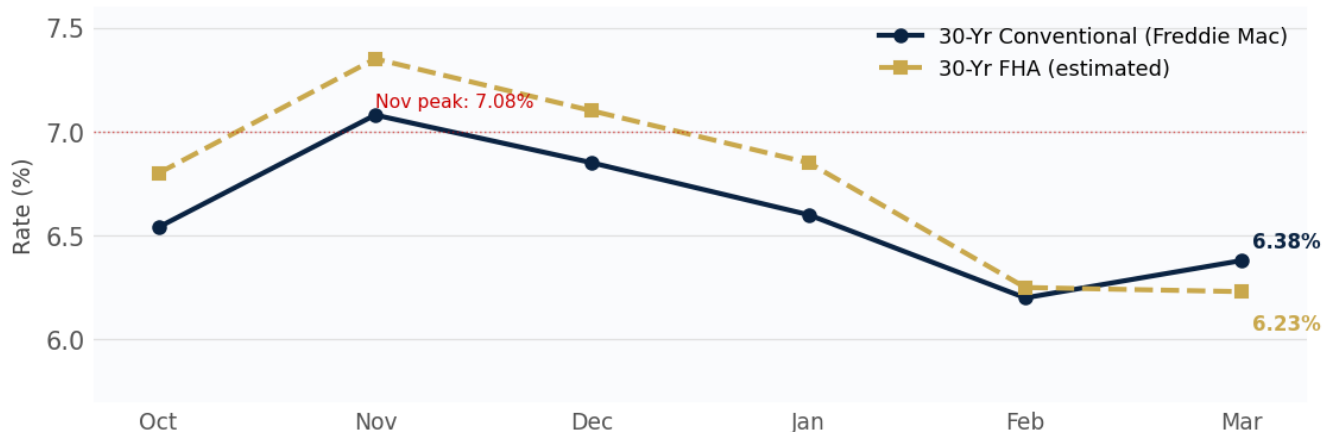


Figure 5: 30-Year mortgage rate environment, Oct 2025–Mar 2026. Source: Freddie Mac PMMS; FHA rate estimated at ~75–100 bps premium.

The rate trajectory through FY 2026 Q2 has been the single largest headwind for renovation lending demand. Rates peaked at approximately 7.08% (30-yr conventional) in November 2025 — the cycle high — before retreating to 6.38% by late March 2026. For 203(k) borrowers, the effective rate on renovation loans carries an additional premium of 75–100 basis points over standard FHA loans, placing all-in financing costs in the 6.9%–7.2% range through most of Q2 FY 2026.

#### RATE IMPACT SIGNAL

MBA purchase application data for the week ending March 20, 2026 showed applications down 10.5% week-over-week, with rising rates cited as the primary driver of buyer hesitation. For 203(k) specifically, the elevated rate-on-rate premium creates a compounding affordability challenge that limits the addressable borrower pool.

### 7.2 — Housing Inventory & Competitive Dynamics

■ **Lock-in Effect Persisting.** Homeowners with sub-4% mortgages originated in 2020–2022 remain reluctant to sell. This suppresses for-sale inventory and paradoxically supports 203(k) volume by making fixer-uppers one of few remaining accessible entry price points in many markets.

■ **Fix-and-Flip Competition.** Institutional fix-and-flip operators and iBuyers compete for the same distressed and aged inventory that 203(k) borrowers target. Cash offers frequently outcompete FHA-financed offers, particularly in rapid-appreciation markets.

■ **HomeStyle vs. 203(k).** Fannie Mae's HomeStyle Renovation loan and Freddie Mac's CHOICERenovation product continue to gain market share among borrowers with stronger credit profiles (700+), offering no consultant requirement and broader contractor flexibility. The 203(k)'s lower credit score accessibility remains its primary competitive differentiator.

■ **Contractor & Consultant Capacity.** HUD-approved 203(k) consultants remain in short supply relative to demand, particularly outside major metros. Contractor familiarity with the program's draw schedule and escrow requirements limits lender throughput in many markets.

