FHA 203(k) Product Offering

3/10/22

Overview of 203(k) Offering

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- Define the 203(k) product and features
- Discuss benefits of the 203(k) products
- Learn how to determine eligibility
- Review guideline specifics
- Learn what to expect from Homebridge's 203(k) process
- Provide 203(k) helpful resources

What is a 203(k) Loan?

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- Offers a solution to help borrowers obtain financing that covers both the acquisition and rehabilitation of the property
- Limited & Standard option offered for purchase and rate/term refinance transactions:
  - ✓ Option will depend on amount of required repairs
    - ➢ Standard = Major renovation
    - ➢ Limited = Limited repairs

Why Choose the 203(k)?

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- Key program highlights include:
  - ✓ Allows for repairs and improvements to be completed after closing for purchase and refinance transactions via the establishment of an interest-bearing escrow account
  - ✓ Can borrow against the property value *after* improvements
  - ✓ Avoid construction loans
  - ✓ Increases property value and builds equity
  - ✓ Combines the cost of the home and renovation into one low cost mortgage

Program Eligibility/Guidelines

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- Maximum LTV

Primary Residence Full Documentation					
Transaction Type	*Units*	*LTV*	*CLTV*	*Loan Amount* [1, 2]	*Credit Score*
Purchase	1-4	96.50%	105% [3]	FHA Limit	620
Rate/Term Refinance	1-4	97.75%	97.75%	FHA Limit	620

- Purchase and rate/term refinance owner-occupied transactions
- Conforming and High Balance loan amounts
  - ✓ Fixed rate with 30 and 15 year terms available
  - ✓ 5/1 ARM
- Minimum 620 credit score
- DTI/reserve requirements follow Homebridge FHA guidelines
- Homebridge will require “Approve/Eligible” or “Refer/Eligible” AUS Findings. “Refer/Eligible” requires a downgrade to manual underwriting and manual underwriting guidelines apply

Property Eligibility

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Property Type	Standard	Limited
Primary Residence	Yes	Yes
SFR	Yes	Yes
2-4 Units	Yes	Yes
PUD	Yes	Yes
Condo*	Yes	Yes
New Construction	No	No
Mixed Use	No	No
Co-operatives	No	No
Manufactured Housing	Yes	Yes

* *Condo Restriction:*

- Max mortgage cannot exceed 100% of the "After –Improved" value

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Property Eligibility (cont.)

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Applies to Standard and Limited options

- New construction *not* eligible
  - ✓ Properties must be considered existing and completed for at least 1 year (CO required for 1 year)
- Properties that are currently boarded up, condemned *and* uninhabitable are generally ***not*** eligible
  - ✓ Boarded up, condemned and uninhabitable properties in disaster areas will be considered on a case-by-case basis
- All health and safety issues must be addressed through the renovation loan
- Standard program: Demolished homes or homes that will be torn down during the rehab process are eligible provided the complete existing foundation remains in place

Property Eligibility (cont.)

- Manufactured homes are eligible on both the Limited and Standard programs subject to manufactured housing requirements and the following:

  - ✓ The renovation/rehabilitation cannot affect any structural components of the manufactured home that were designed and constructed in compliance with the Federal Manufactured Home Construction & Safety Standards

NOTE: Complete manufactured guidelines are detailed in the Homebridge FHA Program guidelines located at www.HomebridgeWholesale.com under Products and Guidelines

Property Eligibility (cont.)

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- Standard program: Repairing, reconstructing, or elevating the existing foundation provided the original structure remains in place
  - ✓ Borrower must provide the HUD Consultant with licensed engineers report with pre/post elevation

Property Eligibility: REOs

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- Bank owned REO eligible
- Agency owned REO eligible for Fannie Mae, Freddie Mac, VA, USDA
  - ✓ *Restriction: HUD REO not eligible*

Condo Eligibility

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- Condos are eligible for Standard and Limited options
  - ✓ Project must be approved by HUD at time of case number assignment
  - ✓ Work limited to interior of unit
  - ✓ Lesser of 5 units per HOA, or 25% of total number of units, can be undergoing rehabilitation at any time
  - ✓ Max mortgage cannot exceed 100% of the After- Improved value
  - ✓ Rehabilitation limited to subject unit in buildings with 1-4 total units
    - ➢ See next slide for additional details

See matrix for additional condo specifics

Condo Building/Structure Eligibility

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- Subject unit must be in a building/structure that has a maximum of 4 units
- The Condo project may have multiple buildings with no limit to the total number of units
- Eligible Building/Structure Scenario
  - ✓ Project consists of 10 buildings, each with 4 units, for a total of 40 units
- Ineligible Building/Structure Scenario
  - ✓ Project consists of 10 buildings, each with 6 units, for a total of 60 units
  - ✓ This property is ineligible because it is in a building/structure with more than 4 units
- More than 4 units in a building allowed when the renovation reduces the number of units in the building to 4 or less

  Example: Borrower purchases 2 units and converts to 1 unit

Standard 203(k)

Standard 203(k) Features

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- Requires an FHA HUD Consultant
- For complicated projects and cosmetic updates
- Minimum cost of repairs is $5,000
- No limit on maximum repairs. The maximum mortgage amount, including repairs, cannot exceed the FHA mortgage limit for the area where the property is located
- Contingency Reserve 10-20% as determined by Homebridge Renovation Concierge Department (RCD)
- Work must start within 30 days of closing
- The work cannot stop for more than 30 days during the rehab process and work must be completed within 6 months of closing
- Max 5 draws permitted
- *One (1) General Contractor allowed*
  - ✓ Subcontractors permitted under General Contractor
- Additional specialized contractor(s) allowed for technical items
- Up to 6 months PITI may be financed if home deemed uninhabitable by HUD Consultant and approved by Homebridge RCD. A Builder Risk insurance policy will be required

Repair Costs ≥ $75,000

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- Repair costs ≥ $75,000 are subject to the following additional requirements:

  - ✓ A Builder Risk policy is required unless written confirmation is received from the insurance company stating they have reviewed the appraisal and the final scope of work and will issue the property insurance policy without any property related exceptions

    - ➢ A 6-month policy required for direct hard project costs < $100,000
    - ➢ A 12-month policy is required for direct hard project costs ≥$100,000

    NOTE: Builder Risk policy is **always required** if mortgage payment is financed due to property being uninhabitable during reno process regardless of loan amount

Repair Costs ≥ $75,000 (cont.)

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- ✓ Contractor requirements:
  - ➢ Must have minimum 3-years history or performing similar projects
- ✓ Soft costs (costs for architectural drawings, engineering fees, permits, etc.) are only reimbursable fees when the Homebridge RCD receives copies of and approves the permits. **No funds will be released from the escrow account until the permit(s) are provided**

  NOTE: Refinance transactions require all permits and building approvals **prior to loan closing/funding**
- ✓ If combining HomeStyle and HomeReady and there is an accessory unit, the renal income from an accessory unit **is not eligible** for qualifying

HUD Consultant Role

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- Approved HUD Consultant required on Standard 203(k)
- Consultant fee ranges depending on cost of work
- HUD Consultant manages the entire project
  - ✓ Works directly with borrowers & contractors
  - ✓ Provides initial report on the current condition of the property (HUD 35 Point Checklist aka Work Write Up)
    - ➢ Must inspect to ensure no rodents, termites, dry rot and/or other infestation, and
    - ➢ Certify the condition of:
      - ❖ Electrical,
      - ❖ Plumbing,
      - ❖ Heating,
      - ❖ Roofing, and
      - ❖ Structural

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HUD Consultant Role (cont.)

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- ✓ Provides initial Work Write-Up or "Specification of Repairs" report
- ✓ Prepares Consultant/Borrower Agreement that fully explains services to be performed and fees that will be charged (not a HUD or Homebridge form) Required if information not included in Work Write-Up
- ✓ Prepares "Consultant is not a Home Inspector Disclosure"
- ✓ Provides draw schedule
- ✓ Reviews architectural exhibits (if applicable)
- ✓ Performs draw inspections to approve disbursements to General Contractor

HUD Consultant Role (cont.)

