

## FHA Limited 203(k) Program Conforming and High Balance

Fixed Rate and 5/1 ARM

Primary Residence Full Documentation					
Transaction Type	Units	LTV	CLTV	Loan Amount <sup>1,2</sup>	Credit Score
Purchase	1-4	96.50%	105% <sup>3</sup>	FHA Limit	580 <sup>4</sup>
Rate/Term Refinance	1-4	97.75%	97.75%	FHA Limit	580 <sup>4</sup>

**Footnotes:**

1. Eligible conforming and high balance loan amounts by county and units can be found at: [FHA Mortgage Limits](#)
2. Minimum loan amount \$60,000
3. 105% CLTV allowed only with approved government down payment assistance program
4. New York transactions **ONLY**: Minimum 600 credit score required

Refer to the Homebridge [FHA 203\(k\) Standard](#) matrix for Standard guidelines

Complete HUD guidelines can be found in HUD Handbook 4000.1 at [HUD.GOV](#)

### 203(k) Limited Program Overview – Repair/Modify/Upgrade

The Limited 203(k) program is designed for minor rehabilitation/renovation projects and allows a borrower to obtain a single loan to:

- Purchase a property and complete repairs and improvements after loan closing using the “After-Improved” value of the property

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**General Parameters**

- Repairs/renovation limited to a maximum of \$35,000 (including **all** renovation costs, fees, financed contingency reserve; contingency reserve **not** included if **borrower funded**). The total mortgage amount on the property including the cost of repairs must fall within the FHA mortgage limit for the area where the property is located. There is no minimum renovation amount.
- All renovation work must start within 30 days of closing. The work cannot stop for more than 30 days during the rehab process and must be completed within 6 months of loan closing.
- Renovation/repair cannot prevent the borrower from occupying the property for more than 15 days during the renovation period. Any abatement/remediation work must be completed within 15-30 days
- An escrow account is established and funds are released as work is completed. A maximum of 2 draws per contractor are allowed.
- The mortgage amount is based on the projected value of the property with all work completed (“After-Improved” value)
- Hazard insurance must meet Standard Coverage Requirements; refer to the Insurance Quick Reference Guide located on the Homebridge website under [Working with Homebridge](#) topic for details.
- Licensed contractors provide written work plans and cost estimates. The work plan must indicate which items will require permits. No funds will be released from the escrow account until the permits are provided. Refinance transactions require all permits and building approvals prior to loan closing/funding.
- A maximum of three (3) contractors are allowed to complete the repairs/renovations. Contractors must be licensed and insured in the jurisdiction where the work will be completed and provide a minimum of three (3) project references similar to the proposed subject project.

Mortgage Insurance Premium Factors					
Case Numbers Assigned on or after January 26, 2015					
Loan Amount	Loan Term	LTV	Annual MIP	Up-front MIP	Annual MIP Assessment Period
≤ \$625,500	> 15 years	≤ 95%	0.80%	1.75%	≤ 90% LTV: 11 years > 90% LTV: Life of loan
≤ \$625,500	> 15 years	> 95%	0.85%		Life of loan
> \$625,500	> 15 years	≤ 95%	1.00%		≤ 90% LTV: 11 years > 90% LTV: Life of loan
> \$625,500	> 15 years	> 95%	1.05%		Life of loan
≤ \$625,500	≤ 15 years	≤ 90%	0.45%		11 years
≤ \$625,500	≤ 15 years	> 90%	0.70%		Life of loan
> \$625,500	≤ 15 years	≤ 78%	0.45%		11 years
> \$625,500	≤ 15 years	78.01% - 90%	0.70%		Life of loan
> \$625,500	≤ 15 years	> 90%	0.95%		11 years

Refer to Homebridge’s [FHA Program](#) guidelines for any topic not addressed in these guides

Complete 203(k) guidelines can be found in HUD Handbook 4000.1 at [HUD.GOV](http://HUD.GOV)

