

VanDyk Mortgage Corporation FHA 203(k) Rehabilitation Mortgage - STANDARD AND LIMITED											
7/18/2019	FHA Fixed Rate										
Product Description	Fixed Rate Only. 360 month term Only. Purchase and Rate/Term Refinance Only										
Encompass	<p><u>Encompass Loan Program</u> : Choose FHA 203(k) Fixed Rate</p> <p><u>Encompass Document Labels</u>: There is a Document Set created in Encompass titled: 3300 (RENO): FHA 203(k) Documentation. This should contain labels for all 203(k) specific documents. Building Permits and the Certificate of Occupancy are filed under 2800 New Construction.</p> <p><u>Encompass FHA 203(k) Calculator</u>: Due to inconsistencies in the programming in Encompass, you may want to utilize the interactive calculator noted in FHA Connect section below. Encompass in some instances will provide an erroneous maximum loan amount, especially on refinance transactions. However, the 203(k) screens in Encompass must still be completed. Under "Forms" Choose "FHA Management". Scroll down to FHA Information section, and in the SOA dropdown, choose 203k. Next click on "FHA 203k" tab at the top to view the max mortgage worksheet. The button "Copy to Alterations" should not be used, as "Alterations" in Details of Transaction must also include the reserves. Add the repair cost and reserves and manually enter this amount in Alterations. Encompass will also calculate to the penny and FHA requires all amounts to be rounded. You will have to lock some fields to remove the pennies. Be sure to also round these figures when completing the Itemization. There are two loans in the Training Pipeline named "203K Training". This has the data correctly entered for your reference. DO NOT CHANGE DATA ON THE TRAINING LOANS. FHA Connect has an interactive 203K Calculator available for running scenarios. See FHA Connect Section below.</p> <p>STEP 2 BOX D: ON A PURCHASE, DO NOT ENTER AN "AS IS" VALUE THIS BOX UNLESS YOU HAVE OBTAINED AN "AS IS" APPRAISAL. LEAVE THIS FIELD BLANK. THE LOAN WILL BE INELIGIBLE FOR FHA INSURANCE IF THERE IS A AMOUNT IN THIS BOX WHEN THE LOAN CLOSSES, BUT AN "AS IS" APPRAISAL WAS NOT OBTAINED. IF AN FHA APPRAISAL WAS OBTAINED (IE: LOAN STARTED AS STANDARD PURCHASE) THE "AS IS" VALUE ON THAT APPRAISAL MUST THEN BE INPUT. IF LOAN WAS ORIGINATED AS A 203K AND NO "AS IS" APPRAISAL WAS OBTAINED NONE IS NEEDED.</p> <p>Line-by-line instructions on completing the 203(k) Calculator is uploaded in vdmc.net - Underwriting Department - Shared Files - in the 203(k) folder.</p>										
IMPORTANT!!	<p>ANNUAL MIP: The amount charged for Annual MIP is based on the LTV of the loan, and that LTV on a 203(K) loan is calculated by dividing the <u>Base Mortgage Amount</u> by the <u>After-Improved Value</u>. Until the appraisal is obtained it can only be estimated. At origination of a purchase, enter the purchase price plus Total Rehabilitation Cost (Step 1# E on 203(k) Calculation). Step 5A. MIP LTV is the LTV used to determine the annual MIP factor. Once the appraisal is obtained re-calculate using the accurate After-Improved value and revise MIP if appropriate.</p> <p>The annual factor must be manually input into Encompass per the chart below. DO NOT USE "GET MI"</p>										
	<table><tr><td><u>Term Greater than 15 Years:</u></td><td>< 90.00% = 80 (bps) for 11 years duration</td><td>> 90.00% but < 95.00% = 80 (bps) for Mortgage term</td><td>> 95.00% = 85 (bps) for Mortgage Term</td></tr><tr><td><u>Term < or = to 15 years</u></td><td>< 90.00% = 45 (bps) for 11 years duration</td><td>> 90.00% = 70 (bps) for Mortgage term</td><td></td></tr></table> <p>Note: the UFMIP is the same for all LTV's. 1.75% of the base loan amount.</p>			<u>Term Greater than 15 Years:</u>	< 90.00% = 80 (bps) for 11 years duration	> 90.00% but < 95.00% = 80 (bps) for Mortgage term	> 95.00% = 85 (bps) for Mortgage Term	<u>Term < or = to 15 years</u>	< 90.00% = 45 (bps) for 11 years duration	> 90.00% = 70 (bps) for Mortgage term	
