

FHA Standard 203(k) Program Conforming and High Balance

Fixed Rate and 5/1 ARM

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

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 [203\(k\) Limited](#) Program matrix for 203(k) Limited guidelines.

203(k) Standard Program Overview – Construct/Replace/Add

The Standard 203(k) program is designed for more extensive construction/rehab projects and allows a borrower to obtain a single loan to:

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



FHA Standard 203(k) Program Guidelines

General Parameters

- Repairs must be a minimum of \$5,000 and the total mortgage amount on the property including the cost of repairs, must fall with the FHA mortgage limit for the area where the property is located.
- 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.
- An escrow account is established and funds are released as work is completed. A maximum of 5 draws is allowed. No funds are released from the escrow account until the permits are provided. Refinance transactions require all permits and building approvals **prior to** loan closing/funding
- The mortgage amount is based on the projected value of the property with all work completed (“After-Improved” value)
- Borrower may be eligible to finance up to 6 months PITI if property will be uninhabitable during the renovation process if recommended by consultant and approved by Homebridge underwriter. A Builders Risk insurance policy is required
- Hazard insurance must meet Standard Coverage Requirements; refer to the [Insurance Quick Reference Guide](#) located under “Reference Guides” for details. If the direct renovations costs are ≥ \$75,000 evidence must be provided the insurance company insuring the property has reviewed the bid and appraisal a confirms a hazard insurance policy will be issued
- Requires a HUD approved consultant who works directly with borrower and contractor, provides initial Work Write-Up and performs draw inspections to approve disbursement to the general contractor. The contractor must be accepted by Homebridge. To view HUD approved consultants go to [HUD 203\(k\) Consultants](#)
- One general contractor is allowed and specialized subcontractors are allowed under the general contractor. The contractor 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 the Homebridge [FHA Program](#) guidelines for any topic not addressed in these guides

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Complete 203(k) guidelines can be found in HUD Handbook 4000.1 at HUD.GOV

Topic	Guideline
203(k) Forms and Documents	<ul style="list-style-type: none"> • The 203(k) Calculator (MMW) is available at HUD.Gov 203(k) Calculator and is used to determine the maximum mortgage amount. A copy of the calculation worksheet is required. • 203(k) Borrower’s Acknowledgement (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. • 203(k) Mortgage Payment Disclosure (if applicable) • Borrower Identity of Interest/Conflict of Interest Certification • Contractor Identity of Interest/Conflict of Interest Certification • Consultant Identity of Interest Certification • Homeowner Contractor Agreement (previously named Renovation Homeowner Contract) • Homeowner/Contractor 203(k) Certification • Renovation Disbursement Acknowledgment - Standard • Homebridge Initial Renovation Loan Acknowledgement Form • Work Write-Up (aka Specification of Repairs report). Contractor must agree to complete the work detailed in the Work Write-Up for the amount of the Cost Estimate and within the timeframe stated by the HUD Consultant. Work Write-Up is signed by borrower, HUD consultant and contractor. Sample form is posted on Homebridge website. • Consultant/Borrower Agreement: Required as separate document if information not included in the Consultant Work Write-Up. A written agreement between the consultant and borrower that fully explains the services to be performed and the fees that will be charged. Additionally, the agreement must disclose to the borrower that inspections completed by the consultant are not a Home Inspection as detailed in HUD Form 92564-CN For Your Protection: Get a Home Inspection • Consultant is Not a Home Inspector Disclosure: Required on every transaction regardless if information included in the Work Write-Up and/or Consultant/Borrower Agreement. Form is completed and signed by the consultant and must also be signed by the borrower(s). The form is located on the Homebridge website under “Renovation Specific” on the Working With Us page. • Request for Acceptance of Changes in Approved Drawings and Specifications (HUD Form 92577), if applicable. Required when any changes from the original Work Write-Up are requested. Form must be submitted to Homebridge Renovation Concierge Department (RCD) for approval prior to the purchase of materials or commencement of additional work • Draw Disbursement Check Waiver and Consent Form. • Feasibility Study (not required) • Rehabilitation (Self-Help) Loan Agreement (“self-help” only) • Permit/Certification Acknowledgement. Required on all transactions • Completed W-9 • Contractor Profile (Fannie Mae Form 1202) • Evidence of current liability insurance which meets local/state insurance requirements • Evidence of current Workman’s Comp insurance (if applicable) • Copy of current license as required by local/state jurisdiction • Additional Contractor Requirements: Determined by Project Cost <ul style="list-style-type: none"> - Project Costs \$15,000 to \$35,000: 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) - Project Costs \$35,001 to \$75,000: If the direct hard costs of the project are \$35,001 to \$75,000 the contractor must provide evidence they have been licensed and insured for the previous 24 months (measured from application date) AND provide evidence of a two (2) year history of completing similar projects <p>(cont. on next page)</p>