Topic	Guideline
<b>203(k) Forms and Documents</b>	<ul style="list-style-type: none"> <li>• <b>The 203(k) Calculator</b> (MMW) is available at <a href="#">HUD.Gov 203(k) Calculator</a> and is used to determine the maximum mortgage amount. A copy of the calculation worksheet is required.</li> <li>• <b>203(k) Borrower’s Acknowledgement</b> (HUD Form 92700-A) Borrower must complete the “Loan Requirements” section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.</li> <li>• <b>Borrower Identity of Interest/Conflict of Interest Certification</b></li> <li>• <b>Contractor Identity of Interest/Conflict of Interest Certification</b></li> <li>• <b>Homeowner/Contractor 203(k) Certification</b></li> <li>• <b>Homeowner Contractor Agreement</b> (formerly known as Renovation Homeowner Contract)</li> <li>• <b>Homebridge Initial Renovation Loan Acknowledgement Form</b></li> <li>• <b>Renovation Disbursement Acknowledgment - Limited</b></li> <li>• <b>Draw Disbursement Check Waiver and Consent Form</b></li> <li>• <b>Contractor Bid(s)</b></li> <li>• <b>Feasibility Study:</b> Required on “self-help” and transactions involving 3-4 unit properties</li> <li>• <b>Rehabilitation (Self-Help) Loan Agreement</b> (“self-help” only)</li> <li>• <b>Permit/Certification Acknowledgement.</b> Required on all transactions</li> <li>• Completed <b>W-9</b></li> <li>• <b>Contractor Profile</b> (Fannie Mae Form 1202)</li> <li>• Evidence of current liability insurance which meets local/state insurance requirements</li> <li>• Evidence of current Workman’s Comp insurance (if applicable)</li> <li>• Copy of current license as required by local/state jurisdiction</li> <li>• <b>Project Costs \$15,000 to \$35,000:</b> If the direct hard costs of the project are \$15,000 to \$35,000 the contractor must provide evidence they have been licensed and insured for the previous 12 months (measured from application date)</li> </ul> <p><b>NOTE:</b> Additional documentation may be required upon Homebridge RCD review</p>
<b>COVID-19 Flexibilities</b>	<ul style="list-style-type: none"> <li>• COVID-19 flexibilities for income and for borrowers in forbearance are eligible; refer to the <a href="#">FHA Program</a> guidelines for details</li> <li>• <b>COVID-19 appraisal flexibilities are <u>NOT eligible</u> for 203(k) transactions; a full appraisal is always required</b></li> <li>• Extending the Renovation Period (eligible, if approved, <b>for open repair escrow accounts through September 30, 2021</b>):             <ul style="list-style-type: none"> <li>- Requests to extend the renovation period beyond the 6 month time period allowed by Homebridge will be considered <b>when the borrower is in forbearance due to COVID-19</b>. Homebridge RCD review and approval is required for an extension. The following must be provided:                 <ul style="list-style-type: none"> <li>- An LOE for the delay must be provided by the borrower, contractor, or consultant, <b>and</b></li> <li>- A new estimated completion date is provided (required)</li> </ul> </li> </ul> </li> </ul>
<b>4506-C</b>	<ul style="list-style-type: none"> <li>- Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable)</li> <li>- Tax transcripts are <b>not</b> required</li> </ul> <p>NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.)</p> <ul style="list-style-type: none"> <li>• Homebridge will order transcripts at random for quality control purposes</li> </ul>

<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>• New and existing construction: All credit, income, and asset documentation must be ≤ 120 days at <b>time of funding</b></li> <li>• Appraisal is valid for 120 days from the effective date. Refer to the <a href="#">Appraisals</a> topic for requirements when using an appraisal extension</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• Appraisals must be provided by a licensed FHA approved appraiser.</li> <li>• A copy of the work plan, contractor’s bid(s) and cost estimates must be provided to the appraiser at time of appraisal assignment. The work plan must indicate which items will require permits.</li> <li>• All 203(k) appraisals are completed “subject to”</li> <li>• <b>Purchase transactions</b> require <b>one</b> value:             <ul style="list-style-type: none"> <li>- An “After-Improved” value aka “As-Completed” value (value after improvements completed) <b>is always required.</b></li> <li>- HUD <b>does not require</b> an “As-Is” value; HUD assumes the purchase price is the “As-Is” value.</li> <li>- If an “As-Is” value is provided the <b>lower of</b> the Sales price or “As-Is” value must be used.</li> </ul> <p style="margin-left: 20px;"><b>NOTE:</b> The use of an “As-Is” value may cause processing delays and valuation issues.</p> </li> <li>• The appraisal must include remarks in the Improvements section detailing the scope of work</li> <li>• The appraiser must comment on the value added by improvements such as landscaping, patios, decks, etc. These types of improvements must increase the “As-Is” value equal to the dollar amount spent on the improvements unless required to preserve the property from erosion.</li> <li>• The Reconciliation Section of the appraisal report must be completed as “subject to”.</li> <li>• Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.</li> <li>• Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.</li> <li>• The street scene photo must include a portion of the subject property.</li> <li>• A minimum of 3 closed comparable sales are required. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:             <ul style="list-style-type: none"> <li>- <a href="#">MLS</a>, or</li> <li>- <a href="#">Comps Inc.</a>, or</li> <li>- <a href="#">GeoData Plus</a> (NY only), or</li> <li>- <a href="#">PropertyShark</a> (NY only), or</li> <li>- <a href="#">StreetEasy</a> (NY only)</li> </ul> <p style="margin-left: 20px;"><b>NOTE:</b> Comparables from a public independent source are <b>only eligible</b> in rural areas of Maine, New Hampshire, and Vermont where MLS is <b>not</b> common</p> </li> <li>• The comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable, however, the appraiser must include their own photos to document compliance with the Score of Work which requires the appraiser to inspect each comparable sale from the street.</li> <li>• Comparable sales for REO properties are subject to the following:             <ul style="list-style-type: none"> <li>- HUD prefers that REO sales and pre-foreclosure sales are <b>not</b> used as comparable sales to establish the value for the REO property being appraised. If REO sales and pre-foreclosure sales are used, the appraiser must address their use in the appraisal report and identify the effect they have on the market and specifically the subject property.</li> <li>- Properties where the transfer to a mortgagee or entity owning the mortgage loan by deed of trust through foreclosure sale or sheriff’s sale may <b>never</b> be used as a comparable sale (e.g. a property that was foreclosed on by a bank or the property was seized for payment of delinquent debt, such as property taxes and the bank or sheriff’s department still has ownership of the property).</li> </ul> </li> </ul>

