

Benefits of ordering a Feasibility Study

In general, the benefit of ordering a Feasibility Study lies in its ability to provide the borrower or perspective homeowner with specific information about the property and the cost of repairs or proposed construction to the same. It is also often used as the basis for making the proper investment decision by the lending institution as it helps illustrate potential future value of the property.

The report clearly details the extent of the proposed rehabilitation and cost of repairs. It is considered an extremely prudent practice to have this report on hand prior to submitting a formal offer to purchase. It ensures a buyer has knowledge of what is needed to complete the project, allows the seller an ability to determine what they are willing to repair before listing the property so as to maximize their potential sale price and increases an agents success rate when showing distressed homes.

How does it work?

- *Your HUD consultant will walk the property identifying any health and safety concerns along with the items you wish to repair or add to the property.*
- *The compilation of costs with descriptions of each part of the project will be presented in an easy-to-read line-item fashion also detailing what the labor and material costs look like for the improvements.*

Once you have received the report it can be leveraged for your decision-making process allowing you to determine if this is the right home for you or if you feel it is best to continue looking.

Advantages for the homebuyer include establishing the level of required repairs on a property in order to meet HUD's minimum standard. The buyer can also address upgrades to the home's systems or dated items like kitchens and baths which can make all the difference in the functionality of a home. This often leaves a perspective buyer feeling as though the home was specifically designed for them. With the report in hand a buyer can seek out competitive bids from contractors allowing them to compete for the opportunity. The Consultant that completed the report is usually willing to assist in evaluating the merit of each contractor's bid; pointing the home buyer in the right direction.

A Real Estate Agent who works with distressed properties & REO's can use the information found in a Feasibility Study to assist in establishing a home's market value and asking price. It is a strong addition to the presentation of a home because it allows the perspective buyer insight into what the required repairs look like from the beginning. This has been shown to help sell more homes due to the establishment of proper expectations from the very beginning. An agent should consider aligning with a lender who specializes in the available renovation programs including the 203k so as to provide a seamless and smooth purchase process for their borrower and future referral partner. In addition, the Feasibility Study may eliminate the need for a home inspection. As an alternative a consultant can complete a full Work Writeup accounting for any additional upgrades and changes sought by the home buyer.

Believe it or not all parties, including the seller, potentially benefit from a Feasibility Study. Knowing the extent of required repairs on a property can allow a seller to leverage the after improved value as a mechanism for negotiation. It can also allow for the seller to address some or possibly all of the deficiencies if it makes sense to perform the improvements prior to listing.

In the end the information contained in this report and the potential future Work Write Up will be used by an appraiser to establish the after improved value of the property which will be leveraged to validate the homeowner's borrowing power. If future value does not support the cost of repairs the buyer will know that it is in their best interest to look for another property or potentially renegotiate the purchase price.



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