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- ✓ Reports progress, unapproved deviations from Work Write-Up, work stoppages, any issues that that could affect adherence to the program requirements/property eligibility to Homebridge every 30 days
- ✓ Reviews requests for proposed changes to the Work Write-Up and prepares the Change Order
- ✓ HUD Approved Consultant Search: HUD.gov

HUD Consultant Work Write- Up

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- Details of HUD Consultant's Work Write- Up Report, AKA "Specification of Repairs" Report
  - ✓ Signed by consultant, borrower and contractor
  - ✓ Original plan/specifications for project
  - ✓ Describes quantity/quality of materials required
  - ✓ Lists market costs of materials, labor, overhead, profit
  - ✓ Includes adequacy of existing structural, heating, plumbing, electrical and roofing
  - ✓ Must demonstrate that property will meet HUD's minimum property standards, after repairs
  - ✓ Contractor(s) agree to complete the work detailed in the Write-Up for the amount of the cost estimate and within timeframe stated by the consultant

Sample Work Write-Up

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Required Document:
Standard 203(k) only

File No:
FHA Case No:

Work Write Up

Borrower:
Mr. & Mrs. Customer

Lender:

This is

Contractor(s)

The project has the following contractor(s):

Sample Construction Company
56789 Construction Way
Anytown, CA 90000
800-222-9999

Write-Up Synopsis

The total cost of construction plus allowable fees comes to $91,094.00. 4 draws have been established @ $200.00.

Please direct any questions regarding this architectural package to:

John Smith
HUD Consultant
HUD ID #: A1234
5678 Industrial Hwy
Anytown, CA 90000

Total estimated cost of repairs (construction and fees)

HUD Consultant provides number of draws and fee per draw inspection

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Sample Work Write-Up (cont.)

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Job Specifications and Bid Request

File No:
FHA Case No:

Borrower's Name: Mr. & Mrs. Customer
Subject Address: 1234 Oak Street
Anytown, CA 90000

Detailed itemization required for labor and material costs

		Labor	Materials	Quantity	Total
-4-	**Roof**				
1	Replace existing shingles with new 30 year demensional shingles and replace turbines, vent stacks and metal edging (Mandatory Repair).	$3,000.00	$6,000.00	1	$9,000.00
	Sub-Total	$3,000.00	$6,000.00	--	$9,000.00

		Labor	Materials	Quantity	Total
-26-	**Bathroom**				
1	Powder ba… Repair)				
2	Guest bath… shower tub… ceramic tit… Replace til… or larger c… with furnitu… mount sink (vanity allowance is $500). Remove existing old shower valve and replace with new brushed nickle shower valve and vanity faucet valve (valve allowances $500 total) (Note total allowances is $1425). (Desired Repair)				

There are three types of repairs, defined as follows:

- ***Mandatory Repair:*** *Mandatory by HUD*
- ***Desired Repair:*** *Desired by Borrower*
- ***Recommended Repair:*** *Recommended by Consultant/Other*

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Sample Work Write-Up (cont.)

		Labor	Materials	Quantity	Total
	Grand Total	$33,140.00	$48,400.00	--	$81,540.00
		Labor	Materials	Quantity	Total

Contractor's Signature: _____ HUD Consultant's Signature: _____

Borrower Signature: _____ Co-Borrower Signature: _____

Contractor Notes: Contractor is to obtain any necessary permits. Contractor is to provide a copy of their state contractor's license, a copy of proof of worker's compensation insurance along with this bid to facilitate this loan process. It is important to carefully and accurately provide these cost estimates to the cost of the improvements to satisfactorily complete the rehabilitation work at or below the estimate cost since the 203(k) mortgage can't be increased to cover additional expenses. A copy of the termite report is attached and made part of this bid request. All section 1 items must be broken out separately as this is a HUD requirement. All work will be completed to minimum HUD standard or local code requirements, whichever is more stringent. All work will be completed in a professional workmanlike manner and on the basis that time is of the essence.

When completed get a copy of this bid request to:

Borrower: Mr. & Mrs. Customer

Inspector: John Smith
Fax:

Contractor, HUD Consultant, and Borrower signatures are required

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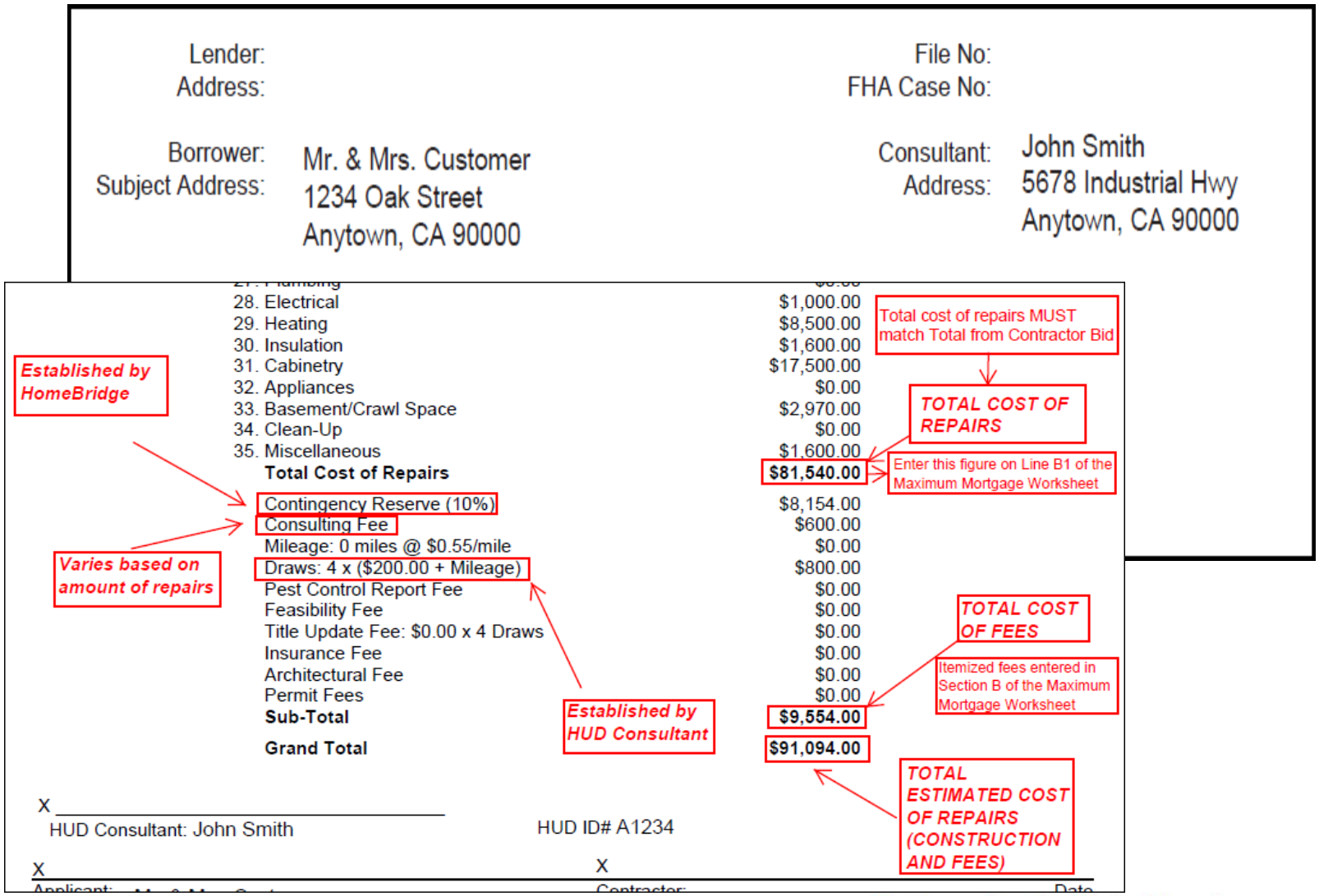
Sample Work Write-Up (cont.)