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<p>203(k) Forms and Documents (cont.)</p>	<ul style="list-style-type: none"> - Project Costs \$75,001 to \$150,000: If the direct hard costs of the project are > \$75,000 the contractor must provide evidence they have been licensed and insured over 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 <p>NOTE: Additional documentation may be required upon Homebridge RCD review.</p>
<p>COVID-19 Flexibilities</p>	<ul style="list-style-type: none"> • COVID-19 flexibilities for income and for borrowers in forbearance are eligible; refer to the FHA Program guidelines for details • COVID-19 appraisal flexibilities are <u>NOT eligible</u> for 203(k) transactions; <u>a full appraisal is always required</u> • Extending the Renovation Period: (eligible, if approved, for open repair escrow accounts through September 30, 2021): <ul style="list-style-type: none"> - Requests to extend the renovation period beyond the 6 month time period allowed by Homebridge will be considered when the borrower is in forbearance due to COVID-19. Homebridge RCD review and approval is required for an extension. The following must be provided: <ul style="list-style-type: none"> - An LOE for the delay must be provided by the borrower, contractor, or consultant, and - A new estimated completion date is required
<p>4506-C</p>	<ul style="list-style-type: none"> • Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are not required <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"> • Homebridge will order transcripts at random for quality control purposes
<p>Age of Documents</p>	<ul style="list-style-type: none"> • All credit, income, and asset documentation must be ≤ 120 days at time of funding • Appraisal is valid for 120 days from the effective date. Refer to the Appraisals topic for requirements when using an appraisal extension
<p>Appraisals</p>	<ul style="list-style-type: none"> • Appraisals must be provided by a licensed FHA approved appraiser. • A copy of the Work Write-Up and Cost Estimate, completed by the HUD Consultant, must be provided to the appraiser at time of appraisal assignment • All 203(k) appraisals are completed “Subject To” • Purchase transactions require one value: <ul style="list-style-type: none"> - An “After-Improved” value aka “As-Completed” value (value after improvements completed) is always required. - HUD does not require an “As-Is” value; HUD assumes the purchase price is the “As-Is” value. <p>NOTES: If an “As-Is” value is provided the lower of the sales price minus any inducements to purchase or “As-Is” value must be used. The use of an “As-Is” value may cause processing delays and valuation issues. The appraisal must include remarks in the Improvements Section detailing the scope of work</p>

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Appraisals (cont.)

- 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.
- Repair Costs \geq \$75,000: The appraiser must include in the appraisal addendum any repairs that must be made to meet fire, health and safety, and any other repairs required so the property meets Fannie Mae minimum property standards
- The Reconciliation Section of the appraisal report must be completed as “subject to”
- Repairs and bid(s) in the appraisal report must match the Work Write-Up and Cost Estimate provided by the HUD Consultant to the appraiser at time of appraisal assignment.
- Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.
- Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.
- The street scene photo must include a portion of the subject property
- 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:
 - [MLS](#), or
 - [Comps Inc.](#), or
 - [GeoData Plus](#) (NY only), or
 - [PropertyShark](#) (NY only), or
 - [StreetEasy](#) (NY only)

NOTE: Comparables from a public independent source are **only eligible** in rural areas of Maine, New Hampshire, and Vermont where MLS is **not** common
- 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.
- Comparable sales for REO properties are subject to the following:
 - HUD prefers that REO sales and pre-foreclosure sales are **not** 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.
 - 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 **never** 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).
- 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:
 - 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.
 - The appraisal must include, at minimum, two active listings or pending sales.
- At minimum, Homebridge requires the following on all properties:
 - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing
 - Any broken glass that is a health hazard must be removed and the opening closed.
- The appraiser must indicate if the utilities were on or off at the time of the appraisal. Refer to the [Utilities](#) topic for specific requirements regarding utilities.
- **Appraisal Extension:** 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.
- **FEMA Disaster Declarations:** Properties located in a Disaster Declaration area will be subject to additional appraisal review.