<p><b>Appraisals (cont.)</b></p>	<ul style="list-style-type: none"> <li>• Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to: <ul style="list-style-type: none"> <li>- Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal. The comparables must be as similar to the subject property as possible.</li> <li>- The appraisal must include, at minimum, two active listings or pending sales.</li> </ul> </li> <li>• At minimum, Homebridge requires the following on all properties: <ul style="list-style-type: none"> <li>- A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing</li> <li>- Any broken glass that is a health hazard must be removed and the opening closed.</li> </ul> </li> <li>• The appraiser must indicate if the utilities were on or off at the time of the appraisal. Refer to the <a href="#">Utilities</a> topic for specific requirements regarding utilities.</li> <li>• <b>Appraisal Extension:</b> Appraisals are valid 120 days from the effective date. A 30 day extension is allowed provided there is a signed sales contract or the borrower has loan approval prior to the original appraisal expiration date. Loans with an appraisal extension must close within 150 days from the effective date of the appraisal report or a new appraisal and a new case number will be required.</li> <li>• <b>FEMA Disaster Declarations:</b> Properties located in a Disaster Declaration area will be subject to additional appraisal review.</li> </ul>
<p><b>Appraisal Management Companies (AMC)</b></p>	<ul style="list-style-type: none"> <li>• The following is a list of Homebridge approved AMCs: <ul style="list-style-type: none"> <li>- <a href="#">ACT Appraisal Management</a></li> <li>- <a href="#">AMC Settlement Services</a></li> <li>- <a href="#">Axis Management Solutions</a></li> <li>- <a href="#">Fastapp Appraisal Management</a></li> <li>- <a href="#">Golden State AMC</a></li> <li>- <a href="#">Nadlan Valuation</a></li> <li>- <a href="#">Nationwide Appraisal Network</a></li> <li>- <a href="#">Nationwide Property and Appraisal Services</a></li> </ul> </li> <li>• When ordering the appraisal a copy of the contractor bid(s) must be provided</li> <li>• Purchase transactions also require the purchase contract be provided</li> </ul>
<p><b>Assumptions</b></p>	<p>Not allowed</p>
<p><b>AUS</b></p>	<p>Homebridge accepts the following AUS Findings on FHA loans:</p> <ul style="list-style-type: none"> <li>• An “Approve/Eligible” Finding, <b>or</b></li> <li>• A “Refer/Eligible Finding. “Refer/Eligible” will require a manual underwrite. The loan will be eligible for manual underwriting upon review by the underwriter. The loan cannot have layered risk and must have compensating factors.</li> </ul> <p>NOTE: An “Approve/Eligible” finding is <b>required</b> on transactions with a credit score of 620-639; <b>manual underwriting is not allowed</b>. Refer to the <a href="#">Credit Report/Scores</a> topic for complete requirements for transactions with 620-639 credit score</p> <ul style="list-style-type: none"> <li>• A loan that receives an “Approve/Eligible” Finding but has additional information not considered in DU/TOTAL decision that affects the overall insurability or eligibility of the loan requires a downgrade to manual underwriting. The loan will be eligible for manual underwriting upon review by the underwriter. Loans that are downgraded cannot have layered risk and must have compensating factors.</li> </ul>
<p><b>Available Markets</b></p>	<ul style="list-style-type: none"> <li>• All 50 states</li> <li>• Guam, Puerto Rico and the Virgin Islands are also ineligible.</li> </ul>

## FHA Limited 203(k) Program Guidelines

<b>Borrowers - Eligible</b>	Refer to the Homebridge <a href="#">FHA program guidelines</a> for borrower eligibility.
<b>Borrowers – Ineligible</b>	Refer to the Homebridge <a href="#">FHA Program guidelines</a> for ineligible borrowers.
<b>CAIVRS/LDP/GSA</b>	<ul style="list-style-type: none"> <li>• <b>CAIVRS at <a href="#">CAIVRS</a></b> <ul style="list-style-type: none"> <li>- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal non-tax debt. Borrowers identified on this site are generally ineligible for FHA financing.</li> </ul> </li> <li>• Borrowers previously convicted of mortgage fraud are ineligible</li> <li>• <b>LDP / GSA at <a href="#">LDP / GSA</a></b> <ul style="list-style-type: none"> <li>- All of the following parties to the transaction, as applicable, must be checked against HUD’s Limited Denial of Participation list and the General Service Administration’s Excluded Parties List System. <ul style="list-style-type: none"> <li>- Borrower(s) and Borrower(s) AKA name (if applicable)</li> <li>- Seller(s),</li> <li>- Real Estate Listing and Selling Agent(s),</li> <li>- Appraiser*,</li> <li>- Appraisal Company (<b>not</b> the AMC)</li> <li>- Broker</li> <li>- Loan Officer, Loan Officer Assistant</li> <li>- Loan Processor,</li> <li>- Underwriter,</li> <li>- Closing/Settlement Agent,</li> <li>- Title/Settlement Company, and</li> <li>-203(k) Consultant</li> </ul> </li> </ul> </li> <li>• Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.</li> </ul>
<b>Case Numbers</b>	<ul style="list-style-type: none"> <li>• Case numbers requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: <a href="#">HUD Mortgagee Letters</a></li> <li>• FHA requires certification that there is an active loan application for the subject borrower and property and the time the case number is requested</li> <li>• The borrower’s name and social security number is required for all new construction (proposed construction and existing construction less than 1 year old)</li> <li>• Case numbers older than 6 months must be cancelled and a new case number obtained when there has been no activity during the 6 months the case number was open.</li> </ul>
<b>Contractor Bids</b>	<p>Bids received from contractors are subject to the following requirements:</p> <ul style="list-style-type: none"> <li>• The borrower name and property address must be included on all bids.</li> <li>• Bids must be signed by both the borrower <b>and</b> contractor.</li> <li>• The bid(s) must clearly state the nature and type of repair/renovation and cost for completion of each work item as follows: <ul style="list-style-type: none"> <li>- The material and labor cost of each individual item</li> <li>- General description of each material item</li> </ul> </li> <li>• The bid(s) cannot include an expiration date</li> <li>• If permits required it must be stated on the bid</li> </ul> <p><b>NOTE:</b> Cost plus bids are not allowed</p>

