

203k Fact Sheet

Basic Guidelines:

- Product: FHA30F and FHA 5/1 ARM with 30 yr term
- For home purchases and credit qualifying “no cash out” refinances with appraisal
- High-balance loans are eligible for fix rate only, FULL 203k Streamline Refinance, and FULL & streamline purchase
- ALL states except – AK, HI, DC. Texas equity loans are not permitted
- Only owner-occupied properties
- Any unused funds must be applied to reduce the balance of the mortgage
- Eligible and Ineligible Property types:
 - Property must be at least average condition on subject to repair value appraisal
 - Condos- Interior rehab is permitted (no common areas)
 - Multi-family conversions is not eligible
 - Mixed-use properties are not eligible for 203k streamlines
 - 2-4 HUD REO properties are not eligible for 203k streamlines
 - New construction is NOT allowed. Must have a cert of occupancy for a min of 1 yr.
- Renovation terms:
 - Must start within 30 days of closing
 - Must be completed within 6 months of closing
- All work to be performed by qualified and experienced contractor:
 - Borrowers may not use relatives/ employers as their contractors
 - No “Self Help” is permitted
 - Limited to 3 sub-contractors or a general contractor will be required
- Repairs Estimates: Must provide written contractor estimates for all work being included in repair escrow:
 - Must include cost for labor and Materials
 - Estimate must itemize all work being included
 - All estimate amounts must match homeowner/contractor agreement and FHA consultant’s write up (if applicable- FULL 203k loans)
 - Materials or appliances estimated from box stores (Lowes, Home Depot,etc) must be accompanied by labor estimates from the contractor installing the materials
 - Must still provide a homeowner/contractor agreement
 - Exceptions: free standing appliances (free standing stove, washer, dryer)
 - Paint must ALWAYS be accompanied by labor estimate.
- Max LTV:

Property Type	Purchase		Rate and Term Refinance	
	Max LTV	Max CLTV	Max LTV	Max CLTV
1-4 Unit Primary	96.50%	96.50%	110.00%❶	110.00%❶

❶ If the property type is a condo, the max LTV/CLTV is 100.00%/100.00%

- How to calculate LTV:
 - Purchases: Divide base mortgage by the LESSER of :

- Sum of sales price plus total rehab cost cost (Line B14 on 203k max mtg worksheet); OR
 - The subject to repairs appraised value
 - Refinances: Divide base mortgage by the LESSER of:
 - Unpaid principle balance plus total rehab cost (Line B14 on 203k max mtg worksheet); not this does not include prepaids/closing costs; OR
 - The AS-IS value of the property determined by the appraiser plus the total rehab costs (Line B14 on 203k max mtg worksheet); not this does not include prepaids/closing costs; OR
 - The subject to repairs appraised value
- Max Mortgage Calculation:
 - Purchases: base mortgage amount is calculated by multiplying 96.5% times the LESSER of:
 - Sum of sales price plus total rehab costs; OR
 - 110% of subject to repairs appraised value
 - Refinances:
 - Sum of exisiting liens, total rehab cost, borrower paid closing costs, prepaids, the discount points of the prepaids cost MINUS any MIP refund; OR
 - Lesser of the sum of AS-IS value plus total rehab costs or 110% of subject to appraised value multiplied by the 97.75% LTV factor
- Debt-to-Income Ratio Guidelines: The following applies for loans that have DTI ratios above the prescribed 43% maximum, even when FHA Total Scorecard approval has been obtained.

DTI Range	Minimum FICO	Total Scorecard Approved	Compensating Factors
<= 43%	620-639	Required	2 required (from list below)
> 43% and <=50%	640	Required	2 required (from list below)
>=50%	Not permitted.		
Compensating Factors	1. Reserves (liquid or non-liquid) of at least two (2) months PITI (Gift funds may not be considered) 2. LTV <= 90% 3. Residual income >= 1.5 months PITI * 4. Payment shock of less than 25% ** 5. Documented additional income not being used to quality		

* Residual Income = Gross income less sum of housing payment and all debts. ** Payment shock = Take the amount of the new payment, minus the amount of the old payment, and then divide that number by the old payment. Example: Currently paying \$650. New payment is \$1,015. Payment shock = 56.15%.