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Appraisal Management Companies (AMC)	<ul style="list-style-type: none"> • The following is a list of Homebridge approved AMCs: <ul style="list-style-type: none"> - ACT Appraisal Management - AMC Settlement Services - Axis Management Solutions - Fastapp Appraisal Management - Golden State AMC - Nadlan Valuation - Nationwide Appraisal Network - Nationwide Property and Appraisal Services • When ordering the appraisal the Feasibility Study, Contractor bid(s) or the Work Write Up, completed by the HUD Consultant must be provided • Purchase transactions also require the purchase contract be provided
Assumptions	Not allowed
AUS	<p>Homebridge accepts the following AUS Findings on FHA loans:</p> <ul style="list-style-type: none"> • An “Approve/Eligible” Finding, or • 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. <p>NOTE: An “Approve/Eligible” finding is required on transactions with a credit score of 620-639; manual underwriting is not allowed. Refer to the Credit Report/Scores topic for complete requirements for transactions with 620-639 credit score</p> <ul style="list-style-type: none"> • 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.
Available Markets	<ul style="list-style-type: none"> • All 50 states • Guam, Puerto Rico and the Virgin Islands are also ineligible.
Borrowers – Eligible	Refer to Homebridge FHA Program guidelines
Borrowers – Ineligible	Refer to Homebridge FHA Program guidelines
CAIVRS/LDP/GSA	<ul style="list-style-type: none"> • CAIVRS at CAIVRS <ul style="list-style-type: none"> - 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. • LDP / GSA at LDP / GSA <ul style="list-style-type: none"> - 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"> - Borrower(s) and Borrower(s) AKA name (if applicable) - Seller(s), - Real Estate Listing and Selling Agent(s), - Appraiser, - Appraisal Company (not the AMC) - Broker - Loan Officer, Loan Officer Assistant - Loan Processor, - Underwriter, - Closing/Settlement Agent, - Title/Settlement Company, and - 203(k) Consultant

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<p>Case Numbers</p>	<ul style="list-style-type: none"> • Case numbers requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: HUD Mortgagee Letters • FHA requires certification that there is an active loan application for the subject borrower and property and the time the case number is requested • 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.
<p>Contingency Reserve</p>	<ul style="list-style-type: none"> • A contingency reserve account is required to cover any health, safety and/or unplanned expenses arising from the renovation. • The contingency reserve may be financed or funded by the borrower from their own funds and is a percentage of the rehabilitation/repair costs. • The following applies to the use of contingency reserve funds post-closing (managed by Homebridge RCD): <ul style="list-style-type: none"> - Rehab/Renovation Work Complete: Unused financed contingency reserve funds may be used when the original work is complete for any additional improvements that will add value to the property that were not included in the Work Write-Up subject to the following: <ul style="list-style-type: none"> - A Change Order, detailing the additional improvements, including labor and material costs, must be provided to Homebridge RCD by the HUD Consultant prior to any materials being purchased or work started. - The borrower will be informed, in writing, of the approval or denial of the request within 5 business days of receipt by Homebridge RCD. - Rehab/Renovation Work Incomplete: Requests to use of contingency funds for improvements other than health and safety before the rehabilitation is complete may only be granted subject to the following: <ul style="list-style-type: none"> - The HUD Consultant must determine it is unlikely that any health/safety items will be discovered, and - A Change Order, detailing the additional improvements, including labor and materials costs, must be provided to Homebridge by the HUD Consultant, prior to any materials being purchased or work started, and - The additional improvements will not cause the loan to exceed 95% of the appraised value. - The borrower will be informed, in writing, of the approval or denial of the request within 5 business days of receipt • The contingency reserve is subject to the following: <ul style="list-style-type: none"> - Reserve is generally 10% to 20% of the total rehabilitation cost as established by Homebridge RCD. <p>NOTE: 15% is required if the utilities are not on or not in good working order at time of appraisal</p> • When the contingency reserve funds are financed any funds remaining at the end of the renovation process must be applied as a principal reduction • 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.
<p>Credit History</p>	<p>Refer to the Homebridge FHA Program guides for complete guidelines</p>

