

FHA 203(k) Rehabilitation Mortgage

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Please visit our website for program guidelines and requirements: <https://epmbrokers.com/>

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Overview



- FHA 203(k) Renovation enables homebuyers and homeowners to finance both the purchase (or refinancing) of a house and the cost of its rehabilitation through a simple mortgage or to finance the rehabilitation of their existing home.
- A Standard 203(k) allows for major rehabilitation or improvements, including structural repairs. There is a minimum of \$5,000 of FHA mandatory repairs and the use of a 203(k) HUD Consultant required.
- The Limited 203(K) Rehabilitation Mortgage enables Borrowers to either purchase or refinance their home while including minor remodeling or non-structural repairs.

FHA 203(k) REHABILITATION MORTGAGE

PROGRAM SPECIFICATIONS

CHANNELS	PARAMETERS
<ul style="list-style-type: none">• Broker• Correspondent	<ul style="list-style-type: none">• FICO<ul style="list-style-type: none">• 580 Minimum Qualifying Credit Score• UW METHOD<ul style="list-style-type: none">• TOTAL Scorecard• Desktop Underwriter (DU)• AUS RECOMMENDATIONS<ul style="list-style-type: none">• Approve/Eligible – DU• Refer/Cautious/Manual – 31/43% Max DTI



FHA 203(k) REHABILITATION MORTGAGE

PROGRAM SPECIFICATIONS

PARAMETERS	PROPERTY TYPES
<p>ELIGIBLE TERMS</p> <ul style="list-style-type: none">• 30 year fixed <p>TRANSACTION TYPES</p> <ul style="list-style-type: none">• Purchase or Refinance• Lender Paid or Borrower Paid <p>LTV</p> <ul style="list-style-type: none">• Purchase 96.50%• Rate/Term 97.75% <p>DTI</p> <ul style="list-style-type: none">• Follow AUS for Approve/Accept• Refer - 31/43% <p>AUS RECCOMENDATIONS</p> <ul style="list-style-type: none">• Approve/Eligible – DU• Refer/Eligible	<ul style="list-style-type: none">• 1-4 Unit Primary Residence• Manufactured Housing<ul style="list-style-type: none">• Singlewide, Multiwide, MH Condo Projects• FHA HRAP Approved Condos• PUDs



203 (k) LIMITED ELIGIBLE IMPROVEMENTS



Types of eligible improvements include, but are not limited to:

- Eliminating health and safety hazards that would violate HUD's MPR
- Connecting to public water and sewerage systems
- Repairing/replacing plumbing, heating, AC and electrical systems
- Making changes for improved functions and modernization
- Eliminating obsolescence
- Repairing or installing new roofing, provided the structural integrity of the Structure will not be impacted by the work being performed; siding; gutters; and downspouts
- Making energy conservation improvements
- Creating accessibility for persons with disabilities
- Installing or repairing fences, walkways, and driveways
- Installing a new refrigerator, cooktop, oven, dishwasher, built-in microwave oven and washer/dryer
- Repairing or removing an in-ground swimming pool
- Installing smoke detectors
- Installing, replacing, or repairing exterior decks, patios, and porches
- Covering lead-based paint stabilization costs (above and beyond what is paid for by HUD when it sells REO properties) if the Structure was built before 1978, in accordance with the Single Family mortgage insurance lead-based paint rule and EPA's Renovation, Repair, and Painting Rule

203 (k) LIMITED INELIGIBLE IMPROVEMENTS



Types of eligible improvements include, but are not limited to:

- The repair or improvement are expected to require more than 3 months to complete
- The rehabilitation activities require more than two payments per specialized contractor
- The required repairs arising from the appraisal:
 - Necessitate a Consultant to develop a specification or repairs/Work Write-Up or
 - Require plans or architectural exhibits
- The repair prevents the Borrower from occupying the Property for more than 15 days during the rehabilitation period
- Structural Modifications
- Any repair/removal/remediation of Oil Tanks
- Any repair/installation for private water systems (wells)
- Any repair/installation for private waster management systems (septic systems, lagoons, cesspools, pits, etc.)
- Mold remediation

