



FHA 203(k) CONTRACTOR REQUIREMENTS

- All rehab work must be performed by a qualified and experienced contractor chosen by the borrower and completed in a workmanlike manner who will provide estimates for the work to be done.
- REMN will then review the estimates to ensure that the planned work meets all program and repair recommendations as noted on the appraisal report.
- The borrower must provide a written cost estimate(s) and references from a qualified and experienced contractor(s) for each specialized repair or improvement.
- Borrowers may not use relatives/employers as their contactors.
- Borrower is limited to a total of 3 sub-contractors or a General Contractor will be required.
- The borrower may not act as the General Contractor. “Self-Help” loans are not permitted.
- Contractor’s resume, including three trade references, should be completed by all contractors. Trade references must be checked by the underwriter.
- Contractor license should be provided, if required by municipality
- Copy of contractor’s insurance policy must be submitted. It is the underwriter's discretion to determine the amount of liability insurance. Contractors often have between \$500,000 and \$1,000,000 in coverage, but if they’re doing a small renovation, the underwriter might allow \$200,000 for the overage.
- The repairs or improvements must meet any local codes and ordinances and the borrower and/or contractor must obtain all required permits prior to the commencement of work.
- Proper building permits are required prior to any monies being advanced for a particular repair type. The requirements of the municipality in which the property is located must be adhered to. A lender’s permit certification must be signed by an official of the municipality for all 203(k) transaction types identifying all required permits.
- The cost estimate(s) must clearly state the nature and type of repair and the cost for completion of the work item.
- Estimates should include the cost for labor and materials.
- Estimates must itemize all work being included.
- All estimate amounts must match the Homeowner/Contractor Agreement(s).

- Materials or appliance estimates from “box stores” (i.e. Home Depot, Lowe’s, etc.) must be accompanied by labor estimates from the installing contractor who will install the materials.
- Whether the installing contractor is independent OR a sub-contractor for a store, they must still provide an executed Homeowner/Contractor agreement, and be “Accepted” by the lender’s investor.
- Exception: free-standing appliances (or items that do not require installation or labor to install) may be presented as stand-alone estimates (i.e. free-standing stove, washer, dryer).
- Paint must always be accompanied by a labor estimate.
- The lender will review the contractor’s credentials, work experience and client references and may require the borrower to provide additional cost estimates if necessary.
- After 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 (6 months after the loan is closed).
- A copy of the contractor’s cost estimate(s) and the Homeowner/Contractor Agreement(s) must be included in the file. There must be an agreement for each contractor used.
- The contractor must finish the work in accordance with the written estimate and Homeowner/Contractor Agreement and any approved change order.

PROPERTY TYPES

Eligible

- Single Family Residence
- 1-4 unit HUD REOs
- 1-4 Units
- 1 unit condominiums
- Modular Homes
- HUD Approved Condos (project must be 51% owner-occupied)
- PUDs Attached and Detached
- Leased Land

Ineligible

- Condos without HUD Approvals
- Leasehold Condominiums
- Leasehold PUDs
- Properties with illegal accessory units
- Manufactured Homes
- Mobile homes
- Condotels

- Mixed-Use
- Log Homes
- Co-op
- Working Farms
- Properties with Oil and Gas Leases
- Properties with hauled water
- Properties in a flood zone that do not participate in the National Flood Insurance Program
- Properties located in communities requiring Point of Sale Violation Reports (note, it is only when the community requires it, not if the property has a Point of Sale Violation Report)
- Properties with active or unexpired oil or gas leases
- Indian land (leased or fee simple)

Modular Homes

- Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law.
- Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located.
- Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building

Code for modular homes

- Marketing time must not exceed 6 months.
- Minimum of 2 similar factory-built comparables.

Condos

- Interior rehabilitation is permitted only (no common areas)
- There is no limit to the number of condos in the entire project, but there cannot be more than 4 units in the building the condo is located in.
- Projects must be established to be eligible which means 100% completion and HOA vested >1 year to the homeowners
- New Construction condominiums are not eligible
- 3-4 Unit Properties
- No gifts allowed.
- 3 month PITI in reserves required

Anti-Flipping Policy

- For purchases - The property Seller must have taken title to the subject property more than 180 days prior to the contract date on the sale of the property to the applicant.
- The seller's date of acquisition is defined as the settlement date on the seller's purchase of that property.

MAXIMUM MORTGAGE CALCULATION

- For PURCHASES, the base mortgage amount is calculated by multiplying 96.50% times the LESSER of:
 - The sum of the Sales (Purchase) Price plus the Total Rehabilitation Cost; OR
 - 110% of After-Improved Value (100% of the After-improved value for Condos)

For purchase transactions the as-is value to be used in the max mortgage calculation is the purchase price. However, when the seller is HUD, HUD REO sales must use the lesser of the purchase price or the as-is HUD REO appraisal.

- This means the down payment is not calculated off of the purchase price on the purchase contract, use the figure on item C3 of the MMW, which is the lesser of the sales price plus total rehabilitation cost or 110% of after-improved value (100% of the after-improved value for condos)

For REFINANCES, the base mortgage amount is calculated by the LESSER of:

- Sum of existing liens, the total rehabilitation cost, borrower-paid closing costs, prepaids, the discount points of the prepaid costs minus any MIP refund; OR
- The lesser of the sum of the as-is value plus total rehabilitation cost or 110% of After-improved value (100% of the After-improved value for Condos) multiplied by the 97.75% LTV factor.

For additional Information

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NMLS #506632 - Georgia Mortgage Licensee

