

**IMPROVING THE
KANSAS CITY AREA
ONE RENOVATION
LOAN AT A TIME!**

Renovation Course



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Course Agenda

**Section 1 - What is Renovation lending?
Value Propositions? Benefits?**

**Section 2 – Renovation Loan Options:
FHA Standard 203k or Limited 203k,
Conventional Renovation loan, & VA
Renovation Loan, HUD Consultant Role**

**Section 3 - “The Process”, Key Steps for
Realtors, Contingency?, GC Validation,
& Questions**





SECTION 1

- 1. What is a Renovation Loan?**
- 2. Value Propositions?**
- 3. Why use it? Benefits?**



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Convert Ranch into a 2-Story home!



Before/After picture

“Bathroom Remodel”





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Before



After





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"IF ONLY" We could open the kitchen area?

Before



After



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"IF ONLY" KITCHEN WASN'T SO DATED



BEFORE



AFTER



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USE A RENO LOAN FOR BASEMENT FINISH



USE A RENO LOAN FOR STRUCTURAL REPAIRS



A close-up photograph of various tools including a yellow-handled saw, a hammer, a yellow tape measure, and a set of nails, all resting on a light-colored wooden plank surface.

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OLD ROOF & WOOD ROT? SELL AS-IS!





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BUYER ADDS ROOF & PAINT W/RENO LOAN!





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BUYER WANTS A POOL BUT YOU CANT FIND MANY LISTING THEY LIKE? FINANCE IT WITH A RENO LOAN



POOL IN DISREPAIR? SELL AS-IS!



Before/After picture

loanDepot[®]
NMLS#174457

Change the front design of your home!

Before



After

Before/After picture

"Perfect Lot & Location BUT house is too SMALL!"



Define Value?

An innovation, service, knowledge, or feature intended to make a company, a product, or a person attractive to customers.

Your knowledge of Renovation Mortgages will increase your borrowers perceived value in YOU and separate you from your competition!

Renovation Loan - The #1 mortgage option for Home Improvements!

Renovation Loan vs HELOC or Cash-Out Refinance?

1. Home's current condition is not an obstacle with Renovation Loan – Utilities not working, extensive repairs needed, Additions, etc.
2. HELOC & Cash-Out Refi are based on the AS-IS Value (current value) whereas Renovation Loans are based on the “After-Improved” Value!

AS-IS verses AFTER IMPROVED Scenario?

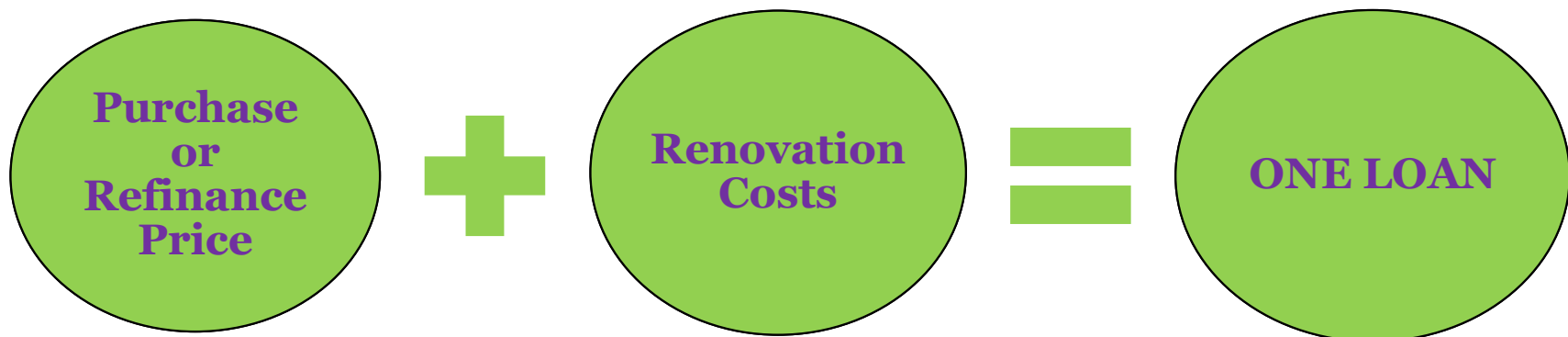
Borrower wants to add \$30,000 detached 2-car garage to current home (As-Is Value is \$200,000 – borrower owes \$175,000 on current mortgage)

Solution #1 – Cash Out refi limited to 80% of As-Is Value (\$160k max) so won't work!

