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STANDARD Primary Residence 1-4 Unit				
PURPOSE	MAX LTV	MAX CLTV	LOAN AMOUNT	MINIMUM FICO
Purchase	96.50%	105.00%[1]	FHA Limit	550[2]
Rate/Term	97.75%	97.75%	FHA Limit	550[2]
Cash-Out	N/A	N/A	N/A	N/A

LIMITED Primary Residence 1-4 Unit				
PURPOSE	MAX LTV	MAX CLTV	LOAN AMOUNT	MINIMUM FICO
Purchase	96.50%	105.00%[1]	FHA Limit	550[2]
Rate/Term	97.75%	97.75%	FHA Limit	550[2]
Cash-Out	N/A	N/A	N/A	N/A

FHA Mortgage Limits

Footnotes

[1] CLTV's ≥100.01% limited to government approved programs (i.e. Federal, State or Local Government Agencies). When secondary financing is provided by government agencies, the secondary lien must be made or held by the eligible government body or instrumentality.
- ✧ The monthly payments under the insured mortgage and second lien, plus housing expense and other recurring charges cannot exceed the Borrower's ability to repay.
- ✧ CLTV may not exceed 100% when financing is provided by an individual or financial institution.

[2] See FHA FICO Overlay Matrix located at www.remnwholesale.com

FHA Loan Limits 2016 - 2017

(Case number issued in calendar year)

Low Cost Area "Floor"			High Cost Area "Ceiling"		
	2016	2017		2016	2017
1 Unit	$271,050	$275,665	1 Unit	$625,500	$636,150
2 Unit	$347,000	$352,950	2 Unit	$800,775	$814,500
3 Unit	$419,425	$426,625	2 Unit	$967,950	$984,525
4 Unit	$521,250	$530,150	4 Unit	$1,202,925	$1,223,475

Overview

- ✧ A 203(k) loan deals specifically with the property and the maximum mortgage calculation. The "borrower" review regarding credit, income and assets are the same as a FHA 203(b). See FHA Product Guidelines found on REMN WS Website for credit, income and asset guidelines.
- ✧ REMN WS follows the HUD Handbook 4000.1 except as stated in these guidelines.

II. Origination Through Post-Closing/Endorsement
A. Title II Insured Housing Programs Forward Mortgages
8. Programs and Products – 203(k) Rehabilitation Mortgage Insurance Program

Renovation Concierge Services

- ✧ All correspondence with the Renovation Concierge Service Department can be made using the Renovation Concierge Service Help Desk

RCS Contractor Database

The Renovation Concierge Services will be responsible for maintaining a Validated Contractor List on REMNWholesale.com under the "Resources" tab. In addition RCS will keep a master of previously accepted/validated contractor documentation, such as; license, insurance, contractor acknowledgement and W9.
- ✧ RCS will upload the common documents into BlitzDocs.
- ✧ RCS will be responsible for updating any expired licenses or insurance certificates.

Occupancy

- ✧ Owner Occupied

Borrower Eligibility

- ✧ The Borrower must meet the eligibility requirements found in the Types of Borrowers section of the FHA Product Guidelines found on REMN WS Website.

Eligible Transactions

- ✧ All health and safety issues must be addressed through the renovation process, or prior to closing if they will not be included in the repairs.

LDP/GSA/CAIVRS

- ✧ Standard REMN WS guidelines apply; refer to FHA Product Guidelines for details.

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PROGRAM OVERVIEW		
Temp Buy Down	✧ Not Permitted	
Assumptions	✧ Permitted	
Escrow / Impounds	✧ Required. NOTE: it is acceptable to use the current tax amount for qualification purposes, rather than the property assessed value upon completion of the renovation work.	
Terms Offered	✧ Fixed Rate ✧ 5/1 ARM	
Mortgage Insurance Premium	✧ Upfront and monthly mortgage insurance premiums will be calculated according the current FHA Policy.	
Prepayment Penalty	✧ Not Permitted	
Number of Properties Financed with REMN WS	✧ Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. Exceptions may be granted on a case-by-case basis with REMN Wholesale management approval. A price adjustment may apply. ✧ No multiple simultaneous loan submissions allowed if contingent to qualify. ✧ REMN limits its exposure to a maximum of 4 loans per borrower	
Number of Open Renovation Loans with REMN WS	✧ Borrower(s) are limited to one (1) open renovation loans in process at any given time with REMN WS.	
Property Condition	**STANDARD**	**LIMITED**
	✧ Homes that are currently boarded up, condemned and uninhabitable will require a second review. The second level review must be completed by the Sr. Credit Manager prior to issuance of loan approval.	✧ Homes that are currently boarded up, condemned and uninhabitable are *not* eligible under the Limited 203(k) program.

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PROGRAM OVERVIEW

Homeowners Insurance

- Hazard Insurance
  - Follow standard REMN WS Insurance Requirements.
- All Risk Insurance (Builders Risk)
  - With physical loss form endorsement and mortgagee's loss payable clause equal to 100% of the full replacement costs of improvements, public liability insurance, workmen's compensation insurance (as required by applicable state law) and automobile liability insurance.
  - Must cover a 6 month period to cover property during renovations, minimum coverage amount required equal to or greater than the after–improved value.
- Flood Insurance
  - Follow standard REMN WS Insurance Requirements.
- Title Insurance
- Title Policy must cover the full amount of the recorded mortgage, must be dated concurrently with the recordation of the mortgage and must be updated to the date on which the renovation work is completed.

Property Types

PROPERTY	STANDARD	LIMITED
Primary Residence	Yes	Yes
Second Home	No	No
Investment	No	No
1-2 Unit	Yes	Yes
3-4 Unit	Yes[1]	Yes
PUD	Yes	Yes
Condo[2]	Yes	Yes
New Construction[3]	No	No
Mixed Use[4]	Yes	No
Co-Operatives	No	No
Manufactured Housing	No	No

[1] Convert a 1-Family dwelling into a 2, 3 or 4-Family dwelling as well as an existing multi-family being decreased to a 1-4 Family dwelling.
Maximum Mortgage cannot exceed 100% of the After-Improved value. See Condo Units in these guidelines for further detail.

[2] New Construction is not eligible; properties MUST have CO issued for at least one (1) year.
Demolished homes or homes that will be torn down during the rehab process are eligible provided a

[3] complete existing foundation is in place.
Repairing, reconstructing or elevating an existing foundation where the structure will not be demolished or torn down is acceptable, providing that the original structure remains intact. Additions to the structure: Any addition of a structure unit must be attached to the existing structure. All newly constructed additions the energy improvements must meet or exceed local codes and requires of the 2006 International Energy Conservation Code or a successor energy code standard that has been adopted by HUD through a Federal Register notice.
Site improvements such as landscaping, patios, decks, etc. must increase the As Is Property Value equal to the dollar amount spent on the improvements or be necessary to preserve the property from erosion. Appraiser will need to comment on the value added for these types of improvements.

[4] Mixed Use (Standard only):
- Additional FHA guidelines apply as detailed in FHA Handbook 4000.1
- All appraisals must be reviewed by either the Chief Appraiser or the Chief Credit Officer to determine the acceptability of the collateral and neighborhood.
- Properties with business such as dry cleaners, gas stations and auto repair shops are not permitted.
- Although not limited to these, professional use and "light retail" are preferred mixed-use types

3-4 Unit (Limited) – a feasibility study is required.

Lava Zone Properties

- Not eligible for properties located in Lava Zones 1 & 2
- No restrictions for properties located in Lava Zone 3 or higher.

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<table>
<tr><th colspan="3">PROGRAM OVERVIEW</th></tr>
<tr><td>Property Eligibility</td><td colspan="2">
✧ The property must be an existing property that has been completed for at least one (1) year prior to the case number assignment date. If REMN WS is unsure whether the property has been completed for at least one (1) year, REMN WS must request a copy of the Certificate of Occupancy (CO) or equivalent.
✧ A property that is not eligible for a 203(b) Mortgage due to health and safety or security issues may be eligible under 203(k) if the rehabilitation or repair work performed will correct such issues.
✧ A property with an existing 203(k) Mortgage is not eligible to be refinanced until all repairs are completed and the case has been electronically closed out.
The following property types may be financed:
✧ A 1-4 Unit Single Family Structure;
» The Sales Contract must include a provision that the Borrower has applied for 203k financing and the contract is contingent upon mortgage approval and the Borrower's acceptance of additional required improvements as determined by the Mortgagee.
✧ An individual condominium unit, meeting the following requirements:
» The unit must be located in an FHA-approved Condominium Project and must comply with all other requirements for condominiums;
» Rehabilitation or improvements are limited to the interior of the unit, except for the installation of firewalls in the attic for the unit;
» No more than five units per condominium association, or 25% of the total number of units, whichever is less, can undergo rehabilitation at any time; and
» After rehabilitation is complete, the unit is located in a structure containing no more than four (4) units. For townhouse style condominiums, each townhouse is considered as one structure, provided each unit is separated by a one and one-half hour firewall from foundation to roof;
✧ Site Condominium unit; and
✧ HUD Real Estate Owned (REO) Property:
» Property is identified as eligible for 203(k) financing as evidenced in the sales contract or addendum.
</td></tr>
<tr><td rowspan="2">Ineligible Properties</td><th>STANDARD</th><th>LIMITED</th></tr>
<tr><td>✧ Homes where final Certificate of Occupancy was issued within the past 12 months
✧ Homes never completed</td><td>✧ Homes where final Certificate of Occupancy was issued within the past 12 months
✧ Homes never completed</td></tr>
<tr><td>Types of 203(k) Rehabilitation Mortgages</td><td colspan="2">
There are two types of 203(k) rehabilitation Mortgages: Standard 203(k) and Limited 203(k), as described below. The guidance is applicable to both Standard 203(k) and Limited 203(k) Mortgages unless noted otherwise.
✧ To purchase a dwelling and the land on which the dwelling is located and rehabilitate it.
✧ To refinance existing indebtedness and rehabilitate such a dwelling.
STANDARD 203(k)
✧ May be used to accomplish rehabilitation and/or improvements of an existing 1-4 unit dwelling.
✧ There is a minimum repair cost of $5,000 and the use of a 203(k) HUD Consultant is required.
LIMITED 203(k)
✧ May only be used for minor remodeling and non-structural repairs of an existing 1-4 unit dwelling.
✧ Does not require the use of a 203(k) Consultant, but a Consultant may be used.
✧ The total rehabilitation cost must not exceed $35,000. There is no minimum rehabilitation cost.
</td></tr>
</table>