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Credit Report/Scores	<p>Minimum 580 credit score NOTE: New York transactions: Minimum 600 credit score required</p> <p>Credit Reports</p> <ul style="list-style-type: none"> • A tri-merged credit report is required for all borrowers • Manual underwrites only: A business credit report is required for all corporations and “S” corporations (not required with an “Approve/Eligible” finding) • The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement. • Individual Score: The representative credit score for each borrower is determined as follows: <ul style="list-style-type: none"> - If there are three (3) valid scores, the median score is used. The median score is determined by placing the 3 scores in order from lowest to highest; the median score is the middle 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"> - 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) - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used • Loan Representative Score: When there are multiple borrowers on a loan, the lowest representative credit score of all borrowers is the decision credit score. <i>Example:</i> <ul style="list-style-type: none"> - Borrower 1: Credit scores are 640, 654, 660; representative score is 654 - Borrower 2: Credit scores are 625, 625, 637; representative score is 625 <p>The loan decision score is 625 which is the lowest representative score of all borrowers</p> <p>Credit Inquiries</p> <p>The borrower(s) must address all credit inquiries indicated on the credit report within the previous 90 days, specifically stating the name of the creditor(s) and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below:</p> <ul style="list-style-type: none"> • Acceptable Response: “The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit” • Unacceptable Response: “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 not listed)
Derogatory Credit	Refer to the Homebridge FHA Program guides for complete guidelines
Down Payment / Minimum Required Investment (MRI)	Refer to the Homebridge FHA Program guides for complete guidelines
Down Payment Assistance Programs /Grants	Refer to the Homebridge FHA Program guides for complete guidelines
DTI	Refer to the Homebridge FHA Program guides for complete guidelines
Employment/Income	Refer to the Homebridge FHA Program guides for complete guidelines
Employment Verification Requirements	Refer to the Homebridge FHA Program guides for complete guidelines
Escrow/Impound Account	Required on all loans, no exceptions.