Solution #2 – HELOC – limited to 90% of As-Is Value (\$180k max), which only provides buyer with approx. \$5k!?

BEST OPTION- Renovation Refinance! Up 95% of AFTER-IMPROVED Value (est. \$225,000) would provide \$38,000 for borrower

- Borrower can purchase or refinance a property and include the additional money for required repairs or optional improvements/renovations.
- Borrowers can purchase a home that does not require repairs but finance the cost of “modernization” or cosmetic repairs (see eligible improvements.)
- Renovation loans are ONE Loan, with one closing, and one mortgage payment.
- *All renovations/repairs are completed after closing!*



- The renovation loan combines the purchase price **plus** the cost of improvements/repairs into one loan that can close in approximately 45 days!
- Includes: 95%ltv primary residence, 90%ltv 2nd Homes and 85%ltv Investment loans-(SFR Only)
- After settlement/closing, the borrower's renovation escrow account is held by the lender, retaining the funds for the contractor to complete repairs; GC is paid in draws as the project is completed.



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- Lenders will only offer traditional mortgages if the home meets their “***minimum property conditions***”
- Many homes are listed “conventional or cash only” BUT they can be purchased with any renovation mortgage! (VA Reno, 203k, & Conventional Homestyle)



Perceptions and Myths

Consumers

- Most consumers aren't aware of renovation mortgage options!!!
- Most consumers don't know about habitability rules aka minimum property requirements
- Many want to buy distressed property but don't know where to start
- Most want the ability to turn a home into what they envision and in the area they desire to live in

Agents

- Homes that need repairs can't go FHA or VA
- The loan is too expensive
- Takes too long
- Too complicated
- Never closes on time
- Tried one before - it was a nightmare
- MOST Loan officers are not competent to do Reno loans

- Renovation mortgages are more complex like chess compared to Traditional mortgages which are simple like checkers
- Most Loan officers & Realtors have limited knowledge & experience with renovation loans
- Most Loan officers don't originate renovation mortgages as they take three times more work than traditional mortgages for the same compensation.



If a listing states:

1. Cash-Only or Sold As-Is? **ANY renovation loan will work because the house is purchased As-Is**
2. FHA NOT accepted! **FHA 203k will work because ALL FHA mandatory repairs are financed into the renovation loan by the borrower**
3. House has severe structural damage-Cash Only! **Standard 203k/VA Reno/Conv Reno Loan will work!**
4. House has no cabinets, no appliances, no mechanicals (HVAC, water heater, electrical panel, no flooring, etc.) **ANY renovation loan will work**



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- Buyer preferred their neighborhood but could not find a house for sale near by that they liked.
- Buyer converted their 1-Story 3br/1.5ba 1CG into a 2-Story 4br/3ba 2CG in a renovation refinance mortgage!
- Loan details: 3.5% 30yr fixed rate- House appraised 20% higher than loan payoff + construction costs, no money out of pocket at closing and NO PMI!



BEFORE



Benefits for Buyer's Agents

Buyers Agents- Explain the basics of a renovation loan, ***your knowledge on renovation financing adds value to your buyers!*** A knowledgeable realtor can overcome any objections regarding most property conditions with a renovation loan. For instance, when the realtor hears the buyers comments like; “yuk, this kitchen is ugly!” or “I didn’t like the master bathroom” or “there seems to be a lot of wood rot around the windows” or “wow, this basement would be great if we finished it!”

The Renovation loan could be the answer for the “IF ONLY” buyer!

- Are you truly giving your clients “every option” available?
- Client: Perfect location; “if only” it had an extra garage; a larger masterbath; more closet space; larger kitchen; swimming pool, more living space, finished basement, etc.
- Realtor: I work with one of the most experienced renovation specialists in the Midwest, I’ll have him contact you and discuss renovation options!