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<table>
<tr><th colspan="3">PROGRAM OVERVIEW</th></tr>
<tr><td>Ineligible Transactions</td><td colspan="2">
✧ Transactions resulting in cash back to the borrower.
✧ Texas Refinance Section 50(a)(6) – if renovation loan funds will be paying off the balance of an existing cash-out refinance loan, the renovation is considered a Section 50(a)(6) loan and state regulations would prohibit the lender from controlling the disbursement of funds.
✧ Loans where a borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status.
✧ Mortgage Credit Certificate (MCC)
✧ Identity-of-Interest / Conflict of Interest transactions.
» IOI/COI transactions are ineligible; however sales transactions between Family Members are permitted. The Mortgagee must ensure there are no other instances of Identity of Interest of Conflict of Interest between parties in the 203(k) transaction.
</td></tr>
<tr><td></td><td>STANDARD</td><td>LIMITED</td></tr>
<tr><td></td><td>
✧ Work requiring longer than six (6) months to complete
✧ Renovations requiring more than five (5) draw payments
</td><td>
✧ Work requiring longer than six (6) months to complete
✧ Renovations requiring more than two (2) draw payments per contractor
✧ Purchase of a dwelling on another site, move in onto a new foundation on the mortgaged property and rehabilitate it.
✧ Rehabilitations that are considered structural and/or require detailed drawing, architectural exhibits, special permits, etc.
✧ Any repair that prevents the borrower from occupying the property for more than 15 days during the rehabilitation period is not eligible.
</td></tr>
<tr><td>Case Number Assignment Data Entry Requirements</td><td colspan="2">
Case Number Assignment Data Entry Requirements
✧ In order to request a case number for a 203(k) Mortgage, REMN WS must enter the following information:
203(k) Program Type Indicator
✧ REMN WS must select either Standard 203(k) or Limited 203(k) as the program type.
Consultant Identification Number
✧ REMN WS must enter the Consultant identification number into the “Consultant ID” field on the “Case Number Assignment” screen in FHA Connection. For a Limited 203(k) with no Consultant, REMN WS must enter “203(k)S” in the “Consultant ID” field.
Automated Data Processing Code
✧ REMN WS must enter the appropriate 203(k) Automated Data Processing (ADP) code.
Construction Code
✧ REMN WS must enter “Substantial Rehabilitation” in the drop-down menu labeled “Construction Code.”
Refinance Type
✧ For a refinance transaction, REMN WS must select “Not Streamlined” in the drop-down menu labeled “All Refinances.”
Converting From a Non-203(k) to a 203(k) Mortgage
✧ If REMN WS had originally requested the case number assignment for a non-203(k) Mortgage, REMN WS must update the existing case data in the “Case Number Assignment” screen, changing the ADP Code to a valid 203(k) ADP Code and the “Construction Code” to “Substantial Rehabilitation.”
</td></tr>
</table>

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<table>
<tr><th colspan="3">PROGRAM OVERVIEW</th></tr>
<tr><td>FHA Connection</td><td>STANDARD</td><td>LIMITED</td></tr>
<tr><td></td><td>✧ To obtain a 203(k) Consultant ID
» Log into FHA Connection
» Single Family Origination
» FHA Approved List
» 203(k) Consultant
» Enter Consultants name or search for a Consultant by state
✧ 203(k) – 702 First Lien
✧ 203(k) – 807 Energy Efficient Mortgage
✧ 203(k) – 804 Condominiums</td><td>✧ 203(k) Consultant ID – Enter ID previously obtained from search
✧ 203(k) – 702 First Lien
✧ 203(k) – 807 Energy Efficient Mortgage
✧ 203(k) – 804 Condominiums</td></tr>
<tr><td>203(k) Required Special Forms & Disclosures</td><td colspan="2">The following required forms and documents are available in Encompass (this is the <u>preferred method</u> for obtaining) as well as HomeBase; if obtaining documents through HomeBase; manual input will be required. Encompass will prefill the forms with the information in the loan file.</td></tr>
<tr><td></td><td>STANDARD</td><td>LIMITED</td></tr>
<tr><td></td><td>203(k) Borrowers Acknowledgement</td><td>203(k) Borrowers Acknowledgement</td></tr>
<tr><td></td><td colspan="2"><u>203(k) Borrowers Acknowledgement</u>:
✧ Borrower must complete Loan Requirements section indicating how they want the interest paid on the Rehabilitation Escrow Account to be released (this information must also be input on the 203(k) Max Mortgage WS).
Loan Requirements
▪ I understand at the time of the loan closing of an FHA-insured 203(k) Rehabilitation Loan, for which I have applied to my lender, the proceeds designated for the rehabilitation or improvement (including a contingency reserve, mortgage payments and any other fees, where applicable) are to be placed in an interest bearing escrow account. The Rehabilitation Escrow Account is not, nor will it be treated as an escrow for the paying of real estate taxes, insurance premiums, delinquent notes, ground rents or assessments. I hereby request the lender, after the Final Release Notice is issued, to:
☐ Pay the net interest income directly to me/us.
☐ Apply the net interest income directly to the mortgage principal balance for an equal amount of principal reduction.
☐ Other:_____</td></tr>
<tr><td></td><td>203(k) Maximum Mortgage Worksheet</td><td>203(k) Maximum Mortgage Worksheet</td></tr>
<tr><td></td><td>Borrowers Identity-of-Interest Certification</td><td>Borrowers Identity-of-Interest Certification</td></tr>
<tr><td></td><td>Contractor's Identity-of-Interest</td><td>Contractors Identity-of-Interest</td></tr>
<tr><td></td><td>Homeowner / Contractor Agreement</td><td>Homeowner / Contractor Agreement</td></tr>
<tr><td></td><td>Homeowner / Contractor 203(k) Certification</td><td>Homeowner / Contractor 203(k) Certification</td></tr>
<tr><td></td><td>Contractor Acknowledgement Consultant 203(k)</td><td>Contractor Acknowledgement LIMITED 203(k) 203(k)</td></tr>
<tr><td></td><td>W9</td><td>W9</td></tr>
<tr><td></td><td>Contractor Profile Report</td><td>Contractor Profile Report</td></tr>
<tr><td></td><td>Mortgage Payment Disclosure</td><td>N/A</td></tr>
<tr><td></td><td>Consultant Identity-of-Interest Certification</td><td>N/A</td></tr>
<tr><td></td><td>Interest Rate on 203(k) Repair Escrow Account – Closing Document</td><td>Interest Rate on 203(k) Repair Escrow Account – Closing Document</td></tr>
</table>

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PROGRAM OVERVIEW		
STANDARD vs LIMITED	**STANDARD**	**LIMITED**
Down Payment & Credit Underwriting	Standard REMN WS FHA Guidelines apply	Standard REMN WS FHA Guidelines apply
Who can get 203(k)	Owner Occupant Borrowers	Owner Occupant Borrower
Eligible Improvements	Minimum $5,000 requirement for improvements. Any repair acceptable; however, health and safety items and building code or ordinance violations must be addressed first. Then minor repairs and discretionary items may be included.	Minor remodeling and non-structural repairs (Eligible Repairs).
HUD Consultant	Required REMN WS must select an FHA-approved 203(k) Consultant from the FHA 203(k) Consultant Roster in FHAC. REMN WS must not use the services of a Consultant who has demonstrated previous poor performance based on reviews performed by REMN WS. The Consultant must inspect the property and prepare the Work Write-Up and Cost Estimate. A separate contractor bid is no longer required. Contractor must agree to complete the work described in the Work Write-up for the amount of the Cost estimate and within the allotted time frame.	NOT Required
What may be included in rehabilitation costs *(The loan amount including the costs of rehab cannot exceed the FHA maximum loan limit for jurisdiction.)*	Total cost of rehabilitation (including energy package and lead based paint abatement costs), Consultant Fees, Architectural/Engineering Fees, Contingency Reserves, Title Update Fee, Inspections, Up to six months PITI and Supplemental Origination Fee (REMN does not charge).	Total cost of rehabilitation (including energy package and lead based paint abatement costs), Contingency Reserves, Inspection (if required), Supplemental Origination Fee (REMN does not charge), Title Update Fee and Discount Points; not to exceed $35,000.
Contingency Reserve	REMN WS must establish a Contingency Reserve, the reserve should be between 10 – 20% of the rehab cost (minimum 15% if the utilities are not on and in good working order), as established by the HUD Consultant based on the score of the rehabilitation work.	REMN WS will establish a Contingency Reserve based on the following options: ▪ Contractor Bid only – standard 10% - 15% (determined by REMN WS) ▪ Contractor Bid and Feasibility Study – Reduced 5% - 10% ▪ Contractor Bid and Consultant SOR – as determined by HUD Consultant. If utilities are not turned on and in good working order a 15% Contingency Reserve will be required.
Contractors	A separate contractor bid is no longer required on a Standard 203(k). Only Consultant 203(k) Write-Up. Contractor must agree to complete the work described in the work write up for the amount of the Cost Estimate and within the allotted time frame. Contractor must be licensed and insured; as required by locality.	Contractor must be licensed and insured; as required by locality.
Allowable Fees	Title Update Fee, Final Inspection, Consultant fee (including mileage) and if applicable; Up to six months mortgage payments for homes where the subject property is uninhabitable, Architect/Engineering Fees and Permit Fees.	Title Update Fee, Final Inspection and Permit Fee; as applicable.