Lender:
Address:

File No:
FHA Case No:

Borrower: Mr. & Mrs. Customer
Subject Address: 1234 Oak Street
Anytown, CA 90000

Consultant: John Smith
Address: 5678 Industrial Hwy
Anytown, CA 90000

28. Electrical	$1,000.00
29. Heating	$8,500.00
30. Insulation	$1,600.00
31. Cabinetry	$17,500.00
32. Appliances	$0.00
33. Basement/Crawl Space	$2,970.00
34. Clean-Up	$0.00
35. Miscellaneous	$1,600.00
Total Cost of Repairs	**$81,540.00**
Contingency Reserve (10%)	$8,154.00
Consulting Fee	$600.00
Mileage: 0 miles @ $0.55/mile	$0.00
Draws: 4 x ($200.00 + Mileage)	$800.00
Pest Control Report Fee	$0.00
Feasibility Fee	$0.00
Title Update Fee: $0.00 x 4 Draws	$0.00
Insurance Fee	$0.00
Architectural Fee	$0.00
Permit Fees	$0.00
Sub-Total	**$9,554.00**
Grand Total	**$91,094.00**

Established by HomeBridge

Varies based on amount of repairs

Established by HUD Consultant

Total cost of repairs MUST match Total from Contractor Bid

TOTAL COST OF REPAIRS

Enter this figure on Line B1 of the Maximum Mortgage Worksheet

TOTAL COST OF FEES

Itemized fees entered in Section B of the Maximum Mortgage Worksheet

TOTAL ESTIMATED COST OF REPAIRS (CONSTRUCTION AND FEES)

X _____
HUD Consultant: John Smith

HUD ID# A1234

X _____ X _____
Applicant: Contractor: Date

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Contractor Work Write-Up Requirement

- The contractor must agree to complete the work detailed in the Work Write-Up completed by the HUD Consultant for the amount of the cost estimate and within the timeframe established

Standard Eligible Repairs

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- The Standard option is used for more complicated projects. Eligible repairs include:
  - ✓ Major structural alterations and additions (additions must be attached to an existing structure)
  - ✓ Major landscaping and site improvements
  - ✓ Repair/remove swimming pool (no dollar limit)
  - ✓ Remodeling of rooms, including kitchens & bathrooms
  - ✓ Relocation of load bearing walls
  - ✓ Construction or rehab of detached garage
  - ✓ Converting multi-unit to single or single to multi-unit
  - ✓ Basement finishing or waterproofing
  - ✓ Appliances used in remodel

Standard Eligible Repairs (cont.)

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- ✓ Well/septic work
  - ➢ Well/septic work must be completed prior to beginning of other repair work
  - ➢ Properties with either a separate septic or well require a minimum property size of .50 acre
  - ➢ Properties with both well and septic require a minimum property size of 1 acre
- ✓ Handicapped retrofitting

Standard Ineligible Repairs

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- Luxury items are *not* eligible:
  - ✓ Barbeque pits, outdoor fireplaces
  - ✓ Exterior hot tubs/saunas
  - ✓ Swimming pool installation
  - ✓ Television antennas and satellite dishes
  - ✓ Tennis courts
  - ✓ Alterations to provide for commercial use
  - ✓ Any improvement that does not become a permanent part of the real property
  - ✓ Improvements for business or commercial purpose
  - ✓ Generator

Standard - What is Included in the Financeable Rehabilitation Costs

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- Total cost of rehabilitation (labor and materials)
- HUD Consultant Fee
- Contingency Reserve
  - ✓ Established by Homebridge RCD
- Inspection Fees
- Permit Fees
- Architectural/Engineering Fees (as applicable)
- Final Title Update Fee
- Up to 6 months PITI if property uninhabitable with Homebridge RCD approval
- Discount Points

Standard Contingency Reserve

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- A Contingency Reserve is held from the loan proceeds to cover health, safety ***and*** unplanned costs that arise during construction

  - ✓ Ranges from 10 – 20% of the rehab cost as established by Homebridge RCD

    - ➢ 15% required if utilities not on ***or*** are not in good working order

  - ✓ Deposited to an escrow account

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Contingency Reserve Options

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- The contingency reserve may be financed or funded by the borrower from their own funds
  - ✓ Financed Contingency Reserve: Any funds remaining at the end of the renovation process must be applied as a principal reduction
  - ✓ Borrower Funded Contingency Reserve: Any funds remaining at the end of the renovation process are returned to the borrower

Standard Disbursement Process

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- Homebridge Renovation Concierge Department will manage the renovation process
  - ✓ Prior to Closing: A call is placed to the borrower to confirm details of the transaction
  - ✓ Post Closing: Status check in calls and emails occur with the borrower
- Within 2-3 business days of receipt of complete signed doc package by Homebridge Post –Closing, soft costs are released (must have invoices)
- As repairs/renovation work is completed and draws are requested:
  - ✓ 10% holdback is withheld from each draw
  - ✓ Draws released when acceptable Consultant inspection(s) received

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Standard Disbursement Process (cont.)

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- Up to 50% of material costs can be disbursed directly to manufacturer for custom ordered materials (e.g. cabinets, flooring, windows, etc.) with consultant approval
- An initial draw of 100% for documented material costs may be allowed when:
  - ✓ Materials prepaid in cash by the borrower (not eligible if paid with credit card), or
  - ✓ Contractor placed and paid for an order with a supplier and/or manufacturer for delivery at later date. Valid contract for order required and borrower must authorize release of funds to contractor

Standard Disbursement Process (cont.)

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- An initial draw of 50% for documented material costs may be allowed when:
  - ✓ Materials ordered but not paid for by the borrower, or
  - ✓ Materials ordered by the contractor, but not paid for, with a supplier for delivery at a later date with:
    - ➢ Valid contract for the order with contractor name and subject property address, and
    - ➢ Signed statement from the borrower authorizing disbursement to contractor required
    - ➢ If not authorized the check will be made payable to the borrower and contractor

Standard Disbursement Process (cont.)

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- Once final repairs/renovation work is complete:
  - ✓ Homebridge Renovation Concierge Department to be notified by the HUD Consultant
    - ➢ Final Title Update performed to evidence no liens
    - ➢ Final draw is released to borrower and contractor
      - ❖ All checks are two party (except self-help)
      - ❖ Checks are sent via 2nd day UPS
    - Holdback funds are released after issuance of the Final Release Notice
- Unused funds remaining in the escrow account will be applied to the remaining loan balance

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Standard Reminders/Scenarios

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- Used to *CONSTRUCT*, *REPLACE,* or for *ADDITION*
  - ✓ Standard additions are large scale add-ons and typically add to GLA and must be <u>attached</u> to the existing structure
- *SCENARIO:*
  - ✓ Structure as Limited*:*
    - ✓ Existing deck repair
  - Structure as Standard*:*
    - ✓ <u>Replacement</u> of deck
    - ✓ <u>Addition</u> of deck

Standard Reminders/Scenarios (cont.)

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- Contingency Reserve *allows* for unplanned costs to be added that were not part of the initial Write-Up
- *SCENARIO*:
  - ✓ Borrower decides to replace appliances not included in initial Work-Write Up. This is acceptable with a Standard as the Contingency Reserve allows for addition of unplanned costs
- *SCENARIO*:
  - ✓ Borrower decides to tear down a non-bearing wall to open up a room not included in initial Work-Write Up. This is acceptable with a Standard as the Contingency Reserve allows for the addition of unplanned costs

Limited 203(k)

Limited 203(k) Features

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- Designed for uncomplicated improvements/repairs
  - ✓ No minimum rehabilitation amount
  - ✓ Maximum $35,000 in *total* rehabilitation costs (borrower funded contingency reserve not included)
  - ✓ Does not require an FHA HUD Consultant
  - ✓ Work to start within 30 days of closing
  - ✓ Renovations cannot prevent the borrower from occupying the property for > 15 days during reno period
  - ✓ Work to be completed within 6 months
  - ✓ Up to 2 draws per contractor permitted
  - ✓ Up to 3 Licensed Contractors allowed
  - ✓ Cannot finance up to 6 mo PITI

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Limited Eligible Repairs

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- Eligible repair examples:
  - ✓ Repair/replacement/upgrade of mechanical items such as:
    - ➢ Roof, gutters/down spouts
    - ➢ HVAC systems/Plumbing/Electrical systems
    - ➢ Flooring
  - ✓ Minor remodeling (e.g. kitchen/bath – no structural changes)
  - ✓ Painting (exterior and interior) or lead paint stabilization
  - ✓ Weatherization (e.g. storm windows and doors)
  - ✓ Purchase and installation of appliances
  - ✓ Mold remediation
  - ✓ Well/septic repair/replace
  - ✓ Swimming pool repair/removal (no dollar limit)

  NOTE: Any abatement/remediation work must be completed within 15-30 days

Limited Ineligible Repairs

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- Luxury items are *not* eligible:
  - ✓ Barbeque pits, outdoor fireplaces
  - ✓ Exterior hot tubs
  - ✓ Photo murals
  - ✓ Swimming pool installation
  - ✓ Television antennas and satellite dishes
  - ✓ Tennis courts
  - ✓ Alterations to provide for commercial use
  - ✓ Any improvement that does not become a permanent part of the real property
  - ✓ Generator
  - ✓ Landscaping

Limited Ineligible Repairs (cont.)

