

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description



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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	580 ²
Rate/Term ³	97.75%	97.75%	FHA Limit	580 ²

LIMITED				
Primary Residence 1-4 Unit				
PURPOSE	MAX LTV	MAX CLTV	LOAN AMOUNT	MINIMUM FICO
Purchase	96.50%	105.00% ¹	FHA Limit	580 ²
Rate/Term ³	97.75%	97.75%	FHA Limit	580 ²

[FHA Mortgage Limits](#)

Footnotes	<p>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. Secondary financing must be approved by REMN WS</p> <ul style="list-style-type: none"> ✧ 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. <p>² See FHA FICO Overlay Matrix located at www.remnwholesale.com under Product Guidelines – FHA</p> <p>IMPORTANT: For instances of renovation work where the number of units in the subject property will be impacted, please reference the Property Types section.</p> <p>³ Refinances are subject to all permits and building approvals secured prior to final approval</p>																		
FHA Loan Limits 2021-2022	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Low Cost Area "Floor"</th> <th colspan="3" style="text-align: center;">High Cost Area "Ceiling"</th> </tr> <tr> <th></th> <th style="text-align: center;">2021</th> <th style="text-align: center;">2022</th> <th></th> <th style="text-align: center;">2021</th> <th style="text-align: center;">2022</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1 Unit</td> <td style="text-align: center;">\$356,362</td> <td style="text-align: center;">\$420,680</td> <td style="text-align: center;">1 Unit</td> <td style="text-align: center;">\$822,375</td> <td style="text-align: center;">\$970,800</td> </tr> </tbody> </table>	Low Cost Area "Floor"			High Cost Area "Ceiling"				2021	2022		2021	2022	1 Unit	\$356,362	\$420,680	1 Unit	\$822,375	\$970,800
Low Cost Area "Floor"			High Cost Area "Ceiling"																
	2021	2022		2021	2022														
1 Unit	\$356,362	\$420,680	1 Unit	\$822,375	\$970,800														
(Case number issued in calendar year)	<p>2022 Loan Limits are based upon case number assignment date and are effective for case numbers assigned on or after January 1st, 2022.</p>																		

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

Overview	<ul style="list-style-type: none"> ✧ 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. <ul style="list-style-type: none"> II. Origination Through Post-Closing/Endorsement <ul style="list-style-type: none"> A. Title II Insured Housing Programs Forward Mortgages <ul style="list-style-type: none"> 8. Programs and Products – 203(k) Rehabilitation Mortgage Insurance Program
Renovation Concierge Services	<ul style="list-style-type: none"> ✧ All correspondence with the Renovation Concierge Service Department can be made using the Renovation Concierge Service Help Desk ✧ The Renovation Construction Loan Agreement must be reviewed by the Renovation Concierge Team prior to closing to ensure it is properly completed and included in the closing package.
Occupancy	<ul style="list-style-type: none"> ✧ Owner Occupied
Borrower Eligibility	<ul style="list-style-type: none"> ✧ 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	<ul style="list-style-type: none"> ✧ 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	<ul style="list-style-type: none"> ✧ Standard REMN WS guidelines apply; refer to FHA Product Guidelines for details.
Renovation Loans with Repair Cost ≥ \$75,000	<ul style="list-style-type: none"> ✧ For renovation transactions with repair costs of \$75,000 or greater, the following apply: <ul style="list-style-type: none"> » Standard only; Limited is capped at \$35,000 total rehabilitation costs » Rental income from the subject property is not eligible for qualifying purposes for the following: <ul style="list-style-type: none"> – 1-unit with an accessory dwelling unit (ADU) » Builder Risk Policy is required unless there is a written confirmation from HOI company that the appraisal and the final scope of work has been reviewed and the company will issue the HOI policy without property-related exceptions. The Concierge group will be responsible for communication with the HOI company prior to final approval and closing. <ul style="list-style-type: none"> – 6mo Builder Risk policy for direct hard costs < \$100,000 – 12mo Builder Risk policy for direct hard costs ≥ \$100,000 – NOTE: All files that include mortgage payments in their escrow will require a Builder Risk policy, regardless of the size of the project cost. » Soft costs (cost of architectural drawings, engineering fees, permits, etc.) will only be considered as reimbursable fees when the permits are approved and the Concierge group receives a copy(s) of the permit(s). No payments can be drawn from the escrow account until the permit(s) is provided. » If the subject property requires a zoning change or variance (e.g. conversion of 1 unit to 2-4 unit, etc.), local approvals must be provided prior to closing » If the subject property is considered a historical property where the scope of work requires approvals from local authorities, the aforementioned approvals must be provided prior to closing. » Appraisers must address, in the appraisal addendum, any repairs that must be made to meet fire, health and safety issues, as well as any other property repairs required for the subject property to meet agency minimum property standards. » All permits and building approvals are required prior to closing/funding.

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PROGRAM OVERVIEW		
Temp Buy Down	✧ Not Allowed	
Assumptions	✧ Allowed	
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	<ul style="list-style-type: none"> ✧ 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 Allowed	
Number of Properties Financed with REMN WS	<ul style="list-style-type: none"> ✧ 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 Chief Appraiser and/or the Chief Credit Officer prior to issuance of loan approval.	✧ Homes that are currently boarded up, condemned and uninhabitable are <i>not</i> eligible under the Limited 203(k) program.