- 203k required documents:
 - 203k Max Mortgage Worksheet
 - 203k borrower Acknowledgement- signed by borrower and LO
 - Rehab Agreement- signed by LO and borrower
 - Limited Repair Disclosure- signed by borrower (only for 203k streamlines)
 - Homeowner/contractor agreement – for each contractor (signed by borrower and contractor)
 - Draw Disclosure- signed by borrower, LO and contractor (only for 203k streamlines)
 - FHA Draw request- (required for FULL 203k loans)
 - Plan Review/ Specification of Repairs signed by FHA consultant (required for FULL 203k loans)
 - FHA Identity of Interest Certification
 - FHA Consultant Permit / Cert Doc
 - Contractor’s detailed list of repairs and costs – signed by borrower and contractor
 - Contractors’ Resume / License
 - Contractors W9
- How are fees to be disclosed on GFE:

- Supplement origination fee – greater of \$350 or 1.5% of cost of repairs should be included in the 800 origination charge and must be paid by borrower

<u>Fee</u>	<u>203k</u>	<u>203k Streamline</u>
Inspection fee of \$225	Block 3	Block 3
Architectural fee	Block 6	N/A
Engineering fee	Block 6	N/A
Consultant fee	Not on GFE	N/A
Permits	Not on GFE	Not on GFE
Supplemental origination	Block 1	Block 1
Discount points on repair costs and fees	Block 1	Block 1
Title update	Block 4	Block 4

- Program Option Eligibility Matrix

Parameter	FHA 203(k) - Standard	FHA 203(k) - Streamline
Eligible Occupancy	Owner-occupied only	Owner-occupied only
Eligible Properties	<ul style="list-style-type: none"> • 1 Family including HUD REO's • 2-4 Family including HUD REO's • Mixed Use 	<ul style="list-style-type: none"> • 1 Family including HUD REO's • 2-4 Family
Renovation Term	6 months	6 months
Repair Amounts	Minimum \$5,000; no maximum up to FHA max mortgage amount.	No minimum; maximum rehabilitation amount is \$35,000 including any fees not paid out-of-pocket. (Line B14 of the MMW cannot exceed \$35,000)
Repair Types	<ul style="list-style-type: none"> • Structural and non-structural. • Landscaping or site amenities. • No outbuildings. 	<ul style="list-style-type: none"> • Non-structural only. • No landscaping or site amenities. • No outbuildings.
Plan Review / Specification of Repairs	<ul style="list-style-type: none"> • Required by HUD Consultant. • The Consultant's work write-up must be detailed and include estimates for labor and materials. • The Underwriter must be satisfied that the estimates provided by the borrower are in-line with the Consultant's. The higher of the two should be used in calculating the maximum mortgage. 	No plan review or Consultant required.
Contingency Reserve	<ul style="list-style-type: none"> • 15% minimum required. • If Consultant quotes > 15%, the higher amount must be used. • Underwriter has discretion to impose a higher figure. 	<ul style="list-style-type: none"> • 10% minimum required. • 15% required if utilities not on or if property is vacant. • Underwriter has discretion to impose a higher figure.
Draw Disbursements	<ul style="list-style-type: none"> • Consultant inspects property and identifies the percentage of work complete to date. • Maximum 5 draws. • 10% holdback on each disbursement. • Checks cut in contractor and 	<ul style="list-style-type: none"> • First draw limited to 50% of total repair costs, including labor. • Maximum 2 draws. • No holdbacks. • Checks cut in contractor and borrower's names.

	borrower's names.	<ul style="list-style-type: none"> • No more than 2 draws per specialized contractor.
Inspections and Title Updates	<ul style="list-style-type: none"> • Inspections are required prior to each disbursement. • Two bringdowns performed: one at 50% of renovation dollars advanced and one at final draw 	<ul style="list-style-type: none"> • For inspections, case-by-case depending on the number of contractors • Certificates from municipalities are acceptable in lieu • Only 1 bringdown at final draw is performed
Homeowner-Contractor Agreements	Required for each contractor.	Required for each contractor.
Mortgage Payment Reserve	Up to 6 months of PITI can be financed, if the home is not habitable during renovation.	Borrower must move into property within 30 days of closing. Mortgage payments may not be escrowed.