



Your home. Made yours.

A RENOVATION TOOL BOOK



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The Renovation Loan

Our Solution to Your Problem

A Renovation loan allows the borrower to finance both the cost of the home and the desired repairs all in one mortgage. To provide funds for the rehabilitation, the mortgage amount is based on the projected value of the property with the work completed. The work must begin within 30 days of closing of the loan and cannot cease for more than a 30-day period. The work must be completed within 6 months from the date of close. Renovation loans require licensed professionals to complete the work. A loan officer can help determine which type of renovation loan is right for a buyer in any given scenario.

Problems

The neighborhood where we want to live has only older homes. We are torn between a new home and a desired neighborhood.

We just keep on renting because we worry that once we purchase a home, we won't have available funds to upgrade it the way we want.

We love our home, but we've outgrown it. We need another bathroom.

Inventory is low. There aren't many homes available that meet our wants and needs.

Solutions

Don't settle for a new home in the wrong neighborhood. Renovation makes possible a seemingly new home in the right neighborhood. The sky is the limit with repairs ranging anywhere from new paint and countertops all the way to knocking down walls or putting in new septic and plumbing.

You're not alone; most people don't have expendable funds right after they purchase a home. That's what makes a renovation loan ideal. The cost of the renovation is rolled right into your mortgage so you aren't scrambling to come up with additional funds after closing.

If you love your current home, then stay put, but renovate it to fit your growing needs. A renovation loan potentially allows you to refinance your mortgage and include the costs of the renovations. You could have your second bath, or even a second story!

You can increase the inventory of homes you are looking at exponentially by considering a renovation! With renovation financing, you'll have more choices and inventory than you know what to do with.

My Potential Home Checklist

When you decide Renovation is the option for you. Use this checklist to help you decide what renovation are right to make this your perfect home.

Date Seen: _____ Agent: _____ HOA: Y/N
 Address: _____ Price: _____ Property Taxes: _____
 Seller: _____ Age of Home: _____ Neighborhood: _____

Style of home Two Story Ranch Split Level Traditional Contemporary
 Cape Cod Townhouse Condo

Type of construction: Wood Brick Stone Stucco Vinyl Aluminum

EXTERIOR FEATURES:

Landscaping Good Fair Poor
 Fencing Good Fair Poor None
 Porch Good Fair Poor None
 Paint Good Fair Poor
 Patio Good Fair Poor None
 Deck Good Fair Poor None
 Garage 1 car 2 car 3 car Detached
 Roof Condition Good Fair Poor
 Sidewalks Yes No

Note: _____

INTERIOR FEATURES

Kitchen Size: _____
 Eat-in Yes No
 Flooring Vinyl Hardwood Tile Good Fair Poor
 Appliances Good Fair Poor None
 Cabinets Good Fair Poor
 Windows Good Fair Poor

Dining room Size: _____
 Flooring Carpet Hardwood Tile Good Fair Poor
 Lighting fixtures Good Fair Poor None

Living room Size: _____
 Flooring Carpet Hardwood Tile Good Fair Poor
 Lighting fixtures Good Fair Poor None
 Fireplace Good Fair Poor None

Den Size: _____
 Flooring Carpet Hardwood Tile Good Fair Poor
 Lighting fixtures Good Fair Poor None
 Fireplace Good Fair Poor None

Hallway Flooring Carpet Hardwood Tile Good Fair Poor
 Linen closet Good Fair Poor None

Note: _____

TOTAL BEDROOMS: 1 2 3 4 5+

Master Bedroom Size: _____

Flooring Carpet Hardwood Tile Good Fair Poor
 Closet Good Fair Poor None

Bedroom 2 Size: _____

Flooring Carpet Hardwood Tile Good Fair Poor
 Closet Good Fair Poor None

Bedroom 3 Size: _____

Flooring Carpet Hardwood Tile Good Fair Poor
 Closet Good Fair Poor None

Note: _____

TOTAL BATHROOMS: 1 2 3 4 5+

Master Bath Size: _____

Flooring Ceramic Vinyl Wood Carpet Good Fair Poor
 Tub Good Fair Poor
 Fixtures Good Fair Poor

Guest Bath Size: _____

Flooring Ceramic Vinyl Wood Carpet Good Fair Poor
 Tub Good Fair Poor
 Fixtures Good Fair Poor