Benefits for Listing Agents

Listing Agents-On your initial listing presentation, include several “Before & After” Renovation Flyers to your listing presentation. This will set you apart from the competition, especially those listings that need some updating or remodeling! Remember, a renovation loan allows for ANY remodel project (update kitchens, baths, finish basement, add a detach garage, replace roof, etc...) to be included into the loan so the seller doesn't have to spend any money out of pocket.

Benefits to YOU at listing presentations?

- Add the benefit you can provide both traditional and renovation financing flyers to be placed in the home
- Politely point out if there are any noted repairs or concerns and how a buyer can use a renovation mortgage to finance any needed repairs so the seller doesn't have to.



Benefits to Realtor

When any homebuyer/homeowner makes repairs and improvements to their property, the home value will increase making it easier to sell, have a higher selling price in the future, and will have less issues with inspections when re-selling in the future!

Less hassle, higher sales price = > commissions

Many Realtors post home improvement ideas on social media- why not post basic renovation mortgage options so your contacts can compare Reno options vs HELOC or paying out of pocket? **Knowledge is Value!** Increase your Value by sharing your knowledge on basic renovation mortgage options!

Types of Renovation Mortgages

1. a. VA Standard Reno Loan
b. VA Limited Reno Loan (<\$50k)
2. a. FHA Standard 203k (HUD \$100)
b. FHA Limited 203k (<\$50k-Jan2024)
3. a. Conv Standard Reno Loan
b. Conv Limited Reno Loan(<\$50k)

Renovation loans can give any qualified owner occupant buyer (investor with Conv Reno Loan) an affordable financing solution, allowing the buyer to close on a home “as-is” and borrow both the purchase and repair money in a single mortgage loan.

Buyers have three options:

1. FHA STANDARD 203k or LIMITED 203k
2. VA STANDARD or LIMITED (100% FINANCING)
3. CONVENTIONAL (FNMA HOMESTYLE) RENOVATION*

***There is no Conventional 203k loan! The phrase 203k means FHA/Renovation only**

Which one is better?

LIFE
TIME
MI

*Full 203k or
Limited 203k
=/ \leq \$498,257*

*Conventional
Renovation
=/ \leq \$766,550*

MI
DROPS
OFF
78%LTV

VA RENO
= NO MAX
LOAN
AMOUNT



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RENOVATION QUICK REFERENCE GUIDE

	FHA 203K (STANDARD)	FHA 203K (LIMITED)	FANNIE MAE HOMESTYLE	VA RENOVATION
LOAN TYPE	Purchase or Refinance	Purchase or Refinance	Purchase or Refinance	Purchase or Refinance
MORTGAGE AMOUNT	Lower of: Total Cost (sales price + renovation) or 110% of "As completed" Appraised Value		Lower of: Total Cost (sales price + renovation) or "As completed" Appraised Value	
MAXIMUM LTV	Purchase: 96.5% of Sale price + Total Rehab No Cash Out Refinance: 97.5% of Mortgage Payoff + Total Rehab		95% for 1 — Unit Primary	100%
			See Guidelines for Other Property Types	
RENOVATION AMOUNTS	Minimum: \$5,000	Minimum: \$2,000	Minimum: \$5,000	LIMITED - Minimum: \$0 STANDARD - Minimum: \$5,000
	Max: No Max As Long As Mortgage Amounts Are Within County Guidelines For FHA Loans	Max: Up To \$35,000 Total Including All Costs & Fees	Max: 75% of the As Completed Appraised Value	LIMITED – Max. Up To \$35,000 Total Including All Costs Fees STANDARD – No Maximum

RENOVATION OPPORTUNITIES

- Allowed Transactions:

Conv: Primary Residence; Second Home; Investment Properties allowed – 15% down payment! (SFR Only)

FHA/VA: Primary Residence ONLY – Property must be 1 year old – No New Construction

- Purchase or Refinance
- Allowed Dwellings Conv: SFR- Att & Det; Condo, Log Homes
- Allowed Dwellings FHA/VA: SFR- Att & Det; Condo, Manf & Modular Homes (must be on approved HUD foundation)