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Family Member Definition	<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"> Child (son/stepson, daughter/stepdaughter) Parent or grandparent (step-parent/grandparent or foster parent/grandparent) Spouse, or domestic partner, Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption, Foster child, Brother/stepbrother Sister/stepsister Aunt/uncle, Son-in-law, daughter-in-law, father/mother-in-law, brother/sister-in-law, grandparent-in-law of the borrower <p>NOTE: Cousins are not considered a family member by HUD</p>																														
Fees and Charges (included in rehab. costs)	<p>The following fees and charges apply, as applicable, and are included in the financeable rehabilitation costs:</p> <ul style="list-style-type: none"> Labor and materials cost for the rehab/renovation Contingency reserve (10% to 20% of the total renovation cost) Appraisal fee Inspection fees (applies to each draw – maximum 5) Permit fee(s). Architectural and engineering fees Final Title Update fee Consultant fees* (refer to chart below) Discount points on repair costs and fees <table border="1" style="margin-left: 40px; border-collapse: collapse; width: 80%;"> <thead> <tr style="background-color: #ADD8E6;"> <th colspan="2" style="text-align: center;">Consultant Fees*</th> </tr> <tr style="background-color: #D3D3D3;"> <th style="text-align: center;">Renovation Cost</th> <th style="text-align: center;">Fee</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">\$5,000 - \$7500</td><td style="text-align: center;">\$400.00</td></tr> <tr><td style="text-align: center;">\$7501 - \$15,000</td><td style="text-align: center;">\$500.00</td></tr> <tr><td style="text-align: center;">\$15,001 - \$30,000</td><td style="text-align: center;">\$600.00</td></tr> <tr><td style="text-align: center;">\$30,001 - \$50,000</td><td style="text-align: center;">\$700.00</td></tr> <tr><td style="text-align: center;">\$50,001 - \$75,000</td><td style="text-align: center;">\$800.00</td></tr> <tr><td style="text-align: center;">\$75,001 - \$100,000</td><td style="text-align: center;">\$900.00</td></tr> <tr><td style="text-align: center;">\$100,001 and up</td><td style="text-align: center;">\$1,000.00</td></tr> <tr style="background-color: #ADD8E6;"> <th colspan="2" style="text-align: center;">Additional Consultant Fees</th> </tr> <tr> <td style="text-align: center;">Feasibility Study (if requested)</td> <td style="text-align: center;">\$100.00</td> </tr> <tr> <td style="text-align: center;">Draw Inspection Fee (per draw)</td> <td style="text-align: center;">Reasonable and customary for area; not to exceed \$350</td> </tr> <tr> <td style="text-align: center;">Change Order Fee</td> <td style="text-align: center;">\$50.00</td> </tr> <tr> <td style="text-align: center;">Re-Inspection Fee</td> <td style="text-align: center;">\$50.00</td> </tr> <tr> <td style="text-align: center;">Mileage Fee</td> <td style="text-align: center;">If consultant business > 15 miles from subject property the current mileage rate allowed by the IRS may be charged</td> </tr> </tbody> </table> <p style="margin-left: 40px;">*An additional \$25.00 per unit applies</p>	Consultant Fees*		Renovation Cost	Fee	\$5,000 - \$7500	\$400.00	\$7501 - \$15,000	\$500.00	\$15,001 - \$30,000	\$600.00	\$30,001 - \$50,000	\$700.00	\$50,001 - \$75,000	\$800.00	\$75,001 - \$100,000	\$900.00	\$100,001 and up	\$1,000.00	Additional Consultant Fees		Feasibility Study (if requested)	\$100.00	Draw Inspection Fee (per draw)	Reasonable and customary for area; not to exceed \$350	Change Order Fee	\$50.00	Re-Inspection Fee	\$50.00	Mileage Fee	If consultant business > 15 miles from subject property the current mileage rate allowed by the IRS may be charged
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Financed Properties	Refer to the Homebridge FHA Program guides for complete guidelines
Fund Disbursement	<p>Funds are established by the consultant, and disbursement, as applicable, is as follows:</p> <ul style="list-style-type: none"> • Maximum of 5 disbursements (draws). 10% is withheld from each draw. Draws are released once an acceptable inspection has been completed and a title update is issued. • Architectural/ engineering fees and inspection permits are considered “soft costs” and funds are released within 5-7 business days of receipt of the final signed doc package by Homebridge Post Closing department. Invoices are required. • Up to 50% of the material costs can be disbursed directly to the manufacturer for custom ordered materials (e.g. cabinets, flooring, windows, etc.) when authorized by the HUD Consultant • An initial draw of 100% of the documented material costs may be allowed as follows: <ul style="list-style-type: none"> - Materials prepaid in cash by the borrower (payment must be in the form of a check or debit card for materials; initial draw for reimbursement is not allowed if credit card used for payment), or - In cases where the contractor has placed and paid for an order with a supplier and/or manufacturer for delivery at a later date. A valid contract for the order and a signed statement from the borrower, authorizing initial disbursement to the contractor, is required. • An initial draw of 50% for documented material costs may be allowed as follows: <ul style="list-style-type: none"> - Materials ordered but not yet paid for by the borrower, or - Materials ordered but not paid for by the contractor with a supplier for delivery at a later date. A valid contract for the order that includes the contractors name and the subject property address and a signed statement from the borrower, authorizing initial disbursement to the contractor, is required. If not authorized, the check will be made payable to the borrower and contractor • If a borrower is in a forbearance plan, and the borrower is meeting the terms of the plan, the loan is not considered delinquent, and funds will continue to be disbursed from the escrow account <ul style="list-style-type: none"> - If the borrower is delinquent and/or not meeting the terms of the forbearance agreement, repair escrow funds may be withheld • Any excess funds 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
Gift Funds	Refer to Homebridge FHA guidelines for eligibility.
Gift of Equity	<ul style="list-style-type: none"> • Allowed from an immediate family member only. Refer to the Family Member Definition topic for HUDs definition of a family member. Identity of Interest applies • A gift letter must be provided that includes: <ul style="list-style-type: none"> - The donor’s name, address, and telephone number, - The donor’s relationship to the borrower, - The dollar amount of the gift, and - A statement that no repayment is required. • The Closing Disclosure must indicate “gift of equity”