Note: _____

Laundry room Location: _____

Washer Good Fair Poor None
 Dryer Good Fair Poor None

Note: _____

Basement Yes/No Finished Carpet Hardwood Tile

Note: _____

MECHANICALS

Type of heating Hot water Gas Electric Oil
 Insulation Fiberglass Cellulose Foam None

Central Air Yes/No
 Plumbing Condition Good Fair Poor

Sump pump/drainage system Yes/No

Connected to sewer system Yes/No

Age of heating system: _____

Age/capacity of water heater: _____

Age of electrical wiring: _____

Note: _____

EASY ACCESS TO:

Work Schools Shopping Airport Area Industry Highways
 Houses of worship Train station Public transportation Doctors Dentists

My Contact Sheet

LOAN OFFICER:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

REAL ESTATE AGENT:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

NOTE: General Contractor strongly preferred, however if no GC, maximum of 3 contractors allowed

GENERAL CONTRACTOR:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

CONTRACTOR:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

CONTRACTOR:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	



CONTRACTOR:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

CONTRACTOR:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

HUD CONSULTANT:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

DRAW ANALYST:	Email:
Office:	Cell:
Assistant:	Email:
Office:	Cell:
Note:	

For your renovation questions, contact the **NEW AMERICAN FUNDING RENOVATION DEPARTMENT:**
RenovationSpecialist@nafinc.com
Toll Free Office Number: 1 -949-565-4771 ext. 8776.

Note: _____

Scheduled Appointments

MONTH: _____

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY



FHA 203(k)

Standard Loan

The FHA 203(k) Standard loan is used when a home needs structural work, involves non-safety related landscaping, or when the renovation costs exceeds \$35,000. This loan requires a minimum of \$5,000 in repairs. There is no cap on the renovation budget (FHA maximum loan limits apply). You will be required to have a HUD Consultant in addition to a contractor. The HUD Consultant will help ensure that all minimum property standards are met and that your contractor has completed the work according to contract.

Potential Wish List

- Knock down walls to open up the floor plan
- Add light by increasing the size of the windows
- Add retaining wall to prevent flooding
- Finish a basement or attic
- Increase the size of the kitchen by expanding into the dining room
- Correct foundational issues
- Add square footage by making an addition
- Add an attached garage when one does not exist
- Make repairs to the pool

Common Questions From Prospective Borrowers

Q: Is there a maximum dollar amount for repairs?

There is no maximum repair amount. However, your loan amount will be determined by several factors, including the FHA County Loan Limit.

Q: If we renovate the fixer-upper we saw and the repairs will take months. What happens if the home is uninhabitable? Would I need to start making the mortgage payments right away?

With the Standard 203k, you can finance up to six months of mortgage payments into your loan, providing the home is determined to be uninhabitable during the renovations and there is enough value to support it. The HUD Consultant will determine if the home will be uninhabitable and for how long. Once the home gets to the point of being habitable you would need to move in.

Q: When and how does my contractor get paid for the work?

With this loan, no funds are given to the contractor in advance; there is no disbursement at the close of the loan. Draws to the contractor are made as work progresses and phases are completed. Draw inspections will verify that the work has been completed. Up to five draws can be taken.



FHA 203(k)

Limited Loan

The FHA Limited 203(k) is used when a home needs cosmetic/non-structural work. The total renovation budget must be less than \$35,000. There is no minimum dollar amount for repairs. The Limited 203(k) does not require a HUD Consultant. As the borrower, you will complete a written work plan, which will demonstrate your understanding of the contractor's bid. Mortgage payments cannot be financed with this loan.

Potential Wish List

- Replace windows to increase energy efficiencies
- Refinish flooring
- Replace countertops in kitchen & baths
- Update HVAC, electrical & plumbing
- Replace tub & showers
- Add gutters & downspouts
- Repair septic
- Replace siding
- Repair roof
- Paint

Common Questions From Prospective Borrowers

Q: Can the contractor get paid in advance of the work with this loan?

Contractor can request up to 50 percent of the estimated materials and labor costs after closing and before beginning construction only when the contractor is not willing or able to defer receipt of payment until completion of the work, or the payment represents the cost of materials incurred prior to construction. A statement from the contractor is sufficient to document.

Q: What is the contingency reserve? What happens to the money that is held in my contingency reserve after closing?