<b>Contingency Reserve</b>	<ul style="list-style-type: none"> <li>A contingency reserve account is required to cover any unplanned health, safety expenses arising from the renovation (e.g. mold, termites, etc.).</li> <li>The contingency reserve may be financed or funded by the borrower from their own funds.</li> <li>The amount of the contingency reserve required is determined by Homebridge, and is based on the level of documentation provided:             <ul style="list-style-type: none"> <li><b>Contractor Bid only:</b> <ul style="list-style-type: none"> <li>Utilities on: 10% contingency reserve</li> <li>Utilities off: 15% contingency reserve</li> </ul> </li> <li><b>Contractor Bid and Consultant Feasibility Study:</b> <ul style="list-style-type: none"> <li>Utilities on: 5% contingency reserve</li> <li>Utilities off: 10% contingency reserve</li> </ul> </li> </ul> </li> <li>Contingency reserve funds <b>cannot</b> be used for change orders, or work not included in the original bid (i.e. unplanned work <b>not resulting</b> from a health or safety issue)            NOTE: The maximum renovation/repair amount <b>cannot exceed \$35,000</b>. Borrower funded contingency reserve is <b>not included</b> when determining the maximum renovation/repair amount.</li> <li>When the contingency reserve funds are financed 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 <b>that was part of the original work write-up</b> or applied as a principal reduction</li> <li>When the contingency reserve funds are provided by the borrower, any funds remaining at the end of the renovation process are returned to the borrower.</li> </ul>
<b>Credit History</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Credit Report/Scores</b>	<p>Minimum 580 credit score  <b>NOTE:</b> New York transactions require a minimum 600 credit score</p> <p><b>Credit Reports</b></p> <ul style="list-style-type: none"> <li>A tri-merged credit report is required for all borrowers</li> <li><b>Manual underwrites only:</b> A business credit report is required for all corporations and “S” corporations (<b>not required</b> with an “Approve/Eligible” finding)</li> <li>The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.</li> <li><b>Individual Score:</b> The representative credit score for each borrower is determined as follows:             <ul style="list-style-type: none"> <li>If there are three (3) valid scores, the median score is used. The median score is determined by placing the 3 scores <b>in order from lowest to highest</b>; the <b>median</b> score is the <b>middle</b> number (i.e. scores are 680, 659, and 692, lowest to highest is 659, 680, 692 so 680 is the representative borrower score since it is the middle score)               <ul style="list-style-type: none"> <li>If two of the three scores are a duplicate, the duplicate score is used (i.e. if 660, 660, 640, then 660 is the credit score that is used)</li> </ul> </li> <li>If there are two (2) valid scores, the lower of the two is used</li> <li>If there is one (1) valid score, that score is used</li> </ul> </li> <li><b>Loan Representative Score:</b> When there are multiple borrowers on a loan, the <b>lowest</b> representative credit score of <b>all</b> borrowers is the decision credit score.  <i>Example:</i> <ul style="list-style-type: none"> <li>Borrower 1: Credit scores are 640, 654, 660; representative score is 654</li> <li>Borrower 2: Credit scores are 625, 625, 637; representative score is 625</li> </ul>           The loan decision score is 625 which is the lowest representative score of all borrowers</li> </ul> <p><b>Credit Inquiries</b></p> <p>The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 90 days, <b>specifically stating the name of the creditor(s)</b> and the result of the inquiry/inquiries (i.e. was new credit obtained or not). <b>Examples of acceptable/unacceptable responses below:</b></p> <ul style="list-style-type: none"> <li><b>Acceptable Response:</b> “The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit”</li> <li><b>Unacceptable Response:</b> “We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report” (unacceptable since name of creditors <b>not</b> listed)</li> </ul>

