

FHA 203(k) Rehabilitation Mortgage Comparison

	STANDARD			LIMITED																				
Occupancy	Owner Occupied			Owner Occupied																				
Units	1 - 4 Units			1-4 Units																				
Maximum LTV	Purchase	Rate/Term	Cash-Out	Purchase	Rate/Term	Cash-Out																		
	96.50%	97.75%	N/A	96.50%	97.75%	N/A																		
Acquisition Cost	Sales Price + Total Renovation Costs			Sales Price + Total Renovation Costs																				
Repair Amount	Minimum		Maximum	Minimum	Maximum																			
	\$5,000		No maximum	No Minimum	\$35,000 10% Contingency = \$31,250 Labor/Materials maximum 15% Contingency = \$29,750 Labor/Materials maximum See <u>Contingency Reserve</u> below to view the other contingency reserve options that apply to Limited 203(k) transactions.																			
Contingency Reserve	<div>▪ For structures with actual age < 30yrs<table><tr><td></td><td>Minimum</td><td>Maximum</td></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></div> <div>▪ For structures with actual age ≥ 30yrs<table><tr><td></td><td>Minimum</td><td>Maximum</td></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></div> <div>Established by HUD Consultant</div>				Minimum	Maximum	Req'd when evidence of termite damage	10%	20%	Discretionary	No Minimum	20%		Minimum	Maximum	Required	10%	20%	Req'd when utilities are not operable	15%	20%	<div>▪ Contractor Bid only – standard 10% - 15% (determined by HomeBridge)</div> <div>▪ Contractor Bid and Feasibility Study – Reduced 5% - 10%</div> <div>▪ Contractor Bid and Consultant SOR – as determined by HUD Consultant</div> <div>If utilities are not turned on and in good working order a 15% Contingency Reserve will be required.</div>		
	Minimum	Maximum																						
Req'd when evidence of termite damage	10%	20%																						
Discretionary	No Minimum	20%																						
	Minimum	Maximum																						
Required	10%	20%																						
Req'd when utilities are not operable	15%	20%																						
% of After Improved Value allowed	1-4 Units		Condo	1 Unit	Condo																			
	110%		100%	110%	100%																			
Appraised Values Required	Purchase	Rate/Term	HUD REO	Purchase	Rate/Term	HUD REO																		
	After Improved (Sales price = As Is Value)	After Improved, AS IS if < 12 mos ownership ¹	After Improved	After Improved (Sales price = As Is Value)	After Improved, AS IS if < 12 mos ownership ¹	After Improved																		
Sales Contract	✧ REMN WS must ensure the sales contract includes provision that the Borrower has applied for Section 203k financing, and that the contract is contingent upon mortgage approval and the Borrower's acceptance of additional required improvements as determined by the mortgagee.																							
Identity-Of-Interest / Conflict-Of-Interest	✧ Identity-Of-Interest applies to the Seller in that they may not have a relationship with the Borrower; except for family member transactions. ✧ Conflict-Of-Interest applies to the Borrower not having either a personal/familiar or business relationship with any of the following; Contractor, HUD Consultant, Appraiser, Inspector, Lender, Broker, Realtor, Closing Agent or Title Company or Seller. ✧ For all 203(k) transactions an identity of interest (IOI) certification is required. ✧ Loans with an IOI conflict may not exceed 85% LTV. ✧ Loans that do not have an IOI conflict may go up to the max LTV.																							
Escrowed PITI	✧ Allowed (Maximum 6 months)			✧ Not Allowed																				
Condo	✧ Apartment style limited to 4 units in each building – High Rise condos are not eligible ✧ Maximum 100% After-Improved Value			✧ Apartment style limited to 4 units in each building – High Rise condos are not eligible ✧ Maximum 100% After-Improved Value																				
Hazard / Flood	✧ After-Improved value coverage required ✧ Builder Risk Policy may be required			✧ After-Improved Value coverage required ✧ Builder Risk Policy may be required																				
Project Completion	✧ 6 Months ✧ Dispute Resolution between Homeowner and Contractor is binding arbitration agreement through American Construction Industry Arbitration Counsel			✧ 6 Months ✧ Dispute Resolution between Homeowner and Contractor is binding arbitration agreement through American Construction Industry Arbitration Counsel																				
New Construction	✧ Not Allowed - Home must have C/O issued greater than 1 year			✧ Not Allowed – Home must have C/O issued greater than 1 year																				
Self Help	✧ Allowed with management exception			✧ Allowed with management exception																				