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HUD Consultant	<p>The HUD consultant must be accepted by Homebridge. The HUD consultant works directly with the borrowers, contractors and Homebridge and is responsible for the following:</p> <ul style="list-style-type: none"> • The consultant inspects the property to ensure: <ul style="list-style-type: none"> - There are no rodents, termites, dry rot, and/or other infestation, and - There are no defects that will affect the health and safety of the occupants, and - The structural, heating, plumbing, electrical and roofing systems are adequate, and - If applicable, there are upgrades to the property's thermal protection • The consultant must prepare a report on the current condition of the property that addresses all items included in HUD Handbook 4000.1 Consultant 35 Point Checklist (located within the HUD Handbook). The report must address any deficiencies that exist and certify the condition of all major systems as follows: <ul style="list-style-type: none"> - Electrical, - Plumbing, - Heating, - Roofing, and - Structural • The consultant determines any repairs/improvements that are required to meet HUD's minimum property requirements (MPR) and HUD's minimum property standards (MPS) and any local requirements. • Prepares Feasibility Study if requested by borrower or Homebridge (not required) • Prepares the Work Write-Up, Cost Estimate, and any architectural exhibits (if applicable) • Provides draw schedule • Prepares draw requests and performs draw inspections to ensure work was completed in workmanlike manner • Reports progress, unapproved deviations from Work Write-Up, work stoppages, any issues that could affect the health/safety of the occupants or the security of the dwelling, and/or any issues 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. <p>Refer to the Fees and Charges topic for HUD Consultant eligible fees.</p>
Identity of Interest/ Conflict of Interest	<p>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.</p> <ul style="list-style-type: none"> • The borrower cannot have any familial or business relationship/affiliation with any party to the 203(k) transactions including: <ul style="list-style-type: none"> - 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 or authorized representative of the lender. • Both the borrower(s) and consultant 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. <p>Conflict of Interest</p> <ul style="list-style-type: none"> • 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)

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<p>Improvements - Eligible</p>	<p>The 203(k) Standard program can be used to finance painting, room additions, decks, etc. even if the home does not require other improvements.</p> <p>All health, safety and energy conservation items must be addressed prior to completing general home improvements.</p> <p>Items eligible include, but are not limited to:</p> <ul style="list-style-type: none"> • Major structural alterations/additions (attached room/garage additions, finish attics/basements, repair of termite damage); Additions to the existing structure, any energy improvements must meet or exceed local codes and the requirements of the 2006 International Energy Conservation Code (or a successor energy code standard adopted by HUD). The addition cannot require a zoning change or variance <p>NOTE: Additions to a manufactured home are not eligible</p> <ul style="list-style-type: none"> • Demolishing/tearing down and rebuilding a home provided the entire existing foundation is used within the footprint of the new structure • Repairing/ reconstructing elevating the existing foundation provided the original structure remains in place • Changes to improve function/modernization (bath/kitchen remodel) • Converting single family to multi-family dwelling or from a multi-family to single family <p>NOTE: Loans converting from a single unit to multiple the loan amount is based on the property's current number of units (e.g. converting from 1-unit to 2-units max. loan amount is based on 1-unit)</p> <ul style="list-style-type: none"> • Relocation of load bearing walls, • Elimination of health/safety hazards (lead base paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing, • 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, • Major landscaping (including patios, decks, etc.) that adds permanent value to the property (Must increase the "As-Is" property value equal to the dollar amount spent on the improvement unless required to preserve the property from erosion. The appraiser must comment on the value added for these types of improvements) • Repair/replace roofing, gutters and down spouts, • Installation of new well and/or septic system • Repairs to existing swimming pool (no dollar limit) • Enhancing accessibility for a disabled person • Well/septic repair/replacement work. Must be completed prior to beginning of other repairs. <ul style="list-style-type: none"> - 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.
<p>Improvements - Ineligible</p>	<p>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"> • Barbeque pits, outdoor fireplaces or hearths • Exterior hot tubs, saunas, spas or whirlpool baths • Swimming pool installation • Tennis courts • Television satellite dishes/antennas • Dumbwaiters • Photo murals • Additions that are not attached to an existing structure • Additions or alterations to allow for commercial use • Tree trimming/removal • Generator

FHA Standard 203(k) Program Guidelines

Inspections	<ul style="list-style-type: none"> • The following inspections, if required by the appraiser and/or consultant, must be completed: <ul style="list-style-type: none"> - Termite/pest - Well or septic certification - Additional HVAC or system certifications • Additional architectural exhibits as required (plot plans, structural engineering reports, etc.) • Construction related inspections are completed by the HUD consultant (if applicable) <p>Refer to the Contingency Reserve topic for additional property inspection information</p>
Liabilities	<ul style="list-style-type: none"> • All borrower liabilities are run through DU to ensure accurate DU Findings. <p>Refer to the Homebridge FHA Program guidelines for detailed requirements</p>
Manual Underwrite	<p>Homebridge requires a manual underwrite as follows:</p> <ul style="list-style-type: none"> • Loans with a “Refer/Eligible” Finding, or • 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. <p>NOTE: Manual underwrite is ineligible on transactions with a credit score of 620-639</p> <p>Refer to the Homebridge FHA Program guidelines for complete manual underwriting requirements</p>
Manufactured Housing	<p>Manufactured housing is eligible subject to applicable manufactured housing requirements in addition to 203(k) requirements and the following:</p> <ul style="list-style-type: none"> • 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. <p>Refer to the Homebridge FHA Program guidelines for complete manufactured home requirements.</p>
Maximum Mortgage Amount	<ul style="list-style-type: none"> • Maximum 96.50% LTV • LTV is calculated using the lesser of: <ul style="list-style-type: none"> - The total acquisition cost (sales price plus total renovation cost minus excess seller contributions), or - 110% of the “After-Improved” value (condos limited to 100% of the “After-Improved” value), or - “As-is’ value + total renovation costs. • Total loan amount cannot exceed the county limits established by FHA

