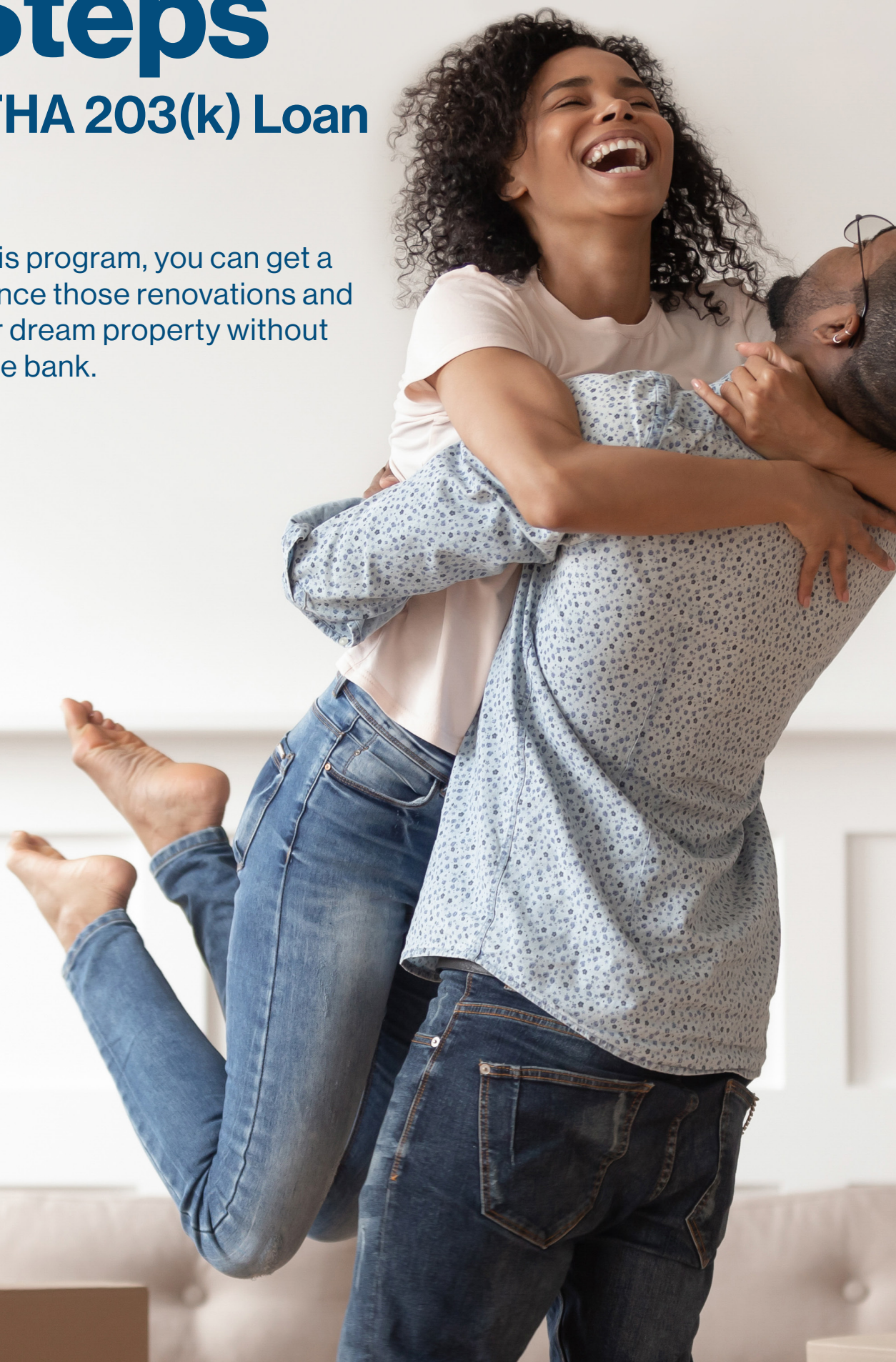


8 Steps

to an FHA 203(k) Loan

Through this program, you can get a loan to finance those renovations and create your dream property without breaking the bank.





What is an FHA 203(k) Loan?

An FHA 203(k) loan allows an individual to buy or refinance a property that needs renovation or repair work completed. This type of loan combines your home purchase/refinance and renovations into one single loan. There are two types of FHA 203(k) loans available to use for home renovations. You can apply for the one that best meets your needs.

FHA 203(k) Standard Loan:

- Can be used for major repairs or renovations costing more than \$35,000.
- An FHA 203(k) Consultant is required.
- Client must receive at least one bid from a contractor.

FHA Limited 203(k) Loan:

- Can be used for smaller projects totaling up to \$35,000.
- An FHA 203(k) Consultant is not required.
- Client must receive one bid from a contractor.
- Does not qualify for repairs to structure or foundation of the home (a standard loan is required for that type of work).

What is an FHA 203(k) Consultant?

