



203k Procedure by [The Mike Young Team](#)

We are consultants & willing to help you in all aspects of this process. If you are coming to us first, that is not a problem. We will guide you to the lender that we feel can close your loan in the shortest possible time frame & pay your contractor in a timely manner to keep your project on target. Believe it or not that is one of the most important aspects of the FHA 203k loan guarantee program. The same procedure works for the HomeStyle® Renovation Mortgage by FNMA & the new VA Renovation product.

Getting your contractor paid promptly is always our priority.

PROCEDURE ...

1) Find a lender and get pre-qualified...

This is the logical first step as we need to ascertain the loan amount that you may qualify for or the maximum loan amount that keeps you at your comfort level. They may be two quite different numbers. We want you to feel comfortable that your payment is clearly within your budget. Remember that if you are looking to purchase units or a mixed use building you get to count that additional income as part of your income with some restrictions. If you qualify for a SFR then you will likely qualify for units as well.

Purchase Transactions: Many of our clients actually qualify for more than they want to make payments on & there is nothing wrong with that. It is NOT our job to increase the loan amount.

In most cases the seller won't even accept your offer unless you have a "pre-qual letter" so they know you have already talked with a lender and started gathering your financial information. The lender can only process the paperwork after you provide it to them. Be sure to ask your lender for an "All cash to seller offer letter" to accompany your offer. It works amazingly well.

Refinance Transactions: This product is perfect for refinancing and getting the money to make those needed repairs or improvements you have been

putting off. We had one not too long ago where the borrower's had a surprise baby on the way and they really liked the home and neighborhood... nothing was wrong with the home, they just used the FHA 203k loan to make an addition.

2) **Purchase Transactions:** Get with one of our 203k real estate professionals to assist you in finding a property suitable to your needs, or alternately...

Our professional teammates are going to show you several homes to choose from that need some degree of repairs. Not to worry as all those repairs are completed as part of the loan & renovation process. The great thing is that YOU get to choose the carpet, paint, and configuration of the property you are buying. I've always believed that a home isn't actually yours till to change the carpet and put your personality in the color schemes. If your real estate professional tries to steer you away from a 203k call us, please. Why wouldn't you want to gain additional equity in a home you are buying. You put down 3.5% but may end up with 20-25% equity, that's what the 203k loan program is all about.

For your **Refinance Transactions** you can get the money to renovate, update, modernize, or add on to it, all in the same loan, and quite often at a lower interest rate than you currently have.

3) Call us at 1.916.758.1809 (customer service) to set up an appointment for a 203k Consultation. We will meet with the borrower(s) at the site, go over the contracts and agreements that they will need to sign at the close of escrow. They will be given copies that to take home & read at their leisure, mark up and get any questions answered by the lender or our staff. Better yet, go to www.203online.com and then click on "[order a consultation](#)".

In addition we will make an inspection of the premises at that time. We walk through with the borrower and determine what "must be repaired" per the HUD Guideline, then add the borrower's "wish list" of additional items specific to their needs & desires. We want this to be YOUR home the way you want it.

An inspection report will be created which is the "cornerstone" of a good 203k loan project.

You may choose to have a "home inspection" in addition to our property inspection. That is certainly your right. Many of our inspectors are home inspectors or licensed contractors who are capable of making that Home Inspection Report as well or you can choose someone else... remember that YOU are in control of the process. [Note: a typical "home inspection" will suggest you contact appropriate trades people to address issues they find... WE don't, we actually will make that judgment call in most cases and create a "scope of work" called the "Job Specifications & Bid Request".

4) After the inspection has been made we will return to our office and create a "Job Specification & Bid Request" [Some lenders refer to it as the SOR]. This is a list of the repair items that we intend to complete on your project. This "specification" is what will allow all of the contractors who bid this project to bid on the same list.

This is important as you want them bidding "apples to apples". Up till now there is no real need for a contractor to have been to the site because we didn't know what work was to be completed. Note: so many times a borrower will have several contractors out to the home prior to our visit only to find they weren't consistent with the scope of work and the bids were all way different.