203 (k) LIMITED INELIGIBLE IMPROVEMENTS



Additionally, the Limited 203(k) mortgage proceeds may not be used to finance specific repairs:

- Converting a one-family structure to a two family structure
- Decreasing an existing multi-unit structure to a one family structure
- Reconstructing a structure that has been or will be demolished
- Repairing, reconstructing or elevating an existing foundation
- Purchasing an existing structure on another site and moving it onto a new foundation
- Making structural alterations such as the repair or structural damage and New construction, including room additions
- Landscaping and site improvements
- Constructing a windstorm shelter
- Making additions or alterations to support commercial use or to equip or refurbish space for commercial use
- Making recreational or luxury improvements, such as:
 - New swimming pools
 - Bath houses
 - Tennis courts
 - Satellite dishes
 - Photo murals
 - Gazebos
 - Exterior Hot Tub, Spa, Whirlpool Bath or Sauna
 - Barbecue pits, outdoor fireplaces or hearths
 - Tree Surgery (except when eliminating an endangerment to existing improvements)

203 (k) STANDARD ELIGIBLE IMPROVEMENTS



Types of eligible improvements include, but are not limited to:

- Converting a one-family Structure to a two-family structure
- Decreasing an existing multi-unit Structure to a one-two-family Structure
- Making structural alterations such as the repair or replacement of structural damage, additions to the Structure, and finished attics and/or basements
- Rehabilitating, improving or constructing a garage – can be either attached or detached but must have its own permanent foundation
- Eliminating health and safety hazards that would violate HUD's Minimum Property Requirements (MPR)
- Installing or repairing wells and/or septic systems
- Connecting to public water and sewage systems
- Repairing/replacing plumbing, heating, AC and electrical systems
- Making changes for improved functions and modernization
- Making changes for aesthetic appeal
- Repairing or adding roofing, gutters and downspouts
- Making energy conservation improvements

203 (k) STANDARD ELIGIBLE IMPROVEMENTS



Types of eligible improvements include, but are not limited to:

- Creating accessibility for persons with disabilities
- Installing or repairing fences, walkways and driveways
- Installing a new refrigerator, cooktop, oven, dishwasher, built-in microwave oven, and washer/dryer
- Repairing or removing an in-ground swimming pool
- Installing smoke detectors
- Making site improvements
- Landscaping
- Installing or repairing exterior decks, patios, and porches
- Constructing a windstorm shelter
- Covering lead-based paint stabilization costs, if the Structure was built before 1978, in accordance with the Single Family mortgage insurance lead-based paint rule (24 CFR 200.805 and 200.810(c)) and the U.S. Environmental Protection Agency's (EPA) Renovation, Repair, and Painting Rule (40 CFR 745, especially subparts E and Q)
- **Reminder:** The Standard 203(k) requires a minimum of \$5,000 in eligible improvements.

203 (k) STANDARD INELIGIBLE IMPROVEMENTS



The Standard 203(k) mortgage proceeds may not be used to finance costs associated with the purchase or repair of any luxury item, any improvement that does not become a permanent part of the subject property, improvements that solely benefit commercial functions within the property including:

- Recreational or luxury improvements, such as:
 - Swimming pools (existing in-ground swimming pools can be repaired)
 - An exterior hot tub, spa, whirlpool bath, bath houses or sauna
 - Barbecue pits, outdoor fireplaces or hearths
 - Tennis courts, gazebos
 - Photo murals
 - Satellite dishes
 - Tree surgery (except when eliminating an endangerment to existing improvements)
 - Additions or alterations to support commercial use or to equip or refurbish space for commercial use
- The purchase of an existing structure on another site, moving it onto a new foundation and repairing/renovating it
- Any repair/removal/remediation of Oil Tanks



