

RENOVATION

Review



Planet Home Lending[®]
CORRESPONDENT DIVISION

VOLUME 6

Where to Find Renovation Loans

Renovation Loans are everywhere! You just need to know how to find them. Renovation lending programs have always been counter-cyclical in the marketplace, but this is typically due to the interest rate environment and a lender's capacity to commit to these programs. The truth is, there is always a market for these programs, they just require a little creativity.

In fact, now is a perfect time for lenders to explore these loan programs, due to the severe shortage of move-in-ready and affordable homes. Additionally, with shrinking refinance volume, all lenders could use the boost in production and revenue these programs can provide.

In this volume of the Planet Home Lending Renovation Review, we will provide you with the information you need to take advantage of all the benefits of originating renovation loans. These loans are a win-win: Your borrowers will get all the improvements they seek, and lenders will walk away with a larger loan amount.

Before we get into some specific origination strategies, we would like to introduce the concept of Reactive vs. Proactive approaches to finding renovation loans. As you will see below, there are opportunities for lenders to close loans and counteroffer customers who otherwise would be denied.

Reactive Possibilities

- Low appraisals or no equity
- Deferred maintenance
- Functional obsolescence
- Structural issues
- Failed inspections (Roofs, wells, septic)
- Mold, chipping, and peeling paint
- Lead-based paint
- Minimum property requirements of any kind
- C5 Condition Ratings on appraisals

Proactive Strategies

- Introducing renovation programs to your pre-qual customers
- Targeting listing agents (Existing or prospective)
- Marketing the home with a renovation plan and budget
- Selling on payment vs. rate
- Targeting the home improvement industry
- Farming your files for contractor business
- Creating the vision with before and after photos

Where to Find Loans Proactively

- Top agents (Current and prospective) - Start with your best agents first and before your competition does.
- First-Time Homebuyers, Renters, Millennials – Ability to finance up to six mortgage payments!
- Your +45-day-old pre-qual pipeline (Especially if they are struggling to submit winning offers or if they are move-up buyers having the same issue.)
- Declined cash out refi's, low appraisal, deferred maintenance, functional obsolescence
- Home improvement and general contractors – Kitchens and Bath, additions
- Window, siding, and roofing companies (Especially ones that offer financing)
- Well drillers and excavator/septic companies (Obvious must-haves for all homes)
- Pool dealers, HVAC, solar companies
- Financial Planners



Look for the renovation listing code words and market the home with a renovation loan plan. The code words are as follows:

- "As Is"
- "Charmer"
- "Handyman Special"
- "Needs Some TLC"
- "Just Reduced"
- "Has Potential"
- "Unfinished"
- "Room for Expansion"
- "Convert back to..."
- "Bring your Imagination"
- "REO - Estate and Tax Sales"
- "Manufactured Homes"
- "Seasonal and Second Homes"
- "Single-Family Investor"
- "Mixed-Use"



As you can see, the above possible home improvements and their corresponding potential referral partners hold unlimited opportunities for you to generate additional business. Additionally, they also represent a great way to develop long-term referral relationships that can carry you through unfavorable market conditions.

If you have originated renovation loans in the past, we hope these tips reignite your interest in getting back into them. If you have never originated renovation loans, we advise you to take some time and effort to get trained on these programs. We do not want you to miss out on making them part of your long-term loan origination business plan.

Should you need either a refresher, first-time training, or would like to have more in-depth discussions on these strategies please reach out to your Regional Sales Manager or the Renovation Lending Team. Our hope is for you to make these programs a significant and profitable portion of your business.