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- Major rehabilitation work *not* eligible:
  - ✓ New construction
  - ✓ Relocation of load bearing walls
  - ✓ Room additions
  - ✓ Repairs of structural damage
  - ✓ Repairs identified in appraisal as requiring a:
    - ➢ Consultant Work Write-Up
    - ➢ Plans or architectural exhibits
  - ✓ Installation of new well/septic not eligible (repair/replace existing ok)

Limited What is Included in Rehabilitation Costs

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- Total cost of rehabilitation (labor and material)
- Contingency Reserve (borrower funded not included in the maximum rehab amount)
- Inspection Fees
- Permit Fees (if applicable)
- Final Title Update Fee
- Discount Points

*Total cannot exceed $35,000

Limited Contingency Reserve

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- A Contingency Reserve is held from the loan proceeds to cover health and safety costs that arise during construction (i.e. mold/termite) and funds are deposited to an escrow account
- Unpermitted costs as a result of construction that are not health or safety related cannot be added (unlike Standard)
- Determined by the level of documentation provided:
  - ✓ Contractor Bid only:
    - ❖ Utilities on: 10% contingency reserve
    - ❖ Utilities off: 15% contingency reserve
  - ✓ Contractor Bid and Consultant Feasibility Study
    - ❖ Utilities on: 5% contingency reserve
    - ❖ Utilities off: 10% contingency reserve

Contingency Reserve Options

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- The contingency reserve may be financed or funded by the borrower from their own funds
  - ✓ Financed Contingency Reserve: Any funds remaining at the end of the renovation process may be used for the correction/completion of fire/health/safety issues as well as the completion of work that was part of the original work write-up OR applied as a principal reduction
  - ✓ Borrower Funded Contingency Reserve: Any funds remaining at the end of the renovation process are returned to the borrower
    - ❖ Borrower funded Contingency Reserve is not included in the total cost of rehabilitation

Limited Disbursement Process

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- The Homebridge Renovation Concierge Department will manage the renovation process

  ✓ Prior to Closing: A call is placed to the borrower to confirm details of the transaction

  ✓ Post Closing: Status check in calls and emails occur with the borrower

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Limited Disbursement Process

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- Funds are held until the work and final inspection completed, and a Final Title Update is complete. Exceptions may be granted as follows:
  - ✓ An initial draw of 50% of labor/materials from Contractor Bid(s) may be disbursed if the contractor is not willing/able to defer receipt of payment (hardship letter required), or
  - ✓ 100% of the documented material cost is prepaid by the borrower in cash or where a documented order is placed with a supplier/manufacturer for delivery at a later date
  - ✓ Borrower authorization required
- Checks made payable jointly to Homeowner and Contractor
  - ✓ Checks are two party and sent via 2nd day UPS
  - ✓ Self-help checks made payable to borrower (materials only)
- Funds remaining in escrow account will be applied to remaining loan balance

Limited Reminders/Scenarios

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- Used to *REPAIR*, *MODIFY,* or *UPGRADE*
- Borrower cannot pay for or supply materials
- *SCENARIO:*
  - ✓ Structure as Limited:
    - ➢ Existing deck repair
  - ✓ Structure as Standard:
    - ➢ Replacement of existing deck
    - ➢ Addition of deck

Limited Reminders/Scenarios (cont.)

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- Limited Contingency Reserve does *not* allow for unplanned additions, unless they are to address health/safety issues
- *SCENARIO:*
  - ✓ Cabinets being upgraded through project and mold is discovered in demolition
    - Mold correction is OK as it will address a health/safety issue (remediation/abatement must be completed within 15-30 days)
  - ✓ In same project borrower wants to replace dishwasher (not part of original Contractor Bid)
    - Addition of dishwasher not permitted as was not part of original Contractor Bid and is not a health/safety issue

Limited Tips

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- Total rehabilitation cost (labor/materials) should not exceed the following amounts to allow for Contingency Reserve:
  - ✓ 10% contingency: Approx. $31,000 total rehab cost
  - ✓ 15% contingency: Approx. $29,650 total rehab cost

Limited Tips

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- Fees cannot be waived or altered to adjust below the maximum repairs of $35,000
- Borrower cannot pay for any portion of the project outside of closing
  - ✓ Ex: Cannot pay for materials not covered in bid
  - ✓ Ex: Borrower cannot do demo work

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Identity/Conflict of Interest

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Identity of Interest

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- There can be no identity-of-interest issues between any parties participating in the 203(k) transaction
- Borrower must certify there is not a conflict of interest with any party to the transaction by executing an Identity of Interest Certification. The certification verifies no conflict of interest with any of the following:
  - ✓ Seller (sales between family members, as defined by HUD, eligible)
  - ✓ Appraiser
  - ✓ Realtor
  - ✓ Lender/broker
  - ✓ Contractor or consultant
  - ✓ Inspector
  - ✓ Closing agent/title company

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Identity of Interest Disclosures

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- Identity of Interest Disclosures are required as follows:
  - ✓ <u>203(k) Standard</u>:
    - ❖ Borrower Identity of Interest/Conflict of Interest Certification,
    - ❖ Contractor Identity of Interest/Conflict of Interest Certification, and
    - ❖ Consultant Identity of Interest Certification
  - ✓ <u>203(k) Limited:</u>
    - ❖ Borrower Identity of Interest/Conflict of Interest Certification
    - ❖ Contractor Identity of Interest/Conflict of Interest Certification

Closing Agents

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- Broker owned-escrow or title are *not* permitted on Standard or Limited 203(k) transactions
  - ✓ There are no exceptions to this policy as it is a conflict of interest
- Identity of Interest closing agents are prohibited
  - ✓ Identity of interest exists if lender can control or influence decisions/policies of closing agent or vice versa

Additional Reminders

- Borrower cannot have a familial or business relationship/affiliation with the contractor(s)
  - ✓ There are **no exceptions** to this policy
- There can be no conflict of interest with a Broker or inspector being affiliated with any parties to the transaction
  - ✓ There are **no exceptions** to this policy

Feasibility Study

Feasibility Study

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- A Feasibility Site Report (AKA Feasibility Study) helps Borrowers make a decision regarding the cost involved to renovate a property to meet HUD minimum property standards
  - ✓ Completed at discretion of Borrower on a Standard or Limited 203(k)
  - ✓ Feasibility Study not required
    - ❖ Exception: Required with "self-help"
  - ✓ Typical fee $250-350
  - ✓ Reviews property for compliance for Minimum Property Standards (MPS) per HUD
  - ✓ Used to determine if Standard or Limited should be utilized
  - ✓ If progresses to Standard, cost of study typically credited towards Consultant Fee
  - ✓ Often used for purchase transactions and/or determine scope of repairs

Sample Feasibility Study

HomeBridge WHOLESALE
A division of HomeBridge Financial Services, Inc.

John Smith
HUD Consultant
HUD ID #: A1234

Optional Document:
- Used at the discretion of the borrower
- May be used to determine the scope of repairs/construction which determines program: Standard or Limited 203(k)

NOTE: Mandatory on Limited when borrower doing "self-help"

Feasibility Site Report (AKA Feasibility Study)

SUBJECT PROPERTY

Parcel #: 012-987-01
1234 Oak Street, Anytown, CA 90000

BORROWER

Mr. & Mrs. Customer

Sample Feasibility Study (cont.)

HomeBridge WHOLESALE
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Property Information

Subject Property Address	Prepared by
Parcel #: 012-987-01 1234 O Anytov	

Additional Testing Services, Certifications or Cost Items that may be necessary

Recommendations

ITEMS CHECK ARE RECOMMENDED

Underground oil tank Certification	N/A	Radon Test	N/A
LBP Certification	N/A	Termite Inspection	X
Well Water Certification	N/A	Structural Engineers report	N/A
Septic Certification	N/A	Soils report	N/A
Site survey	N/A	Chimney Certification	X
Architectural Plans	N/A	Asbestos certification	N/A

Reviews property for compliance with HUD MPS (Minimum Property Standards)

Note: The Home Inspection is performed to identify those items that require repairs for a property to comply with HUD's Minimum Property Standards as defined in HUD Handbook 4905.1. The Borrower may wish to consider the above recommended inspections to further protect their interests beyond scope of the inspection.