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PROGRAM OVERVIEW		
203(k) Features	**STANDARD**	**LIMITED**
	The Standard 203(k) program is designated for more complicated projects that many times require detailed plans, permits, inspections, etc., and allows Borrowers to obtain a single mortgage loan, at a long-term fixed rate to finance both the acquisition and the rehabilitation of the property. ✧ Minimum cost of rehabilitation must be at least $5,000. ✧ No maximum repair amount. ✧ HUD Consultant Required. ✧ Work must start within 30 days of closing, cannot cease for more than 30 days. ✧ Work must be completed within six (6) months of closing. ✧ Contingency Reserve 10 - 20% (determined by HUD Consultant). ✧ Maximum of five (5) draws permitted. » Refer to Disbursement Process for specifics. ✧ One (1) General Contractor allowed » Additional "Specialty Contractor permitted for very special technical items such as; pool, repair, fencing, well/septic, lead based paint, etc. contact RCS for details. ✧ Can finance up to 6 months PITI if home deemed uninhabitable by the HUD Consultant. » For 2-4 units, if one or more units are occupied, the Mortgage Payment Reserve may only include the portion of the mortgage payment attributable to the units that cannot be occupied. To calculate the amount to be included, the monthly mortgage payment must be divided by the number of units in the Property, and multiply that figure by the number of units that cannot be occupied. » The resulting figure is the amount of the mortgage payment that will be paid through the Mortgage Payment Reserve. The borrower is responsible for paying the servicing Mortgagee the portion of the mortgage not covered by the Mortgage Payment Reserve.	The Limited 203(k) program is intended to help facilitate uncomplicated improvements or repairs and may be used for discretionary repairs and/or improvements that may not have been identified in the course of a pre-purchase inspection or appraisal. ✧ No minimum rehabilitation amount. ✧ Maximum $35,000 in total rehabilitation costs. ✧ No minimum rehabilitation amount. ✧ HUD Consultant NOT Required. ✧ Work must start within 30 days of closing, cannot cease for more than 30 days. ✧ Work to be completed within six (6) months of closing. ✧ Contingency Reserve: ▪ Contractor Bid only – standard 10% - 15% (determined by REMN WS) ▪ Contractor Bid and Feasibility Study – Reduced 5% - 10% ▪ Contractor Bid and Consultant SOR – as determined by HUD Consultant ▪ If utilities are not turned on and in good working order a 15% Contingency Reserve will be required. ✧ Up to two (2) draws permitted per Contractor. » Refer to Disbursement Process for specifics. ✧ Up to three (3) Licensed Contractors allowed. ✧ Cannot finance mortgage payment.

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SPECIAL CONSIDERATION	
Specification of Repairs	✧ Details of the HUD Consultant's Work-Write Up Report (AKA Specification of Repairs) Report » Signed by Consultant, Borrower and Contractor. ▪ Contractor must also initial all pages of SOR as indication of acceptance to perform work for amounts disclosed. » Original plan/specifications for project » Describes quantity/quality of materials required » Lists market costs of materials, labor, overhead, profit » Includes adequacy of existing structural, heating, plumbing, electrical and roofing » Must demonstrate that the property will meet HUD's minimum property standards, after repairs » Contractor(s) reference the Work Write-Up to prepare bid(s) » Provides required Contingency Reserve amount » Required on all Standard 203(k) Loans
Feasibility Study	✧ A Feasibility Analysis (AKA Feasibility Study or Feasibility Site Report) serves to help Borrowers make a quick decision regarding the cost involved to renovate a property to meet HUD minimum property standards. » Completed at discretion of Borrower on both the Standard 203(k) and Limited 203(k) programs. » Not required; often used for purchase transactions. » Typical fee $250 - $350. » Reviews property for compliance for Minimum Property Standard (MPS) per HUD. » Advises if Standard 203(k) or Limited 203(k) should be utilized. » If loan progresses to Standard 203(k), cost of study typically credited towards Consultant Fee. » Often used to assist with Contractor Bids. » Required by Renovation Concierge Services on Self-Help Limited projects.
Underwriting	✧ TOTAL Mortgage Scorecard and Manual Underwriting permitted. ✧ Refer to FHA Product Description for details. ✧ REMN WS must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the subject Property is located in a community property state. The credit report must indicate the non-borrowing spouse's SSN, where an SSN exists, was matched with the SSA, or REMN WS must either provide separate documentation indicating that the SSN was matched with the SSA or provide a statement that the non-borrowing spouse does not have an SSN. Where an SSN does not exist for a non-borrowing spouse, the credit report must contain, at a minimum, the non-borrowing spouse's full name, date of birth, and previous addresses for the last two years. ✧ Government Loan Fico overlays apply. ✧ Cost of EEM energy improvements can be in addition to the $35,000 limit for a Limited 203(k) ✧ Sales transactions between family members are now permitted. ✧ FHA will not issue a new case number for any FHA to FHA Refinance where the existing Mortgage to be paid off has a Repair or Rehabilitation escrow account that has not been electronically closed out in FHAC. ✧ Added guidance to permit the combination of the Solar and Wind Technologies product with the Section 203(k) program effective for endorsements on or after March 14, 2016. ✧ REMN WS must ensure the sales contract includes provision that the Borrower has applied for Section 203(k) financing, and that the contract is contingent upon mortgage approval and the Borrower's acceptance of additional required improvements as determined by the Mortgagee.

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RENOVATION RELATED COSTS		
What's included in the Maximum Mortgage Amount	✧ The mortgage amount, when added to any other existing indebtedness against the property, cannot exceed the applicable LTV ratio and maximum dollar amount limitation as Section 203(b) loans. The down payment requirements are the same as under the Section 203(b) program. ✧ Maximum LTV varies by loan purpose; » Purchase = 96.50% » Refinance = 97.75% ✧ Condo transactions cannot exceed 100% of the After-Improved value. ✧ The Broker is responsible for indicating on the Maximum Mortgage Worksheet the number of months and monthly payments to be escrowed on the STANDARD 203(k) program at the time of submission. » The Underwriter will review the Maximum Mortgage Worksheet at time of Loan Submission and throughout the loan file to ensure the actual number of months being escrowed is confirmed by the HUD Consultant and that the final PITI payment has been captured. » New maximum base mortgage calculation worksheets for standard purchase, refinance and limited purchase refinance	
Included in Total Rehabilitation Costs	**STANDARD**	**LIMITED**
Repairs	Material & Labor	Material & Labor
Contingency Reserve	10 - 20% of Financeable Repairs, Costs and Fees (15% if utilities are not on and properly functioning) ***Established by HUD Consultant***	▪ Contractor Bid only – standard 10% - 15%* ▪ Contractor Bid and Feasibility Study – Reduced 5% - 10% ▪ Contractor Bid and Consultant SOR –as determined by HUD Consultant ****Established by REMN WS***
Inspection Fee(s)[1]	Up to 5 Inspection Fees allowed ***Completed by HUD Consultant*** ***Refer to Work Write-Up***	1 Inspection Per Contractor ***Completed by Appraiser***
Final Title Update Fee	1 Final Title Update Fee	1 Final Title Update Fee
Escrowed Mortgage Payments	Up to 6 months PITI if property is uninhabitable and approved by **HUD Consultant** ▪ If 2-4 units, see 203(k) Features	N/A
Architectural/Engineering Fee(s)[2]	Included	N/A
Consultant Fees	Included	N/A if no consultant, Included if applicable.
Permit Fees[3]	Included	Included
Discount Points	Calculated from repair costs and fees	Calculated from repair costs and fees
Supplemental Origination Fee	REMN WS does not charge a Supplemental Origination Fee	REMN WS does not charge a Supplemental Origination Fee
	[1] Inspection Fee(s) – If all inspections are not required, remaining funds will be applied to the principal balance after the Final Release Notice is issued. If additional inspections are required by REMN WS to ensure satisfactory compliance with exhibits, the Borrower or Contractor will be responsible for payment; however, REMN WS has the ultimate responsibility. [2] Architectural/Engineering Fee(s) – Borrower may finance costs incurred for these items when the HUD Consultant cannot supply them. A plot plan of the site is required only when a new addition is planned. Proposed interior plan when structural and planning changes are part of the project. Structural evaluation, examinations and reports (should be stated in the contract between the Contractor and homeowner who pays for the permits and when they should be obtained. [3] Permit Fee(s) – Costs for any and all permits can be included in the rehabilitation costs. If the Contractor has included fees as part of his overhead they should not be financed. Most HUD Consultants will provide information on permits; however, permits are not a line item or included in miscellaneous on the Work Write-Up. Very few projects do not have permits.	

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<table>
<tr><th colspan="3">RENOVATION RELATED COSTS</th></tr>
<tr><td>Contingency Reserve</td><td>STANDARD
✧ A contingency reserve is held from the loan proceeds to cover health, safety and unplanned costs that arise during construction. Percentage includes all renovation costs, excluding the supplemental origination fee.
» For structures with actual age < 30yrs
<table>
<tr><th></th><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Req'd when evidence of termite damage</td><td>10%</td><td>20%</td></tr>
<tr><td>Discretionary</td><td>No minimum</td><td>20%</td></tr>
</table>
» For structures with actual age ≥ 30yrs
<table>
<tr><th></th><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Required</td><td>10%</td><td>20%</td></tr>
<tr><td>Req'd when utilities are not operable</td><td>15%</td><td>20%</td></tr>
</table>
✧ Deposited into an interest bearing escrow account.
✧ The contingency reserve may be financed or funded by the borrower from their own funds.
» Financed – any funds remaining at the end of the renovation process must be applied as a principal reduction.
» Borrower Funded – any funds remaining at the end of the renovation process are returned to the borrower.
▪ If borrower funded; the amount must be indicated on Line 1310 of the 2010 Itemization
✧ To allow use of contingency funds for improvements other than health and safety when rehabilitation is incomplete, the Mortgagee must determine that it is unlikely that any health or safety deficiency will be discovered, and that the Mortgage will not exceed 95% of the appraised value.
✧ When the rehabilitation is complete, the Borrower may use the Contingency Reserve account to fund additional improvements not included in the original Work Write-Up.
✧ REMN WS must obtain a change order detailing the additional improvements, including the costs of labor and materials.
✧ The Mortgagee must inform the Borrower in writing of the approval or rejection of the request to use funds from the Contingency Reserve account for additional improvements within five business days.
✧ Borrower funded contingency reserve must be noted on the UW Determination so that the Closer is aware that these funds are to be collected from the borrower.</td><td>LIMITED
✧ A contingency reserve is held from the loan proceeds to cover health and safety costs that arise during construction (i.e. mold/termite).
✧ Following options for contingency reserve include:
▪ Contractor Bid only – standard 10% - 15% of rehab costs as established by the HUD consultant (determined by REMN WS)
▪ Contractor Bid and Feasibility Study – Reduced 5% - 10%
▪ Contractor Bid and Consultant SOR – as determined by the HUD Consultant
▪ 15% required if utilities not currently on. In all instances, utilities must be tested (unless they are being fully upgraded).
✧ Deposited into an interest bearing escrow account.
✧ The contingency reserve may be financed or funded by the borrower from their own funds.
» Financed – any funds remaining at the end of the renovation process must be applied as a principal reduction.
» Borrower Funded – any funds remaining at the end of the renovation process are returned to the borrower.
✧ Borrower Funded Contingency Reserve is NOT included in the total cost of rehabilitation, not to exceed $35,000
» If borrower funded, the amount must be indicated on Line 1310 of the 2010 Itemization
✧ Unpermitted costs as a result of construction that are not health or safety related cannot be added (unlike STANDARD 203(k)).
✧ Financed unused contingency reserve may be used for correction/completion of fire, health and safety issues, as well as completion of work that was part of the original work-write up (bid).
» Property must meet HUD Minimum Property Standards.
✧ Financed unused contingency reserve may never be used to purchase appliances or complete additional work that was not part of the original work-write up (bid).
✧ Borrower funded contingency reserve in not included in the total cost of rehabilitation.
✧ Borrower funded contingency must be noted on the UW Determination so that the Closer is aware that these funds are to be collected from the borrower.</td></tr>
</table>