¹ See full product descriptions for refinance appraisal requirements

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	STANDARD	LIMITED
Eligible Repairs	<ul style="list-style-type: none"> ✧ Structural & Non Structural (permanently affixed improvements that add value to property) ✧ Construction of attached structures ✧ Construction of a detached garage ✧ Tearing down a structure and rebuilding on entire existing foundation. 	<ul style="list-style-type: none"> ✧ Non Structural (permanently affixed improvements that add value to property)
Ineligible Repairs	<ul style="list-style-type: none"> ✧ Luxury Items ✧ Construction of detached outbuildings (with the exception of garages) ✧ Tearing down a structure and rebuilding on part of existing foundation. 	<ul style="list-style-type: none"> ✧ Luxury Items ✧ Structural repairs of any kind
Contractor	<ul style="list-style-type: none"> ✧ Maximum of 1 General Contractor ✧ 1 Specialty Contractor (possible) for foundation, pools, well, septic, etc. 	<ul style="list-style-type: none"> ✧ Maximum of 3 Contractors ✧ Written proposal must indicate Work Items that require permits and state that repairs are non-structural.
Contractor Requirement	<ul style="list-style-type: none"> ✧ Must be licensed per property, state and county regulations ✧ \$1 Million Liability Insurance ✧ Contractor cannot have any relationship to Borrower, Seller, Realtor(s), Lender, or Closing Agent ✧ Contractor cannot be the HUD Consultant 	<ul style="list-style-type: none"> ✧ Must be licensed per property, state and county regulations ✧ \$1 Million Liability Insurance ✧ Contractor cannot have any relationship to Borrower, Seller, Realtor(s), Lender, or Closing Agent
Contractor Bid	<ul style="list-style-type: none"> ✧ Contractor must initial all pages of the Consultant Report & sign/date the last page 	<ul style="list-style-type: none"> ✧ Labor and materials must be broken out separately for each section of the work write up. ✧ No cost + Bids with the exception that Contractor can add a final management fee as a percentage of project. ✧ Must include description of materials to be used. ✧ Should outline any "cost allowances" that are included in the final price. ✧ Must indicate repair items that require permits and state that repairs are non-structural

Renovation Fees – LE Guidance			
FEE(s)	STANDARD	LIMITED	LE Section
Supplemental Origination Fee ¹	REMNM WS does not charge a Supplemental Origination Fee	REMNM WS does not charge a Supplemental Origination Fee	n/a
Inspection Fee(s)	Included Up to 5 inspections completed by HUD Consultant	Included 1 Final Inspection completed by Appraiser	<u>Standard:</u> Section C* HUD consultant must be disclosed on the Service Provider List <u>Limited:</u> Section B*
Title Update Fee	Included	Included	Section B*
Permits	Included If applicable	Included If applicable	Section H*
Architectural Engineering Fee(s)	Included If applicable	N/A	Section H*
Consultant Fee	Included Varies based on cost of repairs	N/A	Section C* HUD consultant must be disclosed on the Service Provider List
Borrower Funded Contingency Reserve**	Included Varies based on cost of renovations	Included Varies based on cost of renovations	Include as a charge to borrower using the adjustments in cash to close table on page 2
<p>* Enter all as POC</p> <ul style="list-style-type: none"> – REMNM Requires all 203k loans to be disclosed on a <u>Standard Loan Estimate</u>, regardless if there is a seller on the transaction or not. – Include the total amount of repairs (labor and materials), financed contingency reserve, and all soft costs as the total repair escrow; this amount should be entered as a charge to the borrower using the adjustments in cash to close table on page 2 of the Standard Loan Estimate. <p>**Financed Contingency Reserve is not entered separately on the Loan Estimate, as it is included in the total repair escrow amount.</p>			

¹ Emerging Bankers may not charge a Supplemental Origination Fee

TOTAL RENOVATION COSTS INCLUDE		
Included in Total Rehabilitation Costs	STANDARD	LIMITED
Repairs	Material & Labor	Material & Labor
Financed Contingency Reserve	10 - 20% of Rehab (15% if utilities are not on and properly functioning) Established by HUD Consultant	10 - 15% of Rehab (15% if utilities are not on and properly functioning) Established by Lender
Inspection Fee ¹	Up to 5 Inspection Fees allowed Completed by HUD Consultant Refer to Work Write-Up	1 Final Inspection Fee allowed 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 <ul style="list-style-type: none"> If 2-4 unit property and one or more of the units are occupied, only include the portion of the mortgage payment attributable to the unoccupied units. 	N/A
Architectural/Engineering Fee(s) ²	Included	N/A
Consultant Fee	Included	N/A
Permit Fee(s) 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 Lender to ensure satisfactory compliance with exhibits, the Borrower or Contractor will be responsible for payment; however, Lender 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.