

The background of the slide is a top-down view of various painting supplies on a rustic wooden surface. There are several open paint cans containing different colors: a large can of light green paint in the bottom left, a can of dark blue paint in the center, a can of yellow paint in the top right, and a can of reddish-brown paint in the bottom right. Several paintbrushes with different bristles and handles (yellow, red, brown) are scattered around the cans. A yellow paint roller is also visible at the top center. The entire scene is dimly lit, with the text overlaid in white.

RENOVATION LOANS

OPPORTUNITIES FOR REO'S WITH GOVERNMENT LOANS

*How you can utilize FHA, VA, and USDA loans
with your REO transactions*



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Women's Council of Realtors

2021, 2022, 2023, 2024 LOCAL AND NATIONAL BOARD AND COMMITTEE MEMBER

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2022, 2023, 2024 EVENT SPEAKER, HOSTESS AND ATTENDEE TO CONFERENCES

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GOVERNMENT LOANS

FHA Federal Housing Authority

VA Veterans Affairs

USDA United States Department of Agriculture

Government Loans

WHAT YOU NEED TO KNOW

Seller Concessions: 6% maximum

FHA

- Typical 580-640 credit; can go as low as 500 or no credit score
- 3.5% down payment, 96.5% loan to value
- 6% seller credit allowed
- Allows for 56% total debt to income ratio
- Must average variable income for 24 months
- Mortgage insurance monthly, plus an upfront mortgage insurance fee rolled into the loan, and partially refundable
- Unique feature: Streamline Refi
- \$543,238 price with 3.5% down
- Loan limit county specific Clark County, NV: \$524,225

**Seller Concessions: 4% PLUS
discount points and buyers loan fees**

VA

- No credit score requirement
- Best pricing 640 plus, lots of lenders “overlay” credit for VA
- No Loan Limit
- No DTI- uses residual income
- Typically limits to the conventional county limit then there is JUMBO VA with loan level adjustments
- Tidewater
- Funding Fees
- Unique feature Interest rate reduction refinance

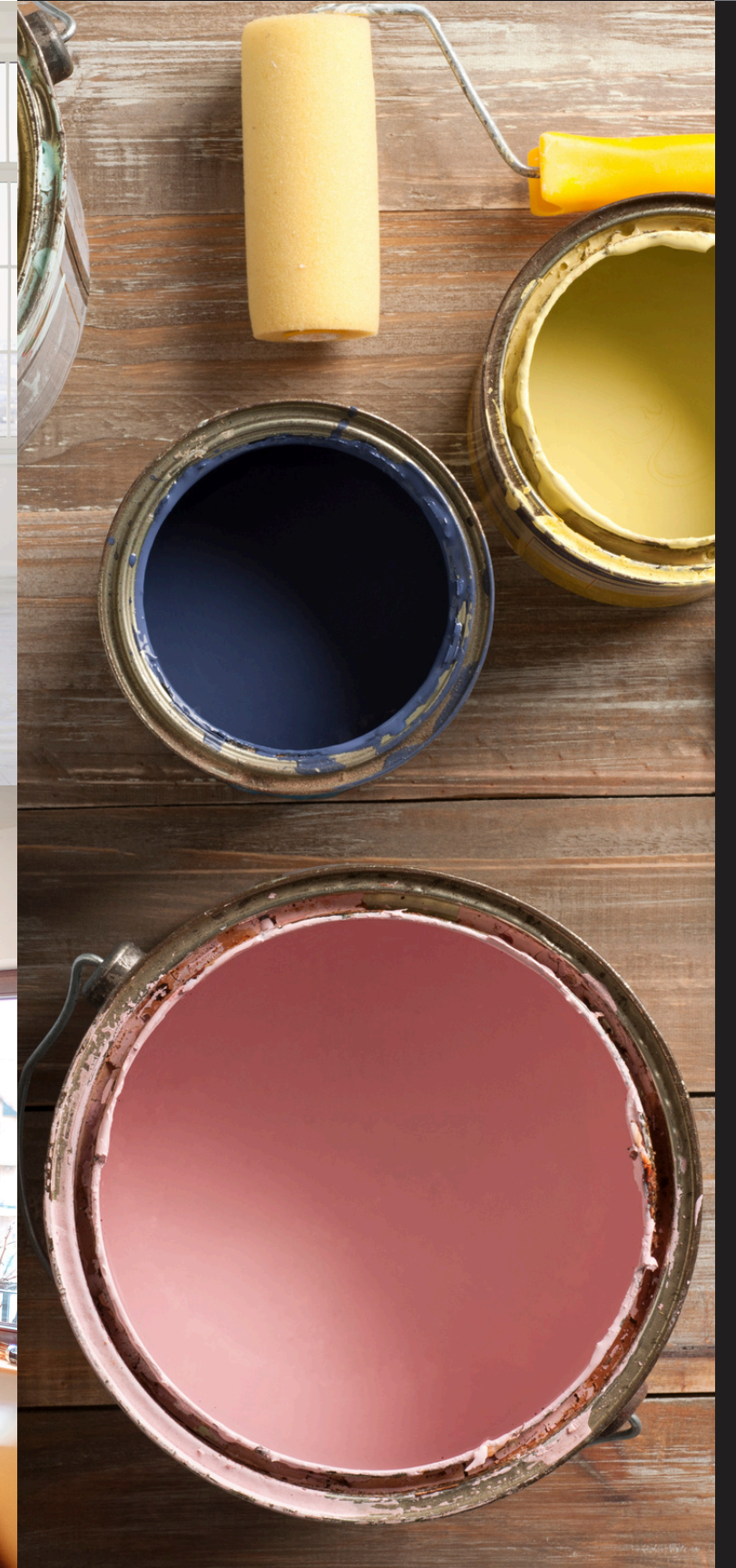
Seller Concessions: 6% maximum

USDA

- Income restricted 115% of median income
- Can use alternative credit but typically need a 640 credit score
- 29% housing expense limit
- 0% down payment
- Mortgage insurance upfront 1% then .35% annual
- Very low rates
- Rural