<b>Derogatory Credit</b>	Refer to the <a href="#">Homebridge FHA Program guidelines</a> for complete derogatory credit guidelines
<b>Down Payment / Minimum Required Investment (MRI)</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Down Payment Assistance Programs/Grants</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>DTI</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Employment/Income</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Employment Verification Requirements</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Escrow/Impound Account</b>	Required on all loans, no exceptions.
<b>Family Member Definition</b>	<p>FHA defines a family member (regardless of actual or perceived sexual orientation, gender identity or legal marital status) as:</p> <ul style="list-style-type: none"> <li>• Child (son/stepson, daughter/stepdaughter)</li> <li>• Parent or grandparent (step-parent/grandparent or foster parent/grandparent)</li> <li>• Spouse, or domestic partner,</li> <li>• Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption,</li> <li>• Foster child,</li> <li>• Brother/stepbrother</li> <li>• Sister/stepsister</li> <li>• Aunt/uncle,</li> <li>• Son-in-law, daughter-in-law, father/mother-in-law, brother/sister-in-law, grandparent-in-law of the borrower</li> </ul> <p><b>NOTE:</b> Cousins are <b>not</b> considered a family member by HUD</p>
<b>Fees and Charges</b>	<p>The following fees and charges apply, as applicable:</p> <ul style="list-style-type: none"> <li>• Labor and materials cost for the rehab/renovation</li> <li>• Contingency reserve (10% to 15% of the total renovation cost)</li> <li>• Appraisal fee</li> <li>• Inspection fee(s). One (1) inspection per contractor; inspection is completed by the appraiser. Any inspection fees remaining at the end of the process will be applied as a principal reduction.</li> <li>• Permit fee(s) (if applicable must be included in the contractor bid)</li> <li>• Final Title Update fee</li> <li>• Discount points on repair costs and fees</li> </ul>
<b>Financed Properties</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements



<p><b>Fund Disbursement</b></p>	<p>Funds are disbursed as follows:</p> <ul style="list-style-type: none"> <li>• Maximum of 2 disbursements (draws) per contractor.</li> <li>• Funds are held until the work is completed and the final inspection has been done by the appraiser and a Final Title Update is complete. Exceptions may be granted by the Homebridge RCD as follows: <ul style="list-style-type: none"> <li>- Up to 50% of the estimated material and labor costs may be disbursed before construction has begun only when the contractor is not willing or able to defer receipt of payment. A hardship letter from the contractor(s) requesting initial disbursement will be required, <b>or</b></li> <li>- 100% of the documented material cost is <b>prepaid</b> by the borrower in cash or by the contractor where a contract is established with the supplier and an order is placed with the manufacturer and/or supplier for delivery at a later date.</li> <li>- A signed statement from the borrower authorizing the initial disbursement to the contractor is required if initial disbursements are issued.</li> <li>- Self-help projects, if the work is minor in nature (e.g. flooring, appliances, wall coverings, etc.) and no other work is being completed and the borrower is using a major retail chain store for materials (i.e. Home Depot, Lowes, Sears, etc.) on a case-by-case basis Homebridge Renovation Concierge Department (RCD) may disburse up to 50% of the cost of the materials directly to the store/material supplier to start the order. The remaining balance will be disbursed upon completion of work.</li> <li>- If 50% is disbursed at the beginning of the project, the remaining 50% is disbursed once all work/repairs are complete, a final inspection has been done by the appraiser, and a Final Title Update is complete.</li> </ul> <p>NOTE: If multiple contractors and one specialty contractor has completed their work, once an inspection has been completed the final payment may be made to that contractor <b>prior to</b> completion of the entire project.</p> </li> <li>• If a borrower is in a forbearance plan, and the borrower is meeting the terms of the plan, the loan is <b>not</b> considered delinquent, and funds will continue to be disbursed from the escrow account <ul style="list-style-type: none"> <li>- If the borrower is delinquent <b>and/or</b> not meeting the terms of the forbearance agreement, repair escrow funds may be withheld</li> </ul> </li> <li>• Any funds remaining at project completion will be applied to the principal balance of the loan. If the borrower funded the contingency reserve from their own funds, any residual funds may be released to the borrower or applied to the principal balance.</li> </ul>
<p><b>Gift Funds</b></p>	<p>Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements</p>
<p><b>Gift of Equity</b></p>	<ul style="list-style-type: none"> <li>• Allowed from an immediate family member only. Refer to the <a href="#">Family Member Definition</a> topic for HUDs definition of a family member. Identity of Interest applies</li> <li>• A gift letter must be provided that includes: <ul style="list-style-type: none"> <li>- The donor's name, address, and telephone number,</li> <li>- The donor's relationship to the borrower,</li> <li>- The dollar amount of the gift, and</li> <li>- A statement that no repayment is required.</li> </ul> </li> <li>• The Closing Disclosure must indicate "gift of equity"</li> </ul>

**Identity of Interest /  
Conflict of Interest**

Defined as the purchase of a primary residence between parties with a family or business relationship/business affiliates. Refer to the [Family Member Definition](#) topic for HUDs definition of a family member.

