



## Qualifying The Borrower

1. Do you have a property in mind?
2. What kind of work do you want done to the house?
3. How much approximately do you think that will cost?
4. Do you have someone in mind to do the work? (make sure they don't say themselves or my cousin Joe!)
5. What program works for this borrower – standard 203K or 203K Limited?

## Determine the Maximum Loan Amount

### Go Forms - FHA Management – Prequalification Tab

- Check the box for 203K
- Choose SOA (Section of the Act) – 203K

### Go to Forms – FHA Management – FHA 203K Tab

- Check box for 203K Limited (if it is)

#### • Step 1:

1. Enter in Cost of Construction, repairs and rehab
  - ▶ Click on **Copy to Alterations**
2. Enter in fees on 1 to 7 to match the 2015 Itemization
  - ▶ Financeable Contingency Reserves – usually 10% of item on **line A**
  - ▶ Financeable Mortgage Payment Reserves – up to 6 months
  - ▶ D1 – Lock this box and leave it blank

#### • Step 2:

##### ▶ **Purchase instructions:**

1. On Line B – enter in any inducements to purchase
2. On Line D – enter the As-Is Property value (if one is obtained)
3. On Line F – enter the estimated appraisal value (subject to)

##### ▶ **Refinance instructions:**

1. Enter in existing debt being paid off
2. Enter in total of fees from DOT e and f and g (include prepaids, closing costs and MIP) – subtract out any fees that are in section A
3. Enter in the AS-IS appraisal value
4. Enter in the After Improved Value on line G– the Subject to Appraisal value

#### • Step 3:

- ▶ Enter in the Nationwide Mortgage Limit

#### • Step 4:

- ▶ Energy Efficient Improvements – if any
- ▶ Solar Energy System – if any
- ▶ Click on **Copy to Base Loan amount** – every time a change is made then go to the **1003 P3** and choose **GET MI** so the MI gets updated based on the new loan amount.

#### • Step 5:

- ▶ Nothing

#### • Step 6:

- ▶ This will get completed by the construction processor once they have reviewed all the plans and costs.
- ▶ Only enter in Contingency reserves in Step 1 item B OR enter here. Do not enter both places

- Go to the 2015 Itemization and enter in the Contingency Reserves on line 812

# FHA 203K Cheat Sheet

## To Set Up The File

Loan Template – **FHA**

Loan Program – **FHA 30 Year Fixed Rate**

Closing Cost Template by State – **OH-203K FHA**

Purpose of Loan

- **Refinance** – choose **Cash-Out** & Purpose of Refinance —**Cash-Out Home Improvement**
- **Purchase** — choose **Purchase**

Enter in the estimated loan amount

Complete the rest of the application

- Including hazard and taxes so that fees are accurate
- **Get MI** so that MI shows up in fees and payment
- Update the 2015 Itemization to be accurate with any additional 203K fees

## Review The Program With The Borrower:

- Review program terms with the borrower after you fill out the FHA management screen
  - ▶ Approximate payment based on estimate of work completed, interest rate, terms
- Payment is fully amortizing during rehab process
- Explain the process of the 203K loan
- Explain must have a contractor to do the work
- Time to get to closing (60 day contract)
- Draws occur after closing and not before
- Require contingency reserves – borrower can bring that money to closing or can finance into the loan amount, need to know upfront to accurately calculate the maximum mortgage amount
  - ▶ 10% when utilities are on during appraisal inspection
  - ▶ 15% when utilities are off during appraisal inspection
  - ▶ If the borrower established the contingency reserve with their own funds, the money can be returned after the final draw OR applied to principal.
  - ▶ If the borrower finances the contingency reserve, the money must be applied to principal after the final draw.
- Possible to finance up to 6 months of mortgage payments if the home will be uninhabitable during rehab work.
  - ▶ This is only for the time the house is not habitable
  - ▶ Need to know upfront to accurately calculate maximum mortgage amount
  - ▶ Financed mortgage payments are not allowed on a Limited 203K