

A Homebuyer's Guide to the FHA 203(k) Rehab Loan Program

What is the 203(k) Program?

It is a loan program that lets you buy or refinance your home and fix it up, using one mortgage which includes the cost of repairs. There is no need to get a high-priced second mortgage to do the rehab work.

What kind of house can I buy?

You can buy any house or up to 4 units. You can also convert 5 or more units to 4 units. The current condition does not matter. Sometimes, the property can be mixed-used, part residential and part commercial. Condos and manufactured houses are also OK, with some restrictions.

You may also refinance to remodel or add-on to the home you live in now or add 2 to 3 units behind it.

How large a loan can I get?

The size of the loan varies depending on what county you live in, your lender can give you the specific number. This amount will be a combination of the purchase/refinance, the rehab cost and closing costs.

What kind of rehab work can we do?

You must make at least \$5,000 of eligible improvements, starting with those improvements that affect the health and safety of your family

After the first \$5,000 for health and safety, other repairs can be added. Luxury items such as mini-blinds, hot tubs and satellite dishes are not allowed.

Allowable improvements with the 203(k) Loan:

Make the house accessible for a disabled person

Make structural alterations: New Roof, Add-on a new Bedroom, Remodel your Kitchen or Bath, Build a Garage, Add a Home Office or Family Room

Improve the looks of your house - New carpet, Add new stucco or siding, Add a patio cover or deck

Upgrade Plumbing, Electrical, Heating and Air Conditioning systems

Make energy saving improvements: Add Insulation, Double pane windows, Solar systems, Combine the 203(k) loan with the FHA Energy Efficient Mortgage

What will my down payment be?

Since this is an FHA loan, your down payment will be about 3% of the total loan amount, for house & repairs

What about mortgage insurance?

MIP - Mortgage Insurance Premium, is required with 203(k) and is a monthly premium.

What will the interest be?

HUD does not set the interest rate or discount points. You will negotiate these with your lender. You can get either a fixed rate mortgage or ARM (adjustable rate).

How would I qualify for the 203(k) loans?

Your Loan Professional can review your income and credit history to decide if you will qualify and what size loan you qualify for.

OK, I want a 203(k) Loan! Now what do I do?

1. Select an FHA approved 203(k) lender. They will review your income and credit to let you know what size mortgage you can qualify for.
2. Work with a Real Estate Professional to find your dream house.
3. When you find a house, call Tom Andros, HUD approved 203(k) Consultant since 1995, to meet you at the property to prepare a Feasibility Study of the house before you submit a sales contract. For a \$250 fee, Tom will do a quick inspection to determine the cost of any modifications you want to make and what repairs HUD will require to qualify for the 203(k) Rehab Loan. This helps you and your Real Estate Professional decide if the house is for you.
4. Offer a sales contract that is contingent upon you getting an approved FHA 203(k) loan.
5. Go back to your 203(k) Loan Professional, to complete your loan application and start the loan process
6. Tom will then complete the required 203(k) Work Write-up. This is a 20 to 25 page report which details all the repairs and costs to be done with the loan funds. The fees for the required Work Write-up are set by HUD. They range from \$500 to \$1,000 and are based on the amount of repair work to be done.

NOTE: A termite report is required and is needed to complete the Work Write-up, even if the seller may be paying for it.

7. After your Work Write-up is done, the lender will order an "as-repaired" appraisal. A copy of the Work Write-up is given to your appraiser, **before** he appraises your house so that he will know what improvements you plan to make. The appraiser will establish a value to your house based on its current value plus the completed rehab work. Fees for the appraisals vary by HUD office.

8. During the escrow period, you should contact at least 3 contractors to give you a quote for the work described in the Work Write-up. After you have reviewed the bids, select one do the work. Be sure to look at other work the contractor has done, get references and talk to them, look at their licenses, and ask about their financial ability to complete your job. Also, advise the contractor there is no up-front money, which means they must use their own funds to start the rehab. It is important that you and the contractor agree on the work to be done and the manner in which it is to be done.

California State Contractors Law requires the contractor to give you a detailed, written contract describing the work they will do, the cost to do the work and an estimated date of completion. The Contractors Law also states that "No Contractor may require more than 10% or \$1000, whichever is less, as downpayment".

9. Finally, the house is yours and the rehab starts. At closing, the lender will pay for the house and establish the Rehab Escrow Account. You can then have the contractor start the work. You will have up to 6 months to complete the work. As the work progresses, call Tom to inspect the work completed and process a Draw Request to release some of the Rehab funds. Funds are not released until some work has been completed and approved by Tom and then submitted to your lender. A maximum of 5 draws are allowed. The fees for these inspections are included in your loan.

I'm always available for your Questions,
Comments and Suggestions

TOM ANDROS

HUD ID No. S0471

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www.HUD203kConsultant.com

SERVICES OFFERED

- HUD 203(k) CONSULTANT
- FEASIBILITY STUDIES
- WORK WRITE-UPS
- PLAN REVIEWS
- DRAW INSPECTIONS
- PROBLEM CASE WORK-OUTS
- CASE AUDITS
- PROJECT MANAGEMENT
- PROJECT OVERSIGHT
- QUALITY CONTROL
- DATA / PERMIT RESEARCH
- INSPECTION & EVALUATION
- REHAB CONSULTATION
- REMODEL CONSULTATION
- RETROFIT CONSULTATION
- DEVELOPMENT CONSULTANT
- CONDO CONVERSION CONSULTANT
- CAD DESIGN , PLANS, PERMITS

SUMMARY OF QUALIFICATIONS

EXPERIENCED IN ALL PHASES OF DESIGN, CONSTRUCTION, PROJECT MANAGEMENT, REHAB / REMODEL / RENOVATION

- HUD 203(k) CONSULTANT, SINCE 1995
- LICENSED GENERAL CONTRACTOR
- LICENSED POOL CONTRACTOR
- LOS ANGELES CITY BUILDING DEPT. SEISMIC RETROFIT TRAINING
- ASTM TRAINING - PHASE ONE ENVIRONMENTAL ASSESSMENT SCREENING
- AMERICAN RED CROSS DISASTER INSTITUTE, SURVEY / DAMAGE ASSESSMENT TRAINING
- AS A HUD CONSULTANT - OVER 1500 203(K) INSPECTIONS & EVALUATIONS FOR INVESTORS, LENDERS, BUYERS AND SELLERS
- AS A DESIGNER / BUILDER - NUMEROUS PROJECTS INCLUDING NEW CONSTRUCTION, SEISMIC REPAIR & RETROFIT, REHAB & RENOVATION OF SFR's, MULTI-UNIT BUILDINGS COMMERCIAL & HOA PROPERTIES

PROFESSIONAL AFFILIATIONS

CLSB - CONTRACTORS STATE LICENSE BOARD
NKBA - NATIONAL KITCHEN & BATH ASSOC.
ICBO - INT'L COUNCIL OF BVUILDING OFFICIALS
EAA - ENVIRONMENTAL ASSESSMENT ASSOC.
ASTM - AMERICAN SOCIETY OF TESTING & MATERIALS
CSEC - CA. STATE ENERGY COMMISSION
SOLE - SOCIETY OF LOGISTICS ENGINEERS

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Had
Your
“K”
Today?

203(k)
Consulting

203(k) “The Dream Builder Loan”

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TOM ANDROS

HUD 203(k) Consultant Since 1995

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FAST SERVICE

203(k) Work Write-ups are usually completed in 3 to 5 days from date of property inspection

From the Desert to the Sea . . .
Serving All of Southern California !

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