- The borrower cannot have any familial or business relationship/affiliation with **any party** to the 203(k) transactions including:
  - Seller, (sales between family members, as defined by HUD **are eligible**)
  - Consultant,
  - Contractor(s),
  - Inspector,
  - Appraiser,
  - Broker/Lender,
  - Realtor,
  - Closing agent/title company.
- No broker owned escrow or title allowed.
- Closing agent cannot have any identity of interest between the originating lender, mortgagee of record, mortgagor or any officer, employee, director/authorized representative of the lender.
- The borrower(s) must sign an Identity of Interest Certification stating there is no relationship between them and **any party** to the transaction.
- Chain of title evidence is required if the property was sold within the previous year to determine no identity of interest.

**Conflict of Interest**

HUD prohibits any party to the transaction from having multiple sources of compensation, either directly or indirectly, from a single transaction (e.g. the loan cannot be originated by a loan officer whose spouse is a real estate agent on the transaction)

**Improvements - Eligible**

The 203(k) Limited program may be used to finance painting, decks, etc. even if the home does not require other improvements.

The Limited program is designed for repairs/replacement, modifications and upgrades. All health, safety and energy conservation items must be addressed prior to completing general home improvements.

Items eligible include, but are not limited to:

- Changes to improve function/modernization (bath/kitchen remodel). **Cannot** include structural changes
- Elimination of health/safety hazards (lead base paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing. Stabilization/abatement or remediation must be completed within a 15-30 day timeframe.
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems,
- Repair/replace flooring,
- Repair/ replace appliances (freestanding okay),
- Window and door replacement,
- Interior/exterior painting,
- Weatherization including storm windows/doors, insulation, weather stripping,
- Repair/replace roofing, gutters and down spouts,
- Enhancing accessibility for a disabled person
- Repair of existing driveway and/or fencing
- Repair of decks, patios, porch
- Swimming pool repairs/removal (no dollar limit)
- Basement finishing and/or remodeling and water proofing (cannot include structural repairs)
- Attic repairs (cannot include structural)
- Replacement or adding an addition to a “non-ground” floor portion of the structure (i.e. a deck attached to the second floor of a home) requires Homebridge RCD prior review and approval for eligibility under the Limited program.
- Well/septic repair work only. Must be completed prior to beginning of other repairs.
  - Generally properties with either a separate septic or well require a minimum of .5 acre
  - Properties with both a well and septic require a minimum of 1 acre.

The appraiser must comment on the value added by the following types of repairs:

- Repair or replacement of well and/or septic
- Connection to public water/sewage
- Installing/replacing fencing, walkways, driveways
- Repairing/removing an in-ground swimming pool,
- Installing/replacing/repairing exterior decks, patios, and porches (the “As-Is” value must increase an amount equal to or more than the amount spent)
- Creating accessibility for persons with disabilities,
- Changes to improve function, modernize, or eliminate obsolescence.
- The abatement or remediation of mold and/or lead paint

<p><b>Improvements - Ineligible</b></p>	<p>Major renovation/rehabilitation that requires:</p> <ul style="list-style-type: none"> <li>• New construction</li> <li>• Room additions</li> <li>• Relocation of load bearing walls,</li> <li>• Repairs to structural damage</li> <li>• Major landscaping improvements</li> <li>• Architectural plans and/or exhibits</li> <li>• Any repair/improvement that prevents the borrower from occupying the property for more than 15 days during the renovation period <b>or</b> that do not allow the borrower to occupy the property at close or within 15 days of closing</li> </ul> <p>Additionally, luxury items and improvements that do not become part of the real property are not eligible as a cost of rehabilitation. Examples of items not eligible as an improvement or for repair, include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Barbeque pits, outdoor fireplaces or hearths</li> <li>• Exterior hot tubs, saunas, spas or whirlpool baths</li> <li>• Swimming pool installation</li> <li>• Tennis courts</li> <li>• Television satellite dishes/antennas</li> <li>• Dumbwaiters</li> <li>• Photo murals</li> <li>• Additions or alterations to allow for commercial use</li> <li>• Generator</li> </ul>
<p><b>Inspections</b></p>	<p>The following inspections, if required by the appraiser, must be completed:</p> <ul style="list-style-type: none"> <li>• Termite/pest</li> <li>• Well or septic certification</li> <li>• Additional HVAC or system certifications</li> </ul> <p>Refer to the Homebridge <a href="#">FHA Program</a> guidelines for complete requirements</p>
<p><b>Liabilities</b></p>	<p>All borrower liabilities are run through DU to ensure accurate DU Findings.        Refer to the Homebridge <a href="#">FHA Program</a> guidelines for requirements</p>
<p><b>Manual Underwrite</b></p>	<p>Homebridge requires a manual underwrite as follows:</p> <ul style="list-style-type: none"> <li>• Loans with a “Refer/Eligible” Finding, or</li> <li>• A loan that receives an “Approve/Eligible” Finding but has additional information not considered in DU decision that affects the overall insurability or eligibility of the loan. The loan will be eligible for manual underwriting upon review by the underwriter and Homebridge management approval. Loans that are downgraded cannot have layered risk and must have compensating factors.</li> </ul> <p>NOTE: Manual underwrite is <b>ineligible</b> on transactions with a credit score of 620-639</p> <p>Refer to the <a href="#">Homebridge FHA Program guidelines</a> for complete manual underwriting requirements</p>
<p><b>Manufactured Housing</b></p>	<p>Manufactured housing is eligible subject to applicable manufactured housing requirements in addition to 203(k) requirements <b>and</b> the following:</p> <ul style="list-style-type: none"> <li>• The renovation/rehabilitation <b>cannot</b> affect any structural components of the manufactured home that were designed and constructed in compliance with the Federal Manufactured Home Construction &amp; Safety Standards.</li> </ul> <p>Refer to the <a href="#">Homebridge FHA Program guidelines</a> for complete manufactured home requirements.</p>

