

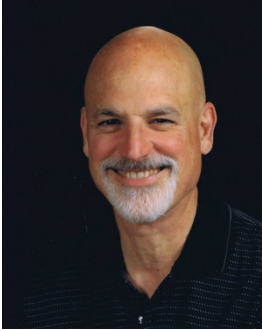
“How will you pay for improvements?” (The FHA 203K Streamline Repair Program)
(by: Ron Ricci)

So often I hear people say that they would love to purchase a home with all the good deals out there and the pickings so ripe given the plethora of foreclosures, short sales, REOs, and other distressed properties including Estates where properties have not been upgraded in decades! The problem is that these homes are sold “as is” and in need sprucing up as a minimum, and in many cases, major overhaul and remodeling. Getting financing to buy the home is tough enough; now one has to figure out how to pay for the repairs too! Well....problem solved! With the FHA 203K Streamline Program, you can bundle the loan for the home, plus the repairs into one mortgage! As a cost conscious consumer desiring low energy bills as well, you also want to include weatherization and upgrades to the HVAC system to make this a smart purchase with a house that has literally been recycled into a livable, sustainable home that is eligible for a great FHA rate. This can also be used for refinancing, building your improvements into the loan.

So how does it work? To qualify for an FHA mortgage (the best loan out there right now), the home needs to pass the mandatory HUD inspection. The improvements made using the 203K Streamline process bring the home up to HUD standards. The program allows up to \$35,000 in improvements to be financed into the mortgage (there is no minimum). This amount includes a 10% contingency for cost overruns which will be applied to principal if not used. Total amount of the mortgage is capped at \$271,050 for our area. The appraisal, done by a HUD certified appraiser, has to appraise “as is” and will be given a value “as repaired” and upgraded according to the approved contractors quote. The normal FHA contract is utilized and the funds for rehab are escrowed by the lender and dispersed as the work is completed. A Licensed General Contractor is always required, and to assure that good stewardship is being practiced for energy savings and planet responsibility, a GC from our organization would be advisable. The GC must go through a rigorous process with the lender to be approved for the program.

Single and up to 4-family units are allowable, but must be owner occupied. Most repairs and upgrades are eligible including Kitchen remodels, new appliances, roofs, gutters, painting inside and out, termite treatment, and of course anything to do with tightening up the house to make it more energy efficient such as insulation, new windows and doors, etc. Not included would be major rehabilitation, structural work, or landscaping. Work must start within 30 days of closing and be completed within 6 months. Realtors should take note: this is a great way to move distressed listings by marketing this bundling approach!

The documentation to participate is not all that bad! The FHA contract and Addendums are fairly straightforward. There are Homeowner/Contractor Agreements and all the usual written cost estimates which must be deemed reasonable and acceptable by the lender. Many thanks to Fairway Independent Mortgage Corporation for their guidance. For more information on this program, or to apply for a loan, please contact Denise Maroldy (denisem@fairwaymc.com)



Ron Ricci, chairman of the Triad Green Building Council, is president of Ricci Builders & Management, Inc. and is an Accredited Builder and a Certified Green Professional. He can be reached at ron@riccibuilders.com.