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Homeowners Insurance	<ul style="list-style-type: none"> ◇ Hazard Insurance <ul style="list-style-type: none"> » Follow standard REMN WS Insurance Requirements. ◇ All Risk Insurance (Builders Risk) <ul style="list-style-type: none"> » 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 have coverage to insure the property during renovations equaling 100% of the full replacement cost of improvements for a 6-month period. » All renovation loans where the borrower has included mortgage payment escrows into the loan amount must have a Builder’s Risk policy. » For Renovation loans with repair costs > \$75,000 (Standard only): <ul style="list-style-type: none"> – Builder Risk Policy is required unless there is a written confirmation from HOI company that the appraisal and the final scope of work has been reviewed and the company will issue the HOI policy without property-related exceptions. The Concierge group will be responsible for communication with the HOI company prior to final approval and closing. <ul style="list-style-type: none"> ▪ 6 month Builder Risk policy fore direct hart costs < \$100,000 ▪ 12 month Builder Risk policy for direct hard costs ≥ \$100,000 ◇ Flood Insurance <ul style="list-style-type: none"> » 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	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #e6f2ff;"> <th style="width: 33%;">PROPERTY</th> <th style="width: 33%;">STANDARD</th> <th style="width: 33%;">LIMITED</th> </tr> </thead> <tbody> <tr><td>Primary Residence</td><td>Yes</td><td>Yes</td></tr> <tr><td>Second Home</td><td>No</td><td>No</td></tr> <tr><td>Investment</td><td>No</td><td>No</td></tr> <tr><td>1-2 Unit</td><td>Yes</td><td>Yes</td></tr> <tr><td>3-4 Unit⁵</td><td>Yes¹</td><td>Yes</td></tr> <tr><td>PUD</td><td>Yes</td><td>Yes</td></tr> <tr><td>Condo²</td><td>Yes</td><td>Yes</td></tr> <tr><td>New Construction*</td><td>No</td><td>No</td></tr> <tr><td>Mixed Use⁴</td><td>Yes</td><td>No</td></tr> <tr><td>Co-Operatives</td><td>No</td><td>No</td></tr> <tr><td>Manufactured Housing*</td><td>Yes</td><td>Yes</td></tr> </tbody> </table> <p>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. For transactions that will involve the addition of livable units within the subject property, the maximum loan amount of the transaction must adhere to the current maximum loan limit based on the current as-is status of the subject property. e.g. If an existing 1-unit property will be converted to a 2 unit, the max loan limit for 1-unit property will apply Maximum Mortgage cannot exceed 100% of the After-Improved value. See Condo Units in these guidelines for further detail.</p> <p>² New Construction is <u>not</u> 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 complete existing foundation is in place.</p> <p>³ 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.</p> <p>⁴ <u>Mixed Use (Standard only):</u></p> <ul style="list-style-type: none"> – Additional FHA guidelines apply as detailed in FHA Handbook 4000.1 – All appraisals must be reviewed by either the Chief Appraiser and/or 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 allowed. – Although not limited to these, professional use and “light retail” are preferred mixed-use types <p>⁵ <u>3-4 Unit (Limited)</u> – a feasibility study is required. <u>Manufactured Housing</u> – there are no unique requirements except for the following:</p> <ul style="list-style-type: none"> – The rehab must not affect the structural components of the structure that were designed and constructed in conformance with Federal Manufactured Home Construction & Safety Standards. – Additions are allowed however the foundation must be recertified with either: <ul style="list-style-type: none"> ▪ An inspection by the state administrative agency that inspects Manufactured Housing for compliance; or ▪ A certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors. 			PROPERTY	STANDARD	LIMITED	Primary Residence	Yes	Yes	Second Home	No	No	Investment	No	No	1-2 Unit	Yes	Yes	3-4 Unit ⁵	Yes ¹	Yes	PUD	Yes	Yes	Condo ²	Yes	Yes	New Construction*	No	No	Mixed Use ⁴	Yes	No	Co-Operatives	No	No	Manufactured Housing*	Yes	Yes
PROPERTY	STANDARD	LIMITED																																					
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Mixed Use ⁴	Yes	No																																					
Co-Operatives	No	No																																					
Manufactured Housing*	Yes	Yes																																					
Lava Zone Properties	<ul style="list-style-type: none"> ➤ 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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FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

Property Eligibility	<ul style="list-style-type: none"> ✧ 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. <p>The following property types may be financed:</p> <ul style="list-style-type: none"> ✧ A 1 Unit Single Family Structure; <ul style="list-style-type: none"> » 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: <ul style="list-style-type: none"> » 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; ✧ Mixed Use ✧ Manufactured Homes (all states except the State of New York) ✧ Site Condominium unit; and ✧ HUD Real Estate Owned (REO) Property: <ul style="list-style-type: none"> » Property is identified as eligible for 203(k) financing as evidenced in the sales contract or addendum. ✧ Properties with an Accessory Dwelling Unit (ADU) 	
Ineligible Properties	STANDARD	LIMITED
	<ul style="list-style-type: none"> ✧ Homes where final Certificate of Occupancy was issued within the past 12 months ✧ Homes never completed 	<ul style="list-style-type: none"> ✧ Homes where final Certificate of Occupancy was issued within the past 12 months ✧ Homes never completed
Types of 203(k) Rehabilitation Mortgages	<p>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.</p> <ul style="list-style-type: none"> ✧ To purchase a dwelling and the land on which the dwelling is located and rehabilitate it. <p>STANDARD 203(k)</p> <ul style="list-style-type: none"> ✧ 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. ✧ Please refer to Renovation Loans with Repair Cost > \$75,000 for transactions with rehabilitation costs ≥\$75,000. <p>LIMITED 203(k)</p> <ul style="list-style-type: none"> ✧ 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. 	