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RENOVATION RELATED COSTS		
Disbursement Process	**STANDARD**	**LIMITED**
	✧ Renovation Concierge Services will manage the renovation process. » Prior to Closing – a call is placed to the Borrower and Contractor to confirm details of the transaction. » Post-Closing – Status check in calls and emails occur with the Borrower. » Typically only soft costs are released at closing. ▪ Invoices are required. ✧ Initial draw allowed: REMN WS is able to release a check directly to either the contractor or borrower for 100% of the documented material cost that was both ordered from the supplier and paid for by the contractor or borrower. Evidence of the payment is needed, as well as authorization from: » The Contractor when the Borrower has paid for the material(s) » The Borrower when the Contractor has paid for the material(s) ✧ 50% of documented material cost that has been ordered from the supplier but not yet paid for by either the contractor or the borrower, that amount can be released directly to the supplier, provided there is authorization from the borrower. ✧ Checks are made payable to both the Borrower and Contractor(s) as co-payees, unless borrower provides written authorization, at each draw, to issue the check directly to the contractor » Checks are sent via 2nd day UPS. » LO will be notified upon final disbursement check being mailed. » Permits required before disbursement ✧ Mortgagee may issue checks directly to the Borrower alone if the release is for » Materials for work under self-help agreement; or » Materials for items prepaid by the borrower under contract with a supplier. » Contractor acknowledgement required	✧ Renovation Concierge Services will manage the renovation process. » Prior to Closing – a call is placed to the Borrower and Contractor to confirm details of the transaction. » Post-Closing – Status check in calls and emails occur with the Borrower. » Maximum of two (2) draws per contractor. ✧ The amount disbursed at closing is not pre-determined. » The contractor must provide a statement prior to closing requesting the initial disbursement amount to be released, as determined below: » REMN WS may disburse up to 50% of the estimated material and labor costs before beginning construction only when the contractor is not willing or able to defer receipt of payment; or » A statement from the contractor must be received by the lender to document request. ✧ Remaining 50% is disbursed when all work is completed and final inspection and title update is complete. ✧ Checks are made payable solely to the Contractor, or issue the check to the Borrower and the contractor as co-payees. » Checks are sent via 2nd day UPS. » LO will be notified upon final disbursement check being mailed. » Permits required before disbursement ✧ Mortgagee may issue checks directly to the Borrower alone if the release is for: » Materials for work under self-help agreement; or » Materials for items prepaid by the borrower under contract with a supplier. » Contractor acknowledgment required.

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<table>
<tr><th colspan="3">MAXIMUM MORTGAGE CALCULATION</th></tr>
<tr><td rowspan="4">Purchase</td><td>Step 1</td><td>Identify the lesser of the below calculation:
Purchase Price + Renovation Costs; or
As-Is Value* + Renovation Costs; or
110% of After-Improved Value (Condo limited to 100% of After-Improved Value)
* HUD does not require an As-Is Value; HUD assumes the purchase price is the As-Is Value.
Multiply the lesser of the above calculation by 96.50% to obtain Base Loan Amount.</td></tr>
<tr><td>Step 2</td><td>Add UFMIP to Base Loan Amount to obtain Total Loan Amount.</td></tr>
<tr><td>Step 3</td><td></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td></td><td colspan="2">STANDARD
<table>
<tr><th>Purchase Price + Renovation Costs</th><th>Dollar Amount</th></tr>
<tr><td>Purchase Price</td><td>$120,000</td></tr>
<tr><td>Total Cost of Repairs (labor & materials)</td><td>$24,500</td></tr>
<tr><td>Allowable Fees/Costs</td><td>$1,500</td></tr>
<tr><td>Contingency Reserve (15% of Repairs, Costs & Fees)</td><td>$3,900</td></tr>
<tr><td>Total Purchase Price and Renovation Costs</td><td>$149,900</td></tr>
<tr><td>110% of After-Improved Value
After-Improved Value (Located in Reconciliation section of Appraisal)</td><td>$176,000</td></tr>
<tr><td>Maximum Base Loan Amount at 96.5% LTV</td><td>$144,653</td></tr>
<tr><td>Total Mortgage Amount with 1.75% UFMIP</td><td>$147,184</td></tr>
<tr><td colspan="2">In this example the Purchase Price + Renovation Costs is less than 110% of After-Improved Value. Therefore $149,900 is used to calculate the base loan amount.</td></tr>
</table>
LIMITED
<table>
<tr><th>Purchase Price + Renovation Costs</th><th>Dollar Amount</th></tr>
<tr><td>Purchase Price</td><td>$120,000</td></tr>
<tr><td>Total Cost of Repairs (labor & materials)</td><td>$24,500</td></tr>
<tr><td>Allowable Fees/Costs</td><td>$650</td></tr>
<tr><td>Contingency Reserve (10% of Repairs, Costs & Fees)</td><td>$2,515</td></tr>
<tr><td>Total Purchase & Renovation Costs</td><td>$147,665</td></tr>
<tr><td>110% of After-Improved Value
After-Improved Value (Located in Reconciliation section of Appraisal)</td><td>$176,000</td></tr>
<tr><td>Maximum Base Loan Amount at 96.5% LTV</td><td>$142,496</td></tr>
<tr><td>Total Mortgage Amount with 1.75% UFMIP</td><td>$144,989</td></tr>
<tr><td colspan="2">In this example the Purchase Price + Renovation Costs is less than 110% of After-Improved Value. Therefore $147,665 is used to calculate the base loan amount.</td></tr>
</table></td></tr>
<tr><td>Rate-Term Refinance</td><td colspan="2">» HUD has provided updated Maximum Mortgage Calculation worksheet for 203(k) refinance transactions. Please see below link to reference these worksheets:
▪ http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/sample_documents
» Please reference Examples 1 & 2 on the next pages for examples of calculating the Maximum Mortgage Loan Amount for the transaction (applies to both Standard and Limited programs). In particular:
▪ Example 1 – As-Is Property Value Provided: As-Is property value must be equal to or greater than 103% of the Existing Debt Payoff + Closing Costs/Prepaids in order for borrower to come to the closing table with no monies. If less than 103%, the Borrower may have to provide some funds at time of closing.
▪ Example 2 – As-Is Property Value Not Provided: If As-Is property value is not provided, it will defer to the adjusted as-is value, which would be Existing Debt Payoff + Closing Costs/Prepaids. In these cases, the Borrower will need to provide funds at time of closing.</td></tr>
</table>

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MAXIMUM MORTGAGE CALCULATION				
Rate-Term Refinance – Example #1	**Example #1 – As-Is Property Value Provided**			
Step 1	**Establishing Financeable Repair & Improvement Costs, Fees & Reserves**			**Dollar Amount**
A	Repair and Improvement Costs and Fees Total (Sum of A1 to A7)			$47,275.00
	1. Cost of Construction Repairs & Rehab	$45,000.00		
	2. Architectural or Engineering Professional Fees	$0.00		
	3. 203(k) Consultant Fees	$800.00		
	4. Draw Inspection Fees during Construction Period	$1,000.00		
	5. Title Update Fees	$125.00		
	6. Permit Fees	$350.00		
	7. Feasibility Study (when necessary)	$0.00		
B	Financeable Contingency Reserves (10%)			$4,727.50
C	Financeable Mortgage Payment Reserves			$0.00
D	Financeable Mortgage Fees Total (Sum of D1 & D2)			$0.00
	1. Financeable Origination Fee	$0.00		
	2. Discount Points on Repair Costs and Fees	$0.00		
E	Total Rehabilitation Costs (Sum of Step 1A, 1B, 1C and 1D)			$52,002.50
Step 2	**Establishing Value**			**Dollar Amount**
	Adjusted As-Is Value			
A	Existing Debt on Property Being Refinanced			$173,000.00
B	Total Rehabilitation Costs (Step 1E)			$52,002.50
C	Fees Associated with the New Loan (Closing Costs/Prepaids)			$5,500.00
D	Sum of Step 2A, Step 2B and Step 2C			$230,502.50
E	As-Is Property Value (when an As-Is Appraisal is performed)			$183,900.00
F	Adjusted As-Is Value			$183,900.00
	After-Improved Value			
G	Appraised Value (subject to repairs and improvements)			$240,000.00
Step 3	**Calculating Maximum Mortgage**			**Dollar Amount**
A	Step 2D (Sum of Step 2A, Step 2B and Step 2C)			$230,502.50
B	Sum of Step 2F + Step 1E (i.e. Adjusted As-Is Value + Step 1 total)			$235,902.50
C	Step 2G (i.e. After Improved Value) x 110% (or 100% for Condominiums)			$264,000.00
D	Lesser of Step 3B or Step 3C x LTV factor (see Step 3G)			$230,594.69
E	Nationwide Mortgage Limit			$424,100.00
F	Initial Base Mortgage Amount (Lesser of Steps 3A, 3D or 3E)			$230,502.50
G	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility (See Government Loan Fico Overlays for lower LTV's for FICO's < 600)			97.75%
Step 4	**Additions to Base Mortgage Amount**			**Dollar Amount**
A	Energy Efficient Improvement Amount (EEM)			$0.00
B	Intermediate Base Mortgage Amount = Step 3F + Step 4A			$230,502.50
C	Solar Energy System Cost and Installation			$0.00
D	Step 2G x 20% (i.e. After-Improved Value x 20%)			$48,000.00
E	Solar Energy Amount to be Added to Base Mortgage Amount – Lesser of Step 4C or 4D			$0.00
F	Step 3E x 120% (i.e. Nationwide Mortgage Limit x 120%)			$500,400.00
G	Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F			$230,502.50
	Funds to be provided by the Borrower at time of Closing			**$0.00**
Step 5	**Calculating the LTV for Application of Annual MIP**			
A	MIP LTV = Step 4G / Step 2G (i.e. Final Base Mortgage Amount / After-Improved Value)			96.04%

