

# **FHA Full Consultant 203(k) Product Offering**

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## **NOVEMBER 14, 2014**



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# FHA 203(k) RENOVATION LOAN



- ✓ Not every home is move-in ready. The FHA 203(k) Renovation Loan allows you to broaden your home shopping horizons and create the home you want from the start. The FHA 203(k) Renovation Loan combines the cost of buying the home with the cost of making repairs. It is ideal for qualified buyers interested in purchasing a home that needs repairs or updating.
- ✓ The notable advantages include:
  - Low down payment option; qualify with as little as 3.5% down
  - Increased home choices for purchase
  - Ability to personalize home enhancements
  - Financing of mortgage, repairs & upgrades in a single loan, based on the As-Improved value of the home

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# OVERVIEW - FHA 203(k) RENOVATION LOAN



- ✓ Advantages for an FHA 203(k) Renovation Loan:
  - FHA 203(k) Renovation Loan allows you to complete major or minor renovation projects including broad scope renovation, both structural and cosmetic
- ✓ Why Choose the 203(k)?
  - Allows for repairs and improvements to be completed after closing for purchases and refinances via the establishment of an interest bearing escrow account
  - Can borrow against the property value after improvements
  - Avoid construction loans
  - Increases property value and builds equity
  - Combines the cost of the home and renovation into one low cost mortgage

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# FULL CONSULTANT 203(K) ELIGIBLE REPAIRS



✓ The Full Consultant option is used for more complicated projects. Eligible repairs include:

- Major structural alterations and additions
- Major landscaping and site improvements
- Repair swimming pool (up to \$1,500)
- Remodeling of rooms, including kitchens & bathrooms
- Relocation of load bearing walls
- Construction or rehab of detached garage
- Converting multi-unit to a single unit or a single unit to a multi-unit
- Basement finishing or waterproofing
- Appliances
- Energy conservation improvements

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# OVERVIEW – FHA 203(K) RENOVATION LOAN



Purpose	Max LTV	Max CLTV	Loan Amount	Minimum FICO
Purchase	96.50%	105.00%	FHA Limit	620
Rate/Term	97.75%	975.75%	FHA Limit	620
Cash-Out	N/A	N/A	N/A	N/A

## ✓ Quick Facts:

- 1 – 4 Owner Occupied only
- Conforming and High Balance loan amounts
  - ✓ Fixed 30 and 15 year term
- Credit/Ratio/Reserve requirements follow HomeBridge FHA guidelines
- HomeBridge will require Approve/Eligible AUS Findings
  - ✓ Manual underwriting not permitted on 203(k)

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# OVERVIEW – FHA 203(K) RENOVATION LOAN



Example of 203(k)	
Sales Price	\$150,000
Renovation Costs	\$65,000
Contingency Reserve	\$6,500
“Soft Costs” (inspections, permits, fees, plans, etc.)	<u>\$1,500</u>
Total Acquisition Cost	223,000
Down Payment	\$7,805
Base Loan Amount	\$215,195

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# FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ HUD Consultant Role:

- Approved HUD Consultant required on Full Consultant transactions
  - ✓ Consultant fee ranges depending on cost of work
- HUD Consultant manages the entire project
  - ✓ Works directly with Borrowers & contractors
  - ✓ Provides initial Work Write-Up or "Specification of Repairs" report
  - ✓ Provides draw schedule
  - ✓ Performs draw inspections to approve disbursements to General Contractor
  - ✓ Provides Contingency Reserve amount to be established
  - ✓ HUD Approved Consultant Search: [Find a HUD Consultant](#)

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# FULL CONSULTANT 203(K) RENOVATION LOAN FEATURES



- ✓ Requires an FHA HUD Consultant
- ✓ For complicated projects and cosmetic updates
- ✓ Minimum cost of repairs \$5,000; no max repair amount
- ✓ Contingency Reserve 10-20% (determined by HUD Consultant)
- ✓ Work to start within 30 days of closing
- ✓ Work must be completed within 5 months of closing
- ✓ Max 5 draws permitted
- ✓ One (1) General Contractor allowed:
  - Subcontractors permitted under General Contractor
- ✓ Additional specialized contractor(s) allowed for technical items
- ✓ Can finance up to 6 months PITI if home deemed uninhabitable by HUD Consultant

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# HUD CONSULTANT WORK WRITE-UP



- ✓ Details of HUD Consultant's Work Write- Up Report, AKA "Specification of Repairs" Report:
  - Signed by Consultant, Borrower and Contractor
  - Original plan/specifications for project
  - Describes quantity/quality of materials required
  - Lists market costs of materials, labor, overhead, profit
  - Includes adequacy of existing structural, heating, plumbing, electrical and roofing
  - Must demonstrate that property will meet HUD's minimum property standards, after repairs
  - Contractor(s) can reference the Write-Up to prepare bid(s)
  - Provides required Contingency Reserve amount

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# SAMPLE WORK WRITE-UP



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**Required Document:**  
**Full Consultant 203(k) only**

## Work Write-Up

File No:  
FHA Case No:

Borrower:  
Mr. & Mrs. Customer

Lender:

### Contractor(s)

The project has the following contractor(s):

Sample Construction Company  
56789 Construction Way  
Anytown, CA 90000  
800-222-9999

### Write-Up Synopsis

The total cost of construction plus allowable fees comes to \$91,094.00. 4 draws have been established @ \$200.00.

Please direct any questions regarding this architectural package to:

John Smith  
HUD Consultant  
HUD ID #: A1234  
5678 Industrial Hwy  
Anytown, CA 90000

**Total estimated cost of  
repairs (construction  
and fees)**

**HUD Consultant provides  
number of draws and fee  
per draw inspection**

This is a  
garage a  
vacant a  
construct

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# SAMPLE WORK WRITE-UP (CONTINUED)



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		Labor	Materials	Quantity	Total
	Grand Total	\$33,140.00	\$48,400.00	--	\$81,540.00
		Labor	Materials	Quantity	Total

Contractor's Signature: \_\_\_\_\_ HUD Consultant's Signature: \_\_\_\_\_  
Borrower Signature: \_\_\_\_\_ Co-Borrower Signature: \_\_\_\_\_

Contractor Notes: Contractor is to obtain any necessary permits. Contractor is to provide a copy of their state contractor's license, a copy of proof of worker's compensation insurance along with this bid to facilitate this loan process. It is important to carefully and accurately provide these cost estimates to the cost of the improvements to satisfactorily complete the rehabilitation work at or below the estimate cost since the 203(k) mortgage can't be increased to cover additional expenses. A copy of the termite report is attached and made part of this bid request. All section 1 items must be broken out separately as this is a HUD requirement. All work will be completed to minimum HUD standard or local code requirements, whichever is more stringent. All work will be completed in a professional workmanlike manner and on the basis that time is of the essence.

