

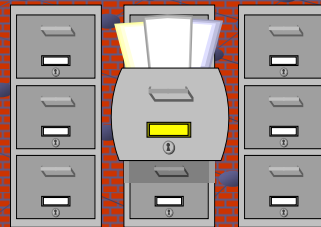
HomePro Inspections 203(k) Rehab Program

Your Key To Selling More
Properties

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Program Details



General Comments

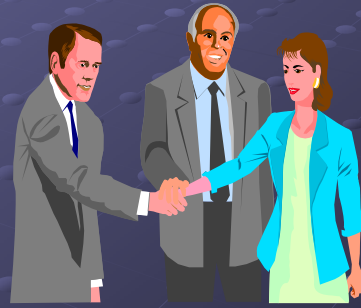
- A first mortgage that combines the purchase or refinance with the renovation costs.
- Fully disbursed at closing and insurable.
- Borrower can be owner-occupant, HUD approved non-profit or governmental agency.
- Interest rate and discount points negotiable.
- Down payment and Credit underwriting the same as for any FHA loan.

Uses of 203(k)

- To buy a house, or
- Refinance an existing loan and
- Make limited repairs

Who Can Get a 203(k) Loan ?

- Owner-occupants
- HUD approved
Non-profits
- Governmental
agencies
- NO Investors



Eligible Properties

- 1- 4 units
- Existing more than 1 year (from date ready for occupancy)
- Condos (not co-ops)
- Manufactured homes
- Mixed-Use Properties



Eligible Improvements

- Up to Maximum FHA Loan Amount

Improvements such as

- Structural repairs
- Repair, Replace or Upgrade
 - Roof, gutters, downspouts
 - Existing HVAC systems
 - Plumbing and electrical systems
 - Flooring
- Painting, interior and exterior
- Weatherization
- Appliances

More Improvements

- Repair, replace or add exterior decks, patios, porches
- Basement waterproofing
- Window and door replacement and exterior siding
- Septic and/or well repair or replacement
- Update / Replace kitchen
- Update / Replace bathrooms

And more Improvements

- Improvements for accessibility
- Lead-based paint stabilization or abatement of lead-based paint hazards
- Converting single family to Multi-Family
- Converting Multi-Family to Single Family

Energy Improvements

- FHA's Energy Efficient Mortgage (EEM) can be used with the Streamlined (k).
 - Mortgagee Letter 2005-21
- Cost effective EEM improvements can be added above the mortgage maximum.
- Weatherization items can be added to the repair escrow.

Ineligible Improvements

- Luxury Items
- Pools, Spas
- Converting to commercial space
- Really Not Much



What May be Included In Rehab Costs?

- Total cost of rehab (incl. Energy package and lead-based paint abatement costs)
- Supplemental origination fee & discount points
- Contingency reserves
- Inspection and Draw Fees
- Permits and other fees
- Up to 6 Months Mortgage Payments

The Loan Closes

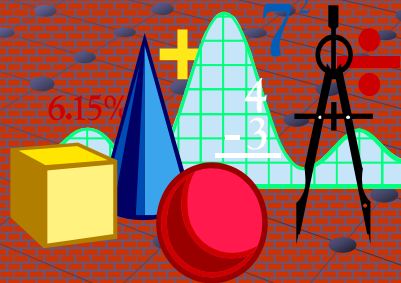
- The loan closes and the buyer becomes the owner.
- The rehab amount is placed into an escrow account.
- The buyer starts the rehab project.

The Rehab Project Progress

- As the buyer needs funds to pay for material or contractors.
- Contact the consultant for draw inspections.
- Funds are disbursed for completed work.
- A 10% holdback is held in escrow.
- A final inspection takes place and all funds are disbursed including holdbacks.

Work to be done

Based on
Consultants
work write-
up plan



203(k) Consultant

- The consultant prepares all the documents required by FHA in a timely fashion.
- The buyer does not have to hire a consultant, but the time to close could be an additional 6 months or more.
- FHA recommends buyers use the service of a consultant
- Consultants must be listed on the HUD/FHA website as a consultant.

203(k) Consultants Fees

● \$5,000 - \$7,500	\$400.00
● \$7,501 - \$15,000	\$500.00
● 15,001 - \$30,000	\$600.00
● \$30,001 - \$50,000	\$700.00
● \$50,001 - \$75,000	\$800.00
● \$75,001 - \$100,000	\$900.00

Contractor

- Provide written work plan and cost estimates
 - Must include nature and type of repair and the cost of completion
- Must be licensed and bonded for each specialized repair or improvement
- Must agree in writing to complete the work for the amount of the cost estimate and within the allowed time.

Underwriting the 203(k) Loan



General Policies

- Unless changed by Mortgagee letters - follow the 4155.1 Handbook (mortgage credit) and the 4150.2 Handbook (appraisal)



Standards for Work

- Rehab construction must comply with HUD's minimum requirements for existing units and local codes.
- Work must be done in a professional, workman-like fashion.
- Work must be performed to all local building codes.

Appraisal Issues

- One “as is” appraisal is required.
 - Can use the sales contract if acceptable by lender
- Appraiser is given the consultants work write-up plan and cost estimates.
- A second after rehabbed appraisal is completed

Rehab Period

- The work must be completed within 6 months of the loan closing.
- The rehab period should be a realistic time to complete the work.



Draws

- There will be no more than 5 draws.
- Lender may advance allowed funds for kitchen and bath cabinetry, or floor covering, where a contract is established with the supplier and an order is placed with the manufacturer for delivery at a later date.

The 203(k) and REO

Eligible REO Properties

- Any 1-4 family home
- Any property sold by HUD requiring lead-based paint stabilization
 - That stabilization and other repairs may be financed with Streamline (k)

But – Please don't think of the 203(k) program for REO or distressed properties only.

How Can I Use The Program To Sell More Properties?

- FHA programs are becoming much more popular in the current situation.
- It can be used for any house older than 1 Year.
- The Minimum amount of rehab is only \$5,000.00
- Have a 203(k) work write-up performed for you distressed listings – Ready To Go

How Can I Use The Program To Sell More Properties 2?

- The program can be very simply used to:
 - Upgrade the heating system
 - Install a new roof
 - Upgrade the kitchen
 - Upgrade the bathroom
 - Install new siding

What Are The Maximum Loan Amounts?

- Orange County
 - One Family \$443,750
 - Two Family \$568,050
 - Three Family \$686,650
 - Four Family \$853,350

WOW!!!

Non-Profit Purchasers

- Must be HUD approved
- Must comply with Mortgage Letter 2000-08
- Discount sales – buyer may use 203(k) to finance necessary repairs

Lead- based Paint Stabilization

- Can be financed by 203(k)
- Purchaser signs 203(k) Rehab Financing Lead Agreement
 - Requires clearance exam and report to be part of rehab and conducted before release of funds and occupancy
 - State or EPA certified lead-based paint inspector, certified risk assessor, or sampling technician must perform the inspection.

HUD's Credit for Stabilization

- HUD may reduce sales price by a credit equal to HUD's contribution to the stabilization.
- Borrower is responsible for any costs over this amount
- Credit from HUD is not part of the \$35,000

Sales Incentives

- Reduced down payment – No further down payment is required for repair costs
- Bidders given 60 days to close the 203(k) loan.
- GNND – buyer may add all closing costs and broker fees, less \$100, into the 203(k) loan amount.

Questions?



Thank You!!



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