The contingency reserve is money that is held aside for any safety or hazard issues that arise during your renovation. You can also use it for cost overruns that you may encounter. Once the project is complete, if the contingency reserve is not used, it will be applied back to your principal.

Fannie Mae HomeStyle®

Renovation Loan

A Fannie Mae HomeStyle® renovation loan is a conventional mortgage that allows the borrower to make any repairs that are permanently affixed to the property. This loan can accommodate both structural and non-structural repairs. Landscaping and site amenities are allowed.



Potential Wish List

- Complete kitchen remodel including new kitchen appliances
- Install new in-ground pool
- Add a new carpet
- Build out the attic and put in dormer windows
- Remediate lead-based paint
- Add an on-suite bath
- Build Guest House
- Create an open floor plan
- Outdoor kitchen
- Add a attached or detached garage

Common Questions From Prospective Borrowers

Q: How about a hud consultant? Would I need one with this loan?

A HUD consultant is not required. However, if the renovation loan amount is over \$50k or requires structural repairs, a third-party consultant will be used. *

Q: Since this loan is conventional, what will my down payment look like and could I potentially use this loan to renovate an investment property?

For first-time home buyers on a primary home, a borrower can have as little as a 3% down payment on the total acquisition cost (sales price + improvements cost). For repeat buyers on a primary home, a borrower can have as little as a 5% down payment. And yes, this loan can be utilized for second homes and 1-unit investment properties (which will require higher down payments than primary homes).

Q: Can the contractor get paid in advance of the work with this loan?

NAF may release material draws at the beginning of the project for the purpose of acquiring materials that are identified in the project estimate - up to 50% of the total upfront material costs. NAF overlay - Maximum of \$17,500 without an exception. A portion of this 50% may be used to pay expenses associated with architect fees, design, and permits.

* The report will outline the ability of the budget to perform the intended scope of work. Identify items in the cost breakdown budget that need attention. The findings of the site visit will be translated into an evaluation of the proposed budget in relation to the intended renovation.



VA Loans

Renovation Loan

A VA renovation loan is a home loan that allows borrowers to include the cost of certain repairs or improvements in their loan amount. This makes it possible for VA loan borrowers to purchase a home in need of repairs or upgrades without having to get a separate loan. Rather, the repair costs and purchase price are rolled into a single loan with one monthly payment. These loans can also be used to refinance an existing loan.

Potential Wish List

- Replace windows to increase energy efficiencies
- Refinish flooring
- Replace countertops in kitchen & baths
- Update HVAC, electrical & plumbing
- Replace tub & showers
- Add gutters & downspouts
- Repair septic
- Replace siding
- Repair roof
- Paint

Common Questions From Prospective Borrowers

Q: Can the contractor get paid in advance of the work with this loan?

NAF may release material draws at the beginning of the project for the purpose of acquiring materials that are identified in the project estimate - up to 50% of the total upfront material costs. NAF overlay - Maximum of \$17,500 without an exception. A portion of this 50% may be used to pay expenses associated with architect fees, design, and permits.

Q: Is there a maximum dollar amount for repairs?

There is a maximum repair amount- \$100,000 in safety and cosmetic repairs can be financed. Additional costs that may be financed into the total amount of the improvements include permits and contingency reserve. Total repair amount with any additional costs included must not exceed the \$100,000 limit.

Q: What is the contingency reserve? What happens to the money that is held in my contingency reserve after closing?

The contingency reserve is money that is held aside for any safety or hazard issues that arise during your renovation. You can also use it for cost overruns that you may encounter. Once the project is complete, if the contingency reserve is not used, it will be applied back to your principal.