RENOVATION OPPORTUNITIES

VA Renovation Loan

- No overlays! Flexible with Reno amount, types of repairs and improvements, structural repairs are allowed on Standard VA!
- ALL improvements & repairs MUST be completed in <180 days
- REOs, SFR, Condo, multi-unit properties allowed
- 100% Financing including renovations-If seller pays all CC/PP the buyer can complete transaction with \$0
- Allowed improvements: Structural, Additions, Appliances, Roof, Pool, Finish basement, HVAC, kitchen/bath remodels, etc..
- No Reno-Supplemental Origination Fee on VA Reno Loans

VA STANDARD & LIMITED

1. All Repairs are allowed **(Health/Safety/Structural)**
2. No limit on bid amounts on Standard VA Reno
3. **Repairs must be completed within 90 days of closing**
4. Repairs - Must be completed by License Contractor
5. Fixed Rates (30yr/15yr) & ARMs
6. Purchase or Refinancing-Owner Occupied Only
7. 100% LTV Purchase
8. Minimum Credit Score Allowed: **600**
9. 1-4 Units Properties allowed
10. Contingency 10% (15% if any utilities are off)
11. Payments to contractor via draws (no up-front \$ provided)
12. **HUD Consultant is REQUIRED ON VA STANDARD RENO**

FHA STANDARD 203k

1. All Repairs are allowed (Min of \$5000)*
2. No limit of repairs (Max LA per HUD 2024 county limits)
3. **Structural Repairs and Additions allowed!**
4. Repairs - Must be completed by GC (Limited Self-Help)
5. Fixed Rates (30yr/15yr) & ARMs
6. Purchase or Refinancing-**Owner Occupied Only**
7. 96.5% LTV Purchase or 97.75% LTV Refinancing
8. **Minimum Credit Score Allowed: 580**
9. 1-4 Units Properties allowed (Property must be >1yr old)
10. Contingency 10% (15% if any utilities are off)
11. NO luxury items (pools, hot tubs, etc..)
12. 6 months payments financed (if property inhabitable)
13. Payments to contractor are draws (no up-front \$ provided)
14. **HUD Consultant is REQUIRED!**

FHA STANDARD 203K

- 1.Requires HUD Consultant
- 2.Minimum of \$5000 of repairs
- 3.Repairs are unlimited except for pole barns, luxury items, & Manf Homes not allowed.
- 4.Structural Repairs and Additions allowed
- 5.Max loan amount per HUD County limits

HUD CONSULTANT ROLE

1. Meet With Borrower at Property
 1. Inspect the Property for Required Repairs
 2. Discuss Renovation Budget
2. Complete the WWU & SOR Reports
 1. Details all Repairs & Estimated Costs
 2. Timeline to Completion
3. Reconciles the Contractors Estimate/Bid
 1. Works with Contractor to remain within the renovation budget and confirms contingency%
 2. Establishes draw parameters with Contractor
4. Perform Draw Inspection During Renovation
 1. Up to Five Inspections
 2. Authorizing the Disbursement of Funds

HUD Consultant Reports

The independent HUD Consultant acts as a construction inspector for the borrower and provides both the Work Write-Up (WWU) and Specification of Repairs (SOR). They will meet with your borrower(s) and contractor to determine the scope of work necessary to bring the property to HUD's minimum property standards. The borrower may then add any additional "optional" items they wish to be included.

Consultant's Specification of Repairs (SOR)

The Specification of Repairs is the cost estimate within the full report and must include the FHA-defined 35 areas of concern and the cost breakdown which includes;

- The loan amount is based on the Consultants SOR
- The Consultant Report also indicates if the PITI can be financed into the loan (6-max) if home is uninhabitable
- Timeline to Completion (confirms with Contractor)
- Any fees or costs associated with renovation
- The amount of contingency funds to be required (10-15%)
- Necessary draw inspections & funds disbursement timeline

FHA 203k Limited Requirements

To qualify for an FHA streamline 203k mortgage, three restrictions must be met; (no HUD Consultant reqd)

1. Bid amount cannot exceed approx. \$43,000 because the **total renovation escrow is limited to \$50,000** (inc. bid, contingency 10-15%, inspection fees, title update fee, Renovation fee \$350Min or 1.5% of Reno amount)
2. No Structural Damage- this includes minor wood rot/termite damage to sill plate or frame of house, excessive settling or structural concerns, etc..
3. CANNOT add square footage to house
(You CAN finish basements!)