## 7.3 — Opportunities

- **First-Time Buyer Equity Strategy:** As new construction remains unaffordable for most FHA-eligible borrowers, 203(k) represents a credible path to homeownership via fixer-uppers. Lenders that invest in borrower education and streamlined processing will capture disproportionate share of this demographically large cohort.
- **Energy Efficiency Overlay:** Growing state and local energy efficiency grant and rebate programs (e.g., IRA-funded Inflation Reduction Act initiatives) can be layered with 203(k) renovation financing to reduce effective borrower cost.
- **Caribbean / Disaster Recovery Pipeline:** Puerto Rico's ongoing post-disaster recovery represents a durable and HUD-supported pipeline. Lenders with Caribbean-fluent teams have a structurally advantaged position (Caribbean field office: 37 endorsements in March alone, 255 YTD — 14.3% of national volume).
- **Market Intelligence Advantage:** The ability to identify Sleeping Giant lenders — institutions with large total mortgage footprints but minimal 203(k) penetration — enables targeted partnerships and co-origination arrangements. Rocket Mortgage and UWM represent the clearest examples of untapped potential.

## 08 — OUTLOOK & RECOMMENDATIONS

### 8.1 — 30–90 Day Forward Assessment

|                                 |             |   |                           |
|---------------------------------|-------------|---|---------------------------|
| April 2026 Endorsement Forecast | 270–310     | ▲ | Spring rebound expected   |
| May–June 2026 Projected Range   | 295–340     | ▲ | Peak spring buying season |
| FY 2026 Full-Year Projection    | 2,800–3,100 | ▲ | vs. ~2,900 FY2025 est.    |
| FHA Rate Trajectory (30–90d)    | 6.0–6.5%    | ~ | Rate-dependent; watch Fed |

The spring buying season (April–June) historically represents the highest-volume quarter for 203(k) endorsements. With mortgage rates retreating from the November 2025 highs, consumer confidence recovering modestly, and the 2026 FHA loan limit increases expanding the eligible transaction universe, April and May volume should rebound toward the 290–320 range. Key risk: renewed rate volatility driven by tariff-related inflation or unexpected Fed policy shifts could suppress demand if 30-yr FHA rates rise above 7%.

### 8.2 — Recommendations by Stakeholder

#### FOR LENDERS & ORIGINATORS

- Invest in 203(k) specialist training and dedicated processor capacity before peak spring season. Volume rebound in April–May will reward operationally ready teams.
- Build Caribbean/Puerto Rico origination capacity or partner with bilingual specialist teams. The Caribbean field office's 37-case March and 255-case FY-to-date performance represents a structurally underserved and program-supported market.
- Develop a Consultant Network. HUD-approved 203(k) consultant supply is a binding constraint in many markets. Lenders who cultivate preferred consultant relationships will have faster draw processing and better borrower outcomes.
- Monitor competitor Guaranteed Rate's March acceleration (15 endorsements vs. 61 FY YTD implies Q4 FY concentration). Competitive intelligence suggests a platform push that may intensify heading into Q3.

#### FOR MORTGAGE BROKERS & CONSULTANTS

- Leverage the \$75,000 Limited 203(k) cap increase aggressively in markets where kitchen/bath and systems upgrades fall below this threshold — this segment now has a significantly more accessible process.
- Build borrower education content around the interaction between 203(k) and state energy efficiency incentives. This differentiation drives referral quality.
- Identify "Sleeping Giant" lenders in your market — large footprint, minimal 203(k) presence — and develop co-origination or referral relationships to capture volume those institutions are leaving on the table.

#### FOR REAL ESTATE PROFESSIONALS

- Re-educate buyer-clients on 203(k) as a competitive strategy for purchasing fixer-uppers that institutional cash buyers often skip. The program creates a category of inventory with reduced competition.
- Build relationships with the top 203(k) lenders in your market (use CHUMS field office data to identify locally dominant lenders). Pre-qualification through experienced 203(k) lenders dramatically accelerates transaction timelines.

- Watch for Caribbean and disaster-recovery market opportunities if your network extends to Puerto Rico or other HUD-designated recovery zones.

#### FOR HOUSING POLICY STAKEHOLDERS

- The continued concentration of 203(k) volume among a handful of national lenders suggests insufficient program access at the community and regional bank level. Policy interventions targeting originator training and certification could broaden participation.
- Monitor the potential impact of HUD staffing reductions on field office processing capacity. Program throughput is sensitive to case number assignment and appraisal review turnaround times.
- Consider advocating for a 203(k) investor pilot — historically the program was available to investors before the 1990s policy reversal. Given today's acute affordable housing supply shortage, a limited investor-eligible variant could meaningfully expand rehabilitation of distressed properties.