When completed get a copy of this bid request to:

Borrower: Mr. & Mrs. Customer

Inspector: John Smith  
Fax:

**Contractor, HUD Consultant, and Borrower signatures are required**

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# SAMPLE WORK WRITE-UP (CONTINUED)



**Planet Home Lending**  
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Lender:  
Address:

File No:  
FHA Case No:

Borrower: Mr. & Mrs. Customer  
Subject Address: 1234 Oak Street  
Anytown, CA 90000

Consultant: John Smith  
Address: 5678 Industrial Hwy  
Anytown, CA 90000

## Recap of Subtotal

25. Ceramic Tile	\$0.00
26. Bathroom	\$13,870.00
27. Plumbing	\$0.00
28. Electrical	\$1,000.00
29. Heating	\$8,500.00
30. Insulation	\$1,600.00
31. Cabinetry	\$17,500.00
32. Appliances	\$0.00
33. Basement/Crawl Space	\$2,970.00
34. Clean-Up	\$0.00
35. Miscellaneous	\$1,600.00
<b>Total Cost of Repairs</b>	<b>\$81,540.00</b>
Contingency Reserve (10%)	\$8,154.00
Consulting Fee	\$600.00
Mileage: 0 miles @ \$0.55/mile	\$0.00
Draws: 4 x (\$200.00 + Mileage)	\$800.00
Pest Control Report Fee	\$0.00
Feasibility Fee	\$0.00
Title Update Fee: \$0.00 x 4 Draws	\$0.00
Insurance Fee	\$0.00
Architectural Fee	\$0.00
Permit Fees	\$0.00
<b>Sub-Total</b>	<b>\$9,554.00</b>
<b>Grand Total</b>	<b>\$91,094.00</b>

**Established by HUD Consultant**

**Varies based on amount of repairs**

**Established by HUD Consultant**

**Total cost of repairs MUST match Total from Contractor Bid**

**TOTAL COST OF REPAIRS**

Enter this figure on Line B1 of the Maximum Mortgage Worksheet

**TOTAL COST OF FEES**

Itemized fees entered in Section B of the Maximum Mortgage Worksheet

**TOTAL ESTIMATED COST OF REPAIRS (CONSTRUCTION AND FEES)**

X \_\_\_\_\_ HUD Consultant: John Smith HUD ID# A1234

X \_\_\_\_\_ Applicant: Mr. & Mrs. Customer

X \_\_\_\_\_ Contractor: Sample Construction Company

Date 2/15/2014

\$0.00  
\$0.00  
\$0.00  
\$9,000.00  
\$0.00  
\$0.00  
\$0.00

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# CONSULTANT/CONTRACTOR DISPUTES



- ✓ The Consultant Work Write-Up and Contractor Bid(s) should match on a Full Consultant loan:
  - In the event of discrepancy:

IF	THEN
Contractor bid is MORE than Consultant Write-Up	Maximum Mortgage is determined by the Consultant Write-Up; Could result in additional cash to close for Borrower
IF	THEN
Contractor bid is LESS than Consultant Write-Up	Consultant must comment on discrepancy & validate that Contractor bid is reasonable. If the bid is unreasonable, Maximum Mortgage is determined by Consultant's Write-Up

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# FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Full Consultant - What is Included in Rehabilitation Costs:

- Total cost of rehabilitation (labor and materials)
- HUD Consultant Fee
- Contingency Reserve
  - ✓ Established by HUD Consultant
- Inspection Fees
- Permit Fees
- Architectural/Engineering Fees (as applicable)
- Final Title Update Fee
- Up to 6 months PITI if property uninhabitable with HUD Consultant approval
- Discount Points (only the percentage attributed to renovation portion)

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# PROGRAM ELIGIBILITY-FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Appraisal Requirements:

- Appraisals must include the following four items unique to a 203(k) appraisal:
  - ✓ Remarks regarding the scope of work being completed
- Located in Improvements Section of Report
  - ✓ Be completed "subject to" in Reconciliation Section of Report
  - ✓ Include Copies of Bid(s) and Work Write-Up in Report
    - Full Consultant: Bid(s) and/or Write-Up required; cost of repairs must match
- ✓ Required values differ; see following slides for details

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# FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Purchase Transactions: One Required Value:
  - An “After-Improved” value aka “As-Completed” value is always required
  - This value is indicated in the Reconciliation section of the appraisal report
  - The “After-Improved” value is the only value required by HUD on 203(k) loans
- ✓ The Purchase Price is used as the “As-Is” value:
  - HUD does not require an “As-Is” value; HUD assumes the purchase price is the “As-Is” value

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# FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Refinance Transactions: Two values required
  - An “After-Improved” value aka “As-Completed” is required
    - ✓ This value is indicated in the Reconciliation section of the appraisal report
  - An “As-Is” value is required
    - ✓ Commonly completed as an addendum to the appraisal report

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# APPRAISAL EXAMPLES



## Improvements Section: Remarks on Proposed Work Required

IMPROVEMENTS	<input type="checkbox"/> Finished	<input type="checkbox"/> Heated	<input type="checkbox"/> Individual	<input checked="" type="checkbox"/> Other None	<input type="checkbox"/> Pool None	<input type="checkbox"/> Other None	<input type="checkbox"/> Att.	<input checked="" type="checkbox"/> Det.	<input type="checkbox"/> Built-in
	Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)								
	Finished area above grade contains: 8 Rooms 4 Bedrooms 1.0 Bath(s) 1,844 Square Feet of Gross Living Area Above Grade								
	Additional features (special energy efficient items, etc.). 203k work proposal to paint interior and exterior, enclosed wrap front porch with heat, attic is floored and walls/ceiling finished (no heat), and 4 car detached garage with electric.								
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). C3;No updates in the prior 15 years;No physical,									

## Reconciliation Section: "Subject To"

RECONCILIATION	The final estimate of value is based on the Market Data Approach to Value. The Cost Approach is not required due to the nature of the property.	
	Income Approach was not utilized due to the lack of verifiable rental/sales date.	
	This appraisal is made <input type="checkbox"/> "as is", <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input checked="" type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair. No liability is assumed for mechanical and struct. elements of the subject property and no warranty is given or implied. Subject to completion of 203k work proposal.	
	Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ 138,000 , as of 08/23/2013 , which is the date of inspection and the effective date of this appraisal.	

***\*\*The value in the Reconciliation section is the "After-Improved" value***

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# UNIQUE APPRAISAL SITUATIONS



- ✓ For Full Consultant loans where a property is being converted from SFR to multi-units or from multi-units to SFR, the appraisal will be completed on the form for what the property *will be* after renovations (not the current property type)

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# PROPERTY INSPECTIONS/CERTIFICATIONS



- ✓ Where required by the Appraiser, the following inspections, reports and clearances may be needed:
  - Termite
  - Well or septic cert
  - HVAC or other system certifications
  - Architectural exhibits as required
- ✓ *Full Consultant: all inspections Consultant and/or Appraiser require must be completed*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ AUS:
  - An “Approved/Eligible” finding is required
  - Manual Underwriting is not allowed
  
- ✓ Cash Out: Not Allowed

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Condo Eligibility:

- Project must be approved by HUD at time of case number assignment
  - Work limited to interior of unit
  - Lesser of 5 units per HOA, or 25% of total number of units, can be undergoing rehabilitation at any time
  - *Max mortgage cannot exceed 100% of the After- Improved value*
  - Rehabilitation limited to subject unit in buildings with 1-4 total units
- ✓ See next slide for additional details

***\*See matrix for additional condo specifics***

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Condo Building/Structure Eligibility:
  - Subject unit must be in a building/structure that has a maximum of 4 units
  - The Condo project may have multiple buildings with no limit to the total number of units
  - Eligible Building/Structure Scenario
    - ✓ Project consists of 10 buildings, each with 4 units, for a total of 40 units
  - Ineligible Building/Structure Scenario
    - ✓ Project consists of 10 buildings, each with 6 units, for a total of 60 units
    - ✓ This property is ineligible because it is in a building/structure with more than 4 units
  - More than 4 units in a building allowed when the renovation reduces the number of units in the building to 4 or less
    - ✓ Ex: Borrower purchases 2 units and converts to 1 unit

