

Renovation Review

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12 Renovation Related Loan Fees

At Planet Home Lending, we are committed to supporting you in making renovation lending an important and compliant portion of your business. As renovation loans grow in popularity, we want to ensure you have the tools and information you need to offer them to your customers with confidence and precision.

One aspect of renovation loan programs that make them more complex than traditional mortgage loans are the additional fees associated with them. A robust understanding of these fees will help you take full advantage of these programs and could help maximize their profitability.

Conversely, a lack of understanding of these fees has the potential to harm the efficiency of the loan program and may result in potential cures and corrections.

12 Renovation Loan Related Fees:

1. Inspection Fees: 1 to 4 draws plus a final depending on the size of the project
2. Title Update Fees: 1 final update fee is required, recommend at least 2 (interim updates optional)

3. Appraisal Update and/or Completion Report:
 - o [FNMA Form 1004D](#) – [Freddie Mac Form 442](#)
 - Conventional & VA Alterations and Repair
4. Mortgage Payments Escrowed – Up to 6 months PITI
 - o When the property is uninhabitable during the renovation period
5. Architectural and Engineering Fees: Not allowed on the Limited FHA 203(k)
6. Consultant Fees: FHA 203(k) Consultant or other construction cost estimators
 - o Feasibility Study
 - o Specification of Repairs (SOR) – aka Work Write Up
 - FHA sliding scale \$400.00 to \$1,000.00 depending on the project budget
 - Conventional Loans – Reasonable and customary fees
7. Building Permits: As required
8. Supplemental Origination Fee: FHA 203(k) only
 - o Greater than \$350.00 or 1.5% of the total renovation costs
9. Draw Management Fees: Conventional Renovation Loans
 - o FNMA HomeStyle® – MMWS (form 1035) – Line C.1.i.
 - o Freddie Mac CHOICERenovation® – MMWS Line 24
 - o Greater of \$500.00 or 1.5% of the hard costs
10. Construction Management Fee: VA Alterations & Repair
 - o Flat fee of \$350.00
11. Discount Points on Repair Costs and Fees: (FHA 203(k) only) *(Only if charging the borrower points on the loan amount and the % must be the same or lower and is calculated off the total renovation costs.)*
12. Other Fees: Surveys, Lead Based Paint, Termite, Water (purity or flow)

Additional Best Practices:

If you're interested, we have a Renovation Fee Matrix, which provides some examples of the placement of the fees on your Loan Estimate (LE) and Closing Disclosure (CD). Be sure to review this matrix with your compliance department to reach a decision on your fee placement and ensure that your systems are in alignment with your ultimate decision on the placement of these fees.

When it comes to the initial LE, it is important that your loan officers are aware of the renovation-related fees and you should be certain that these fees will be disclosed properly. Additionally, it's important to note that renovation costs are subject to change, as the home improvement plan is established and as information comes back from contractors, Consultants, and/or other cost estimators. If these costs change during the processing of the loan, they typically can be redisclosed as a change of circumstance. Just be sure to be mindful of your timing and thresholds for redisclosure.

All renovation loan programs offered by Planet Home Lending involve some form of Maximum Mortgage Worksheet or Calculator, which serve as a reminder and check-point on potential fees. These worksheets include line items for Hard Costs and required Contingency Reserves that are not viewed as fees, but instead, as part of the overall loan balance. In the case of contingency fees (if they are not financed), any unused portion of those fees upon completion of the project can be refunded to the borrowers, used for additional work, or utilized for a principal payoff.

With Planet, you can feel at ease because all renovation loans will be run through ComplianceEase and we will be reviewing applicable compliance tests you perform on your loans to ensure that the fees are handled accurately.

We hope you found this information useful. Don't forget to take advantage of our Renovation Fee Matrix, which can serve as a guide to the above-described fees. We also offer a [Renovation Loan Pre-Closing Review](#) that will evaluate your LE and CD as part of that review and a [Contractor Toolkit](#) that ensures these questions are asked and answered through various forms and checklists.

If you want to learn more about any of these services or have any questions, reach out to your Renovation Lending Account Manager or Renovation Account Executive.