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FHA Connect	<p><u>Ordering Case Number</u></p> <ul style="list-style-type: none"><u>Construction Code</u>: Substantial Rehabilitation<u>ADP Code</u>: 702<u>ADP Code Characteristics: Housing Program</u>: Improvements (203K)<u>Consultant ID Field</u>: If a Consultant is being used, enter their Consultant ID number. If no Consultant is used enter 203ks in the Consultant field. NOTE: Consultant is MANDATORY on a Standard 203(k) loan. Although optional on the Limited 203(k) it is always recommended.<u>203K Type</u>: Choose Limited or Standard as appropriate. If there is any change to this during processing the case number must be edited/corrected.<u>FHA Case number suffix</u>: <u>Detached Single Family suffix</u> is 730 Condominium's suffix is 815 <p><u>203(k) Calculator (previously known as 203(k) Max Mortgage Worksheet</u></p> <ul style="list-style-type: none"><u>The Underwriter will complete the 203(k) Calculator in FHA Connection</u>: to determine the maximum mortgage amount, and file the Final Copy under 203K Max Mortgage Worksheet in Encompass efolder. On a Standard 203(k) the Cost Estimate on the Consultant's Statement of Repairs (SOR) is used for maximum mortgage calculation; therefore the loan will be short if the Contractor's total bids exceeds the Consultant SOR. Only Underwriters have access to the 203(k) calculator in FHA Connect. Preliminary figures can be obtained from an interactive version at: https://entp.hud.gov/idapp/html/f17203k-look.cfm https://entp.hud.gov/idapp/html/mrtg-pkg.cfmFHA Connection Training Guide Modules are available at:										
Temporary Buydown	• Not Permitted										
Appraisals	<p><u>As Is Appraisal:</u></p> <ul style="list-style-type: none"><u>Purchases</u>: An "As Is" appraisal is not required, however, if an "As-Is" appraisal is obtained (i.e.: loan is started as a traditional FHA), then the value is the lesser of the purchase price or "As Is" appraised value. <u>Property Flipping</u>: an As-Is appraisal <u>must</u> be obtained and the value will be the lesser of sales price or As-Is appraised value.<u>Refinance</u>: For property acquired <u>greater than</u> or equal to 12 months prior to the case number assignment - the As-Is Value is based on the existing debt if the After Improved Value is greater than the existing debt plus financeable items. An As-Is appraisal is not required in this scenario. If however, the After Improved Value is less than the existing debt plus financeable items, a separate As-Is appraisal is required.<u>Refinance</u>: For property acquired <u>Less than</u> 12 months prior to the case number assignment - an As-Is appraisal is required. The As-Is Value is the lesser of the existing debt plus fees associated with the new mortgage, or the As-Is appraised value. <p><u>As Improved Appraisal</u></p> <ul style="list-style-type: none">An As-Improved Appraisal is always required for both Limited and Standard 203k loans.<u>Prior to ordering</u> the As-Improved appraisal for LIMITED, the borrower Work Write-Up (if applicable) and Contractor bids must first be approved by the Renovation Department and the Underwriter. For STANDARD, the Consultant Work Write Up is required. When you have these items uploaded to Encompass move the file to Submitted Milestone even if the borrower's credit file is not ready. These documents must be uploaded into Mercury as the appraiser must include copies of them in the appraisal report. If any of the work being performed changes, the revised documents must be provided to the appraiser and the appraisal must be revised. The work stated in the appraisal must match the legal contract between the borrower and the contractor. <p><u>Ordering both an As Is and As Improved Appraisal</u></p> <ul style="list-style-type: none">If both an As-Is and an As Improved appraisal is needed, both reports may be requested from the same Appraiser, or two different Appraisers may be selected. Two separate appraisal assignments are required, even if both are performed by the same appraiser. The appraiser is entitled to charge two appraisal fees as the assignments are different scopes of work.										
