

FHA 203(k) Streamline Product Guide

FHA's Streamlined 203(k) program permits homebuyers and homeowners to finance up to \$35,000 into their mortgage to repair, improve, or upgrade their home. Homebuyers and homeowners can quickly and easily tap into cash to pay for property repairs or improvements, such as those identified by a home inspector or an FHA appraiser. Homeowners can make property repairs, improvements, or prepare their home for sale. Homebuyers can make their new home move-in ready by remodeling the kitchen, painting the interior or purchasing new carpet. (U.S. Department of Housing and Urban Development)

Amortization & Loan Terms	<p>Fixed Rate</p> <ul style="list-style-type: none"> • 15, 25, 30 year terms available
Borrower(s)	<p>Eligible:</p> <ul style="list-style-type: none"> • U.S. Citizens • Permanent resident aliens • Non-occupant co-borrowers • Non-permanent resident aliens <p>Ineligible:</p> <ul style="list-style-type: none"> • Trusts • Investors
Maximum LTV/CLTV	<p>LTV is based on the lesser of:</p> <ul style="list-style-type: none"> • Sales price (on purchase) or as-is value (on refinance or HUD REO) plus total rehabilitation costs, or • 110% of subject-to appraised value. <p>Use standard FHA guidelines and apply to the above:</p> <ul style="list-style-type: none"> • Purchase, max 96.5% LTV/CLTV • Refinance, max 97.75% LTV/CLTV <p>Maximum Mortgage Worksheet is used to calculate the maximum loan amount and LTV.</p>
Minimum Loan Amount	\$75,000
Maximum Loan Amount	FHA Mortgage Limits per county as found online at https://entp.hud.gov/idapp/html/hicostlook.cfm .
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance¹
Minimum Renovation Amount	No minimum required
Maximum Renovation Amount	Total rehabilitation costs may not exceed \$35,000.

¹ Cash-out refinances are not allowed.

	This amount includes hard costs, contingency reserve (generally 10%), inspection fees, title updates, permits.
Credit requirements	Standard FHA credit guidelines apply with the following overlay: <ul style="list-style-type: none"> • DTI: AUS approved, not to exceed 50% • Minimum Credit Score: 620 • AUS Findings: DU Approve/Eligible. No manual underwriting allowed. • Seller Contributions: Allowed, per standard FHA guidelines.
Geographic Location	CA, CO, NV, UT, ID
Occupancy	Owner occupied
Property Types	<p>Eligible:</p> <ul style="list-style-type: none"> • SFRs and PUDs (attached or detached) • 2-4 units (owner occupied only) • Condos² • Mixed Use <p>Ineligible:</p> <ul style="list-style-type: none"> • Modular Homes • Log Homes • Manufactured Homes • Condotels • Cooperatives • New construction homes that were not completed • Any property owned by the seller less than 90 days, unless the property is an REO <p>All properties must have been completed for at least 12 months and a Certificate of Occupancy must have been issued where required by locale.</p>
Appraisal	<p>A subject-to appraisal report must be ordered by the lender (not RRL), providing a value of the property after all improvements have been completed (appraisal form 1004).</p> <p>The contractor's bid and Summary of Repairs should be included as an addendum to the appraisal report.</p> <p>A separate As-is Appraisal is required for all refinance transactions in addition to the Subject-to Appraisal.</p>

² Must be located in an FHA approved condominium project.

Mortgage Insurance	Follow standard FHA requirements. LTV is based on After-Value.
Fees	<p>Loan program-specific fees that must be disclosed on the Maximum Mortgage Worksheet (Form HUD-92700) and Good Faith Estimate include:</p> <ul style="list-style-type: none"> • 2 Inspection Fee(s) (approx. \$100 each) (Box 3) • 2 Title Update Fee(s) (approx. \$50 each) (Box 1) • Permit(s) (Box 3) • Discount points on repair costs, if applicable (Box 3). <p>Traditional processing fees also apply (e.g. processing fee, underwriting fee, flood cert., title insurance premium, etc.).</p>
Contingency Reserve	<p>Minimum of 10% is required; however, contingency reserve should be increased to 15% when utilities are off and cannot be tested. A maximum of 20% may be used when there are possible unknowns in the repair work.</p> <p>Status of utilities is determined by using the Initial Property Inspection or FHA subject-to appraisal.</p> <p>Contingency withholding may be changed at underwriter's discretion.</p>
Escrowed Mortgage Payments	Not allowed
Improvements	<p>Determination that a project fits the requirements for a FHA 203(k) Streamline loan will be made by RRL.</p> <p>Required Improvements:</p> <ul style="list-style-type: none"> • Repairs necessary to bring property up to FHA's Minimum Property Standards <p>Eligible Improvements:</p> <ul style="list-style-type: none"> • Repair/Replacement of roofs, gutters and downspouts • Repair/Replacement/upgrade of existing HVAC systems • Repair/Replacement/upgrade of plumbing and electrical systems • Repair/Replacement of flooring • Minor remodeling, such as kitchens, which does not involve structural repairs • Painting, both exterior and interior