An FHA 203(k) Consultant is a Department of Housing and Urban Development (HUD)-approved professional, with previous experience as a home inspector or a general contractor. A HUD Consultant ensures all FHA Minimum Property Standards are met as well as ensures all of the work is completed in the project in a workmanlike manner. The Consultant is referred to as a HUD Consultant or FHA Consultant. You can find a consultant by visiting www.HUD.gov. [<https://entp.hud.gov/idapp/html/f17cnsldata.cfm>]

FHA 203(k) loans can be used for simply sprucing up a property or can be used for a full-scale gut renovation. The property can be a single-family home or a 2-4 family home. The home must be owner-occupied! The type of property and the scope of the project is really up to you.

We specialize in helping clients obtain FHA 203(k) loans in states where we're licensed. We want you to be as well-informed as possible, and this guide will walk you through the process. Of course, we are always here to help and answer any of your questions. We know it helps to have an experienced renovation mortgage originator and FHA 203(k) expert in your corner.



8 Steps to an FHA 203(k) Loan

Congratulations on choosing Cherry Creek Mortgage for your renovation lending needs! Purchasing a property is one of the largest investments you'll make in your life. If you're interested in renovating a property, that can take some extra cash. That's where the FHA 203(k) loan program can help. Through this program, you can get a loan to finance those renovations and create your dream property without breaking the bank.



Set Your Budget & Get Pre-Qualified for a Mortgage

(Buyer & Mortgage Lender)

Before you even step foot in an open house, you should get your finances in order. Decide on a housing budget and how much you will need to borrow. From there, start researching mortgage lenders. If you plan to take on a renovation, it is a good idea to work with a mortgage provider who offers FHA 203(k) loans.

A pre-qualified loan makes it easier to set your budget and stick to it. Sellers want to see buyers with pre-qualification because they know you are serious and will be able to finance the purchase.

Lenders who offer 203(k) loans can help educate you on the program and get your loan closed faster. To pre-qualify, apply on our website:

» [GetStartedNow.ccmclending.com/128315/8720](https://www.getstartednow.ccmclending.com/128315/8720)



STEP 2

Go House Hunting & Make a Deal

(Buyer & Real Estate Agent)

This is the fun part! Once you're pre-qualified and understand the FHA 203(k) program, go out and look at properties. When you've found your property, we recommend taking a few steps before you make an offer:

- Make a to-do list of possible repairs or renovations.
- Contact an FHA advisor and ask them to consult on the project.
- Ask a contractor to meet you at the property to survey the work.

Now, it's time to make your offer! With your realtor's help, draw up an offer with your proposed purchase price. Keep in mind this is your "as-is" offer, meaning it is the cost of the home before any work is done. For example, if your purchase price is \$200,000 and you plan to add \$50,000 in renovations and repairs, that \$50,000 would come from an FHA 203(k) loan and would be part of your deal with the seller.

Word of caution: In today's competitive housing market, you might not have time to consult an FHA advisor or contractor. But that's not a deal breaker. You can work those details and deadlines into your purchase contract. That way, you don't miss out on your dream property and get outbid by a fast-moving buyer.

If your offer is accepted, congratulations! Now you will work with your mortgage lender on your home loan, and you can also begin the FHA 203(k) application process.

STEP 3

Submitting the Offer

(Buyer & Real Estate Agent)

Once you've found your property and decided on an offer, you're on your way. Your real estate agent will assemble the necessary paperwork and submit your offer to the seller's agent.

When writing up the contract, your realtor can specify that you will be seeking a 203(k) loan. It is a good idea to give the seller and their agent a heads-up for several reasons:

- If the property is currently not in FHA quality, they'll understand you plan to seek the loan and have a plan to address necessary repairs and work.
- An FHA 203(k) loan might require additional inspections and different deadlines than a standard transaction.
- It sometimes works to the buyer's advantage to be upfront about your plans, particularly if the property is a foreclosure, bank owned, or a short sale. It may give the bank confidence you'll close despite the condition of the property, which could complicate other deals.
- An FHA 203(k) loan does not change your closing process, so you can close on a typical timeline.





STEP 4

FHA Feasibility Study & Contractor Estimates

(Buyer, Inspector, FHA Consultant, & Contractor)

Once your offer is accepted and your contract is signed, you can turn your focus to your 203(k) loan process. You'll need to get to work on the following:

- 1 Order an inspection:** Hire a licensed home inspector to do a thorough report of your property, both the interior and exterior.
 - 2 Bring in an FHA 203(k) Consultant:** If you're seeking a Standard 203(k) loan, you will need to bring in a licensed FHA 203(k) Consultant to do a feasibility study. (This is not necessary for FHA Limited 203(k) loans.)
 - 3 Meet with your contractor and FHA 203(k) Consultant:** It's time to gather the team. Meet with your contractor and FHA 203(k) Consultant to review the budget, construction plans, and scope of renovations/repairs.
 - 4 Contact your mortgage lender:** Sit down with your loan officer to review the renovation plans and decide which FHA 203(k) loan is right for your project. If your home inspection turns up additional repairs, you can add them to the loan estimate.
-



Order An Appraisal

(Lender & Appraiser)

Once you've completed your inspection and worked on the renovation estimate with your contractor and FHA 203(k) Consultant, it is time to get an appraisal of the property. A real estate appraiser will provide an estimate of the value of your property in the current market. This is important because banks want to see how the estimated value of your house compares to your loan amount. Lenders want to know the home is worth the purchase price. With the FHA 203(k) loan you will get an "as-is" value and a "subject to" estimate for the new value after your renovations are completed.



