



Planet Home Lending[®]
CORRESPONDENT DIVISION

RENOVATION REVIEW



VOLUME 15



HOW TO LEAP OVER THE 9 MOST COMMON HURDLES IN RENOVATION LENDING

Renovation lending is a powerful way to grow your lending volume, attract new borrowers, and expand your product offerings. At Planet Home Lending, we're committed to helping correspondent lenders thrive by providing competitive pricing, high-touch service, and timely execution.

By proactively navigating common renovation loan hurdles, you'll enhance customer satisfaction, close loans faster, and build strong, lasting partnerships. Here's how to leap over the top nine renovation lending challenges and make every loan a success.



THE 9 MOST COMMON HURDLES IN RENOVATION LENDING

01

CONTRACTOR DISPUTES

While it's smart for borrowers to ask for contractor referrals from real estate agents, friends, and family, it's still important to encourage them to thoroughly vet contractors themselves.

Advice: Encourage borrowers to personally meet contractors, review past work, and check references thoroughly. A borrower-approved contractor relationship helps projects proceed without friction.

02

PERMIT DELAYS

Significant delays can occur when the cost or timeline to pull required permits are underestimated or misunderstood. This is especially common with larger projects or multi-unit properties that will require multiple permits.

Advice: Clarify permit timelines, requirements, and costs upfront using Planet's Permit Certification Form, which can be found under Forms and Resources in [Planet's CORE Seller Portal](#). Include adequate funding for architect drawings and permits and clearly communicate responsibilities to borrowers. In areas with long permit timelines, the borrowers may want to consider hiring a permit expeditor (note: this may be an out-of-pocket cost).

03

UNREALISTIC RENOVATION BUDGETS

Bids are sometimes artificially reduced to help keep the budget down to obtain a loan approval. The last thing you want a borrower to do is head into a project with a budget that's so tight that the reserve isn't adequate, and funding shortages occur mid-project.

Advice: Recommend borrowers obtain an independent cost review from a qualified FHA 203(k) consultant or reputable renovation estimating firm to ensure budgets are realistic. Renovation loans are based on the exact plan submitted to the appraiser. To revise the project plan after closing, you'll need change orders, and if the changes are big enough, a new appraisal could be in order. A realistic budget from the start reduces stress for everyone and smooths the path to projection completion.



04

USING OUTDATED OR INCORRECT FORMS

Using outdated or incorrect forms can delay loan processing or closing. The FHA and VA renovation forms are in [Planet's CORE Seller Portal](#). [Fannie Mae's forms](#) and [Freddie Mac's forms](#) are on their websites. And your document provider should also carry the latest forms.

Advice: Always download the latest form version when you open a new loan. If you have a question about forms, for example using the Fannie Mae form for a Freddie Mac loan, contact your Planet Regional Sales Manager.

05

CONTRACTOR LICENSING ISSUES

Incorrect or missing contractor licenses can halt projects and cause unnecessary delays.

Advice: Confirm contractors' licenses match local requirements before closing to prevent compliance-related delays. Checking for local, regional, and state requirements for the property location ensures you have the bases covered.

06

DOCUMENT MISMATCHES

Discrepancies between figures on the Maximum Mortgage Worksheet (MMW) or calculator and the Final Closing Disclosure can stall closings and lead to the need for RESPA cures. It's critical all renovation costs from the MMW or calculators make their way to the initial Loan Estimate (LE) and fall within the tolerance limits for the Closing Disclosure (CD). Common errors include inaccurate MIP factors and missed contingency reserves and permit/inspection costs.

Advice: Consistently cross-check and confirm these figures match exactly before submitting for final approval and again before closing. Taking a minute to rerun the calculator or worksheets when you get the as-is/as-completed appraisals will save you the trouble and expense created by inaccurate loan amounts and Loan-to-Value ratios (LTVs).

07

MISSING DOCUMENTATION

Incomplete contractor profiles, missing licenses, or insufficient insurance paperwork can hold up loan processing.

Advice: In Planet's Contractor Toolkit, you'll find a checklist you can use to confirm you've gotten all required renovation loan documentation upfront. The Toolkit is in [Planet's CORE Seller Portal](#). Using it will give you peace of mind and prevent late-stage delays in getting your loan into underwriting.

08



UNDERWRITING HURDLES

For non-delegated, misunderstanding specific guidelines can derail your deal. For example, submitting a credit package without an as-completed appraisal or the completed contractor validation can result in the suspension of your loan.

Planet is here when you need help understanding differences in renovation product limits, structural versus non-structural repairs, and when a 203(k) consultant or other home-improvement cost estimator is required.

Advice: Keep reading Planet's Renovation Review to build your renovation lending know-how. Planet is dedicated to being the easiest correspondent lender to work with, so we're always here to answer questions about renovation underwriting: Reach out to your Planet Regional Sales Manager any time.

09

AT-CLOSING DISBURSEMENT ERRORS

The rules for [releasing repair escrow funds](#) vary from program-to-program on topics like whether you can release funds for materials the contractor has or is going to purchase or the required documentation. A mistake in the very first escrow disbursement will give your customer a poor first impression and potentially make your loan undeliverable.

Advice: When in doubt, don't disburse, contact your Renovation Account Manager or email the Renovation Review Team at renoreview@planethomelending.com.



Renovation lending doesn't have to be complicated—

especially when you avoid common pitfalls from application through final draw.

At Planet, we're dedicated to helping you navigate renovation loans with ease, giving you the tools and support to confidently close faster, grow your business, and delight customers. Ready to streamline your renovation lending and see your pipeline flourish? Contact your Planet Regional Sales Manager today for personalized support and expert guidance!

QUESTIONS?



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