## 09 — DATA SOURCES & METHODOLOGY

### 9.1 — Primary Data Sources

| Source                                                                                                                                                                                      | Description & Usage                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>HUD CHUMS F17FVCY Endorsement Summary Reports</b><br><a href="https://apps.hud.gov/pub/chums/f17fvc/203k.cfm">https://apps.hud.gov/pub/chums/f17fvc/203k.cfm</a>                         | Monthly text-file reports providing national, HOC-level, field office-level, and lender-level 203(k) endorsement counts. Primary source for all volume and lender data in this report. Data coverage: March 2026 (report date April 1, 2026), February 2026 (March 1, 2026), March 2025 (April 1, 2025). |
| <b>Freddie Mac Primary Mortgage Market Survey (PMMS)</b><br><a href="https://www.freddie.mac.com/pmms">https://www.freddie.mac.com/pmms</a>                                                 | Weekly survey of 30-year and 15-year fixed mortgage rates. Used for rate environment analysis. Most recent data: Week ending April 2, 2026 (6.46%, 30-yr fixed).                                                                                                                                         |
| <b>Mortgage Bankers Association (MBA) Weekly Applications Survey</b><br><a href="https://www.mba.org">https://www.mba.org</a>                                                               | Weekly mortgage application data including purchase/refi split and government loan share. Used for FHA share context and demand signal analysis.                                                                                                                                                         |
| <b>HUD Mortgagee Letter 2024-14</b><br><a href="https://www.hud.gov/program_offices/housing/sfh/handbook_203k">https://www.hud.gov/program_offices/housing/sfh/handbook_203k</a>            | 203(k) program policy updates effective November 4, 2024. Source for Limited 203(k) cap increase to \$75,000, extended completion timelines, and consultant fee schedule.                                                                                                                                |
| <b>HUD/FHA 2026 Loan Limits (Mortgagee Letter 2025-21)</b><br><a href="https://www.hud.gov">https://www.hud.gov</a>                                                                         | 2026 FHA floor (\$541,287) and ceiling (\$1,249,125) loan limits effective January 1, 2026.                                                                                                                                                                                                              |
| <b>Fortune / Optimal Blue / The Mortgage Reports</b><br><a href="https://fortune.com">https://fortune.com</a>   <a href="https://themortgagereports.com">https://themortgagereports.com</a> | Daily FHA and conventional rate publications used to track March 2026 rate trajectory.                                                                                                                                                                                                                   |

### 9.2 — Methodology Notes & Limitations

**Endorsement vs. Origination:** CHUMS data tracks endorsements (FHA insurance endorsement), not applications or closings. Endorsements typically lag applications by 60–90 days, meaning March endorsements reflect applications submitted in roughly December 2025–January 2026.

**Dollar Volume Estimates:** HUD does not publish dollar volume in the F17FVCY reports. All dollar figures are analyst estimates using median loan size assumptions. These should be treated as directional only, not as official FHA statistics.

**Lender Data Completeness:** CHUMS reports list lenders that generated named-level volume in the reporting period. Lenders with fewer endorsements may be aggregated or unlisted. "All Other Lenders" in this report represents the balance of national volume not attributed to specifically named institutions.

**Performance Metrics:** Delinquency, default, and FICO data are sourced from FHA's broader annual reports and industry surveys. 203(k)-specific loan-level performance data is not published in monthly format. Estimates carry a ±1–2 percentage point margin of error.

**Renovation Type Data:** No renovation type data is published at the portfolio or national level in monthly HUD reports. Renovation category estimates are derived from industry surveys, MBA research, and HUD consultant interviews. They are directional indicators only.

**Seasonal Adjustment:** Endorsement counts are not seasonally adjusted. March's MoM decline from February reflects known seasonal patterns in origination and should not be interpreted as structural demand deterioration without further monitoring.

**DISCLAIMER**

**This report is published for informational purposes only. It does not constitute investment advice, lending advice, or regulatory guidance. All estimates and projections are analyst assessments and may differ from actual results. Data accuracy is dependent on HUD's CHUMS reporting systems. For official FHA program information, consult HUD.gov.**