Verify Your Loan Amount

(Buyer & Lender)

Now that your appraisal is complete, you can finalize your loan amount. Here's where the numbers come in:

On a new purchase, the maximum loan amount and down payment are based on the sum of the purchase price, repairs/renovations, and a contingency reserve. You will typically be required to keep 10-20% in contingency reserves or 110% of the "after renovation" value, whichever is less.

For a refinance with an FHA 203(k) loan, the maximum loan amount is based on the loan payoff, closing costs, prepaids, repairs/renovations, and contingency reserves, or 97.75% (110% of the "after renovation value"), whichever is less.

Contingency reserves are required to provide a financial buffer in case your renovation costs go over the estimates, or you find additional work that needs to be done. After your project is complete, if you have any remaining funds from the contingency reserves, they will be applied to the principal balance of your loan. This will not change the monthly payment but will come off the back end of the loan.



Loan Approval & Closing

(Buyer, Lender, & Realtor)

Once your loan amount is finalized, your application goes to underwriting and approval. When you get that approval, you'll receive your loan documents and a final Closing Disclosure (CD) breaking down all the numbers. This will tell you how much money you need to bring to closing.

Closing is the big day! This is when the money changes hands and you officially take ownership of your new home. Loan proceeds are wired to pay off the seller and into an escrow account to fund the renovations/repairs you have planned. Once the payment is complete, you will get the keys.



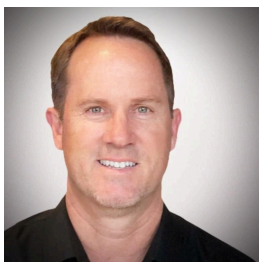
Inspections & Check Disbursement

(Buyer, Lender, & Inspector)

If you have a Limited 203(k) loan, there are only two checks allowed to be disbursed to your contractor for the work being completed. One check will be disbursed at the closing table (or when the loan funds), and the second check will be disbursed once the renovation/repair work is completed, inspected, and we have a clear final title update showing no liens have been placed on the property since closing.

If you have a Standard 203(k) loan, there can be up to five inspections and five checks. You can receive one check for half of the material costs (up to \$50,000) at the closing table (or when the loan funds).

FHA 203(k) loans can help you transform a property into your dream home. We hope this guide helps you better understand the renovation program. If you'd like more information about FHA 203(k) loans or to start the loan process, please contact us. Let us help you repair, renovate, or restore a property.



Scott Nicholson

Mortgage Originator

NMLS# 298536

Mobile: 562-225-0769

scott.nicholson@ccmclending.com

485 E. 17th St Ste. 200 & 202
Costa Mesa, CA 92627

NicholsonLoans.com



*Delivery 30 to 45 days after closing. One per household. The OmniCard Visa Reward Card is issued by MetaBank®, Member FDIC, pursuant to a license from Visa U.S.A. Inc. The Visa Reward Card may be used everywhere Visa debit cards are accepted. No Cash or ATM Access. This optional Offer is not a MetaBank nor a Visa product or service; and neither MetaBank nor Visa endorse this Offer.**The Payment Assurance Program is a non-contributory job loss plan backed through an "Excellent" rated third party carrier. The information herein is solely a summary. The benefits plan contains restrictions on eligibility, vesting, and waiting periods. The actual terms, conditions and limitation of the benefits plan are established by the commercial policy documents. We are not affiliated with the Payment Assurance benefits program or with the carrier of this plan. The benefits plan is subject to availability at the time of loan closing and may be modified or withdrawn without notice. ***This material is not from HUD or FHA and the document is not approved by the Department of HUD or any Government Agency. HUD does not approve the material presented. This material/presentation is intended as educational and informational only. This does not constitute an offer to lend or to recommend available products. Cherry Creek Mortgage Company, is not endorsed by nor acting on behalf of or at the direction of the US Department of Housing and Urban Development, the Federal Housing Administration, the US Department of Agriculture or the Federal Government. To check the license status of your mortgage broker, visit <http://www.nmlsconsumeraccess.org>. We are not endorsed by, nor acting on behalf of or at the direction of the U.S. Department of Housing and Urban Development, Federal Housing Administration, U.S. Department of Agriculture, Veterans Administration or the Federal Government.