All repairs must be performed in conformance with local zoning ordinances and codes.
All work within this Report to be Performed by a Licensed Contractor
The Subject Property will not be Habitable During Construction

If uninhabitable and structured as a Standard 203(K), HomeBridge may approve financing of up to 6 months PITI

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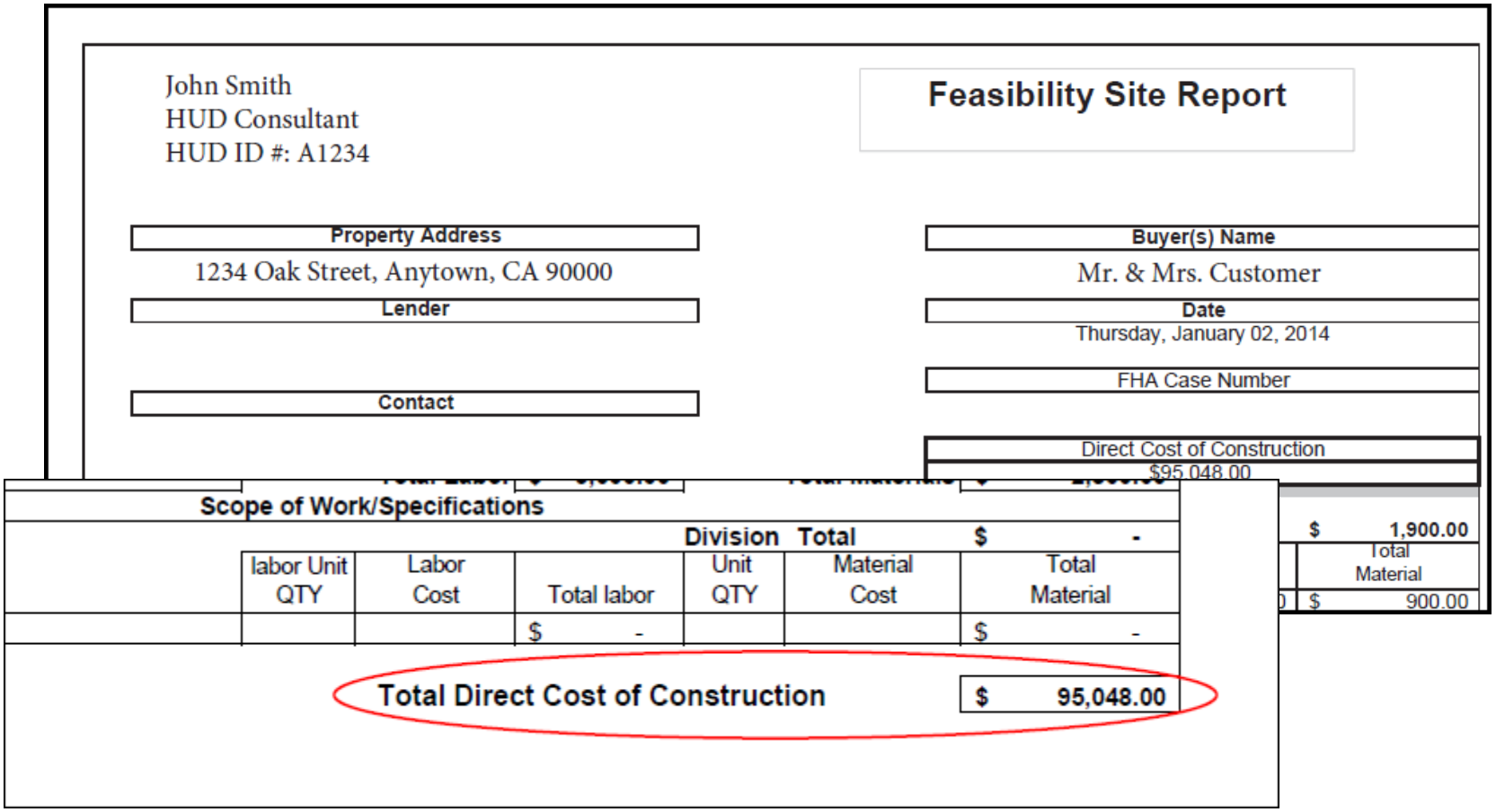
Sample Feasibility Study (cont.)



John Smith
HUD Consultant
HUD ID #: A1234

Feasibility Site Report

Property Address	Buyer(s) Name
1234 Oak Street, Anytown, CA 90000	Mr. & Mrs. Customer
Lender	**Date** Thursday, January 02, 2014
	FHA Case Number
Contact	
	Direct Cost of Construction $95,048.00

Scope of Work/Specifications

	labor Unit QTY	Labor Cost	Total labor	Unit QTY	Material Cost	Total Material
			$ -			$ -

Division Total $ -

Total Direct Cost of Construction $ 95,048.00

	Total Material
	$ 1,900.00
	$ 900.00

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Sample Feasibility Study (cont.)

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FHA Case No.

RECAP TOTALS

Borrower's Name & Property Address	Lender's Name & Address
Mr & Mrs. Customer 1234 Oak Street, Anytown, CA 90000	
FHA Case Number	

32	Appliances	$	-
33	Basements	$	2,300.00
34	Cleanup	$	5,800.00
35	Miscellaneous	$	-
	Direct Cost of Repairs	$	95,048.00

ate January 2, 2014

Construction Cost Sub Total		$	95,048.00
Contingency Reserve	15%	$	14,257.20
	Subtotal	$	109,305.20
Permits - estimated cost		$	1,400.00
Total cost of Construction		$	110,705.20

Based on the scope of the required repairs/construction, the appropriate program type is selected: Standard 203(k) or Limited 203(k)

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Sample Feasibility Study (cont.)

HUD 203(k) Consultant

INVOICE

TO: Borrower

DATE: 01/02/14

Subject Address:

Cost is often credited towards the HUD Consultant Fee in the event that the transaction progresses to a Standard 203(k)

	AMOUNT
Full 203(k)	
Streamline K	
Feasibility Report with Site Visit	$ 425.00
Feasibility Report - Desk Review	

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Contractor Information

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Contractor Requirements

HomeBridge WHOLESALE
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- Requirements for Contractors:
  - ✓ Completed Contractor Profile (all transactions)
  - ✓ Applicable licenses and proof of insurance as required by the local, state, county and city jurisdiction including Workman's comp as applicable
  - ✓ Completed Federal W-9
  - ✓ Signed bid(s)
  - ✓ Homeowner Contractor Agreement
  - ✓ Renovation Disbursement Acknowledgment (Standard or Limited, as applicable)
  - ✓ Additional items may be required at the discretion of Homebridge
  - ✓ Contractors can have no relation to any party to the transaction

Contractor Acceptance Requirements

HomeBridge WHOLESALE
A division of HomeBridge Financial Services, Inc.

- Additional Contractor Requirements Determined by Repair Amount for Contractors Seek Acceptance:
  - ✓ Project Costs $15,000 to $35,000: Contractor must provide evidence they have been licensed and insured for the previous 12 months
  - ✓ Project Costs $35,001 to $75,000: Contractor must provide evidence they have been licensed and insured for the previous 24 months (measured from application date) AND provide evidence of a 2-year history of completing similar projects
  - ✓ Project costs $75,001 to $150,000: Contractor must provide evidence they have been licensed for the previous 36 months (measured from application date) AND provide evidence of a 3-year history of completing similar projects, AND have a minimum of 25% of the direct project cost in an available line of credit and/or cash
- Items are sent to Homebridge via Blue Sage
  - ✓ Underwriter coordinates review process with Homebridge Renovation Concierge Department

Contractor Insurance Requirements

HomeBridge WHOLESALE
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- Insurance specific requirements are determined by Homebridge based upon state and local laws
  - ✓ If insurance includes Workman Compensation in General Liability a separate policy is typically not required
  - ✓ Builder Risk required only if Master insurance does not cover construction **or** if mortgage payment is being financed
    - ➢ Often seen in 203(k) Standard transactions
    - ➢ Builder Risk can be paid by the homeowner or contractor