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ A Contingency Reserve is held from the loan proceeds to cover health, safety and unplanned costs that arise during construction:
  - Ranges from 10 – 20% of the rehab cost as established by HUD Consultant
    - ✓ 15% required if utilities not on or are not in good working order
  - Deposited to an escrow account
  - Typically only soft costs are released within 2-3 business days of receipt of final signed document package (i.e. Consultant, permit fees)
    - ✓ Invoices are required
  - Up to 50% of custom ordered material costs can be released
    - ✓ Requires consultant authorization
    - ✓ Disbursed to the manufacturer directly
  - No funds are disbursed to Contractor or Borrower at closing

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Contingency Reserve Options:

- The contingency reserve may be financed or funded by the Borrower from their own funds:
  - ✓ Financed Contingency Reserve: any funds remaining at the end of the renovation process must be applied as a principal reduction
  - ✓ Borrower Funded Contingency Reserve: any funds remaining at the end of the renovation process are returned to the Borrower

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Contractor Requirements:

- Completed Contractor Profile
- Applicable licenses and proof of insurance as required by the local, state, county and city jurisdiction
- Completed Federal W-9
- Signed bid(s)
- Homeowner/Contractor Agreement
- Contractor Acknowledgment
- If license/insurance is expired, proof of current documentation is required.

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Contractor Insurance Requirements:

- If insurance includes Workman Compensation in General Liability a separate policy is typically not required
- Builder Risk required only if Master insurance does not cover construction
  - ✓ Often seen in 203(k) Full Consultant transactions
  - ✓ Builder Risk can be paid by the homeowner or contractor

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Contractor W-9 Completion Tips:

- ✓ If “Limited Liability Corporation” selected, W-9 must indicate classification of corporation

Check appropriate box: ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership

☒ Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ▶

☐ Other (see instructions) ▶

- ✓ Taxpayer Identification Number must be completed correctly
  - ✓ Must enter SS # or EIN # (Employee Identification Number) number (not both)

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number

**or**

Employer identification number

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Contractor Bid Tips:
  - All Contractor Bids must include:
    - ✓ Borrower(s) name and property address
    - ✓ Borrower(s) and Contractor signatures
    - ✓ Clearly state the nature of the repair/renovation
    - ✓ Cost for completion of each work item performed
    - ✓ Expiration dates on cost estimates not permitted
    - ✓ Detail itemization required for:
      - Material costs of each item
      - Labor costs of each item
      - Make/model and description of material item used
  - Borrower cannot supply or pay for materials
  - If permits required should be noted on bid

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Required Document:  
Full Consultant 203(k) and Streamlined 203(k)  
- Bid required from each contractor

**ABC Contractors**

License #: 123456  
800-222-9999

Proposal #	12345
Proposal Date	3/17/14

Parcel # 012-987-01  
1234 Oak Street  
Anytown, CA 90000

Item	Description	Labor	Material	Contracted Amount
Permitting	Roofing permit	\$350.00	\$154.00	\$504.00

	Replace damaged fascia
<b>Drywall Repair</b>	Foyer - wall repair
	Front corner office #2 - ceiling repair
	Family room - ceiling repair
	Dining room - ceiling and wall repair
	Kitchen - ceiling and wall repair
	Master Bedroom - wall repair
	Master bathroom - wall repair
	Bedroom 2 - wall repair
<b>WDO Repair</b>	Door trim on rear of home, fascia on right of h
	roof sheathing
<b>Door Repair</b>	Replace and install new hardware for all dama
<b>Stove</b>	Install new stove

All materials will be new unless otherwise specified and all labor shall be performed in a workmanlike manner in accordance with industry standards and practices. Workplace will be kept clean and free of unreasonable accumulation of debris. Although every effort will be made to make your project run smoothly, Sample Construction

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# SAMPLE CONTRACTOR BID (CONTINUED)

Item	Description	Labor	Material	Contracted Amount
Permitting	Roofing permit	\$350.00	\$154.00	\$504.00
	All other permitting is included in subcontractor pricing			\$0.00
Plumbing	Install two electric water heaters	\$1,200.00	\$625.00	\$1,825.00
Well Drilling	Well piping	\$6,500.00	\$3,200.00	\$9,700.00
	Clay county permit		\$85.00	\$85.00
	Shallow well pump 1hp	\$250.00	\$1,239.10	\$1,489.10
	Deep well pump 1hp	\$250.00	\$1,603.10	\$1,853.10
HVAC	3.5 ton Tempstar heat pump and 3 ton Trane heat pump	\$3,275.00	\$5,600.00	\$8,875.00
Electrical	Make all repairs, install lighting, and hookup fixtures	\$2,500.00	\$1,250.00	\$3,750.00
Pool	Pump, filter, re-plumb, acid wash, and install new heat pump	\$1,000.00	\$500.00	\$1,500.00

	Master bathroom - wall repair	\$125.00	\$100.00	\$225.00
	Bedroom 2 - wall repair	\$125.00	\$100.00	\$225.00
WDO Repair	Door trim on rear of home, fascia on right of home, trim at pool and	\$1,500.00	\$550.00	\$2,050.00
	roof sheathing			\$0.00
Door Repair	Replace and install new hardware for all damaged and missing doors	\$850.00	\$450.00	\$1,300.00
Stove	Install new stove	\$150.00	\$450.00	\$600.00
	<b>Total</b>			<b>\$37,466.20</b>

Full Consultant: This figure is used for the total cost of repairs on the Work Write-up. Figures MUST match

## Terms and Conditions

All materials will be new unless otherwise specified and all labor shall be performed in a workmanlike manner in accordance with industry standards and practices. Workplace will be kept clean and free of unreasonable

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# SAMPLE CONTRACTOR BID (CONTINUED)



**Planet Home Lending**  
WE'LL GET YOU HOME

	Replace damaged fascia	\$350.00	\$50.00	\$400.00
<b>Drywall Repair</b>	Foyer - wall repair	\$125.00	\$100.00	\$225.00
	Front corner office #2 - ceiling repair	\$125.00	\$100.00	\$225.00
	Family room - ceiling repair	\$125.00	\$100.00	\$225.00
	Dining room - ceiling and wall repair	\$250.00	\$200.00	\$450.00
	Kitchen - ceiling and wall repair	\$250.00	\$200.00	\$450.00
	Master Bedroom - wall repair	\$125.00	\$100.00	\$225.00
	Master bathroom - wall repair	\$125.00	\$100.00	\$225.00
	Bedroom 2 - wall repair	\$125.00	\$100.00	\$225.00
<b>WDO Repair</b>	Door trim on rear of home, fascia on right of home, trim at pool and	\$1,500.00	\$550.00	\$2,050.00
	roof sheathing			\$0.00
<b>Door Repair</b>	Replace and install new hardware for all damaged and missing doors	\$850.00	\$450.00	\$1,300.00
<b>Stove</b>				

**Borrower and Contractor signatures required**

## Acceptance

My signature below is my acknowledgement that I/we have read this proposal, understand the terms and conditions of this proposal and agree to be bound thereby. I understand my acceptance of this proposal forms a binding contract between myself and Sample Contractor Company. Accepted and Agreed:

Borrower Signature: \_\_\_\_\_

Contractor Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**NOTE: EXPIRATION DATES ON COST ESTIMATES NOT PERMITTED**