<b>Maximum Mortgage Amount</b>	<p><b>Purchase Transactions</b></p> <ul style="list-style-type: none"> <li>• Maximum 96.50% LTV</li> <li>• The LTV is calculated using the lesser of:             <ul style="list-style-type: none"> <li>- The total acquisition cost (sales price plus total renovation cost minus excess seller contributions), or</li> <li>- 110% of the “After-Improved” value (condos limited to 100% LTV), <b>or</b></li> <li>- “As-is” value + total renovation costs.</li> </ul> </li> <li>• Total loan amount cannot exceed the county limits established by FHA</li> </ul>
<b>Mortgage/Rental History</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Multiple Renovation Loans</b>	Homebridge limits the number of open renovation loans in process to one. Multiple renovation loans in process at the same time are not allowed.
<b>Non-Occupant Co-Borrower</b>	Refer to the <a href="#">Homebridge FHA Program guidelines</a> for requirements
<b>Non-Purchasing Spouse</b>	Refer to the <a href="#">Homebridge FHA Program guidelines</a> for requirements
<b>Occupancy</b>	Owner-occupied
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<ul style="list-style-type: none"> <li>• Fixed Rate: 15 and 30 year terms</li> <li>• ARM: 5/1 Margin: 2.000; Caps: 1/1/5</li> </ul> <p><b>NOTE: Manufactured homes limited to fixed rate only. 203(h) transactions limited to fixed rate with a 30 year term</b></p>
<b>Properties – Eligible</b>	<p>Eligible properties must be existing and completed for a minimum of 1 year*. All health and safety issues must be addressed.</p> <ul style="list-style-type: none"> <li>• Single family residences</li> <li>• 2-4 units</li> <li>• PUDs (attached/detached)</li> <li>• Site condos</li> <li>• Condos (Specific requirements apply. Refer to <a href="#">Property Eligibility – Condos</a> topic for details)</li> <li>• Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are <b>ineligible</b>)</li> </ul> <p>*Does not apply to properties utilizing FHA’s 203(h) Mortgage Insurance for Disaster Victims. Properties under 203(h) are not required to meet the minimum 1 year in age requirement</p>

<p><b>Properties - Ineligible</b></p>	<ul style="list-style-type: none"> <li>• New Construction (Certificate of Occupancy was issued within the previous 12 months). N/A to 203(h) transactions</li> <li>• Properties not completed</li> <li>• Properties that will be completely torn down during the rehab process (eligible if some of existing foundation remains in place)</li> <li>• Properties currently boarded up, condemned and uninhabitable</li> <li>• Cooperative projects</li> <li>• Modular homes</li> <li>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li> <li>• Unique properties</li> <li>• Mixed Use</li> <li>• Farms, orchards, ranches</li> <li>• Rural property &gt;10 acres.</li> <li>• Commercial property</li> <li>• Single wide manufactured/mobile homes</li> <li>• Manufactured home located on a leasehold estate</li> <li>• Manufactured home located in a condo project</li> <li>• Manufactured home located in senior projects</li> <li>• A manufactured home involving trade equity or traded manufactured home</li> </ul>
<p><b>Property Eligibility - Condos</b></p>	<p>Condos are subject to the following:</p> <ul style="list-style-type: none"> <li>• Condo must be located in a condominium project approved by HUD at time of case number assignment.</li> <li>• Maximum mortgage cannot exceed 100% of the "After-Improved" value</li> <li>• Rehabilitation limited to the interior of the unit. Rehabilitation of the exterior of the condo, or any area that is the responsibility of the condominium association is not allowed with the exception of installation of firewalls in the attic for the unit.</li> <li>• Rehab at any one time or limited to the lesser of:             <ul style="list-style-type: none"> <li>- 5 units, or</li> <li>- 25% of the total number of units in the project.</li> </ul> </li> <li>• The individual condo <b>building</b> cannot have more than 4 units in the subject property building. HUD allows greater than 4 units in a building only when the renovation reduces the number of units to 4 or less. The project <b>as a whole</b> can have more than 4 units (i.e. the project consists of 5 buildings, each with 4 units, for a total of 20 units in the project).</li> <li>• Projects made up of attached townhomes are not subject to the 4 unit per building restriction. HUD considers each townhome an individual building as long as each unit is separated by a firewall that reaches from the foundation to the roof and is rated 1 ½ hours.</li> </ul>
<p><b>Purchase Agreement</b></p>	<p>The sales contract must include the following provisions:</p> <ul style="list-style-type: none"> <li>• The borrower has applied for 203(k) financing, and</li> <li>• The contract is contingent upon mortgage approval, and</li> <li>• The borrower will accept any additional required improvements as determined by Homebridge</li> </ul>