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Maximum Repair Costs	<ul style="list-style-type: none"> • Repair amounts \geq \$75,000 are subject to the following: <ul style="list-style-type: none"> - A Builder Risk policy is required unless there is 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. The Homebridge Concierge Department will be responsible to ensure written confirmation is received. <ul style="list-style-type: none"> - A 6 month policy is required for direct hard project costs $<$ \$100,000 - A 12 month policy is required for direct hard project costs \geq \$100,000 <p>NOTE: Builder Risk policy is always required if the mortgage payment is being financed when the home is uninhabitable during the renovation regardless of the project amount</p> <ul style="list-style-type: none"> - Contractor requirements are as follows: <ul style="list-style-type: none"> - Must have a minimum three (3) year history of performing similar projects, and - Must have been licensed and insured for the most recent 36 month (measured from application date), and - A line of credit and/or cash that covers a minimum of 25% of the direct project must be available - Soft costs (costs for architectural drawings, engineering fees, permits, etc.) are only reimbursable fees when the Homebridge Concierge Department receives copies of and approves the permits. No funds will be released from the escrow account until the permit(s) are provided. <p>NOTE: Refinance transactions require all permits and building approvals prior to loan closing/funding</p> <ul style="list-style-type: none"> - If combining HomeStyle and HomeReady and there is an accessory unit, the rental income from an accessory unit is not eligible for qualifying - The appraiser must include in the appraisal addendum any repairs that are required to meet fire, health and safety, and/or any other repairs required for the property to meet FHA minimum property standards
Mortgage/Rental History	Refer to the Homebridge FHA Program guidelines for requirements
Multiple Renovation Loans	Homebridge limits the number of open renovation loans in process to one. Multiple renovation loans in process at the same time are not allowed.
Non-Occupant Co-Borrower	Refer to the Homebridge FHA Program guidelines for requirements
Non-Purchasing Spouse	Refer to the Homebridge FHA Program guidelines for requirements
Occupancy	Owner-occupied
Prepayment Penalty	Not permitted
Products	<ul style="list-style-type: none"> • Fixed rate: 15 and 30 year terms • ARM: 5/1 Margin: 2.000; Caps: 1/1/5 <p>NOTE: Manufactured homes limited to fixed rate only. 203(h) transactions limited to fixed rate with a 30 year term</p>

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<p>Properties – Eligible</p>	<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"> • 1-unit single family residences including 1-unit properties with an accessory dwelling unit • 2-4 units • PUDs (attached/detached) • Site condos • Condos (Specific requirements apply. Refer to Property Eligibility – Condos topic for details) • Demolished homes or homes that will be torn down during the rehab process eligible if the complete existing foundation remains in place • 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 ineligible) <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>Properties - Ineligible</p>	<ul style="list-style-type: none"> • New Construction (Certificate of Occupancy was issued within the previous 12 months). N/A to 203(h) transactions • Properties not completed • Properties that will be completely torn down during the rehab process and the complete existing foundation does not remain in place • Properties currently boarded up, condemned and uninhabitable • Properties requiring a zoning change or variance • Cooperative projects • Modular homes • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Mixed Use • Farms, orchards, ranches • Rural property >10 acres. • Commercial property • Single wide manufactured/mobile homes • Manufactured home located on a leasehold estate • Manufactured home located in a condo project • Manufactured home located in senior projects • A manufactured home involving trade equity or traded manufactured home
<p>Property Eligibility - Condos</p>	<p>Condos are subject to the following:</p> <ul style="list-style-type: none"> • Condo must be located in a condominium project approved by HUD at time of case number assignment. • 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. • Maximum mortgage cannot exceed 100 percent of the “After-Improved” value. • Rehab at any one time is limited to the lesser of: <ul style="list-style-type: none"> - 5 units, or - 25% of the total number of units in the project. • The individual condo building 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 as a whole 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). • 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.