Contractor W-9 Completion Tips

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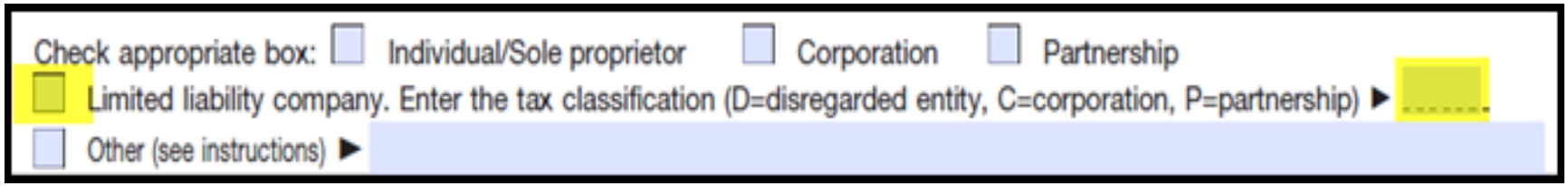
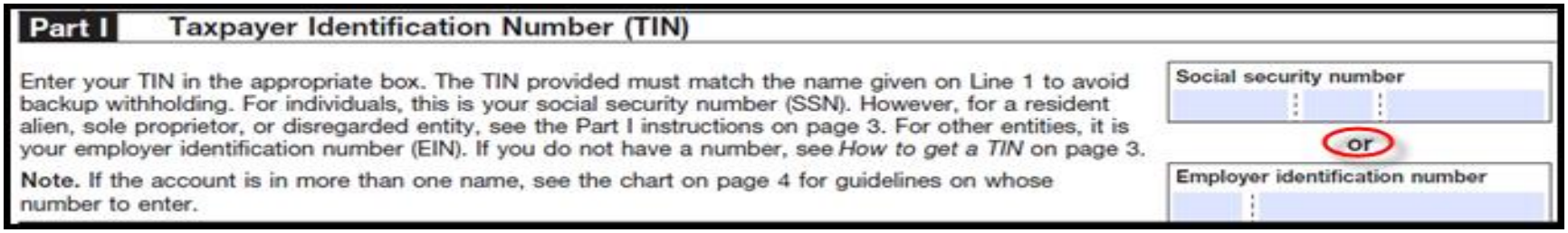
- If "Limited Liability Company" selected, W-9 must indicate classification of company


Check appropriate box: ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership
☐ Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ▶
☐ Other (see instructions) ▶

- Taxpayer Identification Number must be completed correctly
  - ✓ Must enter SS # *or* EIN # (Employee Identification Number) number (not both)


Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number

or

Employer identification number

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Contractor Bid Tips

HomeBridge WHOLESALE
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- Contractor bids required on Limited 203(k) only
- All Contractor Bids must
  - ✓ Include the Borrower(s) name and property address
  - ✓ Include Borrower(s) and Contractor signatures
  - ✓ Clearly state the nature of the repair/renovation
  - ✓ State cost for completion of each work item performed
  - ✓ Be “Final” bid; expiration dates on cost estimates not permitted
  - ✓ Detail itemization required for:
    - Material costs of each item
    - Labor costs of each item
    - Make/model and description of material item used
- Borrower cannot supply or pay for materials
- If permits required must be noted on bid (refinance transactions require permits prior to loan closing)

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Sample Contractor Bid

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Required Document: Limited 203(k) Program
* Bid required from each contractor

Contractor Bid

ABC Contractors

56789 Construction Way, Anytown, CA 90000

License #: 123456
800-222-9999

Borrower name and property address required

Proposal #	12345
Proposal Date	3/17/14

Client

Mr. & Mrs. Customer

Project Location

Parcel # 012-987-01
1234 Oak Street
Anytown, CA 90000

Detailed itemization required for labor and material

Item	Description	Labor	Material	Contracted Amount
Permitting	Roofing permit	$350.00	$154.00	$504.00
	Replace damage			
Drywall Repair	Foyer - wall repai			
	Front corner offic			
	Family room - ceil			
	Dining room - ceil			
	Kitchen - ceiling a			
	Master Bedroom -			
	Master bathroom			
	Bedroom 2 - wall			
WDO Repair	Door trim on rear			
	roof sheathing			
Door Repair	Replace and insta			
Stove	Install new stove	$150.00	$450.00	$600.00
			Total	$37,466.20

Terms and Conditions

All materials will be new unless otherwise specified and all labor shall be performed in a workmanlike manner in accordance with industry standards and practices. Workplace will be kept clean and free of unreasonable accumulation of debris. Although every effort will be made to make your project run smoothly, Sample Construction

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Sample Contractor Bid (cont.)

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Item	Description	Labor	Material	Contracted Amount
Permitting	Roofing permit	$350.00	$154.00	$504.00
	All other permitting is included in subcontractor pricing			$0.00
Plumbing	Install two electric water heaters	$1,200.00	$625.00	$1,825.00
Well Drilling	Well piping	$6,500.00	$3,200.00	$9,700.00
	Clay county permit		$85.00	$85.00
	Shallow well pump 1hp	$250.00	$1,239.10	$1,489.10
	Deep well pump 1hp	$250.00	$1,603.10	$1,853.10
HVAC	3.5 ton Tempstar heat pump and 3 ton Trane heat pump	$3,275.00	$5,600.00	$8,875.00
Electrical	Make all repairs, install lighting, and hookup fixtures	$2,500.00	$1,250.00	$3,750.00
Pool	Pump, filter, re-plumb, acid wash, and install new heat pump	$1,000.00	$500.00	$1,500.00
Roof Repair	Replace missing shingles at front	$650.00	$150.00	$800.00
Fa				
	Master bathroom - wall repair	$125.00	$100.00	$225.00
	Bedroom 2 - wall repair	$125.00	$100.00	$225.00
WDO Repair	Door trim on rear of home, fascia on right of home, trim at pool and	$1,500.00	$550.00	$2,050.00
	roof sheathing			$0.00
Door Repair	Replace and install new hardware for all damaged and missing doors	$850.00	$450.00	$1,300.00
Stove	Install new stove	$150.00	$450.00	$600.00
			Total	$37,466.20

Represents total labor and material costs

Terms and Conditions

All materials will be new unless otherwise specified and all labor shall be performed in a workmanlike manner in accordance with industry standards and practices. Workplace will be kept clean and free of unreasonable

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Sample Contractor Bid (cont.)

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	Replace damaged fascia	$350.00	$50.00	$400.00
Drywall Repair	Foyer - wall repair	$125.00	$100.00	$225.00
	Front corner office #2 - ceiling repair	$125.00	$100.00	$225.00
	Family room - ceiling repair	$125.00	$100.00	$225.00
	Dining room - ceiling and wall repair	$250.00	$200.00	$450.00
	Kitchen - ceiling and wall repair	$250.00	$200.00	$450.00
	Master Bedroom - wall repair	$125.00	$100.00	$225.00
	Master bathroom - wall repair	$125.00	$100.00	$225.00
	Bedroom 2 - wall repair	$125.00	$100.00	$225.00
WDO Repair	Door trim on rear of home, fascia on right of home, trim at pool and	$1,500.00	$550.00	$2,050.00
	roof sheathing			$0.00
Door Repair	Replace and install new hardware for all damaged and missing doors	$850.00	$450.00	$1,300.00
Stove	Install new stove	$150.00	$450.00	$600.00

Borrower and Contractor signatures required

Acceptance

My signature below is my acknowledgement that I/we have read this proposal, understand the terms and conditions of this proposal and agree to be bound thereby. I understand my acceptance of this proposal forms a binding contract between myself and Sample Contractor Company. Accepted and Agreed:

Borrower Signature: _____ Contractor Signature:_____

Date: _____

NOTE: EXPIRATION DATES ON COST ESTIMATES NOT PERMITTED

Sample Homeowner/Contractor Agreement

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HOMEOWNER/CONTRACTOR AGREEMENT

Owner's Name(s): Lisa Ransteard

Address: 4308 Sherwin Ave
Baltimore, Md 21206

Telephone Number: Work: 410-554-2626
Home: 410.340.9130

Contractor's Name: Singletary & Weathers

Contractor Tax ID No.:

Address: 2542 Quarry Lake Dr. 132
Baltimore MD. 21209

Telephone Number: Work: 443 602 2420
Home:

License No.: 102947

Cost of repairs on the estimate should match this disclosure

This Agreement is made this date, 8/21/13, between the above mentioned Homeowner (Owner) and Contractor, to rehabilitation of the property located at 4300 Glenmore Baltimore MD 21206 that has been approved for FHA mortgage insurance under Section 203(k) of the National Housing Act. The Owner(s) shall pay the Contractor the sum of $ 17,500.00 for completion of the work, including all sales tax due by law, together with such increases or decreases in the contract price as may be approved in writing by the Lender. The work will begin within 30 days of loan closing with the Lender and will be completed by 11/15/2013, unless delayed beyond the Contractor's control. The General Provisions listed below are made a part of this Agreement. The contract documents consist of the architectural exhibits listed in the Rehabilitation Loan Agreement between the Owner(s) and the Lender, or as described below (or on an attached sheet):

Lisa Ransteard 8/21/13
Owner(s) Signature(s) and Date

Contractor's Signature and Date

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Self Help

- "Self Help" (aka DIY) or work completed by the Borrower, is eligible subject to Homebridge RCD approval
  - ✓ Eligible on 203(k) Limited and Standard
  - ✓ Limited only: A Feasibility Study is required for "self-help" projects
  - ✓ Borrower must be a licensed general contractor or have documented experience completing reno projects
  - ✓ Labor costs are included in the renovation costs; borrower will not be reimbursed for labor

Self Help (cont.)