Comparing Renovation Loan Options

	FHA Standard 203(k)	FHA Limited 203(k)	Fannie Mae Homestyle®	VA Loans
Loan Limits	Based on FHA County Loan Limits	Based on FHA County Loan Limits	Up to Max. Conforming / High Balance Loan Limits	No minimum
Max. Repair Costs	Up to allowable loan limits including cost of home upgrades, contingency reserves and allowable fees	Up to \$35K which will include the renovation costs, contingency and allowable fees	Up to allowable loan limits including cost of home repairs/ improvements. No required improvements or restrictions on types of home renovation - up to 75% of "As Is" completed value of property. (50% if Manufactured Home)	\$100K
Min. Repair Costs	\$5,000	No minimum	No minimum	No minimum
Repair Commencement / Completion	Must commence within 30 days of closing and be completed within 6 mos. Once work/ repairs commence, it must not stop for more than 30 consecutive days	Same as FHA Standard 203(k)	Must be completed within 15 months of closing. Once work/ repairs commence, it must not stop for more than 30 consecutive days	Must be completed within 9 months of closing. Once work/ repairs commence, it must not stop for more than 30 consecutive days.
HUD Consultant	Required to review contractor bid and complete formal write up on the project. Completing all progress inspections throughout project	Not Required	Not required. If the loan is over \$50,000 or has structural repairs, we will use a third party company for the Feasibility Study.	Not required. If the loan is over \$50,000 or has structural repairs, we will use a third-party company for the Feasibility Study.
Contingency Reserve	Required	Required	Required	Required
Eligible Properties	SFR 2-4 Units, HUD REO PUD FHA Approved Condo (max. 4 units) Bank owned REO All properties must be completed with a min. of 12 mos. since Certificate of Occupancy	Same as FHA Standard 203(k)	1-4 Units 1 Unit 2nd Home 1 Unit Investment Condo / PUD Manufactured Home (provided improvements do not require structural changes) Newly built home when the home is at least 90% complete The remaining improvements must be related to completing non-structural items the original builder was unable to finish	Single Family Residence - Attached /Detached 2-4 units PUD VA approved Condominiums VA approved Builder Manufactured Doublewide or larger

Creating Value Through Renovation

As a homeowner, you want to know that you are making a good investment when you purchase a home. Consider the following points:

Scenario with a Renovation Loan

You buy a fixer-upper in the neighborhood you want. The home is priced right because it hasn't been updated in decades. You choose the finishes that appeal to you and create the kitchen you've always dreamed of. You are paying for exactly what you want and you aren't settling for what someone else wanted.

Good things come to those who renovate!

You can get what you want now. Get cozy in your new home which actually feels "new."

Scenario with a Renovation Loan

You buy a home that is outdated and the carpet is permanently stained. You opt to do a renovation loan so you can roll into your mortgage the cost of new carpet and other cosmetic updates. You research contractors and hire the one you feel best about. He begins the work within 30 days of closing and completes the project in a reasonable time frame. The contractor is paid out of the rehabilitation funds and the renovation portion of your loan is closed out. You now have the home you wanted and you make one convenient payment to your mortgage company.

Scenario with a Renovation Loan

You buy a home with a sales price of \$250,000. It meets minimum property standards but has no garage and only one bathroom. You opt to do a Homestyle Renovation loan and roll in the cost of adding a garage and bathroom which is \$40,000. Your after-improved value comes in at \$310,000. Now you have a home that meets all your needs and has a little equity built in.

Who Do I Need To Get Involved?

Don't throw on your hard hat and your tool belt just yet! Home renovation does not have to be a solo project. The use of a general contractor is strongly preferred, but a licensed and insured contractor is required.

Your renovation loan team should include a real estate agent, an appraiser, a contractor, and in the case of an FHA loan a HUD 203(k) consultant.

REAL ESTATE AGENT

- Help locate homes in the best-suited communities
- Access the Multiple Listing Service (MLS) for expedited home search
- Set up tours of homes
- Formulate the best offer for your desired home
- Communicate information between you and the seller.

APPRAISERS

- Determine the market value of the home for sale
- Find comparable houses in the area
- Estimate the market value after the renovation

CONTRACTORS

- Plan renovations in accordance with standards
- Provide a bid to complete repairs and renovations

HUD 203(K) CONSULTANT

- Visit the site to conduct feasibility analysis
- Determine if property is up to standard
- Acknowledge property value and estimated cost of repairs.



One of the major benefits of obtaining a renovation loan is to receive additional funds to make repairs or improvements to your home and having a contractor complete the work. Once the loan funds, the contractor begins the work and will need to get paid. How do you get the money to pay the contractor out of your renovation loan?