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# SAMPLE HOMEOWNER/CONTRACTOR AGREEMENT



Planet Home Lending  
WE'LL GET YOU HOME

## HOMEOWNER/CONTRACTOR AGREEMENT

Owner's Name(s):

Mrs. Anstead

Contractor's Name:

Singletary & Leathers

Address: 4300 Glenmore Ave  
Baltimore, Md 21206

Contractor Tax ID No.:

Address: 2542 Quarry Lake Dr. 132  
Baltimore MD. 21209

Telephone Number: Work: 410-554-2526  
Home: 410-340-9730

Telephone Number: Work: 443-602-2420  
Home:

License No.: 102947

Cost of repairs on  
the estimate should  
match this disclosure

On this date, 8/21/13, between the above mentioned Homeowner (Owner) and Contractor, is for the rehabilitation of the property located at 4300 Glenmore Baltimore MD 21206

that has been approved for FHA mortgage insurance under Section 203(k) of the National Housing Act. The Owner(s) shall pay the Contractor the sum of \$17,500.00 for completion of the work, including all sales tax due by law, together with such increases or decreases in the contract price as may be approved in writing by the Lender. The work will begin within 30 days of loan closing with the Lender and will be completed by 11/15/2013, unless delayed beyond the Contractor's control. The General Provisions listed below are made a part of this Agreement. The contract documents consist of the architectural exhibits listed in the Rehabilitation Loan Agreement between the Owner(s) and the Lender, or as described below (or on an attached sheet):

Mrs. Anstead 8/21/13

Owner(s) Signature(s) and Date

Singletary & Leathers

Contractor's Signature and Date

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Disbursement Process:

- Seller has the option to issue 1<sup>st</sup> draw
- Borrower will be contacted by HomeBridge Renovation Concierge Service Department to manage the renovation process from time loan is purchased by HomeBridge until completed
- As repairs/renovation work is completed and draws are requested:
  - ✓ 10% holdback is withheld from each draw
  - ✓ Draws released when acceptable Consultant inspection(s) received

Note: Soft costs and/or release of funds to manufacturers for custom made materials is not considered a draw

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Disbursement Process (continued):

- Once final repairs/renovation work is complete:
  - ✓ HomeBridge Renovation Concierge Department to be notified by the HUD Consultant
    - Final Title Update performed to evidence no liens
    - Final draw is released to Borrower and Contractor
      - ✓ All checks are two party
      - ✓ Checks are sent via 2<sup>nd</sup> day UPS
    - Holdback funds are released after issuance of the Final Release Notice
- Unused funds remaining in the escrow account will be applied to the remaining loan balance
- HomeBridge will notify seller of final disbursement and provide tracking information

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Escrow/Impounds:
  - Required on all loans. No exceptions.
- ✓ Feasibility Study:
  - A Feasibility Analysis (AKA Feasibility Study or Feasibility Site Report) serves to help Borrowers make a quick decision regarding the cost involved to renovate a property to meet HUD minimum property standards
    - ✓ Completed at discretion of Borrower on a Full Consultant 203(k) loan
    - ✓ *Not required; obtained at Borrower discretion*
    - ✓ Typical fee \$250-350
    - ✓ Reviews property for compliance for Minimum Property Standards (MPS) per HUD
    - ✓ Used to determine if Full Consultant should be utilized
    - ✓ If Full Consultant, cost of study typically credited towards Consultant Fee
    - ✓ Often used for purchase transactions and/or determine scope of repairs

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Sample Feasibility Study

John Smith  
HUD Consultant  
HUD ID #: A1234

### Optional Document:

- Used at the discretion of the borrower
- May be used to determine the scope of repairs/construction which determines program: Full Consultant 203(k) or Streamlined 203(k)

## Feasibility Site Report (AKA Feasibility Study)

### SUBJECT PROPERTY

Parcel #: 012-987-01  
1234 Oak Street, Anytown, CA 90000

### BORROWER

Mr. & Mrs. Customer

### LENDER

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Sample Feasibility Study (Continued)

Property Information																									
<b>Subject Property</b> Parcel #: 012-987-0 1234 Oak Street Anytown, CA 90001	<b>Additional Testing Services, Certifications or Cost Items that may be necessary</b> <b>Recommendations</b> ITEMS CHECK ARE RECOMMENDED																								
	<table border="1"><tr><td>Underground oil tank Certification</td><td>N/A</td><td>Radon Test</td><td>N/A</td></tr><tr><td>LBP Certification</td><td>N/A</td><td>Termite Inspection</td><td>X</td></tr><tr><td>Well Water Certification</td><td>N/A</td><td>Structural Engineers report</td><td>N/A</td></tr><tr><td>Septic Certification</td><td>N/A</td><td>Soils report</td><td>N/A</td></tr><tr><td>Site survey</td><td>N/A</td><td>Chimney Certification</td><td>X</td></tr><tr><td>Architectural Plans</td><td>N/A</td><td>Asbestos certification</td><td>N/A</td></tr></table>	Underground oil tank Certification	N/A	Radon Test	N/A	LBP Certification	N/A	Termite Inspection	X	Well Water Certification	N/A	Structural Engineers report	N/A	Septic Certification	N/A	Soils report	N/A	Site survey	N/A	Chimney Certification	X	Architectural Plans	N/A	Asbestos certification	N/A
Underground oil tank Certification	N/A	Radon Test	N/A																						
LBP Certification	N/A	Termite Inspection	X																						
Well Water Certification	N/A	Structural Engineers report	N/A																						
Septic Certification	N/A	Soils report	N/A																						
Site survey	N/A	Chimney Certification	X																						
Architectural Plans	N/A	Asbestos certification	N/A																						
<b>Lender</b>  <b>Lender</b>	<p><b>Note:</b> The Home Inspection is performed to identify those items that require repairs for a property to comply with HUD's Minimum Property Standards as defined in HUD Handbook 4905.1. The Borrower may wish to consider the above recommended inspections to further protect their interests beyond scope of the inspection.</p> <p>All repairs must be performed in conformance with local zoning ordinances and codes. All work within this Report to be Performed by a Licensed Contractor</p> <p><u>The Subject Property will not be Habitable During Construction</u></p> <p><b>If uninhabitable and structured as a Full Consultant 203(k), HUD Consultant may approve financing of up to 6 months PITI</b></p>																								

*Reviews property for compliance with HUD MPS (Minimum Property Standards)*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



✓ Sample Feasibility Study (Continued)

John Smith  
HUD Consultant  
HUD ID #: A1234

Property Address

1234 Oak Street, Anytown, CA 90000

Lender

Contact

Feasibility Site Report

Buyer(s) Name

Mr. & Mrs. Customer

Date

Thursday, January 02, 2014

FHA Case Number

Direct Cost of Construction

\$95,048.00

Division		Total	\$	1,900.00
Total labor	Unit QTY	Material Cost	Total Material	
\$ 1,000.00	1	\$ 900.00	\$ 900.00	

Total Labor \$ 5,000.00

Total Materials \$ 2,000.00

Scope of Work/Specifications		Division	Total	\$	-
labor Unit QTY	Labor Cost	Total labor	Unit QTY	Material Cost	Total Material
		\$ -			\$ -
Total Direct Cost of Construction					\$ 95,048.00

This data is often used to assist with Contractor Bids

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Sample Feasibility Study (Continued)

FHA Case No.		RECAP TOTALS	
Borrower's Name & Property Address		Lender's Name & Address	
Mr & Mrs. Customer 1234 Oak Street, Anytown, CA 90000			
FHA Case Number			