If ANY of the three items cannot be met, loan must be Converted to FHA Standard 203k

FHA LIMITED 203k

1. Repairs are limited-**No Structural Repairs** (defined)
2. **No Adding Square Footage** (finishing basement is acceptable)
3. **Maximum Renovation Escrow Acct \$50,000 (Max Bid~\$43,000)**
4. Repairs Must be completed by General Contractor
5. No Self-Help Allowed
6. Fixed Rates (30yr/15yr) & ARMs
7. 96.5% LTV Purchase or 97.75% LTV Refinancing
8. Minimum Credit Score Allowed: **580**
9. Manuf/Modular Homes allowed (no single-wides)
10. 1-4 Units Prop allowed (Property must be >1yr old)
11. Contingency 10% (15% if any utilities are off)
12. Draw Payments: 50% Material-upfront & remainder upon completion
13. **NO HUD Consultant Required!**

Conventional Renovation

1. No Minimum on Repair Limit
2. All Repairs allowed including Luxury Items (Pool, etc..)
3. Maximum Loan Amount: **\$766,550 (2024 Conf Loan Limit)**
4. Repairs Must be completed by General Contractor
5. No Self-Help permitted unless GC by trade
6. Fixed Rates (30yr/15yr)
7. Max 95% LTV for Purchase & Refinancing Acceptable
8. Minimum Credit Score Allowed: 620
9. New Construction allowed (must be to sheetrock stage)
10. Contingency 10% (15% if any utilities are off)
11. Payments are made to contractor in draws (no money up-front provided)
12. INVESTMENT PROPERTY ALLOWED-85% LTV
13. **95LTV allowed for 2-4 units if primary residence!!**

CONVENTIONAL RENOVATION

1. 3rd Party Inspection or HUD Consultant Req'd if Reno Escrow Acct is > \$50,000
2. No Minimum or Maximum of repairs
3. Repairs are unlimited - you can include luxury items including pools, jacuzzi tubs, detached garages, additions, etc..
4. Structural Repairs and Additions allowed
5. Max Conforming Loan Limit of \$766,550 SFR

Required Repairs

Renovation Repairs can be required to bring the property to minimum standards, comply with city or county codes, and/or satisfy appraisal requirements.

- Replace roof
- Upgrade electrical
- Plumbing repairs
- Repair termite damage
- New HVAC/Hot Water Heater
- Peeling paint (LBP)
- Mold remediation
- Install smoke detectors
- Structural Repairs





Section 3

1. The Process
2. Key Steps for Realtors
3. Contingency Reserve
4. GC Validation

HomeStyle Reno Contractor Option



1. **Lowe's has created a "Concierge Team" for loanDepot HomeStyle Renovation Borrowers**
2. **Up to \$100,000 using Lowe's subcontractors and Lowe's materials.**
3. **Concierge Team works directly with borrower to select material and get bid for total renovation!**

Renovation-“The Process”

1. Borrower gets preapproved for max loan amount (SP + Reno)
2. Borrower submits Contract on property, and it is determined that it will not qualify for traditional mortgage due to needed repairs.
Amend contract to renovation lending and change to 45 days to close.
3. Buyer's Agent needs to gather any/all repair information from Listing Agent for a base line of known repairs required (roof needs replaced, copper plumbing missing, structural concerns, missing HVAC, mold, etc..)
4. Borrower completes whole-house inspection, termite, Septic/Well Inspection
5. Borrower obtains initial bids from General Contractor
DON'T USE subcontractors unless it's a smaller project!