Sales Contract	<ul style="list-style-type: none"><u>The Sales Contract</u> should include that the buyer has applied for an FHA 203(k) loan, and that the contract is contingent on loan approval, and also on the buyer's acceptance of additional required improvements as determined by the Appraiser, Consultant or the lender.Sales transactions between family members is the only Identity of Interest permitted (subject to FHA 203b guidelines including maximum LTV of 85% when borrower is purchasing property that is not family members primary residence). There can be no other identity of interest or conflict of interest with the Seller including Landlord/tenant. Borrowers cannot be related to, or have a business affiliation with any Contractor or the Consultant. The Appraisal and HUD Consultant or contractor CANNOT be the same individual.<u>Amendatory Clause</u> is NOT required to be signed on an FHA 203(k) loan<u>Seller Contribution</u> is a maximum of six percent (6%)HUD REO transactions must have the box for 203(k) marked. HUD REO \$100 down program not eligible.										
Loan/Borrower Eligibility	<p><u>Credit Eligibility</u></p> <ul style="list-style-type: none">AUS Approve/Eligible only. Manual Underwrites are not Eligible.Standard FHA 203B Credit Guidelines Apply unless specifically noted here. Borrower Eligibility mirrors our Standard FHA Matrix.Minimum Score 620. Minimum of two scores for every borrower on the loan is required.Maximum DTI of 55%. DTI over 50% requires compensating factors and supervisor approval.DPA assistance is not allowed.Non-Occupant Co-borrowers are Not Allowed.BK 7 or 13 In addition to FHA guidelines the Borrower cannot have any housing delinquency or new derogatory credit related public record since discharge/dismissal. <p><u>Transaction Eligibility</u></p> <ul style="list-style-type: none">Maximum LTV is 96.5 for a purchase and 97% for a refinance.Investment or Second Home borrowers are not eligible. The borrower must intend to occupy the subject property as their primary residence.Builder Speculation foreclosures are ineligibleRefinances of Properties Listed for Sale on the day of application are ineligible.Conforming loan limits only. High Balance loan are not eligible.										
Property Eligibility	<p><u>Eligible</u></p> <ul style="list-style-type: none">Owner Occupied OnlyHomes completed less than one year ago are not eligible for renovation program. Certificate of occupancy must be dated over one year from date of application.1 - 4 UnitsCondos - Must be FHA approved (except detached). Interior repairs only. Repairs must be approved by HOA and written evidence of approval must be in the filePlanned Unit Development (PUD) including Attached.Modular homes, provided they meet the following requirements:<ul style="list-style-type: none">Similar to stick built home in appearance and functional utilityComposed of factory-built modules which are assembled and set on permanent foundation at the home siteConforms to all Codes adopted by jurisdiction in which the property is permanently situated										

	<p>Ineligible</p> <ul style="list-style-type: none"> Homes completed less than one year ago are not eligible for 203k financing Property with greater than 10 Acres Working and/or Hobby Farms Texas Section 50(a)(6) Properties with resale restrictions Manufactured Homes Moving a house from another location onto the subject property is not allowed. <ul style="list-style-type: none"> Geodesic Domes or Subterranean Homes Houseboats Properties without Utilities Builder Model Leaseback Co-ops Assisted Living Projects Increasing the number of units in the property. <ul style="list-style-type: none"> Second Homes or Investment Properties Mixed Use Properties Commercial Properties Historical/heritage areas Unimproved Land Log Homes
Limited and Standard Repairs/Improvements Eligibility	<ul style="list-style-type: none"> All repairs/improvements must benefit the home permanently, and the item(s) cannot be removable. No improvements can be made to any commercial space, or modify any space to commercial use. No Repairing/installing of luxury items: I.e.: Hot Tubs, Saunas, Gazebos, BBQ pits, Bath Houses, Tennis Courts, Outdoor Fireplace or Hearth, New Swimming Pool (above or below ground) etc. Site improvements, landscaping, patios, decks & terraces must EITHER increase property value to equal to amount spent on the improvements OR be needed to preserve the property from erosion.