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MAXIMUM MORTGAGE CALCULATION				
Rate-Term Refinance – Example #2	**Example #2 – As-Is Property Value Not Provided**			
Step 1	**Establishing Financeable Repair & Improvement Costs, Fees & Reserves**			**Dollar Amount**
A	Repair and Improvement Costs and Fees Total (Sum of A1 to A7)			$47,275.00
	1. Cost of Construction Repairs & Rehab	$45,000.00		
	2. Architectural or Engineering Professional Fees	$0.00		
	3. 203(k) Consultant Fees	$800.00		
	4. Draw Inspection Fees during Construction Period	$1,000.00		
	5. Title Update Fees	$125.00		
	6. Permit Fees	$350.00		
	7. Feasibility Study (when necessary)	$0.00		
B	Financeable Contingency Reserves			$4,727.50
C	Financeable Mortgage Payment Reserves			$0.00
D	Financeable Mortgage Fees Total (Sum of D1 & D2)			$0.00
	1. Financeable Origination Fee	$0.00		
	2. Discount Points on Repair Costs and Fees	$0.00		
E	Total Rehabilitation Costs (Sum of Step 1A, 1B, 1C and 1D)			$52,002.50
Step 2	**Establishing Value**			**Dollar Amount**
	Adjusted As-Is Value			
A	Existing Debt on Property Being Refinanced			$173,000.00
B	Total Rehabilitation Costs (Step 1E)			$52,002.50
C	Fees Associated with the New Loan (Closing Costs/Prepaids)			$5,500.00
D	Sum of Step 2A, Step 2B and Step 2C			$230,502.50
E	As-Is Property Value (when an As-Is Appraisal is performed)			$0.00
F	Adjusted As-Is Value			$178,500.00
	After-Improved Value			
G	Appraised Value (subject to repairs and improvements)			$240,000.00
Step 3	**Calculating Maximum Mortgage**			**Dollar Amount**
A	Step 2D (Sum of Step 2A, Step 2B and Step 2C)			$230,502.50
B	Sum of Step 2F + Step 1E (i.e. Adjusted As-Is Value + Step 1 total)			$230,502.50
C	Step 2G (i.e. After Improved Value) x 110% (or 100% for Condominiums)			$264,000.00
D	Lesser of Step 3B or Step 3C x LTV factor (see Step 3G)			$225,316.19
E	Nationwide Mortgage Limit			$424,100.00
F	Initial Base Mortgage Amount (Lesser of Steps 3A, 3D or 3E)			$225,316.19
G	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility (See Retail FHA/VA/Bond/USDA Overlays for lower LTV's for FICO's < 600)			97.75%
Step 4	**Additions to Base Mortgage Amount**			**Dollar Amount**
A	Energy Efficient Improvement Amount (EEM)			$0.00
B	Intermediate Base Mortgage Amount = Step 3F + Step 4A			$225,316.19
C	Solar Energy System Cost and Installation			$0.00
D	Step 2G x 20% (i.e. After-Improved Value x 20%)			$48,000.00
E	Solar Energy Amount to be Added to Base Mortgage Amount – Lesser of Step 4C or 4D			$0.00
F	Step 3E x 120% (i.e. Nationwide Mortgage Limit x 120%)			$500,400.00
G	Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F			$225,316.00
	Funds to be provided by the Borrower at time of Closing			**$5,186.00**
Step 5	**Calculating the LTV for Application of Annual MIP**			
A	MIP LTV = Step 4G / Step 2G (i.e. Final Base Mortgage Amount / After-Improved Value)			93.88%

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<table>
<tr><th colspan="3">MAXIMUM MORTGAGE CALCULATION</th></tr>
<tr><td rowspan="2">$100 Down Payment (HUD REO) Purchase</td><td>Step 1</td><td>Identify the lesser of the below calculation:
As-Is Value* + Renovation Costs – (minus) $100.00; or
110% of After-Improved Value (Condo limited to 100% of After-Improved Value)
* HUD does not require an As-Is Value; HUD assumes the purchase price is the As-Is Value.</td></tr>
<tr><td>Step 2</td><td>Add UFMIP to Base Loan Amount to obtain Total Loan Amount.</td></tr>
<tr><td></td><td colspan="2">
✧ The HUD REO property does not qualify for Section 203(b) or Section 203(b) with Repair Escrow, and is eligible for FHA-insured financing only under Section 203(k).
✧ The $100 Down Sales incentive permits a Borrower to purchase a HUD REO property with FHA-insured financing with a minimum down payment of $100.00
✧ Contract Sales Terms
» Line 4 of the sales contract will specify the Insured HUD REO Purchase Program under which the Borrower is applying, the down payment and the mortgage amount.
» Regardless of the Insured HUD REO Purchase Program on Line 4 of the contract, REMN WS must determine the eligibility of the property, the borrower and the specified HUD REO Property Program that must be used to finance the purchase.
» The amount of the cash down payment specified on Line 4 will be $100.
» The amount on Line 5 specifies the amount of closing costs that HUD will pay on behalf of the Borrower. The amounts on Line 6a and 6b represent the sales commission HUD will pay to the selling and listing broker.
» Contributions by HUD toward the Borrower's closing costs are not defined as Interested Party Contributions or Inducements to Purchase.
» REMN WS will require a 15% Contingency Reserve will be required if utilities are not on/in proper working order.
</td></tr>
<tr><td></td><td colspan="2">
<table>
<tr><th colspan="2">STANDARD & LIMITED</th></tr>
<tr><th>Purchase Price + Renovation Costs</th><th>Dollar Amount</th></tr>
<tr><td>Purchase Price</td><td>$100,000</td></tr>
<tr><td>Total Cost of Repairs (labor & materials)</td><td>$3,500</td></tr>
<tr><td>Allowable Fees/Costs</td><td>$475</td></tr>
<tr><td>Contingency Reserve (15%)</td><td>$596</td></tr>
<tr><td>Total Purchase Price and Renovation Costs</td><td>$104,571</td></tr>
<tr><td>110% of After-Improved Value
After-Improved Value (Located in Reconciliation section of Appraisal)</td><td>$110,000</td></tr>
<tr><td>Maximum Base Loan Amount - $100</td><td>$104,471</td></tr>
<tr><td>Total Mortgage Amount with 1.75% UFMIP</td><td>$106,299</td></tr>
<tr><td colspan="2">In this example the Purchase Price + Renovation Costs is less than 110% of After-Improved Value. Therefore $104,471 is used to calculate the base loan amount.</td></tr>
</table>
</td></tr>
</table>

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HUD REO		
SUMMARY of HUD REO SALE POLICY CHANGES		
Policy	Case Numbers Assigned BEFORE September 14, 2015	Case Numbers Assigned ON and AFTER September 14, 2015
REO Appraisal	✧ Used to establish REO list price; and ✧ Used to calculate maximum mortgage amount	✧ Used to establish list price only
Ordering New Appraisal	Permitted only when ✧ REO Appraisal not available; or ✧ REO Appraisal expired; or ✧ REO Appraisal has material deficiencies	✧ Required for all FHA-insured REO Sales transactions
Maximum Mortgage Amount	Based on the lesser of; ✧ Appraised value; or ✧ Sales Price; or ✧ Original REO List Price	✧ Based on Adjusted Value
Financing UFMIP on $100 Down Loans	✧ Only if total loan amount does not exceed appraised value	✧ UPMIP may be financed with NO restriction.

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<table>
<tr><th colspan="3">REPAIRS</th></tr>
<tr><td>Eligible Repairs</td><td colspan="2">✧ Examples are listed below; however, a more comprehensive list can be found at HUD.Gov</td></tr>
<tr><td></td><td>STANDARD</td><td>LIMITED</td></tr>
<tr><td></td><td>✧ Repair/Replacement roof, gutters and down spouts
✧ Repair/Replacement of flooring
✧ Remodeling; such as kitchens and baths
✧ Painting, both exterior and interior
✧ Weatherization; including storm windows and doors, insulation, weather stripping, etc.
✧ Purchase and installation of appliances; including free-standing ranges, refrigerators, washer/dryers, dishwashers and microwave ovens
✧ Accessibility improvements for persons with disabilities
✧ Basement finishing and remodeling
✧ Basement waterproofing
✧ Window and door replacement and exterior wall re-siding
✧ Repair or replace existing well
✧ Repair or replace existing septic
✧ Repair or replace existing driveway
✧ Repair or replace existing fencing
✧ Repair or replace exterior decks, patios, porches
✧ Site improvements such as landscaping, patios, decks, etc. must increase the As Is Property Value equal to the dollar amount spent on the improvements or be necessary to preserve the property from erosion. Appraiser will need to comment on the value added for these types of improvements
✧ Pool repairs allowed no dollar limit

(Continued on following page)</td><td>✧ Repair/Replacement of roof, gutters and down spouts
✧ Repair/Replacement/upgrade of existing HVAC systems
✧ Repair/Replacement/upgrade of plumbing and electrical systems
✧ Repair/Replacement of flooring
✧ Minor remodeling; such as kitchens and baths (Cannot involve structural repairs)
✧ Painting, both exterior and interior
✧ Weatherization; including storm windows and doors, insulation, weather stripping, etc.
✧ Purchase and installation of appliances; including free-standing ranges, refrigerators, washer/dryers, dishwashers and microwave ovens
✧ Accessibility improvements for persons with disabilities
✧ Lead paint stabilization or abatement of lead-based paint hazards
» Must follow the state and local government requirements in which the property is located to perform removal and testing of lead based paint.
» Stabilization or abatement must be completed within a 15 – 30 day period.
✧ Mold remediation
» Must follow the state and local government requirements in which the property is located to perform removal and testing of mold remediation.
» Remediation must be completed within a 15 – 30 day period.
✧ Attics and basements, as long as nothing is structural
✧ Basement finishing and remodeling (cannot involve structural repairs)
✧ Basement waterproofing
✧ Window and door replacement and exterior wall re-siding
✧ Repair or replace existing well
✧ Repair or replace existing septic
✧ Repair or replace existing driveway
✧ Repair or replace existing fencing
✧ Repair or replace exterior decks, patios, porches
(Continued on following page)</td></tr>
</table>