FHA 203(k) – Rehabilitation Mortgage REM N Wholesale Product Description

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Ineligible Transactions	<ul style="list-style-type: none"> ✧ 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. 				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e6f2ff; width: 50%;">STANDARD</th> <th style="background-color: #e6f2ff; width: 50%;">LIMITED</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ✧ Work requiring longer than six (6) months to complete ✧ Renovations requiring more than five (5) draw payments </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ✧ 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> </tbody> </table>	STANDARD	LIMITED	<ul style="list-style-type: none"> ✧ Work requiring longer than six (6) months to complete ✧ Renovations requiring more than five (5) draw payments 	<ul style="list-style-type: none"> ✧ 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.
STANDARD	LIMITED				
<ul style="list-style-type: none"> ✧ Work requiring longer than six (6) months to complete ✧ Renovations requiring more than five (5) draw payments 	<ul style="list-style-type: none"> ✧ 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. 				
Case Number Assignment Data Entry Requirements	<p>Case Number Assignment Data Entry Requirements</p> <ul style="list-style-type: none"> ✧ In order to request a case number for a 203(k) Mortgage, REMN WS must enter the following information: <p>203(k) Program Type Indicator</p> <ul style="list-style-type: none"> ✧ REMN WS must select either Standard 203(k) or Limited 203(k) as the program type. <p>Consultant Identification Number</p> <ul style="list-style-type: none"> ✧ 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. <p>Automated Data Processing Code</p> <ul style="list-style-type: none"> ✧ REMN WS must enter the appropriate 203(k) Automated Data Processing (ADP) code. <p>Construction Code</p> <ul style="list-style-type: none"> ✧ REMN WS must enter “Substantial Rehabilitation” in the drop-down menu labeled “Construction Code.” <p>Refinance Type</p> <ul style="list-style-type: none"> ✧ For a refinance transaction, REMN WS must select “Not Streamlined” in the drop-down menu labeled “All Refinances.” <p>Converting From a Non-203(k) to a 203(k) Mortgage</p> <ul style="list-style-type: none"> ✧ 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.” 				

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FHA Connection	STANDARD	LIMITED
	<ul style="list-style-type: none"> ◇ To obtain a 203(k) Consultant ID <ul style="list-style-type: none"> » 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 	<ul style="list-style-type: none"> ◇ 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
203(k) Required Special Forms & Disclosures	STANDARD	LIMITED
	203(k) Borrowers Acknowledgement	203(k) Borrowers Acknowledgement
	<p>203(k) Borrowers Acknowledgement:</p> <ul style="list-style-type: none"> ◇ 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). <p>Loan Requirements</p> <ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> <input type="checkbox"/> Pay the net interest income directly to me/us. <input type="checkbox"/> Apply the net interest income directly to the mortgage principal balance for an equal amount of principal reduction. <input type="checkbox"/> Other: _____ 	
	203(k) Maximum Mortgage Worksheet	203(k) Maximum Mortgage Worksheet
	Borrowers Identity-of-Interest Certification	Borrowers Identity-of-Interest Certification
	Contractor's Identity-of-Interest	Contractors Identity-of-Interest
	Homeowner / Contractor Agreement	Homeowner / Contractor Agreement
	Homeowner / Contractor 203(k) Certification	Homeowner / Contractor 203(k) Certification
	Contractor Acknowledgement Consultant 203(k)	Contractor Acknowledgement LIMITED 203(k) 203(k)
	W9	W9
	Contractor Profile Report	Contractor Profile Report
	Mortgage Payment Disclosure	N/A
	Consultant Identity-of-Interest Certification	N/A
	Interest Rate on 203(k) Repair Escrow Account – Closing Document	Interest Rate on 203(k) Repair Escrow Account – Closing Document
	REMN Consultant Borrower Fee Agreement	REMN Consultant Borrower Fee Agreement if applicable