TIME PERIOD FOR RENOVATION

- The work must begin within 30 days of the execution of the Agreement
- The work must not cease prior to completion for more than 30 consecutive days
- The work is to be completed within the time period shown on the Agreement:
 - 3 Months maximum for Limited
 - 6 Months maximum for Standard



CONTRACTORS



- ❖ There can be no identity or conflict of interest between the Borrower and Contractor.
 - ❖ All transactions must be arm's length.
 - ❖ Family members are not eligible, nor can the borrower be employed by or be an owner in the contractor's business.
-
- EPM permits for one General Contractor only
 - EPM must obtain a written agreements between the Borrower and the General Contractor. The contractor must agree in writing to complete the work for the amount of the Cost Estimate and within the allotted time frame
 - Although obtaining more than one bid is recommended, it is not required
 - In situations where more than one Contractor is needed, one must be names as the General Contractor. The others will become subcontractors under the GC's supervision
 - The General Contractor must carry over all of the subcontractor's bids onto his/her bid. The General Contractor will be responsible for overseeing that all repairs are done in a workmanlike and timely manner

CONTRACTORS



- ❖ There can be no identity or conflict of interest between the Borrower and Contractor.
- ❖ All transactions must be arm's length.
- ❖ Family members are not eligible, nor can the borrower be employed by or be an owner in the contractor's business.
- The General Contractor is responsible for disbursing all funds to the subcontractors when funds are released from escrow
- The General Contractor must carry sufficient insurance equal to the greater of \$100,000 or the loan amount per occurrence through a valid and current general liability insurance policy
- EPM requires the contractor or borrower to follow up with the county/city/parish and make sure any required inspections are completed based on the permits that were pulled.
- Contractor must make sure they have documentation of a passing permit inspections from the municipality that issued the permit(s).

Important: Licensing requirements vary in each state/municipality for contractors. If a repair calls for a specialized contractor, such as electrical or plumbing repair, the contractor must be licensed to do the work per state requirement.

- The Contractor must provide a detailed estimate/bid itemizing all the repairs that are to be completed with cost and note if permits are going to be required

Reminder: EPM does **not** permit "Self-Help"

HUD CONSULTANT



On 203 (K) Standard, the Borrower must select an FHA-Approved 203(k) Consultant from the FHA Roster.

The link can be found at HUD.GOV: <https://entp.hud.gov/idapp/html/f17cnsldata.cfm>

- Consultant's fee range from \$400-\$1000+ depending on the dollar amount of the estimated work.

The Consultant Must:

- Prepare a Feasibility Study (if requested)
- Inspect the property (using the 35 point checklist)
- Identify all required architectural exhibits (well certs, septic certs, termite reports, etc.)
- Inspect the work for completion and qualify of workmanship at each draw request
- Review the proposed changes to the Work Write-Up and prepare a change order, if applicable
- Inform EPM of the progress of the rehabilitation and any problems that arise

HUD CONSULTANT



- Ensure that the Property will comply with HUD's MPR or HUD's MPS after the improvements have been completed
- Provide a 203(k) Consultant's Certificate
- Prepare an unbiased Work Write-Up and Cost Estimate (without the use of the contractor's estimate)
 - The Work Write-Up refers to the report prepared by the Consultant that identifies each Work Item to be performed and the specifications for completion of the repair
 - The Cost Estimate refers to the breakdown of the cost for each proposed Work Item prepared by the Consultant
 - The Work Items refers to a specific repair or improvement that will be performed

FHA STANDARD 203(k) REHABILITATION MORTGAGE

203(k) CONSULTANT FEE SCHEDULE

CONSULTANT SCHEDULE

The Consultant may charge the maximum fees listed below for the preparation of the Work Write-Up and review of the architectural exhibits

- \$400 for repairs less than \$7,500
- \$500 for repairs between \$7,501 and \$15,000
- \$600 for repairs between \$15,001 and \$30,000
- \$700 for repairs between \$30,001 and \$50,000
- \$800 for repairs between \$50,001 and \$75,000
- \$900 for repairs between \$75,001 and \$100,000
- \$1000 for repairs over \$100,000