32	Appliances	\$ -
33	Basements	\$ 2,300.00
34	Cleanup	\$ 5,800.00
35	Miscellaneous	\$ -
	<b>Direct Cost of Repairs</b>	<b>\$ 95,048.00</b>

Date January 2, 2014

How		
900.00	Construction Cost Sub Total	\$ 95,048.00
750.00	Contingency Reserve 15%	\$ 14,257.20
100.00	<b>Subtotal</b>	<b>\$ 109,305.20</b>
-	Permits - estimated cost	\$ 1,400.00
-	Total cost of Construction	\$ 110,705.20

**Based on the scope of the required repairs/construction, the appropriate program type is selected: Full Consultant 203(k) or Streamlined 203(k)**

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



✓ Sample Feasibility Study (Continued)

HUD 203(k) Consultant

INVOICE

TO: Borrower

DATE: 01/02/14

Subject Address:

DESCRIPTION	AMOUNT
Full 203(k)	
Streamline K	
Feasibility Report with Site Visit	\$ 425.00
Feasibility Report - Desk Review	

Cost is often credited towards the HUD Consultant Fee in the event that the transaction progresses to a Full Consultant 203(k)

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Forms:

- 203(k) Forms and Documents
  - ✓ 203(k) Maximum Mortgage Worksheet (HUD Form 92700)
  - ✓ 203(k) Borrower's Acknowledgment (HUD Form 92700-A). Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.
  - ✓ Borrower/Contractor Identity of Interest/Conflict of Interest Certification
  - ✓ Consultant Identity of Interest Certification
  - ✓ Homeowner/Contractor Agreement – Full Consultant (HUD Form 2420)
  - ✓ Homeowner/Contractor 203(k) Certification
  - ✓ Contractor Acknowledgment – Full Consultant 203(k) Program
  - ✓ W-9
  - ✓ Contractor Profile (Fannie Mae Form 1202)
  - ✓ Work Write-Up aka Specification of Repairs report
  - ✓ Contractor bid(s)
  - ✓ Feasibility Site Report, aka Feasibility Study (not required)

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Gift Funds – Allowed:

- Follow HomeBridge Funding 203(k) Renovation Guidelines

## ✓ Identity of Interest:

- There can be no identity-of-interest issues between any parties participating in the 203(k) transaction
- Borrower must certify there is not a conflict of interest with any party to the transaction by executing an Identity of Interest Certification. The certification verifies no conflict of interest including, but not limited to, any of the following:
  - ❖ Seller
  - ❖ Appraiser
  - ❖ Realtor
  - ❖ Lender
  - ❖ Contractor
  - ❖ Consultant
  - ❖ Inspector
  - ❖ Closing Agent
  - ❖ Title Company

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Identity of Interest Disclosures are required to confirm there is no relationship with any parties to the transaction as follows:
  - Full Consultant: Borrower Identity of Interest Certification *and* Consultant Identity of Interest Certification

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Loan terms:
  - 15 and 30 year fixed rate term only
- ✓ Maximum mortgage amounts:
  - Maximum mortgage amounts vary by loan purpose
    - ✓ Purchase: 96.50%
    - ✓ Refinance: 97.75%
- ✓ The maximum mortgage (total loan amount) cannot exceed FHA county limits
- ✓ *Important reminder: Condos and Super Storm Sandy cannot exceed 100% of After-Improved Value. Condos and Super Storm Sandy still use the same max mortgage calculations for purchase and refinance transactions*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



✓ What is included in Maximum Mortgage Calculation:

INCLUDED IN TOTAL REHABILITATION COSTS	Full Consultant
Repairs	Materials and Labor
Contingency Reserve	10-20% of Rehab Cost; 15% If utilities are not on <u>or</u> not in good working order <i>Established by HUD Consultant</i>
Inspection Fee(s)	Up to 5 Inspection Fees Allowed Per Draw <i>Completed by HUD Consultant</i> <i>Refer to Work Write-Up</i>
Final Title Update Fee	1 Final Title Update Fee <i>Refer to Final Title Update Fees by State Matrix</i>
Escrowed Mortgage Payments	Up to 6 months PITI if property is uninhabitable and approved by HUD Consultant
Architectural/Engineering Fees (as required)	Included
Consultant Fees	Included
Permit Fees (If Applicable)	Included
Discount Points	Calculated from Repair Costs and Fees

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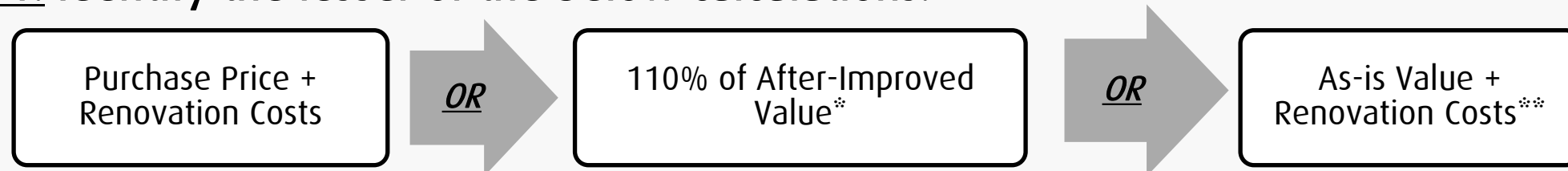


# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Maximum Mortgage Amount: Purchase Calculations:

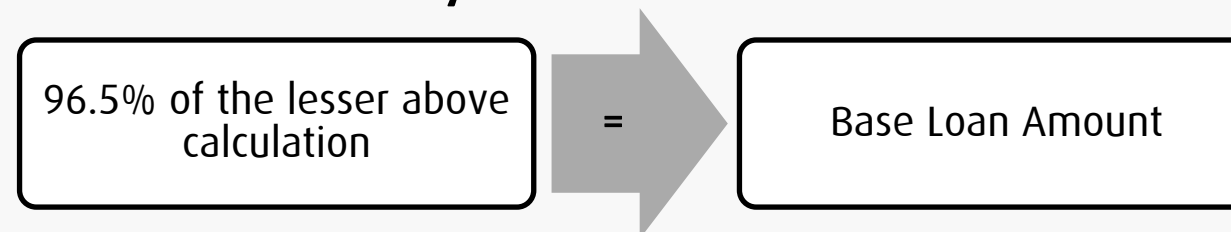
Step 1: Identify the lesser of the below calculations:



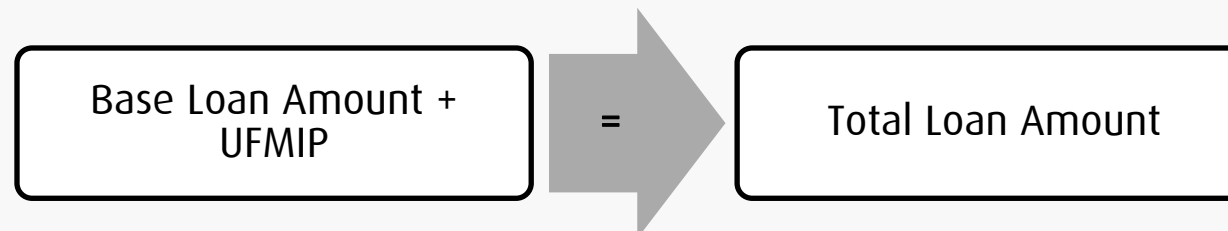
\* For Condos and Super Storm Sandy use 100% of After-Improved Value