- On most loan products, work must begin within 30 days of closing. You and the contractor will receive welcome letters, the borrower and contractor will both receive welcome letters. The welcome letter will contain all pertinent contact information from the New American Funding Renovation Department as well as all necessary draw documents.
 - All necessary permits will need to be submitted with the 1st draw before it can be processed. No draws will be released until these have been received by the New American Funding Renovation Department.
 - Your contractor is to provide the New American Funding Renovation Department with the proper draw documents when they are ready to receive funds. Once received, New American Funding will order the necessary inspections and lien searches.
 - In the case of a 203(k) Standard, your contractor will need to contact the HUD Consultant. The HUD Consultant will perform an onsite inspection and provide the results, along with the proper draw request forms, to the New American Funding Renovation Department.
 - After the completed inspections and lien searches have been received by New American Funding, within one business day a draw analyst will compare the inspection with the request to determine and approve the amount to be released to the contractor. There is a 10% holdback required on all draws. All payments are made via joint (to the borrow and contractor) party check and sent to a pre-determined address via overnight shipping. This process will continue until all renovation work is completed.
 - For the final draw, a clear final inspection from the original appraiser as well as a clear lien search must be received before final payment is issued. As indicated earlier, on 203(k) Standard loans the HUD Consultant will provide the final inspection. All holdback funds will be released after closeout and may take up to 35 days.
- * Please keep in mind any work listed to be completed on the original appraisal must be completed; items are not allowed to be removed. Additional work to the original scope is not to start until all mandatory items have been finished. Starting any work that was not included on the original contractor bid that was approved by New American funding, could cause a delay for your contractor being paid for the work that New American Funding did approve through the loan process.***
- ** Change orders are allowed and are often expected on a renovation loan. However, these change orders must be reviewed and approved by New American Funding and cannot be paid until all mandatory work has been completed.***

Where Do My Clients Start?



STEP 1:

You talk to a loan originator about your interest in a renovation loan and get pre-qualified.



STEP 2:

While shopping for a home you are also interviewing potential contractors.



STEP 3:

Once you find a home and your offer is accepted you will need to schedule a home inspection. You will want to have your chosen contractor with you during the inspection to discuss potential required repairs as well as your renovation ideas.



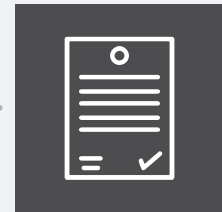
STEP 6:

Once your appraisal comes back, if all other required documentation has been received, your loan will be submitted for final approval.



STEP 5:

Once the bid has been finalized and approved, your appraisal can be ordered. Specs and plans are required if you are making changes to the floor plan.



STEP 4:

You will provide the sales contract and contractor's estimated bid to your Loan Officer so you can get your loan disclosed.



STEP 7:

After your loan closes, the contractor can start the renovation work.



STEP 8:

When all renovation work has been completed it will be inspected and all funds from your repair escrow account will be disbursed.

Major Bank vs. New American Funding

New American Funding has a Renovation Department:

Unlike many other lenders, we have an entire department dedicated to helping Loan Officers during renovation loan transactions.

The Renovation Department is here to help every step of the way:

Our Renovation Department has people in place to help with loan set-up, predisclosure review, appraisal order, contractor approval, document preparation and preparation for Underwriting.

The Renovation Department houses experts:

The experts in the Renovation Department have the knowledge to help resolve complex borrower and contractor situations and provide guidance for difficult property scenarios.

It's not over until the contractor gets paid:

The Renovation Department will continue to work internally and with investors to ensure contractors get paid on time.

Glossary

ABSENTEE LANDLORD – An investment property owner who does not live in the building or take an active part in the normal running of the property.

AFTER IMPROVED VALUE – Value as determined by the appraiser based on a hypothetical condition that the repairs or alterations have been completed.

ANNUAL PERCENTAGE RATE (APR) – A yearly percentage rate that expresses the total finance charge on a loan over its entire term. The APR includes the interest rate, fees, points, and mortgage insurance, and is therefore a more complete measure of a loan's cost than the interest rate alone. The loan's interest rate, not its APR, is used to calculate the monthly principal and interest payment.

APPRAISAL – A report made by a qualified person setting forth an opinion or estimate of property value. The term also refers to the process by which this estimate is obtained.

APPRECIATION/DEPRECIATION – “Appreciation” refers to the increase in a property's value, except for inflation. A decrease in the value of a property is called “depreciation.”

ASSESSED VALUE – Dollar value assigned to a property to measure applicable taxes. Assessed valuation determines the value of a residence for tax purposes and takes comparable home sales and inspections into consideration.

