



Planet Home Lending®
CORRESPONDENT DIVISION

RENOVATION REVIEW



VOLUME 14



EXPLORING THE EXPANDED FHA 203(k) PROGRAM

The updated FHA 203(k) program implemented with [Mortgagee Letter 24-13](#) offers powerful new options for renovation lending, creating opportunities for correspondent lenders to expand their market reach and serve a wider range of borrower needs. By adopting these changes, you can strengthen your lending portfolio and meet the growing demand for renovation financing.

This edition of Renovation Review dives into the new guidelines, which took effect Nov. 4, 2024, and outlines how they can benefit you as a correspondent lender.



KEY ENHANCEMENTS TO THE FHA 203(k) PROGRAM

01

INCREASED HOME IMPROVEMENT BUDGETS FOR LIMITED 203(k)

FHA raised the maximum allowed repair budget for Limited 203(k) projects from \$35,000 to \$75,000, providing more flexibility for funding minor, non-structural repairs and renovations, particularly in regions with higher project costs and rural markets.

02

CHANGES IN CONSULTANT REQUIREMENTS

For Limited 203(k) with nonstructural repair budgets of up to the new \$75,000 limit, a HUD consultant is no longer a requirement. However, lenders now have the flexibility to finance their fees into the loan should lenders or borrowers still choose to work with one. This adjustment expands access in areas where consultants may be less available.

Standard 203(k) loans used for major or structural repairs continue to require a HUD-approved consultant for project planning and cost estimation.

03

EXTENDED COMPLETION TIMEFRAMES

Limited 203(k): Borrowers now have up to 9 months to complete renovations.

Standard 203(k): The allowed timeframe for project completion has been increased to 12 months, providing more leeway for larger or more complex projects. This could be very helpful especially when using the 203(k) loan in areas impacted by severe storms, flooding and other natural disasters where supply chain, contractor availability and insurance settlements have the potential to delay projects.

04

MORTGAGE PAYMENT RESERVE FINANCING

Borrowers using Standard 203(k) loans can now finance up to 12 months of mortgage payments into the loan if the home cannot be lived in during renovations. This can help ease the financial strain for borrowers who would otherwise have to pay for two living spaces during renovation.



05

CONSULTANT FEE UPDATES

FHA increased the fee limits for 203(k) Consultants to reflect the current renovation market. Fees vary depending on project size, with a maximum of up to \$2,000 for repairs exceeding \$140,000 and Draw Inspection Fees up to a maximum of \$375.



CHANGES EXPAND THE REACH OF CORRESPONDENT LENDERS

With consultants now optional for Limited 203(k) loans, you can extend your originations to areas previously underserved due to a lack of consultants, enabling more borrowers to access renovation financing.

The higher project caps and extended timeframes make the 203(k) program a strong competitor to conventional renovation loans, providing new options for borrowers who may not qualify for other loan types.

Correspondent lenders in areas affected by natural disasters can use 203(k) to help homeowners and homebuyers make their properties more resilient. A property better guarded against hazards is typically easier and less costly to insure. With your help, borrowers can take action in the face of increasing insurance costs, increase their personal safety, and safeguard their properties against future risks.

By extending completion timelines for up to 12 months, FHA has given borrowers more financial flexibility with their current living arrangements while repairs are being completed on their home.

Energy efficient and solar upgrades can be added to the loan amount assuming they add value and fit within the overall project budget in Limited 203(k) loans, making it easier for borrowers to make green improvements.

IMPLEMENTATION TIPS

1. Educate Your Team

Loan officers and operations staff should be knowledgeable about these changes so they can confidently assist borrowers through the updated 203(k) options.

2. Update Marketing Materials

Reflect these changes in all marketing materials, emphasizing benefits like higher limits, relaxed consultant requirements, and extended timelines to attract new borrowers.

3. Collaborate with Real Estate Partners

Build partnerships with realtors and contractors who can help identify properties suitable for renovation financing, creating more opportunities for 203(k) loans.

4. Use Non-Del or Pre-Closing Review

Use Planet's Non-Delegated Renovation Lending or Renovation Pre-Closing Review options to smoothly implement these changes. These options allow your team to remain focused on loan originations while Planet Home Lending's experts handle the details of contractor validation, processing, underwriting, and closing of your renovation loans





ADDITIONAL CHANGES TO PLANET RENOVATION PROGRAMS

In addition to updates to the FHA 203(k) program, Planet also enhanced our conventional and VA renovation loan programs to better align these programs. These improvements are designed to create greater consistency and simplify the experience for our correspondent lending partners. The changes made can be found in the [Planet Seller Guide](#) and are highlighted below:

Fannie Mae HomeStyle® and Freddie Mac CHOICERenovation®

Planet is amending our requirement/overlay for a 203(k) Consultant (or other construction cost estimator; Land Gorilla, Granite Management, Trinity, RLS Inspection Services) on repair amounts over \$75,000 or when there are structural repairs.

VA Alterations and Repair Program

Planet is amending our requirement/overlay for Total Alterations and Repairs, increasing the maximum to \$75,000.

As with the changes to the 203(k) program we believe these updates will allow you to make more loans with larger home improvement budgets in rural areas or areas where otherwise 203(k) Consultants options are limited or non-existent.

RENOVATION RESOURCES

- Renovation Non-Delegated Loan Submission Process
- Renovation Pre-Closing Review
- Planet Announcement 2024 - 1114 - Seller Guide Updates - November 7, 2024
- Mortgagee Letter 2024 - 13

QUESTIONS?



CONTACT JIM BOPP

NMLS ID# 690891

VP, National
Renovation Lending

JBopp@PlanetHomeLending.com

518-348-6426

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