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

PROGRAM OVERVIEW	
Identity-of-Interest	<ul style="list-style-type: none"> ➤ Identity-of-Interest transactions: <ul style="list-style-type: none"> » Purchase of a principal residence between; parties with a familial or business relationship or business affiliates. » The maximum LTV is limited to 85% for Identity-of-Interest transactions. ➤ Exceptions to the maximum LTV for Identity-of-Interest transactions. Maximum financing above the 85% LTV is permitted under certain circumstances. The table below describes circumstances in which financing above 85% LTV is permitted.
Family Member Purchase	<ul style="list-style-type: none"> ➤ A family member purchases another family member's home as a principal residence. ➤ If the property is sold from one (1) family member to another and is the sellers' investment property, the maximum mortgage is the lesser of; <ul style="list-style-type: none"> » 85% of the appraised value; or, » The appropriate LTV factor percentage applied to the sale price, plus or minus adjustments. <p>NOTE: The 85% limit may be waived if the family member has been a tenant in the property for at least six (6) months immediately preceding the date of the sales contract. A lease or other written evidence must be submitted to verify occupancy.</p>
Builder's Employee Purchase	<ul style="list-style-type: none"> ➤ An employee of a builder, who is not a Family Member, purchases one (1) of the builder's new homes or models as a principal residence.
Tenant Purchase	<ul style="list-style-type: none"> ➤ A current tenant, including a family member tenant purchased the property where he/she has rented for at least six (6) months immediately preceding the date of the sales contract. NOTE: A lease or other written evidence to verify occupancy is required. The maximum mortgage calculation is not affected by a sales transaction between a tenant and a landlord with no Identity-of-Interest relationship.
Corporate Transfer	<ul style="list-style-type: none"> ➤ A corporation <ul style="list-style-type: none"> » Transfers an employee to another location, » Purchase the employee's home; and, » Sells the home to another employee.
	<ul style="list-style-type: none"> ➤ Conflict of interest refers to any party to the transaction who has a direct or indirect personal, business, or financial relationship sufficient to appear that may cause partiality and influence the transaction. <ul style="list-style-type: none"> – Any transaction with a potential conflict of interest must be escalated to REMN WS Chief Credit Officer for review and approval. ➤ Sales transactions between Family Members are permitted (see above). REMN WS must ensure there are no other instances of Identity-of-Interest or conflict of interest between parties in the 203(k) transaction. The Borrower and the 203(k) Consultant must each sign an Identity-of-Interest certification that is placed in the case binder. ➤ If the Borrower selected a 203(k) Consultant to perform a Feasibility Study, REMN WS may select the same 203(k) Consultant for the project without creating an Identity of Interest.

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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 <i>(The loan amount including the costs of rehab cannot exceed the FHA maximum loan limit for jurisdiction.)</i>	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). Please refer to Renovation Loans with Repair Cost > \$75,000 for transactions with rehabilitation costs \geq \$75,000.	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: <ul style="list-style-type: none"> ▪ 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), but the Contractor(s) should supply a detailed narrative describing the total scope of work and material being utilized in the project. 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. See REMN WS Contractor Review Requirements for additional eligibility criteria.	Contractor must be licensed and insured; as required by locality. See REMN WS Contractor Review Requirements for additional eligibility criteria.
Allowable Fees	Title Update Fee, Final Inspection, Consultant fee (including mileage) and if applicable; Up to six months mortgage payments for homes where the	Title Update Fee, Final Inspection and Permit Fee; as applicable.

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	subject property is uninhabitable, Architect/Engineering Fees and Permit Fees.	
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PROGRAM OVERVIEW		
203(k) Features	STANDARD	LIMITED
	<p>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.</p> <ul style="list-style-type: none"> ❖ Minimum cost of rehabilitation must be at least \$5,000. ❖ Please refer to Renovation Loans with Repair Cost > \$75,000 for transactions with rehabilitation costs \geq\$75,000. ❖ 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 allowed. <ul style="list-style-type: none"> » Refer to Disbursement Process for specifics. ❖ One (1) General Contractor allowed <ul style="list-style-type: none"> » Additional "Specialty" Contractor allowed 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 and approved by Renovation Concierge Service. <ul style="list-style-type: none"> » 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. 	<p>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.</p> <ul style="list-style-type: none"> ❖ No minimum rehabilitation amount. ❖ Maximum \$35,000 in total rehabilitation costs. ❖ 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: <ul style="list-style-type: none"> ▪ 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 allowed per Contractor. <ul style="list-style-type: none"> » 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	<ul style="list-style-type: none"> ◇ Details of the HUD Consultant’s Work-Write Up Report (AKA Specification of Repairs) Report <ul style="list-style-type: none"> » Signed by Consultant, Borrower and Contractor » All pages to be initialed by the Contractor » Original plan/specifications for project » Describes quantity/quality of materials required » Lists market costs of materials, labor, overhead, profit » Provides a detailed narrative of the scope of the work being completed. » Includes adequacy of existing structural, heating, plumbing, electrical and roofing » List all required and/or recommended industry certifications and permits » Provides recommended Contingency Reserve and mortgage payment escrow amounts » Required on all Standard 203(k) Loans
Feasibility Study	<ul style="list-style-type: none"> ◇ 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. <ul style="list-style-type: none"> » 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.
Structural/Engineer Report	<ul style="list-style-type: none"> ◇ For transactions where the scope of the renovation work includes major additions to the existing structure, a Structural/Engineer’s report will be required prior to closing. Examples of “major additions” include, but are not limited to: <ul style="list-style-type: none"> » Tearing down of existing structure and rebuilding on the current foundation » Addition of new level on the existing structure
Underwriting	<ul style="list-style-type: none"> ◇ TOTAL Mortgage Scorecard and Manual Underwriting Allowed. ◇ 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 Allowed. ◇ 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 allow 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. ◇ All renovation loans where the cost of the direct renovation project is \geq \$75,000 require evidence from the HOI company that they have reviewed the bid and appraisal and determined whether a HOI policy will or will not be issued (i.e. confirmation of the scope of the work and the current condition of the subject property).