Limited 203(k)	<p>Maximum Rehabilitation Amount is \$35,000 INCLUDING contingency reserve, all costs from the Max Mtg worksheet AND including any amount the borrower pays in cash.</p> <p>Eligible Expenses for Inclusion in Mortgage Loan Amount</p> <ul style="list-style-type: none"> Labor and materials Contingency Reserve Inspection Fees and Final Inspection Title Update Fee Permits Supplemental Origination Fee (mandatory) Greater of \$350 or 1.5% of the repair costs Discount Points on the repair costs Cost for construction, rehabilitation or repair of Eligible Improvements include uncomplicated rehabilitation and/or improvements for which plans, consultants and/or architects are not required. Consultant fees CANNOT be included on a Limited as use of Consultants is optional (however their experience and advise may save the borrower more than the fee charged) <p>Ineligible Inspections for inclusion in the Mortgage Loan Amount Appraiser required or voluntary inspections for Pest, Water, Septic etc. cannot be included in the loan amount.</p> <p>Eligible Improvements - list is not all inclusive</p> <ul style="list-style-type: none"> Kitchen and Bath Remodels Repair/replacement of flooring Purchase of new appliances: ranges, refrigerators, washers, dryers, dishwashers and microwaves Repair/replacement of roofs, gutters Exterior and interior painting Repair/replacement of plumbing and electrical systems Repair/replacement of existing heating, ventilation and air conditioning systems Lead-based paint stabilization or abatement of lead based paint hazards. Replacement of windows and doors and exterior wall re-siding. Basement waterproofing Repair/replacement/addition of exterior decks, patios and porches. Improvements for accessibility for persons with disabilities (non-structural) Installing or repairing fences, walkways and driveways. <p>Pool repairs or removal (new pool is not allowed): Financing of repairs of a swimming pool cannot exceed \$1,500. Repair costs exceeding the \$1,500 limit must be paid into the contingency reserve fund by the applicant in addition to the other required contingency reserves.</p> <p>Ineligible Improvements - list is not all inclusive</p> <ul style="list-style-type: none"> Remodeling that would involve moving or removing load-bearing walls. Room Additions Repair of structural damage Landscaping or similar site improvements Roof repairs that require new/repared trusses or beams. Rehabilitation plan that requires more than two payments per contractor Recreational/luxury improvements; installation of swimming pools, exterior hot tubs, spas, BBQ grills/fireplaces, tennis courts, satellite dishes, photo murals, gazebos etc.
Standard 203(k)	<p>There is no maximum rehabilitation amount. The total mortgage must be within the FHA statutory limits. Minimum amount is \$5000. Minor repairs cannot be included in the first \$5,000 but may be added after the initial \$5,000 in eligible improvements is reached.</p> <p>On a Standard 203(k) the maximum mortgage amount is based on the Consultant Work Write-up, which can cause an issue if the Contractor's bid(s) exceed the Consultant's estimate of costs.</p> <p>Eligible Expenses for Inclusion in Mortgage Loan Amount</p> <ul style="list-style-type: none"> Labor and materials Contingency Reserve Inspection Fees and Final Inspection Title Update Fee Permits Supplemental Origination Fee - which is the Greater of \$350 or 1.5% of the repair costs. (MANDATORY) Discount Points on the repair costs Cost for construction, rehabilitation or repair of Eligible improvements noted below Escrowed mortgage payments (PITI) for up to 6 months while property cannot be occupied. Consultant fee (up to maximum allowed by FHA noted below) Architectural/engineering fees <p>Ineligible Inspections for inclusion in the Mortgage Loan Amount Appraiser required or voluntary inspections for Pest, Water, septic etc. cannot be included in the loan amount.</p> <p>Eligible Improvements (not a complete list)</p> <ul style="list-style-type: none"> Structural alterations such as repair/replacement of structural damage, additions to structure, and finishing of attics and /or basements Installing wells and/or septic systems and reconditioning plumbing Landscaping, grading, repairing patios and terraces that improve the property equal to the dollar amount spent on the improvements Rehabilitation, improvements to an attached or detached garage. Repair/refinishing or removal of an existing swimming pool Repair/replace plumbing, heating, AC and electrical New additions: must meet or exceed local & IECC (International Energy Conservation Code); or a successor HUD energy code. Eliminating Health and Safety Hazards Changes for improved functions and modernization Repairing or adding roofing, gutters, and downspouts Creating accessibility for the handicapped Energy Conservation improvements Installing or repairing fences, walkways, and driveways Additions must be attached to the existing home. <p>Once the minimum \$5,000 requirement has been met by improvements/repairs noted above the following costs can be included in addition to the \$5,000 minimum:</p> <ul style="list-style-type: none"> Purchase and installation of new appliances; including free standing ranges, refrigerators, washers, dryers dishwashers and microwaves Interior and exterior painting <p>Ineligible Improvements</p> <ul style="list-style-type: none"> Any luxury item and/or improvement that does not become a permanent part of the subject property is not eligible Changes to the number of dwelling units except down w/permits PTC Completion of an already underway construction project (for example builder standing inventory) Tree surgery (unless tree is endangerment to improvements)