\*\* HUD does not require an "As-Is" value; HUD assumes the purchase price is the "As-Is" value

Step 2: Multiply the lesser calculation by 96.5% to obtain Base Loan Amount:



Step 3: Add UFMIP to Base Loan Amount to obtain Total Loan Amount:



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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



✓ Maximum Mortgage Amount: Full Consultant Purchase Examples:

Full Consultant 203(k) Purchase	
Purchase Price and Renovation Costs	Dollar Amount
Purchase Price	\$120,000
Total Cost of Repairs (labor & materials)	\$24,500
Contingency Reserve (15%)	\$3,675
Allowable Fees/Costs	\$1,500
Total Purchase Price and Renovation Costs	\$149,675
110% of After-Improved Value <i>After-Improved Value (Located in Reconciliation section of Appraisal)</i>	\$176,000
Maximum Base Loan Amount	\$144,436
UFMIP	\$2,528
Total Loan Amount	\$146,964

LTV Calculation

Step 1: Identify the lesser of the below calculations

- Purchase Price + Renovation Costs
- As-is Value + Renovation Costs (*HUD does not require an "As-Is" value; HUD assumes the purchase price is the "As-Is" value*)
- 110% of After-Improved Value

Step 2: Multiply the lesser calculation by 96.5% to obtain Base Loan Amount

Step 3: Add UFMIP to Base Loan Amount to obtain Total Loan Amount

In this example the Purchase Price plus Renovation Costs is less than 110% of After-Improved Value.

Therefore, \$149,675 is used to calculate the base loan amount.

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Maximum Mortgage Worksheet Examples:  
Full Consultant 203(k), Purchase: Section A

<b>203(k) and Streamlined (k)</b> <b>Maximum Mortgage Worksheet</b> See Public Reporting Statement on the back before completing this form (See Notes 1 thru 8 on back)		<b>U.S. Department of Housing and Urban Development</b> Office of Housing Federal Housing Commissioner		OMB Approval No. 2502-0527   (exp. 06/30/2014)	
Borrower's Name & Property Address (include street, city, State, and zip code) <b>Ken &amp; Sue Customer</b> <b>1234 Oak Street</b> <b>Anytown, CA 90000</b>		FHA Case Number <b>123-456-7891</b>	No. of Units <b>1</b>	HUD REO? <input type="checkbox"/> es <input checked="" type="checkbox"/> NO	<input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Refinance <input type="checkbox"/> Streamlined (k) (Note 6) Purchase Date (owned less than 12 months) <input type="text"/>
		Type: <input checked="" type="checkbox"/> Owner-Occupant <input type="checkbox"/> Nonprofit <input type="checkbox"/> Government Agency			
A. Property Information	1. Contract Sales Price Or <input type="checkbox"/> Existing Debt <b>\$ 120,000</b>	2. 'As-is' Value (Note 1) <b>\$ 120,000</b>	3. After-improved Value <b>\$ 160,000</b>	4. 110% of A3 (Note 8) <b>\$ 176,000</b>	5. Borrower Paid Closing Costs + Prepays (Refinance) <b>\$ N/A - Refis Only</b>
6. Allowable energy Improvements (Note 2) <b>N/A</b>					

1. Purchase Price
2. HUD does not require an "As-Is" value; HUD assumes the purchase price is the "As-Is" value
3. After-Improved Value from Appraisal (*Reconciliation section*)
4. 110% of After-Improved Value
5. N/A - only applicable for refinances
6. N/A - HomeBridge does not offer EEM's

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Maximum Mortgage Worksheet Examples:

Full Consultant 203(k), Purchase: Section B, Lines 1-5

B. Rehabilitation and Other Allowable Costs	1. Total Cost of Repairs (Line 36, HUD-9746-A) includes the improvements in A6 and REO Lead Based Paint Stabilization	\$ 24,500
	2. Contingency Reserve on Repair Costs (15 %) (10 to 20% of B1)	\$ 3,675
	3. Inspection Fees (3 X \$ 125 per inspection) + Title Update Fee (1 X \$ 75 per draw)	\$ 450
	4. Mortgage Payments Escrowed ( months x \$ ) if uninhabited (Note 7)	\$
	5. Sub-Total for Rehabilitation Escrow Account (Total of B1 thru B4)	\$ 28,625

1. Cost of Repairs (*labor & material*)
2. Cost of Repairs X Contingency Reserve % (*10-20% of Rehab Cost; 15% If utilities are not on OR not in good working order; Established by HUD Consultant*)
3. Inspections Fee(s) (*Number of inspections determined by HUD Consultant*) + Title Update Fee (*Refer to Final Title Update Fees by State Matrix*)
4. Up to 6 Months PITI (*If property is uninhabitable and approved by HUD Consultant*)
5. Subtotal of B1-B4

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Maximum Mortgage Worksheet Examples:

Full Consultant 203(k), Purchase: Section B, Lines 6-14

6. Architectural and Engineering Fees (Exhibits) (Note 7)	\$
7. Consultant Fees (including mileage, if applicable) (\$_____ + _____ miles @ _____ /mile) (Note 7)	\$ 600
8. Permits	\$ 450
9. Other Fees (explain in Remarks)	\$
10. Sub-Total (Total of B5 thru B9)	\$ 29,675
11. Supplemental Origination Fee for both 203k and Streamlined (k) (greater of \$350 or 1.5% of B10)	\$
12. Discount Points on Repair Costs and Fees (B10x _____ %)	\$
13. Sub-Total for Release at Closing (Total of B6 thru B9 + B11 and B12 (Note 3))	\$ 1,050
14. Total Rehabilitation Cost (Total of B5 and B13 minus A6) (Streamlined (k) cannot exceed \$35,000)	\$ 29,675

- 6. Architectural and Engineering Fees *(if applicable)*
- 7. HUD Consultant Fee *(from Work Write-Up)*
- 8. Permits *(if applicable)*
- 9. Other Fees *(describe in Remarks Section on Page 2)*
- 10. Subtotal of Lines B5-B9
- 11. N/A – HomeBridge does not charge Supplemental Origination Fee
- 12. Discount Points *(Discount % x Line B10 = Discount on Repair Costs and Fees)*
- 13. Lines B6-B9 + B11 *(N/A)* + B12
- 14. Total Rehabilitation Cost *(must be at least \$5,000, with no maximum)*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



✓ Maximum Mortgage Worksheet Examples:  
Full Consultant 203(k), Purchase: Section C

C. Mortgage Calculation for Purchase Transactions	1. Lesser of Sales Price (A1) or As-Is-Value (A2)	\$ 120,000
	2. Total Rehabilitation Cost (B14)	\$ 29,675
	3. Lesser of Sum of C1 + C2 (\$ 149,675 ) or 110% of After-Improved Value (A4)	\$ 149,675
	4. Base Mortgage Amount: Sum of C3 $\pm$ (-) Required Adjustment (Note 4) (\$) LTV Factor (96.5%) (Owner-Occupant) or Less Allowable Down payment/ HUD-Owned Property (\$) (Note 5)	144,436.38 \$

1. Purchase Price
2. Total Rehabilitation Cost (*Line B14*)
3. Lesser of Line C1 + Line C2 *OR* 110% of the After-Improved Value (*Line A4*)
4. 96.5% of Line C3

Sales Price: \$120,000  
As Is Value: \$120,000  
Rehab Cost: \$29,675  
After-Improved Value: \$160,000