FHA SPECIAL PRODUCTS

- Renovations 203(k)
- Manufactured Homes
- Reverse Mortgages



FHA 203(K) RENOVATION LOAN

- Designed to help buyers rehabilitate a property sold "as is"
- The loan amount includes the purchase of the property plus the cost of renovations.
- The FHA 3.5% down payment is required.
- Because it's an FHA loan the credit requirements are more flexible than conventional loans.
- Standard 203k and Limited 203k





FHA 203K







- 580-640 credit score, depending on lender
- 3.5% down on home price and rehab costs
- Maximum 50% to 55% debt-to-income ratio
- \$524,225 loan limit, including repair costs (higher in designated high-cost areas)
- Upfront mortgage insurance premium of 1.75% of the total loan, including repairs
- Ongoing mortgage insurance of 0.55% of the loan amount per year (\$46 monthly for every \$100,000 borrowed)
- Primary residence only
- Single-family residences. 2-4 unit properties acceptable when living in one unit and renting the others out
- The project can't displace the borrower for more than 30 days for the Limited program and 12 months for the Full 203K
- ~~Open to U.S. citizens, DACA recipients, eligible non-U.S. citizens~~

FHA 203K LOAN PROCESS

Team:
REALTOR
Lender
Consultant
Contractor
Inspector
Appraiser

203(k)

Renovation Loan Steps

- 01 Pre Approval Process**
 Find your 203(k) lender and get a 203(k) preapproval.
- 02 Get Your Offer Accepted**
 Find a home that needs work or updating & request a 75-90 day closing. Get up to 6% closing costs!
- 03 Plan with a Contractor**
 Get your bid for repairs, authorize and appraisal. Work with: 203(k) Consultant, Contractor, and appraiser.
- 04 Loan Approval**
 Update and provide additional documents as needed.
- 05 Loan Funded**
 Initial contractor pay out, contractor completes the work.
- 06 Move In**
 once work is complete or you can occupy the home!

FHA 203(k) Renovation Loan

Limited 203(k) and it's updates

- Increased financing from \$35,000 to \$75,000 and increased the amount of time from six to 12 months.
- Non-Structural repairs, no luxury or commercial improvements
- Homeowners can be displaced 30 days.
- Does not require a consultant but you can finance one's fees if you want to use them.
- Cosmetic repairs - kitchen and bathroom remodels
- Repair or replace plumbing, HVAC, electrical, septic
- Roof replacement
- Adding energy efficient systems
- New appliances
- Fixing decks, patios, walkways and driveways
- Remove or replace an existing in ground pool
- Lead paint remediation
- Addressing any other non-structural safety concerns, including bringing the home up to HUD standards



Standard 203(k) Renovation and it's updates

Complete major renovations including adding square footage and moving structural walls.

There is no dollar cap, as long as the combined price of the home and repairs is within the FHA maximum.

- All eligible Limited 203K repairs
- Structural repairs to bring the home up to HUD standards
- Home additions and finishing basements and attics
- Converting a single-unit property to a 2-4 unit home
- Adding a garage
- Repairing wells/septic systems or connecting to public water/sewage
- Roof, gutters, downspouts
- Landscaping
- Completely rebuilding a house, provided the foundation remains the same
- Moving a house to another location



USDA LOANS AND REO'S

USDA offers a Limited Renovation loan for non-structural repairs up to \$35,000

- Remodeling a kitchen
- Updating flooring
- Replacing windows and doors
- Making minor roof repairs

USDA Standard Renovation loan:

- Adding a bedroom or bathroom
- Fully replacing a roof
- Fixing structural deficiencies
- Remodeling a home for handicapped accessibility

Rural Requirement
Income restricted
Loan Limits



VA LOANS AND REO'S

- The home must be used as your primary residence.
- All construction must be completed within 120 days of your closing date.
- The property must pass the VA appraisal and meet all minimum property requirements upon completion.
- You cannot borrow more than the repaired value of the home.
- Any contractors you choose must be approved by the VA.
- You typically need a 660 or better credit score.
- The list of approved projects includes roof and flooring repairs, electrical repair or replacement, HVAC repair or replacement, and lead paint remediation.
- Renovations must be completed by a VA-approved contractor.
- \$50,000





REVIEW

FHA

VA

USDA

and their renovation loan



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Any Questions?



FHA Myth

- FHA Loans are only for First Time Homebuyers
- FHA Loans are restricted to Low Income borrowers
- You have to have the same job for 2 years



VA Myth

- 620 is the minimum credit score
- There are loan limits
- VA appraisals are hard to pass due to minimum property standards



USDA Myth

- USDA loans are only for purchase
- You must be a first time homebuyer
- The PMI is higher than other loans because it's 0% down

Which is True?

THANK YOU



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