



Rehab Financing

The FHA Streamline 203(k) Program

A Guide to
Financing Your Home
Improvement Project

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The Program:

This is a new 1st mortgage program sponsored by the FHA and designed to provide homeowners with low-cost financing to purchase a home and do renovations to make it their dream home. The “FHA Streamline 203k” program has very low documentation requirements (unlike traditional construction financing) and does not require excellent credit. In addition, this program is builder-friendly allowing them to move forward quickly and with a minimum of documentation and inspections.

You may take out up to \$35k for virtually any home improvement project. This includes repairs to the property, upgrades to kitchens and bathrooms, new heating systems, windows, roofs, and much more (see detailed list on Page 3).

The program allows you to borrow up to **97.75% of the total of your existing mortgage balance AND the cost of the improvements to be made** (this is unique to this program). In most cases, this gives you the capacity to finance all of the improvements together with the existing debt on the property.

What It Means For You:

If you’ve been hesitating on moving forward with your home improvement project because of concerns that you do not have sufficient equity in your home to pay for the work you have planned, this is good news! While it’s true that banks have cut back on their lending, the U.S. Government has stepped in with a special program to help homeowners improve their properties.

This FHA mortgage pays-off your current mortgage, covers closing costs, and sets aside the balance of the desired loan amount (with a maximum loan amount based on the County you live in) for your home improvement project. You may select either a 30-year or a 15-year fixed rate and the rates are similar to regular FHA mortgages.

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Details on eligible improvements:

The FHA Streamline 203(k) program is designed specifically to make upgrades and improvements to existing square-footage in homes. Almost all rehab projects are allowable with the exception of additions and structural alterations. The following is a partial list of allowable items:

- Remodel Kitchen
- Bathroom remodel
- New roof
- HVAC systems
- Windows & Doors
- Flooring
- Plumbing upgrade
- Insulation
- Siding & Painting
- Exterior decks and walks
- Electrical upgrade
- Well & Septic
- Driveways
- Basement refinishing
- Waterproofing
- Mold abatement
- Handicap access improvements
- New Appliances
- Gutters & downspouts
- Other non-structural repairs

Details on Loan Program:

- The minimum amount for the home improvement budget is \$5k
- A 10% contingency is required so the maximum bid amount(s) cannot exceed \$31,200 (unless you can post the contingency fund in cash)
- The maximum mortgage amount (total of existing mortgage debts, closing costs, and rehab costs) is limited based on the county your home is located in (*see list below*)
- There are no income restrictions for this program
- Applicants must qualify based on income and credit

2015 County Limits for Connecticut

- Hartford = \$353,050
- Tolland = \$353,050
- Middlesex = \$353,050
- New London = \$280,600
- New Haven = \$305,900
- Windham = \$285,200
- Fairfield = \$601,450
- Litchfield = \$357,650

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How to Get More Information:

If you are interested in learning more about this program, please contact me either by phone at 860-989-3287 or via e-mail at kit@righttracfg.com.

To help me develop the best financing proposal, please be prepared to provide the following information:

- Your name(s) and the address of the property
- Your Social Security number(s) to pull your credit report
- A description of the home improvement project and estimated budget
- Info on your current mortgage (amount, rate, term)
- Your employment information (company/position/income)

Thank you

Kit Crowne, CMPS
NMLS: 49595



Application Guide

I have assembled the guide below to help you gather the documents needed to complete the mortgage application. If you have questions about any of these materials or forms, please make sure to contact me.

Application Documents:

For each person who will be on the mortgage, I will need the following items:

- W-2's for most recent 2-years (if self-employed or commissioned, complete tax returns)
- Paystubs for the most recent 30-days
- Bank statement for the most recent 2 months (all pages / all accounts)
- Most recent 401k or investment account statements
- Contact info for your homeowners insurance agent
- Copy of your drivers license(s)

Renovation Project Documents:

For each contractor that you will be signing a contract with (up to a maximum of 3), I will need:

- A detailed bid / estimate for the work being performed. Please have the contractor sign and date this. I will also need you to sign and date it.
- A signed and dated "Homeowner/Contractor Agreement". Again, I will also need you to sign and date this form.
- Each contractor must complete the attached Contractor Client References document and sign it
- Each contractor must provide a copy of their Home Improvement (or specialty) Contractor's license
- Each contractor must provide a resume of their building experience
- Each contractor must provide evidence of insurance

(If any contractor has any questions or wants to speak with me, please encourage them to reach out to me directly.)



Application Guide (con't)

Mortgage Process:

Once you have selected the contractor(s) and are ready to move forward, here are the steps that we will be taking to complete the transaction:

- *Meet to complete and sign* the mortgage application documents. I am available to meet at your convenience, including evenings and weekends.
- *Order the appraisal.* I will need to obtain a credit card authorization for the cost of the appraisal at the time of application. That fee is typically in the range of \$500. The report will determine the value in the property's current condition as well as the after-completion of the proposed improvements. The report is generally completed within 2-weeks of the request..
- *Submit the package* to the lender for approval. This process typically takes from 4 – 6 weeks to get from submission to cleared-to-close.
- *Request and obtain title work* from your preferred attorney who will represent the bank and you at closing.
- *Schedule the closing.* This is established in the contract so it is important to make sure first, that there is sufficient time, and second, that all parties provide the information needed on a timely basis.
- *Submit the Initial Disbursement Request* from the contractor(s) so that they may receive payment to start work on the project.
- *Submit Final Disbursement Request* from the contractor(s). All work must be complete and a final inspection must be done before the final disbursement may be made.

Again, I have provided this breakdown to help you understand the process and (hopefully) clarify the steps we'll be taking together. If you have questions about any of the steps or need more information, please make sure to call or email me.

Yours in success!