ADDITIONAL CHARGES

- The Consultant may charge an additional \$1000 for the preparation of the Feasibility Study
- The Consultant may charge an additional \$25 per additional Dwelling unit
- The Consultant may charge up to \$350 per draw request
- The Consultant may charge \$100 per change order request
- The Consultant may charge a \$50 fee when re-inspection for a Work Item is required by the Borrower or Mortgagee
- The Consultant may charge a mileage fee at the current IRS rate when the Consultant's place of business is more than 15 miles from the Property

FHA STANDARD 203(k) REHABILITATION MORTGAGE

STANDARD 203(k) APPRAISAL

How is it different?

- The appraisal is ordered as a FHA 203(k) appraisal. The general contractor bid and consultant's specification of repairs is forwarded to the appraisal company upon the order, for both refinances and purchases
- The appraiser does the appraisal report "subject to" completion per the contractor bid and will give an "after improved value". The appraiser must provide a statement to certify if the subject will meet HUD MPR or must indicate what additional repairs are still needed in order to meet HUD MPR.
- When AS IS Value is needed, a second appraisal report ordered as an AS IS report must be obtained in order to determine the AS IS value. The same appraiser is permitted to complete both reports and the borrower may be charged for the AS IS report when it is not required for property flipping guidelines.

- The scope of the appraisal is the future value
- Any additional repairs notated by the appraiser must be addressed and completed either prior to close and verified with a certificate of completion or must be included in the 203(k) repairs
- Any modifications and/or changes to the contractor bid or the consultant's specification of repairs must be reviewed and included in the appraisal report
- Double check the bid and appraisal for any items failing on the appraisal by not added on the bid. This will need to be completed.
- If permits were pulled, an inspection from the municipality they pulled the permits from is needed.
- If the utilities are off the time of the 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 a pressure test and electrical test is required and must be completed by an appropriately licensed professional.

TOTAL COST OF REPAIRS



- Estimated cost of Construction, Repairs and Rehabilitation
- Contingency Reserve (10%-20% @ Consultant's recommendation)
- 5 draws max - \$350 each
- Up to 6 months mortgage payments
 - (if home uninhabitable during rehab)
- 4 title updates - \$125 each
- Consultant, Architectural, and Engineering fees
 - (if applicable)
- Permits - \$500
- Supplemental Origination Fee
 - (if applicable)



FHA STANDARD 203(k) REHABILITATION MORTGAGE

MORTGAGE PAYMENT RESERVE

MORTGAGE PAYMENT RESERVE – 203 (k) Standard Only

- For 2-4 unit properties, if one of the 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 that can be included in the Mortgage Payment Reserve, divide the monthly Mortgage Payment 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.
- EPM may establish a financeable Mortgage Payment Reserve, not to exceed six months of Mortgage Payments.
- The Mortgage Payment Reserve may include Mortgage Payments only for the period during which the Property cannot be occupied.
- The number of Mortgage Payments cannot exceed the completion time frame required in the Rehabilitation Loan Agreement.

FHA STANDARD 203(k) REHABILITATION MORTGAGE

CONTINGENCY RESERVE

STRUCTURES WITH AN ACTUAL AGE OF MORE THAN 30 YEARS

- Contingency Reserve refers to funds that are set aside to cover unforeseen project costs

	Minimum	Maximum
Required when evidence of termite damage	10%	20%
Discretionary	No minimum	20%

STRUCTURES WITH AN ACTUAL AGE OF LESS THAN 30 YEARS

- Contingency Reserve refers to funds that are set aside to cover unforeseen project costs

	Minimum	Maximum
Required	10%	20%
Required when utilities are not operable as referenced in the Work Write Up	15%	20%

Note: The borrower may not provide their own funds to establish the Contingency Reserves