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- ✓ A signed Rehabilitation (Self-Help) Loan Agreement is required
- ✓ **Standard**: Work Write-Up must include work to be completed under self-help
- ✓ **Limited**: Borrower must provide a work plan and cost estimate that details the proposed repairs/improvements costs associated for labor and materials (cost estimate must be from licensed contractor)

Appraisal/Property Inspection Specifics

Appraisal Ordering Requirements

- Homebridge will accept appraisals on 203(k) loans from any approved Homebridge AMC
- Ordering Tips:
  - ✓ 203(k) Standard: Order with copy of Work Write-Up
  - ✓ 203(k) Limited: Order with copy of all Contractor Bids

203(k) Appraisal Requirements

HomeBridge WHOLESALE
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- Appraisals must include the following four items unique to a 203(k) appraisal:
  - ✓ Remarks regarding the scope of work being completed
    - ➢ Located in Improvements Section of report
  - ✓ Be completed "subject to" with "After-Improved" value noted in Reconciliation Section of report
  - ✓ Include copies of the Work Write-Up in report
    - ➢ Standard: Work Write-Up required
    - ➢ Limited: Bid(s) required
  - ✓ Required values differ; see following slides for details

Required Appraisal Value

There is only one value required by HUD:

- An "After-Improved" value aka "As-Completed" value is always required
  - ✓ This value is indicated in the Reconciliation section of the appraisal report
  - ✓ The "After-Improved" value is the *only value* required by HUD on 203(k) loans
- The Purchase Price is used as the "As-Is" value
  - ✓ HUD does not require an "As-Is" value; HUD assumes the purchase price is the "As-Is" value

NOTE: If an "As-is" value is provided the lower of the sales price or "as-is" value must be used

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Appraisal Examples

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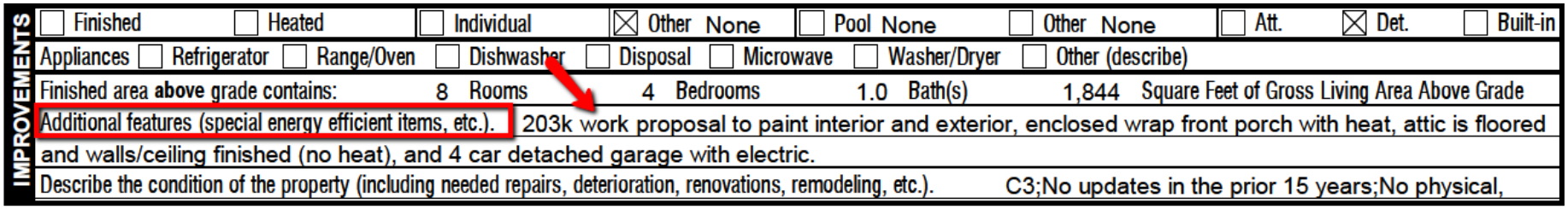
Improvements Section: Remarks on Proposed Work Required



IMPROVEMENTS

☐ Finished ☐ Heated | ☐ Individual | ☒ Other None | ☐ Pool None | ☐ Other None | ☐ Att. ☒ Det. ☐ Built-in

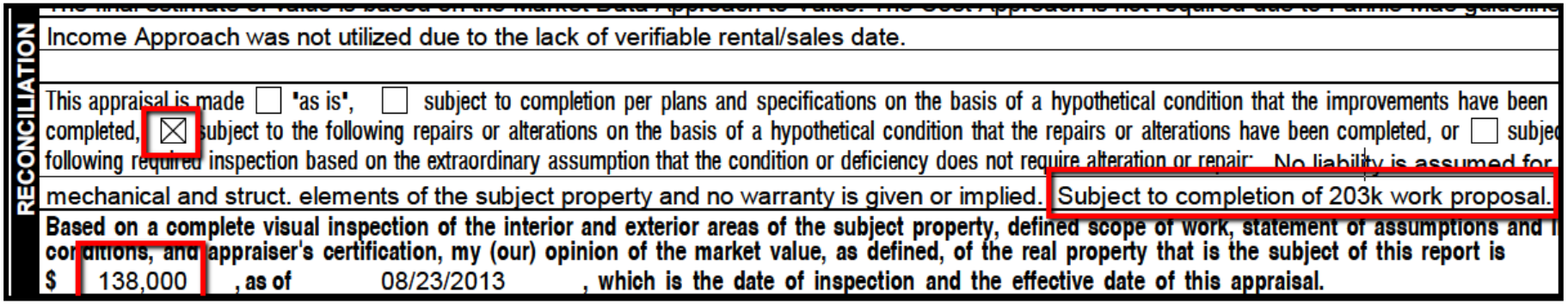
Appliances ☐ Refrigerator ☐ Range/Oven ☐ Dishwasher ☐ Disposal ☐ Microwave ☐ Washer/Dryer ☐ Other (describe)

Finished area **above** grade contains: 8 Rooms 4 Bedrooms 1.0 Bath(s) 1,844 Square Feet of Gross Living Area Above Grade

Additional features (special energy efficient items, etc.). 203k work proposal to paint interior and exterior, enclosed wrap front porch with heat, attic is floored and walls/ceiling finished (no heat), and 4 car detached garage with electric.

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). C3;No updates in the prior 15 years;No physical,

Reconciliation Section: "Subject To"



RECONCILIATION

Income Approach was not utilized due to the lack of verifiable rental/sales date.

This appraisal is made ☐ "as is", ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☒ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ subject following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: No liability is assumed for mechanical and struct. elements of the subject property and no warranty is given or implied. Subject to completion of 203k work proposal.

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 138,000 , as of 08/23/2013 , which is the date of inspection and the effective date of this appraisal.

****The value in the Reconciliation section is the "After-Improved" value**

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Property Inspections/ Certifications

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- Where required by the appraiser, the following inspections, reports and clearances may be needed
  - ✓ Termite
  - ✓ Well or septic cert
  - ✓ HVAC or other system certifications
  - ✓ Architectural exhibits as required
- ***Standard:*** *All inspections Consultant and/or Appraiser require must be completed*

Utilities Requirements

Utility Overview

- Utility requirements vary on a case-by-case basis for 203(k) Standard and Limited
- Homebridge Renovation Concierge Department and Underwriter will set requirements

Utility Requirements

HomeBridge WHOLESALE
A division of HomeBridge Financial Services, Inc.

- Utilities must be inspected to ensure they are in good working order
- If utilities are not on or are not in good working order, a 15% Contingency Reserve will be required for Standard and Limited
  - ✓ This includes winterized properties
  - ✓ This includes vacant eligible REOs with winterized utilities

Utilities On At Time Of Inspection

HomeBridge WHOLESALE
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- Utilities on at time of inspection and in good working order
  - ✓ Appraiser or other licensed professional* must confirm in writing the following:
    - ➢ Utilities visually inspected
    - ➢ Utilities appear to be in good working order

*Acceptable licensed professionals: Consultant, Inspector, Contractor, Plumber or Electrician

Utilities Not On At Time of Inspection

HomeBridge WHOLESALE
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- Utilities not on at time of inspection ***and*** Work-Write Up does not require repairs, the following alternative documentation to validate condition of utilities may be provided:
  - ✓ Winterized Property: winterization certification
  - ✓ Certification from acceptable licensed professional confirming utilities in good working order
  - ✓ Bank or acceptable agency owned property: home inspection from listing report

* Acceptable licensed professionals: Consultant, Inspector, Contractor, Plumber or Electrician

Utilities Not In Good Working Order

HomeBridge WHOLESALE
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- If utility inspection reveals utilities are not in good working order, Work Write-Up or Contractor Bid (as applicable) must specify required repairs
  - ✓ **Standard**: Work Write-Up
  - ✓ **Limited**: Contractor Bid

Utility Guidance REO Property

HomeBridge WHOLESALE
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- Acceptable REO property (agency or bank owned) typically has winterized utilities since the property is vacant
  - ✓ Proof of winterization required via:
    - ➢ Winterization certification *OR*
    - ➢ Home inspection from listing report

  Reminder: HUD REO ineligible

Winterized properties always require a 15% Contingency Reserve

Loan Amount Calculations

Maximum Mortgage Amount

HomeBridge WHOLESALE
A division of HomeBridge Financial Services, Inc.

