



Planet Home Lending[®]
CORRESPONDENT DIVISION

RENOVATION REVIEW



VOLUME 11



RENOVATION LENDING:

A PATHWAY TO MEETING STATE CRA-LIKE LEGISLATION

An increasing number of independent mortgage bankers are now subject to both federal Community Reinvestment Act (CRA) requirements and state CRA-like laws in states like Massachusetts, New York, Illinois, and the District of Columbia. These regulations aim to ensure equitable access to financial services, particularly in low and moderate-income neighborhoods. Credit Unions in Connecticut and Rhode Island may also face similar legislation.

This shift not only advocates for fair lending practices but also offers correspondent lenders a unique opportunity to contribute significantly to community development and revitalization.

RENO AS A CRA TOOL

Renovation loan products, including FHA's 203(k), Fannie Mae HomeStyle[®], and Freddie Mac CHOICERenovation[®], prove essential in meeting state CRA-like requirements. Their focus on lending based on the “as repaired” value of homes gives them an advantage over other products, fostering property improvement and enabling borrowers to purchase distressed properties at a discount, resulting in more affordable home purchases.

These loans extend beyond financial tools; they serve as lifelines for communities and showcase correspondent lenders' commitment to making a difference. Renovation lending promotes affordable housing, neighborhood revitalization, improved home efficiency, reduced homeownership costs, and enhanced climate resiliency. It offers a strategic pathway to fulfill community reinvestment obligations while addressing diverse community needs.

Planet Home Lending recognizes the importance of renovation loans in enabling correspondent lenders to meet state CRA-like requirements effectively. By focusing on the purchase of these loans, we support the broader objective of community development and revitalization.



FHA 203(K) RENOVATION LOANS

The FHA 203(k) Rehabilitation program stands out as HUD's primary tool for renovating and repairing 1-4 family homes. It particularly supports lenders in meeting CRA-like requirements by allowing homebuyers to finance both the purchase and rehabilitation of a property with a single mortgage. This is an ideal solution for low and moderate-income borrowers seeking homes in overlooked neighborhoods. Lenders can directly contribute to the revitalization of underserved areas by facilitating the renovation of distressed or dated properties.

FANNIE MAE HOMESTYLE® RENOVATION LOANS

Similarly, Fannie Mae HomeStyle® Renovation loans offer a flexible option for financing the purchase or refinancing of a home along with the cost of its renovation through a single mortgage. This versatile product caters to a broad market, from first-time homebuyers in low-income neighborhoods to existing homeowners looking to upgrade their properties. The combination of Fannie Mae HomeStyle® with Fannie Mae HomeReady® provides a broader credit box to income-qualified borrowers, supporting state CRA-like goals and enabling lenders to address specific community needs.

FREDDIE MAC CHOICERENOVATION® HOME LOANS

Freddie Mac CHOICERenovation® loans provide another avenue for lenders to meet CRA-like objectives by financing the renovation, repair, or improvement of a home, including measures to prevent future disaster damage. Lenders offering CHOICERenovation® loans play a crucial role in enhancing home resilience in disaster-prone areas, contributing to both community development and sustainability. The improvements may also lead to lower insurance costs, making homeownership more affordable.

CHOICERenovation® is an option for cash-strapped first-time homebuyers, with LTVs up to 97% of the "as repaired" value of the home. When combined with HomePossible® and agency-approved housing counseling, borrowers may access Community Seconds up to 105% LTV of the future value.



A COLLABORATIVE APPROACH TO COMMUNITY REINVESTMENT

Renovation loan products can streamline origination, diversify volume, and strengthen a company's community reinvestment results. These products offer a direct path to improving the availability of affordable housing and revitalizing neighborhoods, core objectives of state CRA-like regulations.

Moreover, they allow correspondent lenders to build strong relationships with community stakeholders, enhancing their reputation as committed partners in community development. As the landscape of community reinvestment evolves, the strategic use of renovation lending positions lenders as key players in promoting inclusive and equitable community development practices.

This proactive approach to community reinvestment, supported by strategic renovation lending, establishes lenders as leaders in ensuring equitable access to housing and promoting economic growth across all segments of society.

STRATEGIES FOR CRA SUCCESS



TARGETED MARKETING:

Focus your efforts on areas that need it the most. With support from our Renovation professionals, you can quickly build volume and breathe new life into neighborhoods.



EDUCATION AND OUTREACH:

Knowledge is power. Host workshops or seminars to get the word out about the benefits of renovation lending. Our expert Regional Managers and support teams are here to back you up with answers to even the most challenging questions.



PARTNERSHIPS FOR IMPACT:

Collaboration is key to making a lasting impact. Work with local organizations to identify areas where your lending services can make the biggest splash.



A DIVERSE PORTFOLIO:

Our suite of Conventional, Government, and Niche products ensures you have everything you need to tailor your offerings to your clients.

WANT TO LEARN MORE?

Download our guide:



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