

RENOVATION LENDING

What you need to know and why....

T. Sami Siddiqui, Broker

NMLS # 242676, BRE #01102012

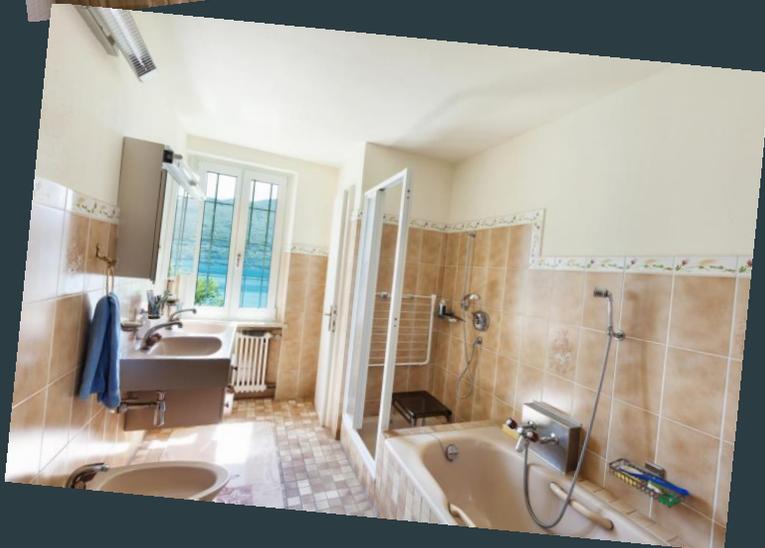
916-420-0058

sami@choice1funding.com



Before and After

ChoiceOne
Funding
We Make It Happen



FHA 203K - Eligible Repairs



- ▶ The types of improvements that borrowers may make using Section 203(k) financing include:
 - ▶ structural alterations and reconstruction
 - ▶ modernization and improvements to the home's function
 - ▶ elimination of health and safety hazards
 - ▶ changes that improve appearance and eliminate obsolescence
 - ▶ reconditioning or replacing plumbing; installing a well and/or septic system
 - ▶ adding or replacing roofing, gutters, and downspouts
 - ▶ adding or replacing floors and/or floor treatments
 - ▶ major landscape work and site improvements
 - ▶ enhancing accessibility for a disabled person
 - ▶ making energy conservation improvements
 - ▶ **they can also cover the conversion of a property of any size to a one- to four- unit structure.**
 - ▶ Check the county loan limits for 2-4 unit properties !!!
 - ▶ <https://entp.hud.gov/idapp/html/hicost1.cfm>
- ▶ One-family - \$625,500.00/HB \$271,050.00 - Standard
- ▶ Two-family - \$800,775.00/HB \$347,000.00 - Standard
- ▶ Three-family - \$967,950.00/HB \$419,425.00 - Standard
- ▶ Four-family - \$1,202,925.00/HB \$521,250.00 - Standard

HomeStyle- Eligible Repairs



- ▶ HomeStyle renovation allows for structural, non-structural and cosmetic repairs. Repairs must add value to the property and be permanently affixed. Eligible repairs include but are not limited to:
 - ▶ Major structural alterations and additions
 - ▶ Major landscaping and site improvements
 - ▶ Swimming pool repair or addition
 - ▶ Remodeling of rooms, including kitchens and bathrooms
 - ▶ Relocation of load bearing walls
 - ▶ Construction or rehabilitation of attached outbuilding structures (i.e. attached pool house or attached garage)
 - ▶ Basement finishing or waterproofing
 - ▶ Well/septic addition or repair
 - ▶ Handicapped retrofitting

HomeStyle- Luxury Repairs



- ▶ Luxury items are eligible on HomeStyle (must be permanently affixed)
 - ▶ Barbeque pits, outdoor fireplaces
 - ▶ Built in spa/sauna
 - ▶ In-ground swimming pool installation or repairs
 - ▶ Tennis courts
 - ▶ Generator
 - ▶ Solar Panels
 - ▶ Storm Shutters

Steps for Renovation Loan



1. **Borrower is pre-qualified**
 - One simple FHA or FNMA loan with a construction rider
2. **Agent locates new dream home**
 - Not the perfect house – but in the perfect LOCATION!
3. **HUD Consultant performs Feasibility Study**
 - The list of NEEDS
4. **Contractor completes bids – scope of work**
 - The list of WANTS
5. **HUD Consultant completes work write up**
 - Customized dream home
5. **Appraiser completes the appraisal based on after-improved value**
 - No Inspection failure, No fear of low appraised value

HUD CONSULTANT ROLE

Required when total rehab cost exceeds \$15,000



- ❑ HUD Consultant required to prepare Feasibility When total rehabilitation costs exceed \$15,000 or
- ❑ Consultant works for Lender but is selected by the Borrower
- ❑ HUD Approved Consultant manages the draw process:
 - Provides Feasibility Study (Work Write-Up not required on HomeStyle)
 - Provides a draw schedule/performs inspections to approve disbursements
 - Provides recommendation for Contingency Reserve amount to be established
- ❑ Consultant add a layer of protection for Borrower
- ❑ Consultant fee ranges from \$400-\$1,000 depending on the dollar amount of estimated work.
- ❑ **No Additional Cost**

Agent Role



- ❑ Help Buyer get Pre-Qualified
- ❑ Show Home
- ❑ Get offer accepted-to be safe COE to be sixty days
- ❑ Provide access to HUD Consultant, Contractor and Appraiser
- ❑ Agent plays no role during Rehab or afterword

In other words, no additional work other than what you are already doing.

Happy Closing