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New Rules & Loan Limits Should Make Investing in Multi-Family Homes Easier

There is good news on the horizon for purchasers that are hoping to invest in a multifamily home that they will live in. I asked **Jaxzann Riggs**, licensed mortgage originator and owner of **The Mortgage Network**, to shed some light on changes that are forthcoming from FNMA (aka Fannie Mae) that are likely to increase buying power for many prospective purchasers.

Multi-family properties have 2 to 4 dwelling units, commonly referred to as a duplex, triplex or fourplex. FHA allows borrowers who intend to occupy at least one unit in a multi-family property to obtain an FHA loan with as little as 3.5% of the purchase price as a down payment, but, until now, one of FHA's underwriting guidelines has prevented many from moving forward. The "self-sufficiency test" for those looking to purchase tri- and quadplexes states that the rental income that the borrower anticipates (as verified by an appraisal) needs to be more than the entire payment after a vacancy factor of 25% is considered. So, as an example, a 4-unit property with a \$5,000-per-month mortgage payment would need market rents of nearly \$6,700 per month. With mortgage rates at decades-high levels, few properties can pass FHA's test.

Fannie Mae also offers down payments as low as 3-5%; however, this currently only applies to homeowners purchasing one-unit properties. Historically, a two-unit home (duplex) required 15% down and 3- to 4-unit homes required 25% down. Fannie Mae is continuing to focus on supporting affordable rental

housing and access to credit. Toward that end, effective November 18, 2023, down payments for all multifamily units **will be reduced to just 5% down and, more importantly, FNMA will offer 5% down loans without the "self-sufficiency requirement."** FNMA will continue to allow 75% of the rental value of the units (as determined by the property appraisal) to be used as qualifying income. The "rental income" matched with the borrower's ordinary income helps to keep "debt to income" ratios in check.

Rising rates and previous high down payment levels have hindered many potential owner-landlords in the past, as multi-family units are obviously much more expensive than a typical single-family home. Let's look at numbers to see an example of these new changes.

Previously, a \$500,000 triplex required a \$125,000 down payment. But beginning November 18, 2023, only 5% down will be required, which means a down payment of \$25,000 a difference of \$100,000. FNMA has also recently eased their requirements for borrowers that might be receiving a "gift" to use for their down payment. Now that we understand the basics of the down payment requirements, let's dig a bit deeper into the impacts.

Simultaneously, 2024 conforming loan limits are being increased. Every year, the Federal Housing Finance Agency (FHFA) raises loan limits for "conforming loans,"

which are based on the House Price Index report from the third quarter. The table below shows the increase from the 2023 limits to the 2024 limits. They are being raised to \$960,300 for a duplex, \$1,160,750 for a triplex, and \$1,442,600 for a quadplex.

The New 2024 Conventional Loan Limits: Single Family and Multifamily Loan Limits

Unit Type	2023 Limit	2024 Limit	Change
1-unit	\$726,200	\$750,000	↑ \$23,800
2-unit	\$929,850	\$960,300	↑ \$30,740
3-unit	\$1,123,900	\$1,160,750	↑ \$36,850
4-unit	\$1,396,800	\$1,442,600	↑ \$45,800

While the announcement states that the change only applies to standard conforming loan amounts, (not the increased loan amounts that are offered in high-cost areas, known as high-balance loans), this will hopefully give buyers plenty of room to increase their buying power.

So, what does this mean for you? If you are interested in owning a multi-family property, it is time to act. Reach out to Jaxzann Riggs at **303-990-2992** to discuss your specific journey and what options will

be best for you. With over 30 years in the industry, she has the experience and knowledge to truly support you through your home buying journey.

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By JIM SMITH
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