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RENOVATION RELATED COSTS		
What's included in the Maximum Mortgage Amount	<ul style="list-style-type: none"> ✧ 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; <ul style="list-style-type: none"> » Purchase = 96.50% ✧ Condo transactions cannot exceed 100% of the After-Improved value. ✧ Up to 6 months PITI if home deemed uninhabitable by the HUD Consultant on the STANDARD 203(k) program. <ul style="list-style-type: none"> » 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 and Costs (15% if utilities are not on and properly functioning) <i>Established by HUD Consultant</i>	<ul style="list-style-type: none"> ▪ Contractor Bid only – standard 10% - 15%* ▪ Contractor Bid and Feasibility Study – Reduced 5% - 10% ▪ Contractor Bid and Consultant SOR –as determined by HUD Consultant <i>*Established by REMN WS</i>
Inspection Fee(s) ¹	Up to 5 Inspection Fees allowed <i>Completed by HUD Consultant Refer to Work Write-Up</i>	1 Inspection Per Contractor <i>Completed by Appraiser</i>
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. Recommended by HUD Consultant & approved by REMN WS. <ul style="list-style-type: none"> ▪ If 2-4 units, see 203(k) Features 	N/A
Architectural/Engineering Fee(s) ²	Included	N/A
Consultant Fees	Included	May not be financed in the loan amount
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
	<ol style="list-style-type: none"> 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. 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. The HUD Consultant 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. ⁴ For renovation loans with repair costs \geq \$75,000 (Standard only), soft costs (cost of architectural drawings, engineering fees, permits, etc.) will only be considered as reimbursable fees when the permits are approved and the Concierge group receives a copy(s) of the permit(s). No payments can be drawn from the escrow account until the permit(s) is provided. 	

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RENOVATION RELATED COSTS																				
Contingency Reserve	STANDARD	LIMITED																		
<ul style="list-style-type: none"> ◇ A contingency reserve is held from the loan proceeds to cover health, safety and unplanned costs that arise during construction. Percentage includes Cost of Construction, Repairs and Rehabilitation. <ul style="list-style-type: none"> » For structures with actual age < 30yrs 	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr style="background-color: #e6f2ff;"> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">Minimum</th> <th style="width: 35%; text-align: center;">Maximum</th> </tr> </thead> <tbody> <tr> <td>Req'd when evidence of termite damage</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Discretionary</td> <td style="text-align: center;">No minimum</td> <td style="text-align: center;">20%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> » For structures with actual age ≥ 30yrs <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr style="background-color: #e6f2ff;"> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">Minimum</th> <th style="width: 35%; text-align: center;">Maximum</th> </tr> </thead> <tbody> <tr> <td>Required</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Req'd when utilities are not operable</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">20%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ◇ Deposited into an interest-bearing escrow account. ◇ The contingency reserve may be financed or funded by the borrower from their own funds. <ul style="list-style-type: none"> » 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. <ul style="list-style-type: none"> ▪ If borrower funded; the amount must be indicated on <u>Line 1310</u> 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 must be noted as a closing condition so that the Closer is aware that these funds are to be collected from the borrower 		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%	<ul style="list-style-type: none"> ◇ 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: <ul style="list-style-type: none"> ▪ 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. <ul style="list-style-type: none"> » 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 <ul style="list-style-type: none"> » If borrower funded, the amount must be indicated on <u>Line 1310</u> of the 2010 Itemization ◇ Un Allowed 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). <ul style="list-style-type: none"> » 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 as a closing condition so that the Closer is aware that these funds are to be collected from the borrower.
	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%																		

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RENOVATION RELATED COSTS		
Material Draws	STANDARD	LIMITED
	<ul style="list-style-type: none"> ◇ Renovation Concierge Services will manage the renovation process. <ul style="list-style-type: none"> » 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. <ul style="list-style-type: none"> ▪ Invoices are required. ◇ One-time Initial Draw for materials allowed: <ul style="list-style-type: none"> » REMN is able to release a check directly to either the contractor or borrower for 100% of the documented material cost that were both ordered from the supplier and paid for by the contractor or borrower. Evidence of the payment is needed, as well as authorization from: <ul style="list-style-type: none"> ▪ The Contractor when the Borrower has paid for the materials. ▪ The Borrower when the Contractor has paid for the material. » 50% of documented material cost that has been ordered from the supplier but not yet paid for by either contractor or the borrower can be released in the form of a two (2) party check made payable to the Borrower and Contractor. ◇ 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 <ul style="list-style-type: none"> » Checks are sent via 2nd day UPS. » LO will be notified upon final disbursement check being mailed. » Permits required before disbursement (PTF) ◇ Mortgagee may issue checks directly to the Borrower alone if the release is for <ul style="list-style-type: none"> » Materials for work under self-help agreement; or » Materials for items prepaid by the borrower under contract with a supplier. » Contractor acknowledgement required 	<ul style="list-style-type: none"> ◇ Renovation Concierge Services will manage the renovation process. <ul style="list-style-type: none"> » 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. <ul style="list-style-type: none"> » The contractor must provide a statement prior to closing requesting the initial disbursement amount to be released, as determined below: <ul style="list-style-type: none"> » 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 ◇ Remaining 50% is disbursed when all work is completed, and final inspection and title update are complete. ◇ Checks are made payable to both the Borrower and Contractor(s) as co-payees, unless the Borrower provides written authorization, at each draw, to issue the check directly to the contractor <ul style="list-style-type: none"> » Checks are sent via 2nd day UPS. » LO will be notified upon final disbursement check being mailed. » Permits required before disbursement (PTF) ◇ Mortgagee may issue checks directly to the Borrower alone if the release is for: <ul style="list-style-type: none"> » Materials for work under self-help agreement; or » Materials for items prepaid by the borrower under contract with a supplier. » Contractor acknowledgement required