Renovation-“The Process”

6. Contractor completes “**Contractor Validation Package**” and provides Liab. & WMC Insurance, GC License (City and Occupational License if reqd.)
7. Contractor provides **FINAL detailed bid** for each reqd/optional repairs & any repairs noted on termite report/inc termite treatment if reqd (no lump sum bids allowed) – See Contractor's Bid Template
8. Appraisal ordered to determine “After-Improved Value”
9. Bid will be revised to include any repairs required/noted by the appraiser if noted on appraisal. (WWU-SOR revised)
10. Loan is submitted for “Final Approval”
11. Once loan is closed, the GC can start the next day!

What inspections are required?

1. Termite Inspection (Only on VA)
2. Structural Inspection-If termite/wood damage to any of the frame-foundation walls leaning, severe cracks/settling, etc... or appraiser request it
3. Septic System & Well Inspection
4. Roof Inspection if appraiser/HOI requires it
5. MOLD- Only “Certified” Mold remediation specialists can remove mold
6. Lead Base Paint – LBP Remediation Certification reqd

Whole House Inspection is STRONGLY recommended!

The RE Contract for a Renovation loan?

1. The RE contract is completed as you would with a traditional mortgage with regards to sales price and loan amount- Use 95% loan for Conventional and 96.5% for FHA as you normally would with a traditional loan.
2. On Financing Section aka Section 8b-Financing Terms (typically pg. 6) under “Other” type or hand-write
“FHA 203k” for FHA renovation refinancing
“Conventional Renovation” for FNMA Homestyle Renovation
“VA Renovation”

How is the Down Payment Determined on a Renovation Loan?

The down payment is determined by Total Acquisition Cost.

Total Acquisition Cost: The cost to purchase the property or pay off an existing lien (refinance), plus the Renovation Escrow Account.

(The Renovation escrow acct includes the bid + other costs such as consultant fees, permits, contingencies, inspection fees, draw fees, final title update, etc..)

RENOVATION ESCROW ACCT

The **Renovation Escrow Account** consists of several items (detailed on MMW)

1. Cost of Renovation/Bid
2. Contingency 10% of bid (15% if any Utilities are off!)
3. Supplemental Reno Fee-1.5% of Reno Escrow \$
4. Inspection fees/draws - \$150-200 each
5. Final Title Update \$125 (completed before final payment to GC)
- 6. HUD Consult/3rd Party Inspection Fee- \$500-\$1000

Why is a Contingency required on Renovation Loans?

1. A contingency is required on all renovation loans the same as on construction loans. A contingency is a percentage of the bid that is added to the bid amount for any unforeseen repairs that was not included on the initial bid.
2. For example, bid contains replacing ripped vinyl floor in bathroom with tile. Once vinyl is removed, the subfloor shows wood rot/mold which will increase the amount of work and costs to the initial bid. The contingency keeps the buyer from paying out of pocket.
3. Contingency Amount: Conv/FHA/VA–10% (15% if Utilities are off!)

Why Are REO/HUD HOMES Unique?

1. Foreclosures/REO are always winterized (plumbing shut-off)
2. HUD-Homes typically offer; Property Condition Report, termite report & Lead Base Paint Inspection if the property was built before 1978. If LBP Inspection is positive, HUD can provide up to \$4000 in LBP rebate for LBP Remediation.
3. HUD ALLOWS 60-day contracts on ALL Purchase Contracts if 203k Renovation Financing is chosen
4. HUD requires closing packages approx. 4-5 DAYS PRIOR TO CLOSING! (negotiable depending on the closer)
5. HUD Homes allow \$100 Down Payment!

Property Condition Report

1. PCR's are not always accurate!
2. PCR's are NOT property inspections.
3. PCR's are not indicative of required repairs for lenders renovation loan requirements