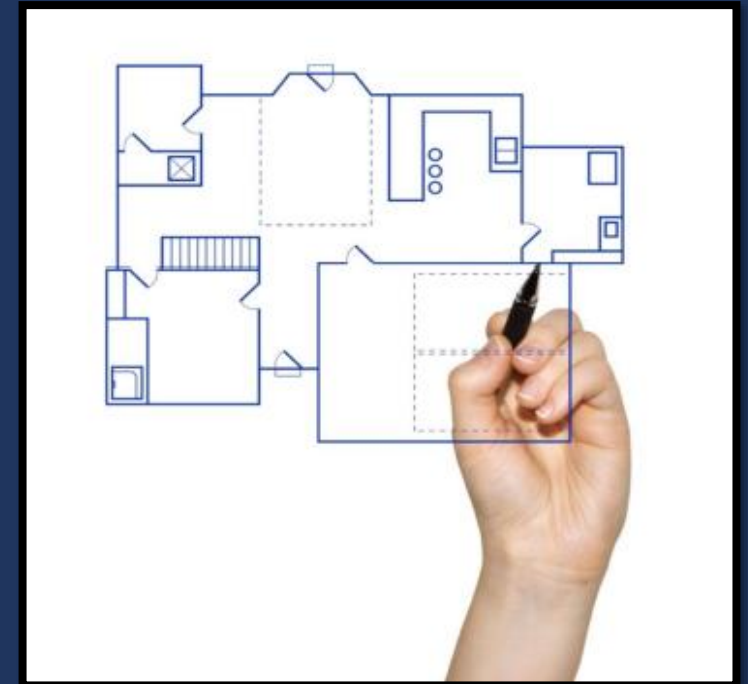
MAXIMUM MORTGAGE WORKSHEET (MMW)



The Standard 203(k) Maximum Mortgage Worksheet (MMW), located in FHA Connection, must be completed in calculating the max loan amount

The worksheet will determine your highest allowable loan amount and LTV, based upon your scenario

Remember to check your calculated base loan amount to make sure it does not exceed the max loan limits for the area





CONTRACTOR'S ESTIMATE ACCEPTABLE FORMAT

- The estimate must indicate that all proposed work is not structural in nature.

Required Document:
Standard 203(k) and Limited 203(k)
-Bid Required from each contractor

Contractor Bid

ABC Contractor

56789 Construction Way, Anytown, CA 90000 License #: 123456
800-222-9999

Borrower name and property address required

Client: Mr. & Mrs. Customer Project Location: Parcel # 012-987-01
1234 Oak Street
Anytown, CA 90000

Detailed Itemization required for labor and material

Item	Description	Labor	Material	Contracted Amount
Permitting	Roofing permit	\$350.00	\$154.00	\$504.00
	All other permitting is included in subcontractor pricing			\$0.00
Plumbing	Install two electric water heaters	\$1,200.00	\$625.00	\$1,825.00
Well Drilling	Well piping	\$6,500.00	\$3,200.00	\$9,700.00
	Clay county permit		\$85.00	\$85.00
	Shallow well pump 1hp	\$250.00	\$1,239.10	\$1,489.10
	Deep well pump 1hp	\$250.00	\$1,603.10	\$1,853.10
HVAC	3.5 ton Tempstar heat pump and 3 ton Trane heat pump	\$3,275.00	\$5,600.00	\$8,875.00
Electrical	Make all repairs, install lighting, and hookup fixtures	\$2,500.00	\$1,250.00	\$3,750.00
Pool	Pump, filter, re-plumb, acid wash, and install new heat pump	\$1,000.00	\$500.00	\$1,500.00
Roof Repair	Replace missing shingles at front	\$650.00	\$150.00	\$800.00
Fascia Repair	Replace eve drip	\$450.00	\$35.00	\$485.00
	Replace damaged fascia	\$350.00	\$50.00	\$400.00
Drywall Repair	Foyer - wall repair	\$125.00	\$100.00	\$225.00
	Front corner office #2 - ceiling repair	\$125.00	\$100.00	\$225.00
	Family room - ceiling repair	\$125.00	\$100.00	\$225.00
	Dining room - ceiling and wall repair	\$250.00	\$200.00	\$450.00
	Kitchen - ceiling and wall repair	\$250.00	\$200.00	\$450.00
	Master Bedroom - wall repair	\$125.00	\$100.00	\$225.00
	Master bathroom - wall repair	\$125.00	\$100.00	\$225.00
	Bedroom 2 - wall repair	\$125.00	\$100.00	\$225.00
WDO Repair	Door trim on rear of home, fascia on right of home, trim at pool and roof sheathing	\$1,500.00	\$550.00	\$2,050.00
Door Repair	Replace and install new hardware for all damaged and missing doors	\$850.00	\$450.00	\$1,300.00
Stove	Install new stove	\$150.00	\$450.00	\$600.00
	Total			\$37,466.20