<b>Reserves</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Self-Help</b>	<p>Borrowers performing work on the property rehab is known as “self-help”. Self-help is eligible subject to:</p> <ul style="list-style-type: none"> <li>• Homebridge RCD approval is required for borrower’s doing their own work. Self-help is <b>not</b> allowed in the state of Texas.</li> <li>• Borrower must be a licensed general contractor or must provide documentation of experience in completing renovation projects</li> </ul> <p>NOTE: If state/local law requires license to complete a particular task (e.g. electrical, plumbing, etc.) the borrower <b>must be</b> a licensed contractor or work cannot be done self-help. Borrower will be subject to all contractor requirements and will need to provide applicable documentation.</p> <ul style="list-style-type: none"> <li>• The borrower must have the necessary expertise and experience to perform each specific repair competently and in a timely manner.</li> <li>• A Feasibility Study, provided by a HUD Consultant <b>is required</b></li> <li>• The borrower must provide a work plan that details the proposed repairs or improvements.</li> <li>• A cost estimate from a licensed and bonded (if required by local jurisdiction) contractor that provides a breakdown of the cost for labor and materials for each work item is required. The borrower will not be reimbursed for labor costs.</li> </ul> <p>NOTE: Any funds withheld for labor costs remaining at the end of the renovation process will be applied as a principal reduction</p> <ul style="list-style-type: none"> <li>• The loan amount must include the estimated cost of labor and materials. Funds will be released for materials only; the borrower will <b>not</b> be reimbursed for labor costs. Only subcontractors will be reimbursed for labor costs.</li> <li>• Subcontractors are allowed for certain specialty items such as HVAC, plumbing, electrical, etc. All subcontractors must be <b>licensed and insured</b>. Subcontractors may receive payments directly. A maximum of three (3) sub-contractors are allowed</li> <li>• The borrower is required to maintain complete records detailing the actual cost of the rehabilitation, including receipts for materials and Lien Waivers from subcontractors (if applicable),</li> <li>• The costs for labor and materials for each work item to be completed by the borrower must be attached to the <i>Rehabilitation (Self-Help) Loan Agreement</i>.</li> <li>• All permits must be obtained prior to commencement of work (if applicable). Refinance transactions require all permits and building approvals prior to closing/funding</li> </ul>
<b>Seller Contributions</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>State Restrictions</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Subordinate Financing</b>	Refer to the <a href="#">Homebridge FHA guidelines</a> for requirements
<b>Temporary Buydowns</b>	Not allowed
<b>Transactions - Eligible</b>	<ul style="list-style-type: none"> <li>• Purchase and rate/term refinance transactions</li> <li>• Transactions secured by 1-4 unit owner-occupied property</li> <li>• Transactions where the work will require ≤ 6 months to complete (unless exception granted; refer to the <a href="#">COVID-19 Temporary Flexibilities</a> topic for details)</li> <li>• Transactions involving bank or Agency owned properties (HUD REO’s ineligible)</li> </ul>

<p><b>Transactions – Ineligible</b></p>	<ul style="list-style-type: none"> <li>• Cash-out refinance transactions</li> <li>• Texas Section50(a)(6) aka Texas cash-out</li> <li>• Transactions secured by second home and investment transactions</li> <li>• Transactions where the work will require longer than 6 months to complete</li> <li>• Renovations requiring more than two (2) draws for payment</li> <li>• Renovations that involve structural changes/additions</li> <li>• Transactions involving the movement of one dwelling to another location</li> <li>• Transactions involving HUD REO properties (Bank owned and other Agency owned properties eligible)</li> <li>• FHA Secure</li> <li>• Hope for Homeowners</li> <li>• MCC (Mortgage Credit Certificates)</li> <li>• FHA Section 8 loans</li> <li>• FHA Energy Efficient Mortgage (EEM)</li> <li>• No test case loans</li> <li>• Transactions where the property securing the loan is subject to a private transfer fee covenant</li> </ul>
<p><b>Utilities</b></p>	<ul style="list-style-type: none"> <li>• Utilities must be inspected to ensure they are in proper working order unless they are being completely updated.</li> <li>• If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% contingency reserve must be established (including homes that have been “winterized”)</li> <li>• When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required.</li> </ul> <p><b>Utilities on at Time of Appraisal/Inspection</b></p> <ul style="list-style-type: none"> <li>• Appraiser or other licensed professional (contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order.</li> </ul> <p><b>Utilities NOT on at time of Appraisal Inspection</b></p> <ul style="list-style-type: none"> <li>• If utilities were not on at the time of the appraisal and the contractor bid(s) do not include repairs to the utilities, Homebridge will accept alternative documentation to validate condition of utilities. <ul style="list-style-type: none"> <li>- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.</li> <li>- A certification by a licensed professional (contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order.</li> <li>- If bank or Agency owned (no HUD REOs) a copy of the home inspection from the listing report</li> </ul> </li> <li>• If the utility inspection reveals utilities are not in good working order, the contractor bid(s) must include detailed required repairs and include the cost on the bid(s).</li> </ul>