Consultant (Cannot be related to or have a business affiliation with the borrower)	<p>A Consultant is mandatory on the STANDARD Program, and be must listed in good standing on the FHA 203(k) Consultant Roster in FHA Connect. (Click on Single Family FHA - Single Family Origination - FHA Approved Lists - 203k Consultants)</p> <p>A 203(k) Consultant is an FHA-approved single family "construction manager" who oversees and inspects the rehabilitation project from start to finish. They provide the list of services below.</p> <ul style="list-style-type: none"> Feasibility Study: The borrower(s) may request the consultant perform a feasibility study, which will include an estimate of the cost of anticipated improvements and/or repairs. This can aid them in determining if the property price when combined with the cost of repairs/improvements is satisfactory. Inspection: Consultants must inspect the subject property and address items in HUD's 35 point Checklist. See 203(k) Supporting Documents. The Consultant must ensure the Property will comply with HUD's Minimum Property Requirements and Standards (MPR and MPS). The Consultant must obtain and review all applicable architectural exhibits, including but not limited to: well, septic, termite reports; plot plans for new additions; cabinetry, grading, plot plans; engineering reports. Work Write-Up: The Consultant must prepare the write-up in a categorical manner that addresses each of the 35 point checklist items. The consultant must indicate which Work Items require permits. It must specifically identify whether the Work Item is required to meet MPS or MPR, will involve structural changes, or is a Borrower-elective. All health and safety concerns and any appraisal requirements must be addressed before the additional of any other Work Items. Cost Estimate: The Consultant must prepare a Cost Estimate for each Work Item in the Work Write-up. The Cost Estimate must separately identify labor costs and itemize the cost of materials. Lump sum costs are permitted only in line items where a lump sum estimate is reasonable and customary. A review of a contractors bid is not acceptable. Consultant/Borrower Agreement: Consultant and Borrower agreement must sign a written agreement which fully explains the services to be performed and the fees to be charged for each service. The agreement must also disclose to the borrower that any inspection performed by the Consultant is not a "Home Inspection" as detailed in disclosure form HUD-92564-CN, For Your Protection Get a Home Inspection. Form must also indicate there is no identity of interest with the borrower(s). Sample form is in 203(k) Supporting Documents. Consultant signed W-9 is required on all renovation loans where the Consultant will receive more than \$600 in compensation Consultant Fees that are eligible for inclusion in the maximum mortgage calculation are below. The Fees for the Work Write-Up and review of Architectural Exhibits are based on the amount of the repairs being performed. <ul style="list-style-type: none"> \$7,500 or less = \$400 \$7,501 to \$15,000 = \$500 \$15,001 - \$30,000 = \$600 \$30,001 to \$50,000 = \$700 \$50,001 to \$75,000 = \$800 \$75,001 to \$100,000 = \$900 \$100,001 and above = \$1,000 Change Order Fee = \$100 per change request Re-Inspection Fee = \$50 Draw Inspection Fee = Reasonable and customary provided it is no more than \$350 Mileage can be charged at IRS rate if Consultant's office is more than 15 miles from subject property
Fees	<p>Compliance Department must disclose all 203(k) loans. LE and CD Cheat Sheet showing what fees, costs and charges are placed in what field is available in vdmc.net Underwriting Department - Shared Files - in the 203(k) Folder.</p> <p>Title update fees need to be obtained from the title company. A title update will be obtained by the 203(k) department with every draw.</p> <p>Appraiser final inspection Fee should be quoted on all loans that do not have a Consultant.</p>