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Purchase Agreement	<p>The sales contract must include the following provisions:</p> <ul style="list-style-type: none"> • The borrower has applied for 203(k) financing, and • The contract is contingent upon mortgage approval, and • The borrower will accept any additional required improvements as determined by Homebridge
Reserves	Refer to the Homebridge FHA program guidelines for requirements
Self-Help	<p>Self-help refers transactions where the borrower completes the renovation on the property themselves. Self-help is eligible subject to:</p> <ul style="list-style-type: none"> • Homebridge RCD approval is required for borrower's doing their own work. Self-help is not allowed in the state of Texas. • Borrower must be a licensed general contractor or must provide documentation of experience in completing renovation projects <p style="padding-left: 40px;">NOTE: If state/local law requires license to complete a particular task (e.g. electrical, plumbing, etc.) the borrower must be 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"> • The borrower must have the necessary expertise and experience to perform each specific repair competently and in a timely manner • The HUD Consultant must identify each work item to be completed by the borrower on the Work Write-Up. • The borrower must submit a Work Plan detailing the work to be performed. • The loan amount must include the estimated cost of labor and materials. Funds will be released for materials only; the borrower will not be reimbursed for labor costs. Only contractors (if applicable) will be paid for labor costs. <p style="padding-left: 40px;">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"> • 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>, which must be signed by the borrower. • 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), • Any subcontractors must be licensed and insured. A maximum of three (3) subcontractors are allowed. Subcontractors may receive payments directly. • All permits must be obtained prior to commencement of work. Refinance transactions require all permits and building approvals prior to closing/funding. • Borrower/Contractor Identity of Interest/Conflict of Interest Certification Form Borrower and contractor(s) both sign (one per contractor). In the event of self-help and borrower doing all of the work, borrower signs top section and includes "N/A self-help, no contractor" in lieu of contractor signature on bottom section of form.
Seller Contributions	Refer to the Homebridge FHA program guidelines for requirements
State Restrictions	Refer to the Homebridge FHA program guidelines for requirements
Subordinate Financing	Refer to the Homebridge FHA program guidelines for requirements
Temporary Buydowns	Not allowed
Transactions - Eligible	<ul style="list-style-type: none"> • Purchase and rate/term refinance transactions • Transactions secured by 1-unit owner-occupied properties • Transactions where the work will require ≤ 6 months to complete • Transactions involving bank or Agency owned properties (HUD REO's ineligible)

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<p>Transactions – Ineligible</p>	<ul style="list-style-type: none"> • Cash-out refinance transactions • Texas Section 50(a)(6) aka Texas cash-out • Transactions secured by second home and investment transactions • Transactions where the work will require longer than 6 months to complete • Transactions involving HUD REO properties (Bank owned and other Agency owned properties eligible) • FHA Secure • Hope for Homeowners • MCC (Mortgage Credit Certificates) • FHA Section 8 loans • FHA Energy Efficient Mortgage (EEM) program • No test case loans • Transactions where the property securing the loan is subject to a private transfer fee covenant
<p>Utilities</p>	<ul style="list-style-type: none"> • Utilities must be inspected to ensure they are in proper working order unless they are being completely updated. • 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”) • When completing the Work Write-Up the HUD Consultant should allow for any repairs that may be required. <p>Utilities on at Time of Appraisal/Inspection</p> <ul style="list-style-type: none"> • Appraiser or other licensed professional (consultant, contractor, inspector, plumber, electrician, etc.) must confirm in writing that the utilities have been visually inspected and appear to be in good working order. <p>Utilities NOT on at time of Appraisal Inspection</p> <ul style="list-style-type: none"> • If utilities were not on at the time of the appraisal and the Work Write-Up does not include repairs to the utilities, Homebridge will accept alternative documentation to validate condition of utilities. <ul style="list-style-type: none"> - If home was winterized, a winterization certification indicating all utilities were working properly when turned off. - A certification by a licensed professional (consultant, contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order. - If bank or Agency owned (no HUD REOs) a copy of the home inspection from the listing report • If the utility inspection reveals utilities are not in good working order, the Work Write-Up must include detailed required repairs and the Work Write-Up must include the cost indicated on the Cost Estimate.