



# Renovation Review

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## Post-Closing Best Practices for Renovation Loans

Permits, permits, permits – If your renovation is a refi, be sure to check with the borrower to see if they have obtained or applied for the proper permits prior to closing. If it's a purchase loan, it is most likely that the borrowers and contractors will not have obtained them since they do not yet own the home.

The key is to get your permits in place as quickly as possible. The faster you have permits in place, the faster builders can start their work. The sooner the building starts, the sooner the borrower or the builder can get access to their Repair Escrow Account, which will, in turn, likely increase your borrower's satisfaction.

### Post-Closing Tips

- Regardless of the scenario, it should be stressed that the first thing they do when they leave the closing is get all building permits if any are needed.
- If the renovation includes an addition to the property or the installation of a new septic system, confirm whether architectural drawings are necessary to obtain the permit. Make sure to include the cost of these drawings in the loan if not already included in the Contractor Estimate.
- The next step to ensure customer satisfaction, is to let both the FHA 203(k) Consultant and the Contractor know that the loan has closed and the monies for the project are now in the Repair Escrow Account.

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- When contacting the contractor, encourage them to start the project as soon as possible and remind them of the terms of the contract: That work will begin within 30 days of the closing, and not be stalled for any period of over 30 days once started.
  - FHA 203(k) consultants appreciate being contacted after the closing so they can anticipate and plan for progress inspections. (This holds true for any field service company that may be involved in the draw process.)
  - Some 203(k) consultants also know that there should be an inspection every 30 days regardless of whether they're asked to come out to the property or not.
  - Both Planet Home Lending and consultants are within their rights to inspect properties as needed.
- Consultants should also be advised if/when any material monies have been released at closing, so they do not over-disburse, or double disburse funds on the first draw. Additionally, this will prevent delays when processing the first draw for completed work.

I hope this equips you and the borrower to tackle the post-closing phase with ease. If you have any questions, feel free to reach out to me at [JBopp@PlanetHomeLending.com](mailto:JBopp@PlanetHomeLending.com).