Processes	<ul style="list-style-type: none"> LIMITED: Borrower must determine the improvements needed and put together a work plan. No specific form is required, but it must provide a detailed list of repairs/improvements anticipated. This is provided to the Contractor to ensure everyone is aware of the entire scope of the project. STANDARD: The lender chooses a 203(k) Consultant from the list of approved Consultants on FHA Connect. The Consultant meets with the borrower and the Consultant completes a Work Write-Up and a Cost Estimate as described under Consultant above. BOTH: Borrower must select a contractor. The Contractor must be approved by VanDyk. See Contractor section below. The Contractor must provide a detailed written bid reflecting the work to be performed and cost estimate with a breakdown between materials and labor. BOTH: The Work Write-Up and contractor estimates must be reviewed by the Underwriter to ensure the planned work meets program and repair eligibility. Move the loan to submittal even if borrower file is not ready. BOTH: The work plan and cost estimates must be uploaded into Mercury to be provided to the appraiser for inclusion in the report. The Renovation Department will order the appraisal. BOTH: The repairs and improvements must meet any local codes and ordinances and the required permits must be obtained prior to the start of the work. BOTH: Borrower's Acknowledgement is a disclosure created by FHA that contains a vast amount of information about this program. All Borrowers and the Loan Originator must sign this form as part of the application process.
Contingency Reserve	<p><u>BOTH Standard and Limited</u></p> <ul style="list-style-type: none"> Minimum of 10% of labor and materials is required (total costs including any amount paid by the borrower in cash. However, the Underwriter has discretion to require up to 20% based on documentation and complexity of work. Minimum of 15% of labor and materials is required <i>if utilities are not turned on at time of inspection or mechanicals cannot be tested</i>, however a greater percentage could be required due to the scope of the project. <p><u>Standard</u></p> <ul style="list-style-type: none"> On a Standard 203(k) the reserves are the greater of the HUD Consultant's recommendation or the minimums noted above, not to exceed 20%. <p>Contingency reserves are used for unforeseen repairs or deficiencies discovered during the renovation. Unused funds that were financed will be applied to the principal balance on the loan. Borrower can fund the reserves instead of including in the loan amount. If borrower funded, unused funds are refunded to the borrower.</p> <p><u>Limited</u></p> <ul style="list-style-type: none"> Reserves must be included in the mortgage calculation. Unused funds are applied to the principal balance.
Contractor(s) (Cannot be related to or have a business affiliation with the borrower)	<p><u>Contractor Approval</u></p> <p>Contractors must be approved by the Renovation Department. Upload the documents below to Encompass and email Renovation@vandykmortgage.com for review/approval of Contractor</p> <p>No more than 2-3 Specialized Contractors, however one General Contractor is preferred.</p> <ul style="list-style-type: none"> Each Contractor must provide a copy of their license (if required by municipality), liability insurance and workman's compensation insurance (if applicable). Each Contractor must provide resume. A minimum of three years of work experience is required. Each Contractor must provide at least three references from previous clients. Each Contractor must provide the completed and signed FHA 203(k) Contractor Questionnaire. Each Contractor must sign a copy of the Borrower's Acknowledgement. Although designed for Borrowers, it provides the draw procedure and final payouts so we know the Contractor is aware of what is required. LEAD BASED PAINT: If the subject property is built prior to 1978, the contractor or a subcontractor he employs must hold a Lead Base Paint Certification from the EPA or a state issued certification as allowed by the EPA. The certification can be waived if the report shows there is no lead present on the property or if the work being completed will not disturb any paint on the dwelling including windows, doors, trim etc. Funds allocated to lead-based paint repairs will not be disbursed until those repairs are 100% complete. Identity of Interest Certification must be signed by all Contractors. Signed W-9 form is required for all contractors Evidence of Worker's Compensation is required if applicable. <p><u>Contractor Bids and Agreements</u></p> <ul style="list-style-type: none"> Contractor's Bid: The Borrower's written work plan (if LIMITED), or the Consultant Work Write-Up (if STANDARD), is provided to the contractor. The contractor will then provide a detailed quote with breakdown for labor and materials. Bids that allow for open-ended charges are not acceptable. If the amount exceeds the Consultant's Cost Estimate on a STANDARD 203(k) provide the bid to the Consultant to determine if there is a discrepancy. <u>Bids for Limited must indicate repairs are non-structural.</u> Bids must have a Grand Total of all costs, include the borrower name & subject property address, and full Contractor contact information. Homeowner/Contractor Agreement: The Contractor will also be required to sign a Homeowner-Contractor agreement. This is a legally binding contract between the Contractor and the Borrower stating the price for the project and the terms and conditions. There is a form available in the Custom Forms print menu in Encompass. 