



Rehab Financing

The Fannie Mae HomeStyle Renovation Program

A Guide to
Financing Your Home
Improvement Project

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The Program:

This is a 1st mortgage program created by Fannie Mae that is designed to provide homeowners with low-cost financing to undertake major home renovations. The “**HomeStyle**” program presently allows a homeowner to finance up to \$417k for virtually any home improvement project (see detailed list on Page 3).

The program allows you to borrow up to **95% of the after-completion value of your home** (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.

The **HomeStyle** mortgage works by combining your existing mortgage amount together with the costs of the renovations you plan on completing. You are allowed to finance up to **95% of the total value of your home as completed**.

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, there’s good news! While it’s true that banks have cut back on their lending, Fannie Mae has stepped in with a special program to help homeowners improve their properties.

For current homeowners, the **HomeStyle** mortgage pays-off your current mortgage(s), covers closing costs, and sets aside the balance of the desired loan amount (up to a maximum loan amount of \$417k) for your home improvement project. You may select from 30-, 25-, 20- or 15-year fixed rate terms and the rates are competitive with traditional mortgages.



Details on eligible improvements:

The **HomeStyle** program is designed specifically to make upgrades and improvements to existing homes. Almost all rehab projects are allowable including 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 impr.
- New Appliances
- Gutters & downspouts
- Additions

Details on Loan Program:

- The maximum loan amount is \$417k
- The portion reserved for home improvements generally cannot exceed 50% of the home value
- A 10% - 20% contingency is required (based on the project scope)
- There are no income restrictions for this program
- Applicants must qualify based on income and credit
- All work must be completed within 180-days of closing
- Funds expended prior to closing (generally architectural and engineering costs) cannot be refunded
- Payments are made to the contractor for ‘work-in-place’ only.
- There is NO advance or start-up to the contractor—make sure to communicate this to your builder

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How to Get More Information:

If you are interested in learning more about the **HomeStyle** 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 address of the property
- Your Social Security number (s) to pull your credit report
- A description of the home improvement project and estimated budget
- Current rate(s) on your existing mortgage(s)
- Your employment information (company/position/income)

Thank you,

Kit Crowne, CMPS
NMLS: 49595

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The Process:

The **HomeStyle** program is very similar to a standard mortgage with several required additional steps. Once you have decided on a scope of work, the first step is for you to have your builder prepare all required supporting documentation and provide the required breakdown and the project specifications. Those materials are reviewed by the “Plan Consultant” (see below) and a final set of submission documents are prepared to go with your application to the lender for their approval.

The next step is for you to have the Plan Consultant meet with you to review the plans & specifications. They will inspect your property for any health and safety issues required to be included in the rehab and will then provide you with a “Work Write-up” for the project based on the work you would like to have done. This will also be the person who handles all of the draw request and inspections along the way.

Once the project scope is finalized, an appraisal will be performed and a value of the property based on its condition after the improvements have been completed will be provided. It is this after-improved value that determines your loan-to-value.

Once all of the loan conditions have been cleared, the loan closes and you may begin your project.

A Couple of Important Points:

- There is a required ‘Contingency Fund’ of between 10% - 20% based on the scope of work to be performed.
- The builder will be paid for ‘work-in-place’ so there is no advance start-up monies. It is important that your contractor recognize this and that the proper expectations are set..



A Couple of Important Points (cont.):

- The Plan Consultant will charge a fee ranging from \$500—\$1,000 for their services.
- In addition, there will be “Draw Inspection Fees” of approximately \$275 per to cover his/her time to come to the site to approve the disbursements. (Because this can add up to a lot of money, you will need to discuss with your builder a reasonable number of draws that balances their needs with your budget.)

Plan Consultant Contact List:

The following is a list of several consultants I have worked with:

- Robert Canty
33 Susquehanna Ave
West Haven, CT
203.671.1864
- Garrick Montana
226 Broad St
Wethersfield, CT
860.508.4107
- William (Bill) Neal
77 Meadowview Lane
Vernon, CT
860.871.1830
- For additional HUD-approved plan consultants, please visit this link: <https://entp.hud.gov/idapp/html/f17cnsltdata.cfm>



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 2013 & 2014 (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
- Recent mortgage statement(s) (to help in obtaining payoffs)
- 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, 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.
- *Draw Requests* from the contractor(s) are processed as the work progresses in accordance with your pre-planned schedule.
- *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!