Property Condition Report			
Case Number:	291-430781	Contract Area:	2D
Current Step:	3a-Disposition Pending	Address:	1808 STASI AVE
Step Date:	08/01/2015	City, St Zip:	RAYMORE, MO 64083-0000
HOC:	Denver		
Property Condition Report			
Item Description/Condition		Item Functionality	Functionality/Test Notes
Cooling/Air-Conditioner:	OK	HVAC tested and functional?:	Based upon inspection HVAC system appeared to be functional with no apparent defects
–Heating/Furnace:	OK	Yes	
–HVAC System Duct:	OK		
Electrical Wiring:	OK	Electric supply tested and functional?:	Electrical System was tested with active electric and was found to be functional
–Other:	N/A	Yes	
–Other:	N/A		
Stove/Range/Oven:	OK	Built-in appliances tested and functional?:	All built in appliances were functional with active electric
–Kitchen Cabinets:	OK	Yes	
–Other:	N/A		
Plumbing:	OK	Water supply tested and functional?:	The plumbing lines were checked using air pressure and no leaks were detected
–Sink:	OK	Yes	
–Other:	N/A		
Water Heater:	OK	Water heater functional?:	Gas Water Heater Inspected for excessive rust degree of deterioration and overall condition The inspection indicates that unit appeared functional
		Yes	
Sewer/Septic System:	OK	Sanitary & plumbing system functional?:	Based upon inspection the Sewage system appears to be functional with no apparent defects
–Toilet:	OK	Yes	
–Other:	N/A		
Roof:	OK	Roofing in acceptable condition?:	Based upon inspection the Roof appears to be in an acceptable condition with no apparent defects
–Other:	N/A	Yes	

Contractor Approval Process

1. All General Contractors must be Validated
2. General Contractor Bid must be itemized and listed by material and labor
3. All Bids must be signed by borrower(s) and GC
4. Contractor/Subcontractor must be Licensed (if required by county/city and verified)
5. Contractor must provide Liability Insurance and Workman's Comp Insurance
6. Each Contractor must complete a "Contractor Validation Package"

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Contractor Bid Sample

SAMPLE BID/ESTIMATE



ABC CONTRACTING, LLC.

John Jones, General Contractor
321 South St
Greenville, CO 12345
888-555-0123
john@abccontracting.com
LIC# 123ABC

CUSTOMER INFORMATION

NAME: Michael Tucker
ADDRESS: 123 Main St
Greenville, CO 12345
PHONE: (888) 555-0111

ESTIMATE #: 558887
DATE: 2/3/2017

COST BREAKDOWN

ITEM	DESCRIPTION	MATERIAL	LABOR	TOTAL
Roof	Complete tear off and re-roof w/ 30 yr shingle	\$ 1,500.00	\$ 2,500.00	\$ 4,000.00
Electric	Run new 220v for laundry room, repair exposed wiring in bedroom, and 3 GFCI outlets in kitchen	\$ 1,000.00	\$ 2,000.00	\$ 3,000.00
Plumbing	Install new pedestal sink & faucet in master bath	\$ 600.00	\$ 800.00	\$ 1,400.00
Countertop	Install quartz countertop in kitchen and master bathroom	\$ 3,000.00	\$ 1,500.00	\$ 4,500.00
Cabinets	Install maple kitchen cabinets, shaker door, color white, polished nickel knobs and pulls	\$ 6,000.00	\$ 2,000.00	\$ 8,000.00
Paint (Exterior)	Repaint exterior siding per HOA requirements	\$ 2,000.00	\$ 1,000.00	\$ 3,000.00
Subtotal:				\$ 23,900.00



Self-Help” DISCOURAGED!



ALL Repairs that are being financed in the Renovation Mortgage should be completed by a licensed/insured General Contractor.

Conv Reno Only – If borrower is a licensed/insured GC by trade, he will be able to complete his own renovation project.

KEY STEPS FOR REALTOR

- 1) Make sure buyer is preapproved based on a loan amount of both the purchase price + renovation amount, not just the sales price. Ensure the buyer understands that the down payment is based on the sales price PLUS the necessary repairs. (Sales Price + Repairs = TAC)
- 2) Inform your borrower upfront “Self-Help” is not permitted on Conv Reno and only allowed on 203k If they have documented proof of experience
- 3) Write a contract with a 45-day closing date, but can close earlier if possible
- 4) Order Whole House, Termite, Septic & Well Inspection asap

KEY STEPS FOR REALTOR

- 6) Inform the borrower they must select a contractor, obtain final bid, and have a completed contractor validation package within 21 days in order to close in 45 days.
- 7) Once Bid is received, Appraisal can be ordered! The detailed bid allows the appraiser to provide the following; A) house will meet minimum property conditions once all the repairs are completed. B) Provide an “after-improved” value. **Closing is approximately 3 weeks after appraisal is ordered.**
- 8) Property is closed as-is. Renovation can start the day after closing.