Standard: This figure is used for the Work Write-Up. Figures MUST match.

Terms and Conditions

Represents total labor and material costs



CONTRACTOR'S ESTIMATE UNACCEPTABLE FORMAT

- Missing the property address
- Missing the name of contractor
- Missing the name of contractor's business
- Missing dates
- Missing details for each repair item
- Missing itemization of cost of labor versus material for each repair item
- Missing signatures for all Borrower(s) and the Contractor
- Missing statement that indicates proposed work is not structural in nature

BID COST SUMMARY

LIST OF MATERIALS AND COSTS

Qty.	Description	Cost	Total
5	2x8x10 lumber	\$6.75	\$33.75
20	2x4x10 lumber	\$4.97	\$99.40
30	Joist brackets	\$2.49	\$74.70
2	Box of screws, 2 in	\$6.67	\$13.34
2	Box of nails, 10 penny	\$3.25	\$6.50
2	Pair of gloves, leather	\$7.75	\$15.50
2	Laborer charges	\$100.00	\$200.00

Subtotal	\$443.19
Tax rate	7.50%
Tax	\$33.24
Grand total	\$476.43

HUD CONSULTANT WORK WRITE UP

203(k) CONSULTANT – EXAMPLE

Borrower:
Mr. & Mrs. Customer

Lender:

Consultant Work Write Up & Cost Estimate

General Description

This is a single family two story home built in 1997. It is a 4 bedroom 2 ½ bath home built on a slab foundation with an attached garage and pool. The exterior is mostly brick veneer with some wood siding and the roof is a composition roof. The home is vacant and all utilities were on the day of inspection. The home will be vacant during construction and not habitable and all construction will be complete within 10 weeks.

Scope of the Rehabilitation

Once the repairs are completed as outlined in the job specification of repairs, this property will meet all FHA Minimum Property Standards.

Contractor

This project has the following contractor:

Sample Construction Company
56789 Construction Way
Anytown, CA 90000
800-222-9999

Write-Up Synopsis

The total cost of construction plus allowable fees comes to \$91,094.00.

4 Draws have been established @ \$350

Please direct any questions regarding this architectural package to:

John Smith
HUD Consultant
HUD ID #: A1234
5678 Industrial Hwy
Anytown, CA 90000

HOW TO COMPLETE THE MMW

MAXIMUM MORTGAGE CALCULATION STANDARD 203(k) PURCHASE TRANSACTION - EXAMPLE

203(k) and Streamlined (k) Maximum Mortgage Worksheet				U.S. Department of Housing and Urban Development Office of Housing Federal Housing Commissioner		OMB Approval No. 2502-0527 (exp. 07/31/2017)	
Borrower's Name & Property Address (include street, city, state, and zip code)				FHA Case Number	No. of Units	HUD REO?	<input type="checkbox"/> Purchase <input type="checkbox"/> Refinance <input type="checkbox"/> Streamlined (k) (Note 6) Purchase Date (owned less than 12 months)
				Type: <input type="checkbox"/> Owner-Occupant <input type="checkbox"/> Nonprofit <input type="checkbox"/> Government Agency			
A. Property Information	1. Contract Sales Price Or <input type="checkbox"/> Existing Debt	2. 'As-is' Value (Note 1)	3. After-improved Value	4. 110% of A3 (note 1)	5. Borrower Paid Closing Costs + Prepays (Refinance)	6. Allowable energy improvements (note 2)	
B. Rehabilitation and Other Allowable Costs	1. Total Cost of Repairs (Line 30, HUD-9748-A) includes the improvements in A6						\$
	2. Contingency Reserve on Repair Costs () (10 to 20% of B1)						\$
	3. Inspection Fees () x \$ per inspection + Title Update Fee () x \$ per draw						\$
	4. Mortgage Payments Escrowed () months x \$ (if uninhabited (Note 7))						\$
	5. Sub-Total for Rehabilitation Escrow Account (Total of B1 thru B4)						\$
	6. Architectural and Engineering Fees (Exhibits) (Note 7)						\$
	7. Consultant Fees (including mileage, if applicable) (\$ + miles @ /mile (note 7))						\$
	8. Permits						\$
	9. Other Fees (explain in Remarks)						\$
	10. Sub-Total (Total of B5 thru B9)						\$
	11. Supplemental Origination Fee for both 203k and Streamlined (k) (greater of \$350 or 1.5% of B10)						\$
	12. Discount Points on Repair Costs and Fees (B10x %)						\$
	13. Sub-Total for Release at Closing (Total of B9 thru B9 + B11 and B12 (Note 3))						\$
	14. Total Rehabilitation Cost (Total of B5 and B13 minus A6) (Streamlined (k) can not exceed \$35,000)						\$
C. Mortgage Calculation for Purchase Transactions	1. Lesser of Sales Price (A1) or As-is-Value (A2)						\$
	2. Total Rehabilitation Cost (B14)						\$
	3. Lesser of Sum of C1 + C2 (\$) or 110% of After-improved Value (A4)						\$
	4. Base Mortgage Amount: Sum of C3 + (-) Required Adjustment (Note 4) (\$) x LTV Factor (99.5%) (Owner-Occupant) or Less Allowable Down payment/ HUD-Owned Property (\$) (Note 5)						\$
D. Mortgage Calculation for Refinance Transactions	1. Sum of Existing Debt (A1) + Rehabilitation Cost (B14) + Borrower Paid Closing Costs + Prepays (A5) + Discount on Total Loan Amt minus Discount on Repair Costs (B12) minus FHA MIP Refund (\$)						\$
	2. Lesser of Sum of As-is Value (A2) (Note 1) + Rehabilitation Cost (B14) (\$) or 110% of After-improved Value (A4)						\$
	3. D2 (\$) x LTV Factor (97.75%) (Owner-Occupant)						\$
	4. Base Mortgage Amount: Lesser of D1 or D3 (Note 5)						\$
E. Calculation for EEM	1. Energy Efficient Mortgage (EEM) Amount (C4 or D4) + A6 (Note 2)						\$
F. Summary	UFMP Factor	UFMP	Total Escrowed Funds	Interest Rate	Discount Pts		
	%	\$	\$	%			
1. Total Mortgage Amount with UFMP (C4, or D4 or E1 + UFMP)						\$	
DE Underwriter's Signature, Title & Date						CHOMS No.	
Borrower's Signature & Date (Optional)				Co-Borrower's Signature & Date (Optional)			

MAXIMUM MORTGAGE WORKSHEET (MMW) REFINANCE TRANSACTIONS



- Standard 203(k) refinances utilize the Refinance Transaction Maximum Mortgage Worksheet

Reminder: There are two instances when a second appraisal to establish the AS IS value is required on a REFI transaction.

1. If the subject property was acquired within the past 12 months from the case number assignment date an AS IS report would be required.
2. An AS IS report is required when the existing debt (Step 2A) on the property plus the following items exceed the after improved value (Step 2G)
 - Financeable Repairs and Improvement Costs (**Step 1A**);
 - Financeable Mortgage Fees (**Step 2C**);
 - Financeable Contingency Reserves (**Step 1B**); and
 - Financeable Mortgage Payment Reserves (for Standard 203(k) only) (**Step 1C**).