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REPAIRS		
Eligible Repairs	**STANDARD**	**LIMITED**
		✧ If replacing or addition to non-ground floor structures requires review and approval by RCS. ✧ Site improvements such as landscaping, patios, decks, etc. must increase the As Is Property Value equal to the dollar amount spent on the improvements or be necessary to preserve the property from erosion. Appraiser will need to comment on the value added for these types of improvements ✧ Pool repairs allowed no dollar limit
Repairs Eligible for Standard 203(k) ONLY	✧ Reconstructing a structure that has been or will be demolished, provided the complete existing foundation system is not affected and still be used. ✧ Repairing, reconstructing, or elevating an existing foundation where the existing structure will not be demolished or torn down. ✧ Major structural alterations and additions (additions to the structure, finish attics and basements, repair of termite damage and the treatment against termite infestation, etc.) ✧ Changes for improved functions and modernization (remodeling kitchens and bathrooms) ✧ Attached room addition ✧ Rehabilitating, improving, or constructing a garage ✧ Elimination of health and safety hazards ✧ Changes for aesthetic appeal and elimination of obsolescence ✧ Major landscaping or site improvements » Landscaping or site improvements must add permanent value to the property; correct any fire, health or safety issue and not be considered a luxury improvement » Repairing bulkheads, piers, etc. would be acceptable but construction of the same would not ✧ Patios and/or terraces that improve the value of the property equal to the cost OR needed to preserve property from erosion ✧ Relocation of load bearing walls ✧ Other major improvements permanently fixed to the existing foundation or structure ✧ Converting multi-unit dwelling to single family or a single family to a multi-family unit ✧ Improvements for disabled persons allowed for certain therapeutic items such as; special baths and/or tubs, add improvements for accessibility to the handicapped	

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REPAIRS		
Ineligible Repairs	**STANDARD**	**LIMITED**
	Items and improvements that do not become a permanent part of the real property are not eligible. ✧ Barbeque pit, outdoor fireplaces, hearths, bathhouses ✧ Exterior hot tubs, saunas, spas or whirlpool baths ✧ Dumbwaiters ✧ Photo murals ✧ Swimming pool installation ✧ Television antennas and satellite dishes ✧ Tennis courts ✧ Tree surgery ✧ Additions or alterations to provide for commercial Generators	Items and improvements that do not become a permanent part of the real property are not eligible. ✧ Barbeque pit, outdoor fireplaces, hearths, bathhouses ✧ Exterior hot tubs, saunas, spas or whirlpool baths ✧ Dumbwaiters ✧ Photo murals ✧ Swimming pool installation ✧ Television antennas and satellite dishes ✧ Tennis courts ✧ Tree surgery ✧ Additions or alterations to provide for commercial Generators ✧ Repairs that do not allow the Borrower to occupy the property at closing or within 15 days of closing ✧ New Construction ✧ Relocation of load bearing walls ✧ Room additions ✧ Repairs of any structural damage ✧ Landscaping on-site amenity improvements ✧ Required repairs arising from the appraisal that: » Necessitate a "Consultant" to develop a "Specification of Repairs/Work Write-Up" ✧ Require plans or architectural exhibits

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APPRAISAL	
Appraisal Reports	**Establishing Value** ✧ An appraisal by an FHA Roster Appraiser is always required to establish the After-Improved Value of the property. Except as described below in cases of property flipping and refinance transactions, REMN WS is not required to obtain an As-Is Appraisal and may use alternate methods mentioned below to establish the Adjusted As-Is Value. If an As-Is Appraisal is obtained, REMN WS must use it in establishing the Adjusted As-Is Value. » Appraisal reports should be noted "subject to the following repairs or alterations". » Market Value; to determine the estimate of market value after rehabilitation in any neighborhood, the Appraiser must give full consideration to neighborhood improvements that are proposed and in process through government action and/or organized community effort. In areas undergoing rehabilitation or revitalization; either with public help or private funds, the value estimate must use market data from similar areas including those that have been revitalized, as world be done in any other appraisal. » Site improvements such as landscaping, patios, decks, etc. must increase the As Is Property Value equal to the dollar amount spent on the improvements or be necessary to preserve the property from erosion. Appraiser will need to comment on the value added for these types of improvements **Standard 203(k)** ✧ Appraisal can be ordered with an executed Contractor Bid, Feasibility Study or the completed Consultant Write-Up. **Limited 203(k)** ✧ Appraisal cannot be ordered until REMN WS receives the executed Contractor bid(s) or Feasibility Study. ✧ Appraiser must be provided with a copy of the Contractor bid, Feasibility Study or completed Consultant Write-Up and they must remark on appraisal about the scope of work being completed. ✧ Valuation Analysis and Review » Complete HUD Form 92700 and 203(k) Maximum Mortgage Worksheet to determine market value of the subject property after rehabilitation and the maximum mortgage amount. » Maximum Mortgage Amount to be shown on the Conditional Commitment/Statement of Appraised Value HUD Form 92800.5B. ▪ Issue HUD Form 92800.5B with a term of four (4) months. ▪ The value placed on this form should always be the As-Is value + cost of rehabilitation **or** 110% of the value; whichever is less. » Input the figure on line C2 for purchase transactions and line D4 for refinance transaction from HUD Form 92700. » Written Proposal and Cost Estimates • HBFS must obtain a written proposal and Cost Estimate from a contractor for each specialized repair or improvement. HBFS must ensure that the selected contractor meets all jurisdictional licensing and bonding requirements. The written proposal must indicate Work Items that require permits and state that repairs are non-structural. The Cost Estimate must state the nature and type of repair and cost for each Work Item, broken down by labor and materials. • HBFS must obtain written Cost Estimates for each Work Item, broken down by labor and materials, to be performed by the Borrower under a self-help agreement. • A statement from the contractor signed by the borrower detailing that the repair does not prevent the borrower(s) from occupying the Property for more than fifteen (15) days during the rehabilitation period.

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APPRAISAL	
Adjusted As-Is Value	**Purchase Transactions** – the Adjusted As-Is Value is the lesser of: ✧ The purchase price less any inducements to purchase; or ✧ The As-Is Property Value, as determined by an FHA Roster Appraiser, when an as-is appraisal is obtained. » In the case of property flipping, REMN WS must obtain an As-Is Appraisal if needed to comply with the property flipping guidelines. **Refinance Transactions – Properties Acquired Greater Than or Equal to 12 Months Prior to Case Number Assignment Date.** ✧ REMN WS must obtain as As-Is Appraisal to determine the Adjusted As-Is Value when the existing debt on the property plus the following items exceeds the After-Improved Value: » Financeable Repairs & Improvement Costs; » Financeable Mortgage Fees; » Financeable Contingency Reserves; and » Financeable Mortgage Payment Reserves (Standard 203k **ONLY**) ✧ When an appraisal is obtained, the Adjusted As-Is Value is the As-Is Property Value. ✧ REMN WS has the option of using the existing debt plus fees associated with the new Mortgage or obtaining an As-Is Appraisal to determine the Adjusted As-Is Value when the existing debt on the property plus the following items does not exceed the After-Improved Value: » Financeable Repairs & Improvement Costs; » Financeable Mortgage Fees; » Financeable Contingency Reserves; and » Financeable Mortgage Payment Reserves (Standard 203k ONLY) ✧ Existing debt includes: » The unpaid principal balance of the 1st mortgage as of the month prior to REMN WS disbursement; » The unpaid principal balance of any purchase money junior mortgage as of the month prior to the REMN WS disbursement; » The unpaid principal balance of any junior liens over twelve (12) months old as of the date of the REMN WS disbursement. If the balance of any portion of an equity line of credit in excess of $1,000 was advanced within the past twelve (12) months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new mortgage; » Interest due on the existing mortgage(s); » MIP due on existing mortgage; » Any prepayment penalties assessed; » Late charges; and » Escrow shortages.

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APPRAISAL	
Appraisal	**Refinance Transactions – Properties Acquired Less Than or Equal to 12 Months Prior to Case Number Assignment Date.** ✧ For properties acquired by the Borrower within twelve (12) months of the case number assignment date, an As-Is Appraisal must be obtained. ✧ The Adjusted As-Is Value is the As-Is Property Value. ✧ For properties acquired by the Borrower within twelve (12) months of the case number assignment date by inheritance or through a gift from a family member, REMN WS may utilize the calculation of the Adjusted As-Is Value for properties acquired greater than twelve (12) months prior to the case number assignment date above. **Repairs Noted by Appraiser** ✧ If health and safety repairs noted in the appraisal are not included in the Consultant Work Write-Up, REMN WS must ensure those repairs are included in a revised Work Write-Up and Contractor Bid.
After Improved Value	✧ To establish the After-Improved Value, REMN WS must obtain an appraisal of the property subject to the repairs and improvements.
Documents to be provided to the Appraiser at Assignment	✧ REMN WS must provide the Appraiser with a copy of the Consultant's Work Write-Up and Cost Estimate for a Standard 203(k), or the work plan, contractor's proposal and Cost Estimates for a Limited 203(k).

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PROPERTY	
Condominium Units	Rehabilitation is limited only to the interior of the unit. Mortgage proceeds are not to be used for the rehabilitation of exteriors or other areas which are the responsibility of the condominium association, except for the installation of firewalls in the attic for the unit. ✧ Only the lesser of five (5) units per condominium association, or 25% of the total number of units, can be undergoing rehabilitation at any one time; ✧ The maximum mortgage amount cannot exceed 100% of the After-Improved value. ✧ After rehabilitation is complete, the individual buildings within the condominium must not contain more than four units. By law, Section 203(k) can only be used to rehabilitate units in 1-4 unit structures. However, this does not mean that the condominium project, as a whole, can only have four (4) units or that all individual structures must be detached. » Example: A project might consist of six (6) buildings each containing four units, for a total of 24 units in the project and, thus, be eligible for Section 203(k). Likewise, a project could contain a row of more than four (4) attached townhouses and be eligible for Section 203(k) because HUD considers each townhouse as one structure, provided each unit is separated by a 1½ hour firewall (from foundation up to the roof). Similar to a project with a condominium unit with a mortgage insured under Section 234(c) of the National Housing Act, the condominium project must be approved by HUD prior to the closing of any individual mortgages on the condominium units. ▪ REMN WS OVERLAY: Project must be approved by HUD at time of case number assignment issuance. » Reminder; four (4) unit limitation applies to "apartment style condominiums"; it does not apply to "townhouse style condominiums" if the condominium has the 1½ hour firewall (from foundation up to the roof) as indicated above.