5) Once the "Job Specification & Bid Request" has been created a copy will be given to the lender and another copy to the buyer or owner who is refinancing the property. It is technically the buyer's responsibility to see that the bid specs get out to several contractors for bid purposes...in reality the home buyer typically will sit on the report and procrastinate and you'll lose precious time. Our software allows you to print the job specs with or without the consultants prices on the forms.

FHA would like to see every bid come right from the contractor in a "blind bid" situation without any outside influence from the consultant. This will typically double or triple the time the contractors will spend getting the bid ready for the borrower. We have typically identified the borrower's choice for a contractor by this time and send it to them as well.

If the borrower hasn't made a choice by this time we will send randomly to people on our "validated contractor" list who are willing to bid this project for the borrower. By the way, the appraisal can be ordered once the bid specifications are complete as that tells them the "scope of work" they need to determine value.

Note: In the case where blueprints are needed we can may be able to save you money on those as well. One client recently had a quote for blueprints for her room addition at \$42,000 and we were able to use our in house people to get them done for less than \$12,000. Another client was quoted \$5,000 for the plans they needed, our draftsman did it for less than \$2,000.

6) When the bids come back the borrower will choose the contractor. We are always available during this process to assist the borrower & offer suggestions as to which bid is the most appropriate for this project.

Note: It isn't always the lowest bid that is the best bid, by the way, sometimes a bid comes in so low that it is clear they didn't understand the specs or too low to actually complete the project. The lender can close the

loan.

7) The contractor is notified that the loan has closed so he/she can schedule the work to begin. This is when most contractors will have a meeting with the borrower and set the expectation of when the project will start, and finish. Once the work begins the contractor will require continuing inspections to get progress payments for the completed work. The contractor or the home owner can initiate this draw request. The lender will initiate one if you don't do it in a timely manner.

8) This procedure will repeat itself until the project is complete.

Please realize that the consultant is never going to be the contractor's boss or the job superentendant. That is the buyer or owner's job exclusively.

Associates in all areas of the USA using our [203\(k\) software](#)
or

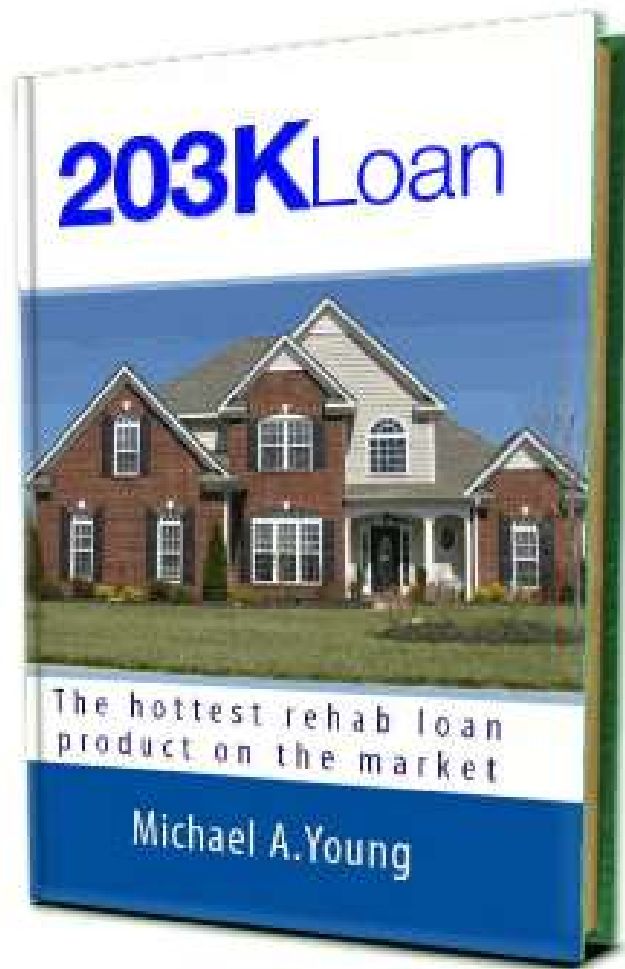
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1.877.207.6565 works for all of our affiliates

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