Calculation: Step 2A+1A+2C+1B+1C can not exceed the after improved value (Step 2G)

Reminder: Standard 203(k) transactions are treated as a Rate & Term refinance with the total cost of rehabilitation built into the loan amount. The borrower can only pay off any existing 1st Mortgage, a seasoned purchase money 2nd (if HELOC – no draws in excess of \$1,000 over last 12 months). Installment debt or revolving debt including past due taxes are not permitted to be paid off.

FHA LIMITED 203(k) REHABILITATION MORTGAGE MATRIX

Structural Changes	Not Permitted
Minimum/Maximum Repair Amount	No minimum \$35,000 maximum (total renovation cost)
Landscaping/Hardscaping	Not Permitted
203(k) Consultant	Not Required
Mortgage Payments Financed	Not Permitted
Draws	2 (initial and final)
Initial Draw to Contractor	Permitted (up to 50% of estimate)
Maximum Completion Time	90 days

FHA STANDARD 203(k) REHABILITATION MORTGAGE

MATRIX

Structural Changes	Permitted
Minimum/Maximum Repair Amount	\$5,000 minimum No Maximum (up to loan limit)
Landscaping/Hardscaping	Permitted, except for Tree removal or major alterations
203(k) Consultant	Required
Mortgage Payments Financed	Permitted – up to 6 months
Draws	A maximum of 5 disbursements/draws are permitted
Initial Draw to Contractor	Not Permitted
Maximum Completion Time	180 days (6 months)



- **What if the “As Is” value comes in under the contract price?**
 - In a purchase transaction if the As-Is value is lower than the purchase price, EPM will use standard practice to require the borrower to bring the remaining funds to closing. As-Is value listed on the appraisal does not effect the renovation piece of the transaction.
- **Is this Wholesale only or available through the correspondent channel?**
 - The 203(K) renovation program is available in all channels except Correspondent Delegated.
- **Can you use this to buy a HUD property?**
 - Yes, you can purchase a HUD owned property.
- **Can you use the program for roof repair or roof replacement?**
 - Yes, you can repair or replace a roof. 203 (k) Standard would be needed for any work to the structural integrity of the roof.





- **Can you replace a septic?**
 - Yes, you can utilize this program for a septic replacement.
- **Do permit fees need to be listed separately? Or can they be included in the cost within the quote?**
 - Permit fees should be included in the cost listed on the Contractor Bid.
- **Could this program not be offered in all states?**
 - The program is restricted in some states due to the length of time it takes to get permits in that state
 - If the Contractor is able to obtain permits prior to closing, EPM will consider an exception.





Wholesale Leadership



Frank Nese
Regional Sales Leader
Central/Western



Keith Russell
Regional Sales Manager













Different By Design

- EPM is a licensed mortgage lender with operations extending across the country. We provide a variety of mortgage products to find solutions for all of your mortgage needs.
- The EPM Team is a world-class, global team of mortgage experts with diverse backgrounds who share a passion to lead EPM. Our team features an integrated range of knowledgeable people who guide us in fulfilling our commitments to our community and those we serve.
- EPM+ is a communication initiative designed to cohesively bring all aspects of EPM together as a whole and create a culture that empowers our employees and industry partners every day.
- At the core of EPM are the fundamentals that we believe and promote named "4CORE." While the organization has 23 fundamentals we promote, creating the 4CORE that is easy for all to keep in mind has begun to make a great impact on growing our business the right way.
- All-in-all, every part of EPM+ relates back to how we are seeking to connect employees, industry partners, and our customers to the EPM Culture.
- *"EPM is committed to family, and nothing brings a family together more than their home."*
Eddy Perez, CEO & Founder



CONNECT WITH EPM

Get in Touch with Our Team
We would love to hear from you!
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THANK YOU

Equity Prime Mortgage, LLC