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<table>
<tr><th colspan="3">PROPERTY</th></tr>
<tr><td>Utilities</td><td colspan="2">
✧ If the property is vacant, the appraiser should note in the "Improvements" section under "Condition of Property" whether the utilities were on or off at the time of the appraisal inspection.
✧ If the utilities were not on at time of the appraisal inspection; REMN WS will require a 15% contingency reserve to be established.
✧ In all instances, the functionality of electrical and plumbing is addressed by independent contractors/consultants or other industry professionals.
» This includes winterized and/or REO properties.
✧ Contractors or consultants must address possible repairs in their bid.
✧ Below are examples of documentation that can be received to provide a reasonable expectation that utilities were on and properly functioning if the subject property is vacant or in need of repairs.
</td></tr>
<tr><td></td><td>Winterized Property</td><td>Certification from vendor who conducted the winterization indicating utilities were on and in proper working order at the time the winterization was completed.
Extensive work write-up that addresses all utility related issues.</td></tr>
<tr><td></td><td>Water / Plumbing</td><td>Home inspection that was completed at the time the water was on and properly functioning.
Plumbing pressurized test.
Professional inspection performed by licensed contractor.*
Extensive work write-up that addresses all plumbing related issues.</td></tr>
<tr><td></td><td>Electric</td><td>Home inspection that was completed at the time the electric was on and properly functioning.
Professional inspection performed by licensed contractor.*
Extensive work write-up that addresses all electric related issues.</td></tr>
<tr><td></td><td>HUD REO Properties</td><td>If the utilities are off at the time of inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then the appraisal must be completed without the utilities turned on or the mechanical system functioning.
The appraisal report must include the applicable property specific appraisal reporting form, all required exhibits and a copy of the PCR.
<table>
<tr><th colspan="6">Property Condition Report</th></tr>
<tr><th colspan="2">Item Description/Condition</th><th colspan="2">Item Functionality</th><th>Functionality/Test Notes</th></tr>
<tr><td>Cooling/Air-Conditioner:
--Heating/Furnace:
--HVAC System Duct:</td><td>OK
OK
OK</td><td>HVAC tested and functional?:</td><td>Yes</td><td>The HVAC system was powered with a 220V generator and no apparent deficiencies were revealed. The drop temperature test on ac side showed temperature dropped but on the heat side could not because the gas was not active.</td></tr>
<tr><td>Electrical Wiring:
--Other:
--Other:</td><td>OK
N/A
N/A</td><td>Electric supply tested and functional?:</td><td>Yes</td><td>The electrical system was powered with a 220V generator and no apparent deficiencies were revealed. Electric worked in all rooms.</td></tr>
<tr><td>Stove/Range/Oven:
--Kitchen Cabinets:
--Other:</td><td>OK
OK
OK</td><td>Built-in appliances tested and functional?:</td><td>Yes</td><td>All built in appliances were powered with a 220V generator and no apparent deficiencies were revealed.</td></tr>
<tr><td>Plumbing:
--Sink:
--Other:</td><td>OK
OK
N/A</td><td>Water supply tested and functional?:</td><td>Yes</td><td>Active pressure was applied with a compressor to the plumbing system and it held pressure at 30 psi.</td></tr>
<tr><td>Water Heater:</td><td>OK</td><td>Water heater functional?:</td><td>Yes</td><td>Our assessment of the water heater revealed no apparent deficiencies at the time of the inspection.</td></tr>
<tr><td>Sewer/Septic System:
--Toilet:
--Other:</td><td>OK
OK
N/A</td><td>Sanitary & plumbing system functional?:</td><td>Yes</td><td>Our assessment of the sewage system revealed no apparent deficiencies at the time of the inspection.</td></tr>
<tr><td>Roof:
--Other:</td><td>OK
N/A</td><td>Roofing in acceptable condition?:</td><td>Yes</td><td>The shingles on the structure have two or more years of useful life</td></tr>
</table>
</td></tr>
<tr><td></td><td colspan="2">* Professional Inspection from licensed Contractors not associated with the 203(k) to issue an industry certification. State/Local requirements must be followed when obtaining individuals or vendors to complete the certification. The certification and work may be performed by the same individual/vendor.</td></tr>
</table>

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CONTRACTOR & REHABILITATION PROCESS		
Contractor Selection	**STANDARD**	**LIMITED**
	The Borrower will select the general Contractor(s); maximum of one (1) permitted, who will provide the estimate for the work to be done. REMN WS will review the Borrower's proposed work plan and cost estimates to ensure the planned work meets all program and repair recommendations as noted in the appraisal report. The Borrower must provide REMN WS with written references from a duly licensed and bonded Contractor(s) for each specialized repair or improvement. ✧ Contractor(s) must be licensed and insured as required by State and Local (City, County, Municipality, etc.) requirements. ✧ REMN WS will allow additional "specialty Contractor" for very special technical items such as; pool repair, fencing, well/septic, lead based paint, etc. contact RCS for details. ✧ The repairs and improvements must meet any local codes and ordinances and the Contractor must obtain all required permits prior to the 1st draw. ✧ REMN WS will review the Contractor's credentials, work experience and client references and may require the Borrower to provide additional cost estimates if necessary. ✧ After REMN WS review the selected Contractor(s) must agree in writing to complete the work for the amount of the cost estimate and within the allotted time frame. ✧ The Contractor(s) must finish the work in accordance with the written estimate and Home/Contractor Agreement(s) and any approved change order. ✧ Rehabilitation Construction Period begins when the mortgage loan is closed.	The Borrower will select the Contractor(s); up to a maximum of three (3) permitted, who will provide the estimate for the work to be done. REMN WS will review the Borrower's proposed work plan and cost estimates to ensure the planned work meets all program and repair recommendations as noted in the appraisal report. The written proposal must indicate Work Items that require permits and state that repairs are non-structural. The Borrower must provide REMN WS with written cost estimate(s) and references from a duly licensed and bonded Contractor(s) for each specialized repair or improvement. ✧ Contractor(s) must be licensed and insured as required by State & Local (City, County, Municipality, etc.) requirements. ✧ The repairs and improvements must meet any local codes and ordinances and the Contractor must obtain all required permits prior to the commencement of the work. ✧ The cost estimate(s) must clearly state the nature and type of repair and the cost for completion of the work item. ✧ REMN WS will review the Contractor's credentials, work experience and client references and may require the Borrower to provide additional cost estimates if necessary. ✧ After REMN WS review the selected Contractor(s) must agree in writing to complete the work for the amount of the cost estimate and within the allotted time frame. ✧ Contractor's cost estimate(s) and the Homeowner/Contractor Agreement(s) must be in the loan file. ✧ The Contractor(s) must finish the work in accordance with the written estimate and Home/Contractor Agreement(s) and any approved change order. ✧ Rehabilitation Construction Period begins when the mortgage loan is closed.

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CONTRACTOR & REHABILITATION PROCESS	
Contractor Required Information	Mortgagee Letter 1998-11 required REMN WS to "approve" Contractors prior to closing and numerous questions have surfaced regarding the intent of this requirement. HUD does not expect REMN WS to actually approve Contractors, but rather assure that an "acceptable" general Contractor (or specialized Contractor) has been hired and by contract agrees to complete the work described in the work write-up for the amount of the cost estimate and within the allotted time frame. Contractors are required to provide the following information: ✧ Contractor Profile Report » If the Contractor has been accepted by RCS, this form is not required for each loan submission – RCS will advise when a new contractor profile is required. ✧ Applicable licenses as required by the state, local municipality, county and city jurisdictions. » Verification of current active licenses may be obtained from individual State maintained websites; provided sufficient information is available to RCS (name of company, name or primary principal, address, type of license, license number and expiration date). ✧ Applicable proof of insurance as required by the local, state, county and city jurisdictions » $1,000,000 General Liability (as required by the state) » Workmen's Compensation » Builder Risk (required only if Master Insurance does not cover construction) ✧ Three (3) business references for completing similar jobs » Include the name and address of the reference, scope of work and cost of work completed. ✧ Completed Federal W-9 ✧ Homeowner/Contractor Agreement ✧ Contractor Acknowledgement ✧ Signed detailed bid itemizing the specific cost (material and labor) of each individual repair. ✧ REMN WS will limit the number of Contractor's to one (1) under the Standard program. » REMN WS will allow additional "specialty Contractor" for very special technical items such as; pool repair, fencing, well/septic, lead based paint, etc. contact RCS for details. ✧ REMN WS will limit the number of Contractor's to three (3) under the Limited program. ✧ REMN WS Concierge Services will maintain a database of approved Contractors and their expiration dates.

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CONTRACTOR & REHABILITATION PROCESS	
REMN WS Contractor Review Requirements	REMN WS must review the following items pursuant to the proposed Contractor; credentials, work experience, licensing information, type of work performed, experience, and client references. Also, it is **required** that Borrowers and Contractors complete an agreement that outlines the rights, responsibilities of each party. ✧ Renovation Concierge Services will not review a contractor for acceptance until the loan file is in Application Activated Milestone. ✧ Contractors are not approved by HUD or REMN WS; we will only accept or reject the submitted request. » REMN WS Renovation Concierge Services is responsible to Contractor acceptance. ✧ Contractor Bids – Limited ONLY » While REMN WS is not a Contractor, participation in this program requires that we examine the Contractor's bid(s) and determine that they fall within the usual and customary range for similar work. REMN WS must also ensure that the selected Contractor(s) meet all jurisdictional licensing and bonding requirements. » Every bid received must include the Borrower(s) name and property address and must be signed by both the Borrower and Contractor. » Bids received from Contractors; LIMITED ONLY ▪ MUST clearly state the nature and type of repair/renovation and cost for completion of each work item to be performed. ▪ Must be very detailed to show the following • Material and labor cost of each item. • General description of each material item. • No expiration date should be shown on any cost estimate as date of completion is unknown at time of bid write up. ▪ Cost + Bids are not acceptable. ✧ Written proposal must indicate Work Items that require permits and state that repairs are non-structural.
Standard Self-Help	✧ REMNWS only allows "Self-help" by *exception basis, from Executive Management, prior to loan submission.* ✧ In the event, self-help exception is approved, the below applies. ✧ Consultant must complete a full write up and loan amount must include the estimated cost of labor and material even though borrower will not be reimbursed for labor cost. ✧ REMN WS must document approval for the Borrower to act as the general contractor or to complete their own work. ✧ REMN WS must verify and document that the Borrower is either a licensed general contractor or can document experience in completing rehabilitation projects. ✧ REMN WS must ensure the Borrower demonstrates the necessary expertise and experience to perform the specific repair competently and timely. ✧ REMN WS must instruct the Borrower of the requirement to maintain complete records showing the actual cost of rehabilitation, including paid receipts for materials and Lien Waivers from any subcontractors. ✧ Subcontractors must be licensed and insured and can receive directly payment. ✧ REMN WS must ensure all permits are obtained prior to commencement of work. ✧ REMN WS must obtain Cost Estimates that clearly state the cost for completion of each Work Item, including the cost of labor and materials; however, only materials cost will be reimbursed. ✧ REMN WS must obtain a signed Rehabilitation (Self-Help) Loan Agreement from the Borrower. ✧ Borrower must submit a Work Plan detailing the work to be performed.

