

## Rehab a Home w/HUD's 203(k) Rehab Program

Sometimes you might see a home you'd like to buy, but it needs a lot of work. FHA has a loan for rehabilitating and repairing single-family properties called the SF Rehabilitation Loan program (203k). You can get just one mortgage loan which includes the mortgage and the cost of repairs combined. The mortgage amount is based on the projected value of the property with the work completed, taking into account the cost of the work. The advantage of this loan is that you can buy a home that needs a lot of work, but you still have only one mortgage payment, and you can complete the repairs after buying the home.

### Role of Consultant

The 203(k) consultant is someone who has been designated by a HUD field Office for the purpose of completing the Work Write-Up/Cost Estimate and the required architectural exhibits for the borrower.

To be designated, the consultant has met the experience requirements for HUD approval and has been trained in the Work Write-Up format of the 203(k) program. By using an approved consultant, there is no need for a Plan Reviewer to check the Work Write-Up.

We are consultants that are fee panel inspectors who have HUD approval to also act as consultants. Below is an outline of how we guarantee you a successful project.

#### I. Site Visit

- Consultant meets with the borrower at the site.
- A general examination of the work to be done determines if the project is feasible.
- If feasible, Client signs Consultant Agreement and pays Consultant a \$400 retainer fee

#### II. Consultant prepares a detailed Report which contains:

- Clear, concise project specifications
- Construction cost analysis
- HUD required draw request forms
- Preparation of contractor bid packages
- Preparation of lender packages

#### III. Consultant delivers the Report Package

- Borrower
- Lender
- Contractor

#### IV. Selection of a Contractor by the Borrower

- The Borrower selects a contractor. Borrowers should be aware that many lenders may have contractor qualification criteria. Some lenders maintain a list of contractors that have met their qualification criteria. Discuss contractor selection with your lender to learn about their contractor requirements. If you're considering a contractor which has not yet been approved by your lender or has never done a 203(k), it is important that they are informed early on about the 203(k) concept as it applies to contractors.

## V. Loan Closes

- Repair funds are placed in escrow.
- Remodeling begins.

## VI. Consultant Performs Draw Request Inspections

- 1st Draw - Consultant insures permits were issued.
- 2nd and 3rd Draw - Draw request inspections are performed as work progresses.
- 4th Draw - A punch list is established.
- 5th Draw - The project is closed out and warranties and lien releases collected.

### **Fee Schedule**

(As Established By HUD)

<b>Consulting Fee</b>	<b>Repair Cost</b>
\$200.00	Feasibility Study*
\$400.00	\$5,000 to \$7,500
\$500.00	\$7,501 to \$15,000
\$600.00	\$15,001 to \$30,000
\$700.00	\$30,001 to \$50,000
\$800.00	\$50,001 to \$75,000
\$900.00	\$75,001 to \$100,000
Consult your lender.	Over \$100,000
48.5 cents per mile	Over 30 miles roundtrip
\$25.00	Each Additional Unit

\* A feasibility study is a quick inspection of the property, with a "rough estimate" of work that will be necessary to comply with HUD's requirements. The cost of the feasibility study is included in the total 203k Consulting Fee unless the 203k loan process is terminated, in which case the \$200.00 fee is non-refundable.

For more information on the 203k Rehab Program please visit the HUD site listed below:

<http://www.hud.gov/offices/hsg/sfh/203k/203kabou.cfm>