

FHA 203K Program Sheet- updated 7/14/20

	Standard 203K	Limited 203K
Draws	5 total draws allowed	Maximum of 2 draws per contractor
Minimum repair amount	\$5,000	\$0
Maximum repair amount	Maximum loan limits are the cap	\$35,000 (including repairs and financed expenses)
Some of the allowable repairs	Conversion of a single structure to up to four family or vice versa, reconstruction of a demolished structure, repairing foundation, making structural alterations like adding a room or garage, modernization, repairing or replacing plumbing, heating, AC and electrical systems, new roof, creating accessibility for person with disabilities, remodeling rooms where walls are moved	Uncomplicated rehab such as repair or replace well or septic, new roof, fence, walkway or driveway, new appliances, repair in-ground pool, installing decks, patios, porches, new kitchen cabinets, replace flooring, upgrade plumbing or electrical, exterior & interior painting, lead based paint stabilization or abatement, basement finishing & remodeling, basement waterproofing
Some of the not eligible repairs	Recreational or luxury improvements, additions or alterations to support commercial use	Major repair or remodeling involving any structural repairs, recreational or luxury improvements, landscaping, additions or alterations to support commercial use
Mortgage Payments	If home is uninhabitable during construction, up to 6 months of payments can be escrowed, must be approved by the underwriter (need proof of alternative living arrangements)	Not allowed
Consultant	Required	Not required but allowed
Builder / Contractor	Borrower to select general licensed contractor	Borrower can select specific contractors per job or a major chain store to do the work

Additional Information

Eligible Properties	One to four unit single family structure
Ineligible Properties	Manufactured Home, Condominium
Credit Score	630 Min Score
Occupancy	Owner Occupied only
AUS	Run through FHA TOTAL SCORECARD through LPA or DU - Approve/Eligible, manual underwrite not allowed
Max DTI	43% with AUS approval, no exceptions
Net Disposable Income	Must follow internal net disposable income guidelines
Job Stability COVID overlay	If job at hotels, airplane, airports, retail or any position in restaurant industry then must be employed for 90 days without gaps, furlough or layoff. No exceptions.
Term	15, 20 or 30 year fixed rate only
Max Loan amount	Based on FHA loan limits at https://entp.hud.gov/idapp/html/hicostlook.cfm
Purchase Calculation of Max Ln Amt	96.5% of the lesser of the adjusted "as-is" value plus all financeable repair costs and financeable fees OR 110% of the "subject to" value
Refinance Calculation of Max Ln Amt	97.75% of the lesser of the adjusted "as-is" value plus all financeable repair costs and financeable fees OR 110% of the "subject to" value
Mortgage Insurance Premium	Same UFMIP and monthly MIP as that standard 203B program
Funds to Close/Reserves	Gifts allowed per FHA guidelines, buyers cannot receive any cash back, reserves not required
Sales contract	Amendatory clause not required but sales contract must include provisions that the borrower has applied for 203K financing and that the contract is contingent upon mortgage approval and the borrower's acceptance of additional required improvements determined by the mortgagee
Self Help	Not allowed
Builder/Contractor Acceptance	Completed and approved prior to the appraisal being performed
Builder/Contractor Acceptance Criteria	Must be full time in the construction business, in business for 3 years, vendor references must be current, & business credit report will be ordered
Appraisal	Ordered after all bids are approved by the borrower, contractor and Equity. Appraisal must be subject to completion of repairs listed in the approved bid and the appraiser to indicate "as is" value as well as "subject to" value
Pricing	Price the loan in the pricing engine - choose product type - reno/rehab, Lock using 30 days pricing plus .75 to rate
Escrows at funding	The total rehab escrow will be deducted at funding. Full financing and payments begin using the full loan payments at closing
203K fees	\$1425 processing fee, \$550 underwriting fee, Inspection fees (per draw) \$150 each, Title update fees (per draw) \$100 each, Consultant fees, Architectural fees, Permit fees, Feasibility Study
Draw Fees	Title \$100, Appraisal \$150 to be collected and financed into the loan amount and escrowed at closing, subject to consultant if a consultant is required
Contingency Reserve	Minimum of 10% required if utilities are on during appraisal inspection or 15% if the utilities are not on
Repair Time frame	Repairs must be completed in 6 months or less
Cost Overruns	Any and all cost overruns are the responsibility of the borrower.
Title / Closing Agent	An approved title company or closing attorney must perform the closing, title updates are required at each draw (if warranted) and a final title update assuring first lien position is required.
POA	POA's are not permitted
LO COMP	Must be employed at Equity Resources when loan modifies or refinances. If not then repay LO comp in last pay with us. (If any construction or renovation loans are in the pipeline on last day, then LO comp will be deducted from final pay.)