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MAXIMUM MORTGAGE CALCULATION		
Purchase	Step 1	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.
	Step 2 Step 3	Add UFMIP to Base Loan Amount to obtain Total Loan Amount.
STANDARD		
Purchase Price + Renovation Costs		Dollar Amount
Purchase Price		\$120,000
Total Cost of Repairs (labor & materials)		\$24,500
Allowable Fees/Costs		\$1,500
Contingency Reserve (15% of Costs of Construction, Repairs and Rehabilitation)		\$3,675
Total Purchase Price and Renovation Costs		\$148,175
110% of After-Improved Value <i>After-Improved Value (Located in Reconciliation section of Appraisal)</i>		\$158,950
Maximum Base Loan Amount at 96.5% LTV		\$142,989
Total Mortgage Amount with 1.75% UFMIP		\$145,491
<i>In this example the Purchase Price + Renovation Costs is less than 110% of After-Improved Value. Therefore \$148,175 is used to calculate the base loan amount.</i>		
LIMITED		
Purchase Price + Renovation Costs		Dollar Amount
Purchase Price		\$120,000
Total Cost of Repairs (labor & materials)		\$24,500
Allowable Fees/Costs		\$650
Contingency Reserve (10% of Costs of Construction, Repairs and Rehabilitation)		\$2,450
Total Purchase & Renovation Costs		\$147,600
110% of After-Improved Value <i>After-Improved Value (Located in Reconciliation section of Appraisal)</i>		\$176,000
Maximum Base Loan Amount at 96.5% LTV		\$142,434
Total Mortgage Amount with 1.75% UFMIP		\$144,926
<i>In this example the Purchase Price + Renovation Costs is less than 110% of After-Improved Value. Therefore \$147,600 is used to calculate the base loan amount.</i>		

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MAXIMUM MORTGAGE CALCULATION			
\$100 Down Payment (HUD REO) Purchase	Step 1	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.	
	Step 2	Add UFMIP to Base Loan Amount to obtain Total Loan Amount.	
	<ul style="list-style-type: none"> ❖ 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 allows a Borrower to purchase a HUD REO property with FHA-insured financing with a minimum down payment of \$100.00 ❖ Contract Sales Terms <ul style="list-style-type: none"> » 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. 		
	STANDARD & LIMITED		
	Purchase Price + Renovation Costs		Dollar Amount
	Purchase Price		\$100,000
	Total Cost of Repairs (labor & materials)		\$3,500
	Allowable Fees/Costs		\$475
	Contingency Reserve (15%)		\$525
	Total Purchase Price and Renovation Costs		\$104,500
110% of After-Improved Value <i>After-Improved Value (Located in Reconciliation section of Appraisal)</i>		\$110,000	
Maximum Base Loan Amount - \$100		\$104,400	
Total Mortgage Amount with 1.75% UFMIP		\$106,227	
<i>In this example the Purchase Price + Renovation Costs is less than 110% of After-Improved Value. Therefore \$104,400 is used to calculate the base loan amount.</i>			

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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	<ul style="list-style-type: none"> ✧ Used to establish REO list price; and ✧ Used to calculate maximum mortgage amount 	<ul style="list-style-type: none"> ✧ Used to establish list price only
Ordering New Appraisal	Allowed only when <ul style="list-style-type: none"> ✧ REO Appraisal not available; or ✧ REO Appraisal expired; or ✧ REO Appraisal has material deficiencies 	<ul style="list-style-type: none"> ✧ Required for all FHA-insured REO Sales transactions
Maximum Mortgage Amount	Based on the lesser of; <ul style="list-style-type: none"> ✧ Appraised value; or ✧ Sales Price; or ✧ Original REO List Price 	<ul style="list-style-type: none"> ✧ Based on Adjusted Value
Financing UFMIP on \$100 Down Loans	<ul style="list-style-type: none"> ✧ Only if total loan amount does not exceed appraised value 	<ul style="list-style-type: none"> ✧ UPMIP may be financed with NO restriction.

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

REPAIRS		
Eligible Repairs	◇ Examples are listed below; however, a more comprehensive list can be found at HUD.Gov	
	STANDARD	LIMITED
	<ul style="list-style-type: none"> ◇ 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 <p>(Continued on following page)</p>	<ul style="list-style-type: none"> ◇ 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 <ul style="list-style-type: none"> » 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 <ul style="list-style-type: none"> » 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 <p>(Continued on following page)</p>

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

REPAIRS		
Eligible Repairs	STANDARD	LIMITED
		<ul style="list-style-type: none"> ✧ If replacing or addition to non-ground floor structures requires review and approval by RCS. ✧ Pool repairs allowed no dollar limit
Repairs Eligible for Standard 203(k)	<ul style="list-style-type: none"> ✧ 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 <ul style="list-style-type: none"> » 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 » Repair of bulkheads, piers, etc. would be acceptable but new construction of these items is not acceptable. ✧ Site improvements, landscaping, patios, decks and terraces 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. ✧ 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 are allowed for therapeutic items such as special bathtubs and/or showers. Creating accessibility for persons with disabilities. 	

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

REPAIRS		
Ineligible Repairs	STANDARD	LIMITED
	<p>Items and improvements that do not become a permanent part of the real property are not eligible.</p> <ul style="list-style-type: none"> ❖ 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 	<p>Items and improvements that do not become a permanent part of the real property are not eligible.</p> <ul style="list-style-type: none"> ❖ 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: <ul style="list-style-type: none"> » Necessitate a "Consultant" to develop a "Specification of Repairs/Work Write-Up" ❖ Require plans or architectural exhibits

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 would 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
- ❖ For renovation loans with repair costs \geq \$75,000 (Standard only), appraisers must address, in the appraisal addendum, any repairs that must be made to meet fire, health and safety issues, as well as any other property repairs required for the subject property to meet agency minimum property standards.