BRIDGE LOAN – A form of second deed of trust or mortgage that is collateralized by the borrower's present home (which is usually for sale) in a manner that allows the proceeds to be used for closing on a new house before the present home is sold.

BROKER – An individual employed on a fee or commission basis as a real estate agent to bring buyers and sellers together and assist in negotiating contracts between them for the sale of residential real estate.

BUYER'S BROKER – Most real estate brokers and agents work only for the sellers. A buyer's broker serves the interest of the buyer and has no relationship with the seller.

CAPITAL GAINS – Used for tax purposes, this is the capital gain you make when you sell your home. For example, if you purchase a property for \$100,000 and sell it some years later for \$150,000, your capital gain is \$50,000.

CLOSING – The consummation of a real estate transaction. The closing includes the delivery of a deed, financial adjustments, the signing of notes, and the disbursement of funds necessary to complete the sale and loan transaction.

CLOSING AGENT – Usually an attorney or title agency representative who oversees the closing and witnesses the signing of the closing documents.

CLOSING DISCLOSURE (CD) – Provides final details about the mortgage loan you have selected. It will include loan terms, your projected monthly payment, and how much you will pay in fees and other closing cost.

COMMISSION – Compensation for negotiating a real estate or loan transaction, often expressed as a percentage of the selling price or loan amount.

COMMITMENT LETTER – A formal offer by a lender stating the terms under which it agrees to loan money to a homebuyer.

COMPARABLE MARKET ANALYSIS (CMA) – A written analysis of houses having similar characteristics currently being offered for sale as well as comparable houses sold in the past six months. This enables you to determine if you are paying market value for a home, and to identify whether market prices are rising or falling.

CONFLICT OF INTEREST – A situation in which a person or organization is involved in multiple interests, financial or otherwise, one of which could possibly corrupt the motivation or decision-making of that individual or organization.

CONTINGENCY RESERVE – the cost that is used to manage identified risks or “known-unknown”. Contingency reserve is not a random reserve, it is an estimated reserve based on various risk management, such as unexpected and unforeseen repairs.

CONVENTIONAL LOAN – A mortgage not obtained under a government program (such as FHA or VA).

CREDIT REPORT – A report detailing an individual's credit history.

CREDIT SCORE – A numerical rating that indicates a borrower's creditworthiness based on a number of criteria.

DEBT-TO-INCOME (DTI) RATIO – A formula that compares a mortgage applicant's gross income to his/her total debt. The lender uses this to help determine the loan amount for which you may qualify. Also, known as the “back-end ratio.” Guidelines may vary, depending on the loan program.

DEED – The legal document conveying title to a real property.

DOWN PAYMENT – Money paid to make up the difference between the purchase price and the mortgage amount.

DRAW – A periodic request by a general contractor or contractor for a portion of the contract price for a job, usually according to the percentage of completion of work and the cost of materials and labor.

ENERGY EFFICIENT MORTGAGE (EEM) – Means comfort and savings. Whether you are buying, selling, refinancing, or remodeling your home, you can increase your comfort and actually save money by using Energy Efficient Mortgage (EEM)

EQUITY – The ownership interest; i.e. portion of a property's value over and above the liens against it.

ESCROW – An item of value, money, or documents, deposited with a third party, to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate. In some parts of the country, escrows of taxes and insurance premiums are called impounds or reserves.

FEASIBILITY STUDY – A feasibility study is an evaluation and analysis of a proposed project. Feasibility studies aim to objectively and rationally uncover the concerns, repairs and/ or threats present in the home or property. There are two criteria included in a feasibility study: cost required and value.

FIXED-RATE MORTGAGE – A mortgage in which the interest rate and principal and interest payments remain the same for the life of the loan.

FORECLOSURE – A legal procedure in which property mortgaged as security for a loan is sold to pay the defaulting borrower's debt.

FRONT-END RATIO – Also known as the housing expense-to-income ratio, it compares your proposed monthly house payment (PITI) to your total household gross monthly income.

GOVERNMENT LOAN – A mortgage available through a government agency, such as FHA, VA, Farmers Home Administration, or a state bond program. The loans are generally made by private lenders, such as CMG.

HIGH BALANCE RENOVATION – Conforming mortgages that are mortgages originated using higher maximum loan limits than are permitted in designated high-cost areas.