203(k) forms are numbered 3300. The use of this form is mandatory. Permit Certification: The Borrower, Consultant or Municipality must complete the Permit Certification Form in Encompass noting what permits will be needed to completed the project. (Contractor cannot complete this form) No funds can be disbursed without evidence the permit (if needed) has been issued. Appraisal Required Repairs must be included in the Contractor Bid. Additionally, Inspections obtained by the borrower should also be provided to the contractor as they could reflect property deficiencies the borrower and/or Consultant has not included in the Work proposal. <p><u>SELF HELP:</u> Is not allowed regardless of whether the borrower is qualified to perform the work or is a licensed contractor.</p>
Fees/Costs Disbursed at Closing No Money is given to the Contractor prior to Work being Completed on a Standard 203(k)	<p><u>Limited 203(k)</u></p> <ul style="list-style-type: none"> Permit Fees (made payable to the appropriate municipality) Only when the Contractor is not willing or able to defer receipt of payment until completion, up to 50% of the estimated costs of materials and labor may be disbursed at closing. The purpose and amount of the initial draw must be approved by the Underwriter and indicated on the HUD 92900-LT. <p><u>Standard 203(k)</u></p> <ul style="list-style-type: none"> The Contractor is not provided with any funds upfront or at closing, nor can the Contractor request a Draw prior to the work for which the funds are being requested has been performed and inspected. With paid receipts the borrower can be reimbursed for the items below. With invoices, the items below can be paid to the creditor at close. <ul style="list-style-type: none"> Architectural or Engineering Fees. Consultant Fees Permit Fees
Disbursements and Changes Standard: No Draws or Disbursements until a percentage of work is completed.	<p>See Also 203(k) Welcome Package in vdmc.net Underwriting Department Shared Files in the 203(k) folder for additional details.</p> <p><u>Draw Disbursements</u> - All checks are made payable to the borrower(s) and the contractor.</p> <p><u>Limited 203(k)</u></p> <ul style="list-style-type: none"> If no initial disbursement is made at closing, 50% of the bid amount may be disbursed in a draw. The remaining 50% of the bid will be paid upon completion of all work. If less than 50% is disbursed at first draw the Contractor may request a second draw up to the maximum 50%. No more than 2 draws per Contractor is allowed. <p><u>Standard 203(k)</u> Contractor must be made aware there is no draw, or disbursement of funds prior to completion and reinspection of a percentage of the work. Exception considered for 50% of deposit on kitchen and bath cabinetry of floor covering with evidence of contract with supplier/manufacturer. The Contractor must be financially able to complete a percentage of the project from own resources. Holdback of 10% on intermediate draws.</p> <ul style="list-style-type: none"> Funds are only disbursed for work that has been completed and inspected. No upfront deposits are provided. Draws are subject to a 10% holdback. HUD Consultant inspects property to identify the percentage of work completed to date for each draw request. <p><u>Final Disbursement</u> - All checks are made payable to the borrower(s) and the contractor</p> <ul style="list-style-type: none"> Standard: The Consultant on a Standard 203(k) performs the final inspection. Limited: Either the Appraiser or the Consultant (if used) can perform the final inspection on a Limited. <p><u>Changes</u> - Borrowers must be made aware that changes incur additional expenses and take time, and that once the loan has closed no more changes may be made. The initial work plan they create should be given a great deal of thought.</p> <p>All changes must be approved by the Underwriter. HUD form 92577 must be completed along with revised or new estimates, and a revised or new Contractor/Homebuyer Contract(s). Additionally, if doing a Standard 203(k) the Consultant will need to provide an updated/new Work Write-Up. The Underwriter will upload the new documents into Mercury and request the appraisal revision.</p>
Homeowners Insurance	<p>Valid Homeowners Insurance policy must be provided.</p> <p><u>Builder's Risk:</u></p> <ul style="list-style-type: none"> May be required if the property will be vacant during the time of renovations to cover theft or vandalism. H-03 or H-05 do not satisfy Builder's Risk Insurance requirements. Not required if the Homeowners coverage remains intact during the construction period. The premium may be paid by the Borrower or the Contractor. If paid by the Borrower, it must be disclosed as a separate line item to be paid at closing. Builder's Risk insurance premium may not be included in escrows.