Standard 203(k)

- ❖ 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.
- ❖ Appraiser must identify all Fire, Health, and Safety issues OR confirm there are none. See page 546 of the [4000.1 Handbook](#) under Determination of Defective Conditions

Limited 203(k)

- ❖ 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.
- ❖ Appraiser must identify all Fire, Health, and Safety issues OR confirm there are none. See page 546 of the [4000.1 Handbook](#) under Determination of Defective Conditions
- ❖ 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
 - REMN must obtain a written proposal and Cost Estimate from a contractor for each specialized repair or improvement. REMN 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.
 - REMN 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.

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

APPRAISAL	
Adjusted As-Is Value	<p>Purchase Transactions – the Adjusted As-Is Value is the lesser of:</p> <ul style="list-style-type: none"> ❖ 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. <ul style="list-style-type: none"> » In the case of property flipping, REMN WS must obtain an As-Is Appraisal if needed to comply with the property flipping guidelines. ❖ When the existing debt, plus items listed below does not exceed the After-Improved Value, a second “As-Is” Appraisal is optional. <ul style="list-style-type: none"> » Financeable Repairs & Improvement Costs; » Financeable Mortgage Fees; » Financeable Contingency Reserves; and » Financeable Mortgage Payment Reserves (Standard 203k ONLY) <p>The “Adjusted As-Is” Value is calculated using the existing debt, plus closing costs and pre-paid costs of the new mortgage.</p> <p>NOTE: When using this calculation for the Adjusted As-Is value, in lieu of obtaining a second appraisal, the maximum mortgage amount is limited to 97.75% of the Adjusted As-Is Value, plus the financeable items above. The borrower will be required to document the assets for the remaining 2.25% of the total payoffs, closing costs, and financeable repair items to bring to the closing table.</p> <p>When the borrower opts to obtain a second, “As-Is” Appraisal, and the value exceeds this calculation, the “As-Is” Value becomes the Adjusted As Is Value, and the borrower can include all payoffs, closing costs, and financeable repair items in the mortgage up to 97.75% of the “As-Is” Value.</p> <ul style="list-style-type: none"> ❖ Existing debt includes: <ul style="list-style-type: none"> » 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.

APPRAISAL	
Appraisal	<p>Repairs Noted by Appraiser</p> <ul style="list-style-type: none"> ❖ 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	<ul style="list-style-type: none"> ❖ 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	<ul style="list-style-type: none"> ❖ 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).

PROPERTY

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

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.

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

PROPERTY																																																																						
Utilities	<ul style="list-style-type: none"> ✧ 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. <ul style="list-style-type: none"> » This includes winterized and/or REO properties. ✧ Contractors or consultants must address possible repairs in their bid. Bids should be marked "Final" not "Estimate". No price expiration dates should be present. ✧ 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. 																																																																					
Winterized Property	<p>Certification from vendor who conducted the winterization indicating utilities were on and in proper working order at the time the winterization was completed.</p> <p>Extensive work write-up that addresses all utility related issues.</p>																																																																					
Water / Plumbing	<p>Home inspection that was completed at the time the water was on and properly functioning.</p> <p>Plumbing pressurized test.</p> <p>Professional inspection performed by licensed specialty contractor (i.e. plumber). *</p> <p>Extensive work write-up that addresses all plumbing related issues.</p>																																																																					
Electric	<p>Home inspection that was completed at the time the electric was on and properly functioning.</p> <p>Professional inspection performed by licensed specialty contractor (i.e. electrician). *</p> <p>Extensive work write-up that addresses all electric related issues.</p>																																																																					
HUD REO Properties	<p>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.</p> <p>The appraisal report must include the applicable property specific appraisal reporting form, all required exhibits and a copy of the PCR.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #003366; color: white;"> <th colspan="4" style="text-align: center; padding: 5px;">Property Condition Report</th> </tr> <tr style="background-color: #e6f2ff;"> <th style="width: 35%; padding: 5px;">Item Description/Condition</th> <th style="width: 15%; padding: 5px;"></th> <th style="width: 15%; padding: 5px;">Item Functionality</th> <th style="width: 35%; padding: 5px;">Functionality/Test Notes</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Cooling/Air-Conditioner: OK</td> <td style="padding: 5px;"></td> <td style="padding: 5px;">HVAC tested and functional?:</td> <td rowspan="3" style="padding: 5px; vertical-align: top;">Yes The HVAC system was powered with a 220V generator and no apparent deficiencies were revealed. 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<p>* 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. General contractors (GC's) are not eligible to perform the aforementioned professional inspections.</p>																																																																						

FHA 203(k) – Rehabilitation Mortgage REMN Wholesale Product Description

CONTRACTOR & REHABILITATION PROCESS		
Contractor Selection	STANDARD	LIMITED
	<p>The Borrower will select the general Contractor(s); maximum of one (1) Allowed, 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.</p> <ul style="list-style-type: none"> ✧ 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. Renovation Refinances where the scope of work includes major additions to the current structure and/or building additional detached structures such as ADUs or garages require: <ul style="list-style-type: none"> ○ all permits to be obtained prior to Funding ○ evidence that no zoning or property variance approval is required ✧ REMN WS will review the Contractor’s credentials, work experience, social media postings, public record information, and client references. REMN WS 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. 	<p>The Borrower will select the Contractor(s); up to a maximum of three (3) allowed, 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.</p> <ul style="list-style-type: none"> ✧ 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, social media postings, public record information, and client references. REMN WS 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.