These higher loan limits are intended to provide lenders with much needed liquidity in the highest cost areas of the country while also lowering mortgage financing costs for borrowers located in these areas. Having the option to include renovations with this program allows you to go off the after-improved value. Having this option allows you to purchase or refinance and include renovations/repairs needed with one loan, one mortgage and one payment.

HOME WARRANTY – A kind of insurance that covers the cost of repairs to specified items in the home for a specified period of time.

HOMEOWNERS INSURANCE (HOI, ALSO CALLED HAZARD INSURANCE) – A real estate insurance policy required of the buyer protecting the property against loss caused by re, some natural causes, vandalism, etc. May also include added coverage such as personal liability and theft away from the home.

HOUSE INSPECTION – A thorough evaluation and written report of a home's condition both inside and out. The inspection is valuable in locating any problems in a property and helps you determine the extent of renovation needed. You can use the report to have the seller make repairs or reduce the purchase price. Always use your own inspector, and do not rely solely on the seller's inspection reports.

HUD CONSULTANT – A 203k consultant is a professional who is responsible for advising clients on the 203k process. They make sure the required paperwork is filled out correctly so that homeowners can obtain a 203k loan. Many 203k consultants are inspectors who wish to widen the scope of their business. Inspectors already have much of the knowledge and training required to become a 203k consultant. In 1994, consultants were first introduced to the field. In order to become an approved 203k consultant, applicants must be approved by the U.S. Department of Housing and Urban Development (HUD). Approved candidates are placed on the Federal Housing Administration's 203k Consultant Roster, which guarantees that the consultant has met the qualifications as prescribed by FHA.

IDENTITY OF INTEREST – Any relationship (generally based on family ties or financial interests) between (a) the seller and purchaser (prospective owner), (b) the owner and/or general contractor and the subcontractor, material supplier or equipment lessor, or (c) the owner and the lender, which would be reasonably give rise to a presumption that the parties to the transaction may operate in collusion in establishing the purchase price of the property, the cost of the rehabilitation work, or the terms of the financing.

Glossary

INDEX – A published interest rate, such as the prime rate, LIBOR, T-Bill rate, or the 11th District COFI. Lenders use indexes to establish interest rates charged on mortgages or to compare investment returns. On ARMs, a predetermined margin is added to the index to compute the interest rate adjustment.

INTEREST RATE – The percentage of an amount of money which is paid for its use for a specified time.

INTERIM INTEREST – The interest that accrues, on a per-diem basis, from the day of closing until the end of the month.

INVESTMENT PROPERTY – Real estate owned with the intent of supplementing income and not intended for owner occupancy.

JUMBO – Jumbo loans are too large to meet the guidelines of a conforming loan.

JUMBO RENOVATION – A jumbo renovation loan provides financing for loan amounts higher than the maximum conforming loan limits set by Fannie Mae and Freddie Mac and allows you to finance the purchase or re finance of a home plus the cost of renovations in one loan.

LEVERAGE – Using credit or borrowed money to increase the rate of return from an investment. For example, by purchasing a \$100,000 home with 10% down, you are using just \$10,000 to control the investment.

LIEN – A legal claim or attachment against property as security for payment of an obligation.

LOAN CONDITIONS – These are terms under which the lender agrees to make the loan. They include the interest rate, length of loan agreement, and any requirements the borrower must meet prior to closing.

LOAN ESTIMATE – A form that helps the borrowers understand the full cost of the mortgage, including fees and interest rate, monthly payment and the total closing cost. All lenders are required to use the same standard Loan Estimate form.

LOAN PAYMENT RESERVES – A requirement of many loan programs that, in addition to funds for the down payment and other purchase-related costs, you have saved enough money to cover one or two months of mortgage payments after your closing.

LOAN SETTLEMENT – The conclusion of the mortgage transaction. This includes the delivery of a deed, the signing of notes, and the disbursement of funds necessary to the mortgage loan transaction.

LOAN-TO-VALUE (LTV) – The ratio between the amount of a given mortgage loan and the lower of sales price or appraised value.

MARGIN – The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

MAXIMUM MORTGAGE WORKSHEET (MMW) – Is no longer used by HUD as of 2016.

MAXIMUM MORTGAGE CALCULATION – Establishing financeable repair and improvement costs, fees and reserve, while establishing value and calculating maximum mortgage amount. Additions to initial base mortgage amount for energy efficient mortgage (EEM), and/or solar/wind energy. Calculating the LTV for the annual MIP and establishing the rehabilitation escrow account, initial draw and rehabilitation escrow account for future draws.