Two types of Repairs- Required and Desired

Required- **MUST BE DONE!** Gutters, working windows, screens, damaged sheetrock, wood rot, termite damage, peeling paint, missing flooring, missing appliances, unacceptable roof, all utilities must be repaired to working order, missing cabinets/counter tops/fixtures in kitchen/bath, damaged siding/soffits, mold/mildew concerns, lead-base paint, Water stains on ceiling, handrails, missing/damaged doors/knobs, exposed wiring, smoke detectors, GFI outlets, electrical plates/outlets, water in basement, etc... (Some repairs above are FHA required)

Desired- granite/new counter tops, new appliances including refrigerator, washer/dryer, remodel kitchen/bathrooms, new flooring/hardwood/tile/carpet, HVAC & Water Heater, new roof, siding, Interior/Exterior painting, finish basement, new windows, detached garage, fence, **swimming pool**, add square footage/increase living area, etc...

GC is paid via Draws - Draw Process

1. The homeowner contacts the “Draw Specialist” to request a draw-inspection for funds
2. The Draw Specialist orders a third-party/HUD Consultant inspection
3. **The Draw Specialist receives the inspection report,** prepares a Draw Request form and sends it to the buyer
4. The buyer and contractor review/sign/return the Draw Request form to Draw Specialist
5. The Draw Specialist processes the Draw Request Form, cuts check and sends it to the buyer
6. Draw checks are two party checks or wired directly to GC

Common Challenges

1. Borrower isn't informed of proper expectations, nor are they informed "Self-Help" is NOT allowed.
- 2. FHA 203k-Borrower CANNOT be related to the Realtor, General Contractor, or HUD Consultant (HUD-Identity of Interest)**
- 3. Borrower takes TOO MUCH TIME selecting Contractor and obtaining Bid – This can delay the closing** (FINAL BID & GC Val Docs to be provided within 21 days in order to close in < 45 days!)

Common Challenges

4. Structural Repairs are noted later into the property inspection process or by appraiser, therefore causing the loan to be flipped from a Streamline to Standard 203k loan
5. More Specialized Inspections are Req'd (Septic, Well, Lead-Base Paint, Mold, Certified Roof Inspection, etc..)
6. **#1 Closing Delay** – Borrower doesn't know what repairs are "required" or simply omits them to keep bid as low as possible. The appraiser will note any repair still needed that is not on the bid! This requires the GC to provide another bid to include missing repair and increases loan amount!



Renovation Course

BEFORE



A close-up photograph of various construction tools including a yellow-handled saw, a hammer, and a measuring tape, all resting on a light-colored wooden plank surface.

Renovation Course

AFTER





Renovation Course





Renovation Course

AFTER





Renovation Course

AFTER





Renovation Course

BEFORE





Renovation Course

AFTER





Renovation Course

BEFORE



A close-up photograph of various tools including a yellow-handled saw, a hammer, and a yellow measuring tape, all resting on a light-colored wooden plank surface.

Renovation Course

AFTER





Renovation Course

AFTER





Renovation Course

BEFORE



A close-up photograph of various tools including a yellow-handled saw, a hammer, and a measuring tape, all resting on a rustic wooden plank surface.

Renovation Course

AFTER



A close-up photograph of various tools including a yellow-handled saw, a hammer, a yellow tape measure, and a pair of pliers, all resting on a rustic wooden plank surface.

Renovation Course

AFTER





Renovation Course

BEFORE



A close-up photograph of various tools including a yellow-handled saw, a hammer, and a measuring tape, all resting on a rustic wooden plank surface.

Renovation Course

AFTER





Renovation Course

AFTER





Renovation Course

BEFORE





Renovation Course

AFTER





Renovation Course

Thank YOU!