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, similar to the proposed subject project.
 - » 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. Bids should be marked "Final" not "Estimate". No price expiration dates should be present.
- ❖ 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 validated Contractors and their expiration dates.

CONTRACTOR & REHABILITATION PROCESS

REM N WS Contractor Review Requirements

- REM N WS must review the following items pursuant to the proposed Contractor; credentials, work experience, licensing information, type of work performed, experience, social media postings, public record information, 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 has become an application.
 - ❖ Contractors are not approved by HUD or REM N WS; we will only accept or reject the submitted request.
 - » REM N WS Renovation Concierge Services is responsible to Contractor acceptance.
 - ❖ Contractor Bids – Limited ONLY
 - » While REM N 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. REM N 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
 - Should clearly state the nature and type of repair/renovation and cost for completion of each work item to be performed.
 - Should be very detailed to show the following
 - Material and labor cost of each item.
 - General description of material items.
 - 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.
 - ❖ For projects with General Contractors with direct hard costs of \$15,000 to \$35,000, the Contractor must evidence that they have been licensed and insured over the most previous twelve (12) months from the application date
 - ❖ For projects with General Contractors with direct hard costs of \$35,001 to \$75,000, the following would apply:
 - » Contractors will need to show a minimum two (2) year history of performing similar projects
 - » Contractors must show that they have been licensed and insured over the most previous 24mos from the application date
 - » Contractors will need to show a minimum of 25% of the direct hard costs in available business lines of credit and/or business cash/checking accounts.
 - ❖ For projects with General Contractors with direct hard costs of \$75,000 or higher, the following would apply:
 - » Contractors will need to show a minimum of three (3) year history of performing similar projects
 - » Contractors must show that they have been licensed and insured over the most previous 36mos from the application date
 - » Contractors will need to show a minimum of 25% of the direct project cost in available lines of credit and/or business cash
 - » The Concierge Service group will run a LexisNexis Business Report on the contractor/business, which will need to reflect an acceptable business and credit profile.
 - ❖ Post-Closing Contractor Rehire Fee Structure:
 - » For a new General Contractor (GC) - \$150
 - » For any additional Specialty Contractor(s) - \$100

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 licensed and insured contractors, hired by the borrower and validated by RCS.
- ❖ Licensed and insured contractors hired by the borrower and validated by RCS, can receive payment directly. Maximum of three (3) independent licensed contractors can be used on any project.
- ❖ Licensed and insured contractors hired by the borrower and validated by RCS, cannot have Identity or Conflict of Interest.
- ❖ REMN WS must ensure all permits are obtained prior to commencement of work. Renovation Refinances where the scope of work includes major additions to the current structure and/or building additional detached structures such as ADUs or garages require
 - » all permits to be obtained prior to Funding.
 - » evidence that no zoning or property variance approval is required
- ❖ 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 that includes a detailed narrative describing the total scope of work being completed by the borrower and any work being completed by independent licensed contractors.
- ❖ Self-Help is NOT allowed in Texas.

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. Licensed and insured sub-contractors hired by the borrower, validated by RCS, can receive payment directly.
- ❖ Licensed and insured sub-contractors hired by the borrower, validated by RCS, cannot have Identity or Conflict of Interest.
- ❖ For Borrowers performing their own work under the Rehabilitation Self-Help Agreement, the Borrower must submit a work plan detailing the work items to be performed by the Borrower, a Cost Estimate and a contractor (other than the Borrower) that provides a breakdown of the cost for labor and material for each Work Item. The Contractor(s) must be licensed and bonded if required by the local jurisdiction. Borrower must not be reimbursed for labor costs.
- ❖ 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
 - » 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.
- ❖ 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.
- ❖ Self-Help is NOT allowed in Texas.

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.

203k Consultants

The 203k Consultant window allows users to search for 203k Consultants by name and/or city and state. Detailed **help** is available online. For comments or other questions, [click here](#).


Consultant ID:

Name:

Last Name	First Name
<input type="text"/>	<input type="text"/>

City:

State: 

Status: 

- ◇ 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).

(Continued on following page)

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)

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 is 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.

HUD CONSULTANT	
Architectural Exhibit Review	<p>The Consultant must prepare or obtain and review all applicable architectural exhibits. Architectural exhibits may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> ❖ Well certification; ❖ Septic certification; ❖ Termite report (including all outbuildings); ❖ Proposed plot plans for new additions; ❖ Foundation certification by a licensed structural engineer if: <ul style="list-style-type: none"> » 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.
Conflict of Interest	<ul style="list-style-type: none"> » Employees are prohibited from having multiple roles in a single FHA insured transaction. » Employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA insured transaction. » Employees must work exclusively for REMN WS, unless it has been determined that the employee’s other outside employment, including self-employment, does not create a prohibited conflict of interest. » There must NEVER be a conflict of interest with the HUD Consultant <p>Example: Can a loan officer who is exclusively employed by a lender originate loans involving real estate transactions in which their spouse is a real estate agent? No, employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction.</p>