MORTGAGE – The conveyance of an interest in real property given as security for the payment of a loan.

MORTGAGE INSURANCE (MI) – See private mortgage insurance (PMI).

MINIMUM PROPERTY REQUIREMENTS – refer to general requirements that all homes insured by FHA be safe, sound, and secure.

MINIMUM PROPERTY STANDARDS – refer to regulatory requirements relating to the safety, sound and security of New Construction.

NON-CONFORMING – A loan that fails to meet bank criteria for funding. Reasons include the loan amount is higher than the conforming loan limit (for mortgage loans). Loans can be non-conforming for several different reasons. The best-known type of non-conforming loan is the jumbo loan.

Note: A general term for any kind of paper or document signed by a borrower that is an acknowledgment of the debt, and is, by inference, a promise to pay. When the note is secured by a mortgage, it is called a mortgage note and the mortgagee (lender) is named as the payee.

ORIGINATION FEE – The amount charged for services performed by the company handling the initial application and processing of the loan.

POINTS – A one-time charge by the lender to increase the yield of the loan; the number of points reflect the percentage of the amount of the mortgage.

PREPAIDS – Closing costs related to the mortgage loan which are collected at or before loan closing – including per diem prepaid interest and initial deposits of monthly escrows of taxes and insurance.

PRIMARY RESIDENCE – A residence which the borrower intends to occupy as the principal residence.

PRINCIPAL – The amount borrowed or remaining unpaid; also, that part of the monthly payment that reduces the outstanding balance of a mortgage.

PRIVATE MORTGAGE INSURANCE (PMI) – Insurance written by a private company protecting the mortgage lender against loss resulting from a mortgage default.

PROCESSING – The preparation of a mortgage loan application and supporting documentation for consideration by a lender or insurer.

PROPERTY MANAGER – Person or company that takes over the repair and maintenance of a property for a percentage of the gross income. Services may also include collecting rents and leasing the property.

RATE LOCK – The borrower and the lender agree to protect the interest rates, points, and term of the loan while it is processed.

REAL ESTATE AGENT – A salesperson, usually licensed by the state, and supervised by a broker. Agents work solely on commissions earned by selling properties.

REALTOR® – Person licensed to sell or lease real property acting as an agent for others and who is a member of a local real estate board affiliated with the National Association of Realtors.

REMODEL – Is giving something a whole new purpose.

RENOVATION – A renovation is making something that's old new and improved.

RENTAL AGENT – A real estate agent who specializes in working with renters to locate potential properties for lease.

RESTORATION – Is returning something to its original state.

RETURN ON INVESTMENT – The percentage of capital gain that you make on an investment.

SOLAR/WIND ENERGY – Solar energy can be used for generating electricity, and for hot water heating and solar cooling. Solar energy is produced when the sun is shining during the day and is complementary to wind energy, which tends to reach its highest production at night.

STRAW BUYER – A person who buys something on behalf of someone else in order to circumvent legal restrictions or enable fraud.

TERMINATION – Notice from the landlord that the lease has been terminated and the tenant must move out by a certain date.

TITLE INSURANCE – An insurance policy that protects a lender and/or homebuyer (only if homebuyer purchases a separate policy, called owner's coverage) against any loss resulting from a title error or dispute.

TRUTH-IN-LENDING STATEMENT – A full disclosure of credit terms using a standard format required by Federal law. This is intended to facilitate comparisons between the lending terms of different financial institutions.

UNDERWRITING – Analysis of risk, determination of loan eligibility, and setting of an appropriate rate and terms for a mortgage on a given property for given borrowers.

VA FUNDING FEE – The amount charged on VA mortgages to cover administrative costs.

WORK WRITE-UP – Inspection of the property to ensure there are no rodents, dry rot, termites and other infestation on the property. Verifies 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. This Consultant must prepare a report on the current condition of the Property that categorically examines the Structure utilizing the 25 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 repair/improvements that are required to meet the U.S. Department of Housing and Urban Development (HUD)'s Minimum Property Requirements (MPR) and Minimum Property Standards (MPS) and local requirements. This includes preparing architectural exhibits, if needed and cost estimate.



Contact Us



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