- Maximum mortgage amounts vary by loan purpose
  - ✓ Purchase: 96.50% LTV
- The maximum mortgage (total loan amount) cannot exceed FHA county limits
- Important reminder: Condos cannot exceed 100% of After-Improved Value. Condos still use the same max mortgage calculations for purchase transactions
- Refer to the guidelines for guidance on calculating the LTV

Maximum Mortgage Calculator

HomeBridge WHOLESALE
A division of HomeBridge Financial Services, Inc.

- HUD provides a maximum mortgage calculator to determine the maximum loan amount at

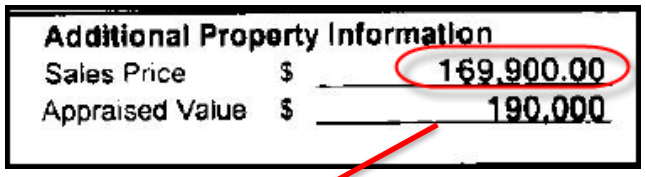
HUD.Gov 203(k) Calculator

DU Variances

203(k) DU Variances

- DU has a variance in how the Purchase Price is represented:
  - ✓ Sales Price on page 1 of DU will reflect a total figure of Purchase Price + Total Rehabilitation Cost as Purchase Price
  - ✓ Sales Price on LT will reflect the true Purchase Price
  - ✓ In this example:
    - ➢ The Purchase Price is $169,900
    - ➢ Total Renovation Costs are $8,964
    - ➢ Purchase Price + Renovation Costs is $178,864

DU: Purchase Price + Renovation Costs



LT: True Purchase Price

Mortgage Information	
LTV/CLTV	96.50% / 96.50%
Housing Expense Ratio	26.50%
Total Expense Ratio	40.14%
Total Loan Amount	$175624.00
Sales Price	$178864.60
Appraised Value	$190000.00

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Fee/LE Specifics and Submission Requirements

203(k) LE Fee Placement

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203(k) Loan Estimate Fee Placement				
Fee	**Standard**	**Limited**	**Where To Confirm Fee**	**LE Section**
Inspection Fee(s)	Draw Inspections ***Completed by HUD Consultant***	Final Inspection ***Completed by Appraiser***	**Standard:** Work Write-Up **Limited:** Estimate $125-175	**Standard:** B or C **Limited:** B
Final Title Update Fee	Final Title Update	Final Title Update	**Standard & Limited:** **$95 - all states**	**Standard and Limited:** B
Permits	If Applicable	If Applicable	**Standard:** Work Write-Up **Limited**: Typically part of Contractor Bid	**Standard and Limited:** B
Architectural/Engineering Fees	If Applicable	N/A	**Standard:** Work Write-Up	**Standard:** B or C [1] **Limited:** N/A
Consultant Fee	Fee Varies Based on Cost of Repairs	N/A	**Standard:** Work Write-Up	**Standard:** B or C [1] **Limited:** N/A

- 3rd party fees are not included in QM 3% Points and Fees Test

[1] If fee not listed on the Service Provider List (SPL) include fee in Section B; if fee is listed on the SPL include fee in Section C

Submission Requirements

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- 203 (k) Standard and Limited option require specific disclosures and other documents at time of submission
  - ✓ See 203(k) Standard and Limited Quick Reference Guides for specific details on:
    - ➢ Disclosure/form requirements: Which require Homebridge website version versus HUD version
    - ➢ Submission requirements specific to 203(k)
    - ➢ Appraisal tips: Ordering and report requirements

203(k) Submissions-Required Documents

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- 203(k) loans *always* require the following at submission (*no exceptions*):
  - ✓ **Standard**: 203(k) specific disclosures/forms and Work Write-Up
  - ✓ **Limited**: 203(k) specific disclosures/forms and Contractor Bid(s)
- Suggested Documents (recommended not required):
  - ✓ Appraisals
  - ✓ Contractor License, Insurance, W9, Profile Report

203(k) Process

Process Overview

- Borrower Action Steps
  - ✓ **Standard:** Borrower selects HUD Consultant & Contractor(s)
    - ➢ HUD Consultant completes Work Write-Up/Cost Estimate
  - ✓ **Limited**: Borrower selects contractor(s)
  - ✓ Work Write-Up/Bids completed
- Broker Action Steps
  - ✓ Gathers Work Write-Up and Contractor Bid(s) as required
  - ✓ Gathers required Contractor documentation
  - ✓ Can order appraisal at this point if Broker paying for appraisal

Process Overview (cont.)

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- Broker Action Steps (cont.)
  - ✓ Requests FHA case number from Homebridge Portal
    - ➢ Choose 203(k)
    - ➢ Indicate if Standard or Limited
    - ➢ If Standard add HUD Consultant ID #
  - ✓ Collects necessary loan documentation
  - ✓ Submits loan to Homebridge using 203(k) Form
    - ➢ Must use loan type “203K” in Blitz
  - ✓ Once Homebridge initial lender disclosures are sent, Broker can order appraisal (if borrower paying for appraisal)

Process Overview (cont.)

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- Underwriting Approvals
  - ✓ Approvals are subject to Homebridge Renovation Concierge Department review and acceptance of the following:
    - ➢ Work Write-Up (Standard)
    - ➢ Contractor(s) and Bids (Limited)
    - ➢ Confirmation of final Maximum Mortgage Amount
    - ➢ 2nd review of appraisal
    - ➢ Review/approval of any changes to scope of work/bids/etc.

Process Overview (cont.)

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- When file is ready for Closing, the Account Manager will work with the Renovation Concierge Department to coordinate an informational call with the borrowers
  - ✓ Typically occurs before docs but can be after
- The Renovation Concierge Department will work with the borrower, HUD Consultant (if applicable), and Contractor(s) through final funds disbursement and project completion

Closing Reminders

- Escrows and MI are required
- Insurance Requirements
  - ✓ After-Improved value of property (from Reconciliation Section of appraisal) must be covered
- Taxes must be calculated off of current value regardless of property state location
- POAs will be accepted on an exception basis only
  - ✓ All applicants must sign initial disclosures and application

Closing Reminders (cont.)

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- Cash back to the borrower is *not* allowed:
  - ✓ Borrowers must provide receipts/invoices to be reimbursed for fees
  - ✓ Remaining funds after completion of all repairs will be applied to the loan balance

203(k) Resources

203(k) Resources

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- Available 203(k) resources online:
  - ✓ **HUD Approved Consultant Search: Find a HUD Consultant**
  - ✓ **Program Information & the HUD Consultant Fee Structure: 203(k) Information**
  - ✓ **HUD FAQs 203(k) Page: 203(k) FAQs**
  - ✓ **203(k) Maximum Mortgage Calculator: HUD.Gov 203(k) Calculator**

Renovation Concierge Contact Information

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- Homebridge Renovation Concierge Department contact information:

  renovationconciergeservice@homebridge.com

This email address is to be used by Borrowers, HUD Consultants and Contractors for questions and status inquiries

203(k) Homebridge Training Tools

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- "Working With Us" section of website:
  - ✓ This presentation
  - ✓ Quick Reference Guides:
    - ➢ 203(k) Standard (disclosure, submission, appraisal and LE tips)
    - ➢ 203(k) Limited (disclosure, submission, appraisal and LE tips)
    - ➢ Contractor Requirements
  - ✓ 203(k) Standard/Limited Comparison Guide
  - ✓ Sample Contractor Bid, Work Write-Up and Feasibility Study

Partners for the Path Ahead