203(k) Documents List	<p>Documents marked with "*" are required on all files.</p> <ul style="list-style-type: none"> * 203(k) Calculator from FHA Connection * 203(k) Borrower's Identity-of-Interest Certification * 203(k) Borrower's Acknowledgement. (Form HUD 97200-A) To be signed by Borrower(s) at application or conversion to 203(k) program. Consultant's Work Write-Up - Mandatory on Standard 203(k) Only, but optional on Limited. Draw Request Template (Form HUD 9746-A) Standard 203(k) Only. 203(k) Consultant's Identity-of-Interest Certification - Needed if Consultant is used - Mandatory on Standard 203(k) * Consultant/Borrower Agreement - Consultant to provide a written signed agreement between the Consultant and the Borrower that fully explains the services to be performed and the fees to be charged for each service provided. No specific form is required. Architectural exhibits, if required - Should be needed on Standard 203(k) only. Any project that requires architectural drawings is normally outside of the scope of a Limited 203(k) * Contractor Profile Form - Must be completed by each Contractor involved in the project. * Contractor Acceptance Checklist and all Supporting Documentation - Must be provided for each Contractor involved in the project. * Contractor's Bid(s) - Must include all work being performed with a breakdown of materials and labor. Must show a Grand Total of all expenses. Must include the Borrower Name, Subject Property Address, full Company name, address, phone and email and include license number (if required). * Contractor/Borrower Agreement - Written agreement signed by both parties that includes the scope of work and terms. Form is in Encompass. * Permit Certification Checklist - reflecting exactly what permits will be required by the municipality. Can be provided by the Consultant, Borrower or the Municipality.
Section Affected	Date
Appraisals	5/6/2019 Appraisals must be ordered by the Renovation Department after approval of Contractor and Bid/Work. Email renovation@vandykmortgage.com to request appraisal order.
Contractor	5/6/2019 When documents needed for contractor approval have been obtained and uploaded to encompass email renovation@vandykmortgage.com for Contractor approval.
Contingency Reserve	7/18/2019 Contingency Reserve when utilities are not on or cannot be tested has been reduced to 15% with discretion up to 20% based on complexity of the project.
Standard 203(k)	7/18/2019 Clarification that on a Standard 203(k) the Consultant's work write up is used for max mortgage calculation; not the sum of the contractor bids.
203(k) Documents List	7/18/2019 Permit Certification cannot be completed by the Contractor.
Sales Contract	7/18/2019 Clarification that the ONLY acceptable Identity of Interest with the seller is Family. Other situations that are acceptable under a 203(b) are not acceptable under the 203(k) program. There can be NO identity of interest with the Contractor Realtor or Consultant.
Consultant	7/18/2019 The Consultant must provide a completed, signed W-9 form if receiving more than \$600 in compensation.
Sales Contract	9/19/2019 FHA 203b rules regarding maximum LTV of 85% when purchasing a property from a family member that is not their primary residence also apply to 203k.