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CONTRACTOR & REHABILITATION PROCESS	
Limited Self-Help	✧ REMNWS only allows "Self-help" by *exception basis, from Executive Management, prior to loan submission.* ✧ In the event, self-help exception is approved, the below applies. ✧ While not prohibited, the Department of Housing & Urban Development urges REMN WS to exercise extreme caution in approving 203(k) loan applications where the Borrower wants to act as the General Contractor. ✧ Only in those cases where REMN WS has verified that the Borrower **is** a general Contractor or can document experience in completing rehabilitation projects, may we approve "self-help" arrangements. ✧ A HUD consultant feasibility study is required for all Self-Help projects to ensure property after repairs meeting HUD Minimum Property Standards. The Borrower must also understand that they will get paid only for materials and not for their labor ("sweat equity") on work that they perform. Subcontractors must be licensed and insured and can receive directly payment ✧ REMN WS must make sure that the Borrower understands the 203(k) program at the construction stage and the risks inherent in rehabilitation projects. ✧ In the case of a "self-help" arrangement, REMN WS should make sure that the work write-up clearly states the cost of labor and of materials for the work items. » The borrower cannot eliminate the cost estimate for labor because if he/she cannot complete the work, there must be sufficient money in the escrow account to get a subcontractor to do the work. ✧ The Borrower should maintain records documenting actual costs and lien waivers in the same way that a General Contractor would. » HUD discourages the use of Self Help with the exception of very small projects » The Borrower(s) must perform all the work, no other Contractors will be allowed » Borrower is only reimbursed for cost of material, no sweat equity and no checks/disbursements are made until the project is complete (REMN WS will not disburse 50% at closing) ▪ If the Borrower is using a big box store company (i.e. Home Depot, Lowes, Sears, etc.) for minor items such as flooring, appliances, wall coverings, etc. and there is no other work being completed, REMN WS will view the store as a simple supplier of the material; thus no contractor docs would be necessary. • In these instances; on a case-by-case basis REMN WS may disburse up to 50% of the cost of the material at closing directly to the store/material supplier to get the order started. • Remaining balance would then be disbursed when the job has been completed. ✧ Borrower must supply REMN WS with material estimate to complete 203(k) Max Mortgage Worksheet ✧ If the cost of material is above $7,500, the Borrower must demonstrate to REMN WS that he/she has both the financial resources to purchase material and necessary expertise to perform the work. ✧ If the renovation is less than $7,500; HUD does not require a 10% contingency reserve; REMN WS will not require a contingency; however, a final inspection from the appraiser will be required. ✧ Due to Texas 50(a)(6) restrictions, when a property is located in TX, REMN WS must pay the supplier of material directly. ✧ REMN WS must obtain a signed Rehabilitation (Self-Help) Loan Agreement from the Borrower.

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HUD CONSULTANT	
203(k) HUD Consultant	✧ A FHA-Approved 203(k) Consultant is required for all Standard 203(k) mortgages and may be used for Limited 203(k) mortgages. Any Consultant who performs work on a 203(k) must be listed on the FHA 203(k) Consultant Roster. The Consultant inspects the property and prepares the architectural exhibits, the Work Write-Up and Cost Estimate.

✧ The HUD Consultant can do the inspections during the construction stage.
- » The HUD Consultant cannot be the Contractor on the job, because it is considered a conflict-of-interest.

✧ The HUD Consultant manages the entire project
- » Consultant(s) work for HomeBridge Financial Services, Inc., DBA Real Estate Mortgage Network
- » Consultant(s) work directly with the borrower(s) and contractor(s).
- » Gives a Work Write-Up copy to the Borrower so their Contractor can put his prices on the plan.
  - ▪ Contractor signs and acknowledges the Scope of Repairs from the HUD consultant as the approved documents.
- » The Consultant's pricing should be based on current market costs or materials and labor.
- » The Consultant's Work Write-Up is supplied to the Appraiser for the after-improved appraisal.
- » Determines if property uninhabitable and number of months PITI escrows can be escrowed.
- » The HUD Consultant performs draw inspections to approve disbursement to Contractor.

Consultant Duties

✧ The Consultant must perform the following duties in accordance with the requirements set forth below.

Feasibility Study

✧ If requested by the Borrower or REMN WS to determine if a project is financially feasible, the Consultant must prepare a Feasibility Study.
- » A Feasibility Study consists of a preliminary inspection of the property and an estimate of the materials and cost for the work that will be necessary to comply with HUD requirements.

Consultant Inspection

✧ The Consultant must inspect the property to ensure:
- » There are no rodents, dry rot, termites and other infestation on the property;
- » There are no defects that will affect the health and safety of the occupants;
- » There exists adequate structural, heating, plumbing, electrical and roofing systems; and
- » There are upgrades to the structure's thermal protection (when necessary).

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HUD CONSULTANT	
203K HUD Consultant	✧ The Consultant must prepare a report on the current condition of the property that categorically examines the structure utilizing the 35 Point Checklist. The report must address any deficiencies that exist and certify the condition of all major systems; electrical, plumbing, heating, roofing and structural. ✧ The Consultant must determine the repairs/improvements that are required to meet HUD's Minimum Property Requirements (MPR), Minimum Property Standards (MPS) and local requirements. **Architectural Exhibits** ✧ The Consultant is responsible for identifying all required architectural exhibits. The Consultant must prepare the exhibits, or, if not qualified to prepare all the necessary exhibits, must obtain the exhibits from a qualified subcontractor. **Work Write-Up and Cost Estimate** ✧ The Consultant must prepare an unbiased Work Write-Up and Cost Estimate without the use of the contractor's estimate. The Work Write-Up and Cost Estimate must be detailed as to work being performed per the project proposal, including the necessary reports described in Architectural Exhibit Review section. **Draw Request Inspection** ✧ The Consultant must inspect the work for completion and quality of workmanship at each draw request. **Change Order** ✧ At the Borrower's or REMN WS's request, the Consultant must review the proposed changes to the Work Write-Up and prepare a change order. **Work Stoppages or Deviations from the Approved Write-Up** ✧ The Consultant must inform the Mortgagee of the progress of the rehabilitation and of any problems that arise, including: » Work stoppages of more than 30 consecutive Days or work not progressing reasonably during the rehabilitation period; » Significant deviations from the Work Write-Up without the Consultant's approval; » Any issues that could affect adherence to the program requirements or property eligibility; or » Any issues that could affect the health and safety of the occupants or the security of the structure. **Consultant Fee Schedule** **Feasibility Study** » If requested by the Borrower or REMN WS to determine if a 203(k) mortgage is feasible, the Consultant may charge and additional fee of $100.00 for the preparation of a Feasibility Study. **Work Write-Up** » The Consultant may charge fees listed below for preparation of the Work Write-Up and review of architectural exhibits: ▪ $400.00 for repairs less than $7,500.00 ▪ $500.00 for repairs between $7,501.00 and $15,000.00 ▪ $600.00 for repairs between $15,001.00 and $30,000.00 ▪ $700.00 for repairs between $30,001.00 and $50,000.00 ▪ $800.00 for repairs between $50,001.00 and $75,000.00 ▪ $900.00 for repairs between $75,001.00 and $100,000.00 ▪ $1,000.00 for repairs over $100,000.00 » The Consultant may charge and additional $25.00 per additional Dwelling Unit. (Continued on following page)

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HUD CONSULTANT	
203k HUD Consultant	**Draw Inspection Fee** ✧ For each draw request, The Consultant may charge an inspection fee that is reasonable and customary for work performed in the area where the property is located, provided the fee does not exceed a maximum of $350.00. **Change Order Fee** ✧ The Consultant may charge $100.00 per change order request. **Re-Inspection Fee** ✧ The Consultant may charge a $50.00 fee when re-inspection of a Work Item is requested by the Borrower or REMN WS. **Mileage Fee** ✧ The Consultant may charge a mileage fee at the current IRS mileage rate when the Consultant's place of business if more than 15 miles from the property. **Improvements Standards** ✧ General Improvement Standards » The Consultant must ensure that the property will comply with HUD's MPR or HUD's MPS after the improvements have been completed, and meet or exceed local building codes. ✧ Improvement Standards for Storm Shelters » When a storm shelter is part of the rehabilitation, the Consultant must ensure that its construction is consistent with guidelines issued by the Federal Emergency Management Agency. ✧ Foundation Standards » Existing Structure Moved to a New Foundation ▪ Prior to placement of the existing structure on the new foundation, the Consultant must obtain from the Borrower a report from a licensed structural engineer stating that the foundation is structurally sound and capable of supporting the structure. ▪ After placement of the existing structure on the new foundation, the Consultant must obtain from the Borrower a report from a licensed structural engineer stating that the structure has been properly placed and secured to the new foundation. ▪ Structure is Reconstructed on the Existing Foundation ▪ Prior to reconstruction of the structure, the Consultant must obtain from the Borrower a report from a licensed structural engineer stating that the foundation is structurally sound and capable of supporting the proposed construction of the structure. » Existing Structure will be Elevated ▪ Prior to elevation of the existing structure, the Consultant must obtain from the Borrower a report from a licensed structural engineer stating that the foundation is structurally sound and capable of supporting the structure. ▪ After elevation of the existing structure, the Consultant must obtain from the Borrower a report from a licensed structural engineer stating that the structure has been properly placed and secured to the new foundation.

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HUD CONSULTANT	
Architectural Exhibit Review	The Consultant must prepare or obtain and review all applicable architectural exhibits. Architectural exhibits may include, but are not limited to, the following: ✧ Well certification; ✧ Septic certification; ✧ Termite report (including all outbuildings); ✧ Proposed plot plans for new additions; ✧ Foundation certification by a licensed structural engineer if: » The existing Structure will be moved to a new foundation; » The Structure is being reconstructed on the existing foundation; or » The existing Structure will be elevated. ✧ Cabinetry plans and elevations; ✧ New Construction exhibits to obtain a building permit for an addition; ✧ Grading and drainage plans; or ✧ Engineering and soil/geotechnical reports.

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