	<ul style="list-style-type: none"> • Weatherization, including storm windows and doors, insulation, weather stripping, etc. • Purchase and installation of appliances, including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens • Accessibility improvements for persons with disabilities • Lead-based paint stabilization or abatement of lead-based paint hazards • Repair/replace/add exterior decks, patios, porches • Basement finishing and remodeling, which does not involve structural repairs • Basement waterproofing • Window and door replacements and exterior wall re-siding • Septic system and/or well repair or replacement <p>Ineligible Improvements:</p> <ul style="list-style-type: none"> • Major rehabilitation or major remodeling, such as the relocation of a load-bearing wall; • New construction (including room additions); • Repair of structural damage; • Repairs requiring detailed drawings or architectural exhibits; • Landscaping or similar site amenity improvements that are not required for property preservation or health or life safety issues; • Any repair or improvement requiring a work schedule longer than six (6) months; or • Rehabilitation activities that require more than two (2) payments per specialized contractor or that necessitate a “consultant” to develop a “Specification of Repairs/Work Write-Up”; • Requires plans or architectural exhibits; • Requires a plan reviewer; • Results in work not starting within 30 days after loan closing; or • Causes the mortgagor to be displaced from the property for more than 30 days during the time the rehabilitation work is being conducted. (FHA anticipates that, in a typical case, the mortgagor would be able to occupy the property after mortgage loan closing).
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	<ul style="list-style-type: none"> • Self-help improvements are not allowed • Luxury items (e.g. BBQ pit, bathhouse, hot tub, sauna, spa, outdoor fireplace, installation of swimming pool, gazebo, satellite dish, tennis court, carriage house over garage) <p>All improvements must begin within 30 days of closing and must be completed within 6 months of closing. At no time should there be a lapse of construction exceeding 30 days. Extensions may be granted on a case-by-case basis when the completion date must exceed 6 months from closing due to inclement weather or extenuating circumstances.</p>
Contractor Requirements	<p>Up to 3 discreet tradesmen are allowed (contractors). Contractors will undergo an acceptance process as outlined in by Essex Mortgage. At minimum, they must provide:</p> <ul style="list-style-type: none"> • Essex Contractor Questionnaire • Copy of license, if required by locale • Liability and Worker’s Comp Insurance information • W-9 • Copy of Driver’s license <p>Owner/General Contractor is not allowed.</p>
Contractor Bid/Inspections	<p>Contractor’s must provide a bid on repairs that meets the following requirements:</p> <ul style="list-style-type: none"> • On contractor’s letterhead, including contact info for contractor (i.e. company name, name of primary contact, business address, telephone/fax number(s), email address) • Issued to borrower (not loan officer, realtor, relative, etc.) • References subject property address • Be an actual bid, not an estimate • Must separate labor and materials per line item • Itemized in sufficient detail to allow for post-close inspectability. Taxes may NOT be indicated as a separate line item • Include permit cost(s), preferably as a separate line item • Signed by both contractor and borrower(s) <p>Supplemental reports, exhibits, or documents may include:</p> <ul style="list-style-type: none"> • Wood-Destroying Pest report • Home Inspection

	<ul style="list-style-type: none"> • Roof Certification • Lead-Based Paint test/remediation • Asbestos test/ remediation • Radon Gas test/ remediation
Disclosures	<p>Application:</p> <ul style="list-style-type: none"> • Maximum Mortgage Worksheet • 203(k) Borrower’s Acknowledgment (Form HUD-92700-A) • Borrower’s Identity of Interest Certification <p>Closing:</p> <ul style="list-style-type: none"> • Homeowner/Contractor Agreement • Rehabilitation Loan Rider <p>Post-Closing:</p> <ul style="list-style-type: none"> • See “Draws”
Loan Programs	<p>The following loan programs ARE eligible in combination with the FHA 203(k) Streamline:</p> <ul style="list-style-type: none"> • \$100 Down HUD REO • Good Neighbor Next Door (GNND). <p>The following loan programs are NOT eligible in combination with the FHA 203(k) Streamline:</p> <ul style="list-style-type: none"> • Energy Efficient Mortgage (EEM) • FHA 203(h). • CALHFA and CHENOA Down Payment Assistance programs
Draws	<p>There are a maximum of two (2) draws. A maximum of \$17,500 or 50% of the bid amount of the Maximum Mortgage Worksheet will be disbursed at closing.</p> <p>The remaining 50% will be disbursed upon completion and inspection of the work performed by the contractor.</p> <p>Materials draws are not allowed.</p> <p>Proof of permits must be submitted prior to or with the final draw request.</p> <p>The following items must be received before the final draw is processed:</p>

	<ul style="list-style-type: none">• Lien Waiver from Contractor• Mortgagor's Letter of Completion• Title Update. <p>Draws must be submitted to Essex Mortgage or assigned Servicer as borrower will be instructed.</p>
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