Line C1 + C2: \$149,675  
110% of After-Improved Value: \$176,000  
Lesser Of: \$149,675  
96.5% of \$149,675 = \$144,436 Base Ln Amt

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Purchase Max Mortgage Calculation Reminders:
  - HUD requires the *lower of* the following to be used when determining Max Mortgage Amount:
    - ✓ Purchase Price + Renovation Costs, *or*
    - ✓ 110% of After Improved Value, *or*
    - ✓ As-Is Value + Renovation Costs\*

*\*HUD does not require an "As-Is" value; HUD assumes the purchase price is the "As-Is" Value*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Purchase Examples: Why Not Requiring an “As-Is” Value is a Benefit:

- Example #1: *Purchase Price + Renovation Costs*
  - ✓ Purchase Price is \$150,000
  - ✓ Total Renovation cost is \$50,000
  - ✓ Appraisal does not show an “As-Is” Value only a \$225,000 “After-Improved” Value
  - ✓ **Max Base Loan Amount is \$193,000** ( $\$150,000 + \$50,000 = \$200,000 \times 96.5\%$ )
- Example #2: *110% Of Value*
  - ✓ Purchase Price is \$150,000
  - ✓ Total Renovation cost is \$50,000
  - ✓ Appraisal does not show an “As-Is” Value only a \$180,000 “After-Improved” Value
  - ✓ 110% of \$180,000 is \$198,000
  - ✓ **Max Base Loan Amount is \$191,070** ( $\$198,000 \times 96.5\%$ )
- Example #3: *“As-Is” Value + Renovation Costs*
  - ✓ Purchase Price is \$150,000
  - ✓ Total Renovation cost is \$50,000
  - ✓ Appraisal shows an “As-Is” Value of \$140,000 and an “After-Improved” Value of \$225,000
  - ✓ **Max Base Loan Amount is \$188,350** ( $\$140,000 + \$50,000 = \$190,000 \times 96.5\%$ )

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



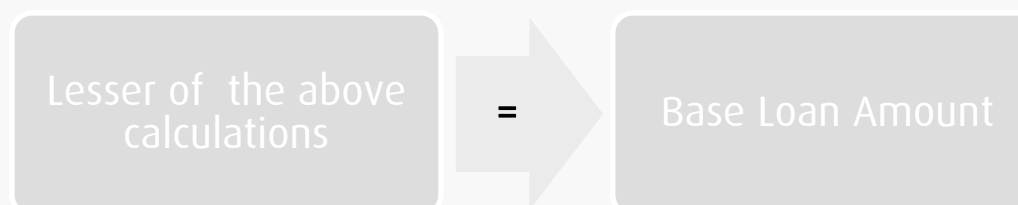
## ✓ Maximum Mortgage Amount: Refinance Calculations:

Step 1: Identify the lesser of the below calculations:

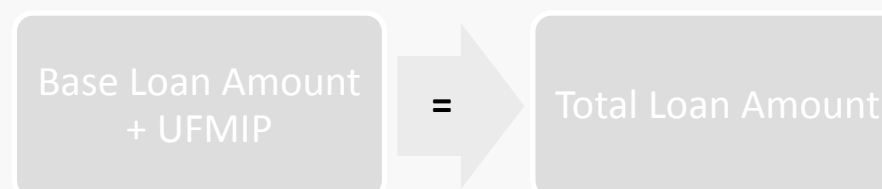


*\* For Condos and Super Storm Sandy use 100% of After-Improved Value*

Step 2: The lesser of the above calculations equals the Base Loan Amount:



Step 3: Add UFMIP to Base Loan Amount to obtain Total Loan Amount:



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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Maximum Mortgage Amount: Consultant Refinance Example:

Full Consultant 203(k) Refinance	
Existing Debt, Renovation, Closing Costs, and Prepays	Dollar Amount
Existing Debt	\$120,000
Total Cost of Repairs (labor and material)	\$40,000
Contingency Reserve (15%)	\$6,000
Allowable Fees/Costs	\$1,600
Closing Costs/Prepays	\$3,500
<b>Total Existing Debt, Renovation, Closing Costs, and Prepays</b>	<b>\$171,100</b>
<b>As-is Value + Renovations Costs</b>	
<i>As-Is Value from Appraisal (Typically noted within Addendum to report)</i>	<b>\$177,600</b>
<b>110% of After-Improved Value</b>	
<i>After-Improved Value (Located in Reconciliation section of Appraisal)</i>	<b>\$176,000</b>
<b>Maximum Base Loan Amount</b>	<b>\$171,100</b>
UFMIP	\$2,994
<b>Total Loan Amount</b>	<b>\$174,094</b>

### LTV Calculation

Step 1: Identify the lesser of the below calculations

- Existing Debt + Renovation Costs + Closing Costs and Prepaid
- (As-is Value + Renovation Costs) X 97.75%
- (110% of After-Improved Value) X 97.75%

Step 2: The lesser of the above calculations equals the Base Loan Amount

Step 3: Add UFMIP to Base Loan Amount to obtain Total Loan Amount

In this example the Existing Debt + Renovation Costs + Closing Costs & Prepays is the lesser calculation.

Therefore, \$171,100 is the base loan amount.

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Maximum Mortgage Worksheet Example:
  - Full Consultant 203(k), Refinance: Section A

<b>203(k) and Streamlined (k) Maximum Mortgage Worksheet</b> See Public Reporting Statement on the back before completing this form (See Notes 1 thru 8 on back)		<b>U.S. Department of Housing and Urban Development</b> Office of Housing Federal Housing Commissioner		OMB Approval No. 2502-0527 (exp. 06/30/2014)		
<b>Borrower's Name &amp; Property Address (include street, city, State, and zip code)</b> <b>Ken &amp; Sue Customer</b> <b>1234 Oak Street</b> <b>Anytown, CA 90000</b>		<b>FHA Case Number</b> 123-456-7891	<b>No. of Units</b> 1	<b>HUD REO?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> NO	<input type="checkbox"/> Purchase <input checked="" type="checkbox"/> Refinance <input type="checkbox"/> Streamlined (k) (Note 6) Purchase Date (owned less than 12 months) <div></div>	
		<b>Type:</b> <input checked="" type="checkbox"/> Owner-Occupant <input type="checkbox"/> Nonprofit <input type="checkbox"/> Government Agency				
<b>A. Property Information</b>	<b>1. Contract Sales Price Or <input checked="" type="checkbox"/> Existing Debt</b> \$ 120,000	<b>2. 'As-is' Value (Note 1)</b> \$ 130,000	<b>3. After-improved Value</b> \$ 160,000	<b>4. 110% of A3 (Note 8)</b> \$ 176,000	<b>5. Borrower Paid Closing Costs + Prepaids (Refinance)</b> \$ 3,500	<b>6. Allowable energy Improvements (Note 2)</b> N/A

1. Existing Debt-Principal and Interest *(If subject owned for less than 12 months, use lesser of existing debt or original purchase price)*
2. As-Is Value *(Typically noted within addendum to report)*
3. After-Improved Value from Appraisal *(Reconciliation section)*
4. 110% of After-Improved Value
5. Closing Costs and Prepaids
6. N/A – HomeBridge does not offer EEM's

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Maximum Mortgage Worksheet Example:

- Full Consultant 203(k), Refinance: Section B, Lines 1-5

B. Rehabilitation and Other Allowable Costs	1. Total Cost of Repairs (Line 36, HUD-9746-A) includes the improvements in A6 and REO Lead Based Paint Stabilization	\$40,000
	2. Contingency Reserve on Repair Costs (15 %) (10 to 20% of B1)	\$6,000
	3. Inspection Fees (3 X \$125 per inspection) + Title Update Fee (1 X \$75 per draw)	\$450
	4. Mortgage Payments Escrowed ( months x \$ ) if uninhabited (Note 7)	\$
	5. Sub-Total for Rehabilitation Escrow Account (Total of B1 thru B4)	\$46,450

1. Cost of Repairs (*labor & material*)
2. Cost of Repairs X Contingency Reserve % (*10-20% of rehab cost; 15% if utilities are not on OR not in good working order; Established by HUD Consultant*)
3. Inspection Fee(s) (*Number of inspections determined by HUD Consultant*) + Title Update Fee (*Refer to Final Title Update Fees by State Matrix*)
4. Up to 6 months PITI (*If property is uninhabitable and approved by HUD Consultant*)
5. Sub-total B1 thru B4

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Maximum Mortgage Worksheet Example:

- Full Consultant 203(k), Refinance: Section B, Lines 6-14

6. Architectural and Engineering Fees (Exhibits) (Note 7)	\$
7. Consultant Fees (including mileage, if applicable) (\$_____ + _____ miles @ _____ /mile) (Note 7)	\$ 700
8. Permits	\$ 450
9. Other Fees (explain in Remarks)	\$
10. Sub-Total (Total of B5 thru B9)	\$ 47,600
11. Supplemental Origination Fee for both 203k and Streamlined (k) (greater of \$350 or 1.5% of B10)	\$
12. Discount Points on Repair Costs and Fees (B10x _____ %)	\$
13. Sub-Total for Release at Closing (Total of B6 thru B9 + B11 and B12 (Note 3))	\$ 1,150
14. Total Rehabilitation Cost (Total of B5 and B13 minus A6) (Streamlined (k) cannot exceed \$35,000)	\$ 47,600

- 6. Architectural and Engineering Fees *(if applicable)*
- 7. Consultant Fee *(from Work Write-Up)*
- 8. Permit(s) *(if applicable)*
- 9. Other Fees *(describe in Remarks Section on Page 2)*
- 10. Sub-total B5 thru B9
- 11. N/A – HomeBridge does not charge Supplemental Origination Fee
- 12. Discount Points *(Discount % x Line B10 = Discount on Repair Costs and Fees)*
- 13. Lines B6-B9, B11 *(N/A)* + B12
- 14. Total Rehabilitation Cost *(must be at least \$5,000, with no maximum)*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Maximum Mortgage Worksheet Example:
  - Full Consultant 203(k), Refinance: Section D

D. Mortgage Calculation for Refinance Transactions	1. Sum of Existing Debt (A1) + Rehabilitation Cost (B14) + Borrower Paid Closing Costs + Prepaids (A5) + Discount on Total Loan Amt minus Discount on Repair Costs (B12) minus FHA MIP Refund (\$ )	\$ 171,100
	2. Lesser of Sum of As-is Value (A2) (Note 1) + Rehabilitation Cost (B14) (\$ 47,600 ) or 110% of After-Improved Value (A4)	\$ 176,000
	3. D2 (\$ 176,000 ) x LTV Factor (97.75%) (Owner-Occupant)	\$ 172,040
	4. Base Mortgage Amount Lesser of D1 or D3 (Note 5)	\$ 171,100

1. Existing Debt + Renovation Costs + Closing Costs & Prepaids
2. Lesser of: As-Is Value + Renovation Costs **OR** 110% of After-Improved Value
3. Line D2 x 97.75%
4. Base Mortgage Amount is lesser of Lines D1 and D3

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ■ Property Eligibility:

Property Type	Full Consultant
Primary Residence	Yes
SFR	Yes
2-4 Units	Yes*
PUD	Yes
Condo**	Yes
New Construction	No
Mixed Use	No
Co-operatives	No
Manufactured Housing	No

## ■ \*Full Consultant Reminders:

- *Conversion of single family to multi-units and vice versa is acceptable*
- *See matrix for restrictions on multi-units in IL, NJ & NY*

## ■ \*\*Condo Restriction:

- *Max Mortgage cannot exceed 100% of the After -Improved value*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Property Eligibility (continued):

### ■ Applies to Full Consultant options:

- New construction not eligible
  - ✓ Properties must be **considered** existing and completed for at least 1 year (CO required for 1 year)
- Demolished homes or homes that will be torn down during the rehab process are eligible provided a portion of the original foundation is in place
- *All health and safety issues must be addressed through the renovation loan*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Property Eligibility: REOs are eligible
- ✓ Qualifying Ratios:
  - Per AUS findings
- ✓ Reserves:
  - Per AUS findings
- ✓ Self Help:
  - “Self Help”, or work completed by the Borrower, is not eligible under any circumstances
    - ✓ Also known as “DIY”

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- ✓ Seller Contributions:
  - Allowed up to 6% of the sales price
- ✓ Super Storm Sandy:
  - Specific requirements for property identified in declared disaster area impacted by Sandy:
    - ✓ *See matrix for specifics*
    - ✓ *Eligible on Full Consultant only*
    - ✓ Additional requirements vary and include but are not limited to: Flood Elevation Certificate, Structural Engineer Report, HUD Consultant Feasibility Study
  - Effective for case numbers 9/27/13- 3/27/15
  - *Restriction: max base loan amount cannot exceed 100% of After- Improved Value of property*
  - *See [ML 2013-36](#) for additional details*

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Taxes and Insurance Qualification:

- Taxes for qualification purposes for purchases and refinances: Calculate off of current property taxes, regardless of property state location
- Insurance for qualification purposes for purchases and refinances: Calculate off of After-Improved value

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Utilities Not In Good Working Order:

- If utility inspection reveals utilities are not in good working order, Contractor Bid(s) must specify required repairs
  - ✓ Full Consultant only: Work Write-Up utility repair must match Contractor Bid(s)

## ✓ Utility Requirements:

- Utilities must be inspected to ensure they are in good working order
- *If utilities are not on or are not in good working order, a 15% Contingency Reserve will be required for Full Consultant*
  - ✓ This includes winterized properties
  - ✓ This includes REO's with winterized utilities

## ✓ Utilities On At Time Of Inspection and In Good Working Condition:

- Appraiser or other licensed professional\* must confirm in writing the following:
  - ✓ Utilities visually inspected
  - ✓ Utilities appear to be in good working order

\*Acceptable licensed professionals: Consultant, Inspector, Contractor, Plumber or Electrician

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



- Utilities Not On At Time Of Inspection:
  - Utilities not on at time of inspection and Work-Write Up does not require repairs, the following alternative documentation to validate condition of utilities may be provided:
    - ✓ Winterized Property: winterization certification
    - ✓ Certification from acceptable licensed professional\* confirming utilities in good working order
    - ✓ REO properties home inspection from listing report
- ❖ **Acceptable licensed professionals:** Consultant, Inspector, Contractor, Plumber or Electrician

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# PROGRAM ELIGIBILITY - FULL CONSULTANT 203(K) RENOVATION LOAN



## ✓ Utility Guidance REO Property:

- REO's typically have winterized utilities since the property is vacant
  - ✓ Proof of winterization required via:
    - Winterization certification *OR*
    - Home inspection from listing report
- *Winterized properties always require a 15% Contingency Reserve*

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