

renovation loans for

REALTORS



LEARN HOW
renovation loans
CAN BUILD YOUR
BUSINESS

● COMPARISON OF PRODUCTS
SIDE BY SIDE

● STEP BY STEP
INSTRUCTIONS

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INTRODUCTION

renovation loans

We've developed this Realtor Booklet to help you better understand Renovation financing. With this booklet you will learn the benefits of renovation loans as well as how to successfully close a loan. Once you are familiar with this process you will open up doors to many new clients.

THIS BOOKLET ADDRESSES:

- Products available from Movement Mortgage
- Working with your certified renovation specialist
- A checklist for success





BENEFITS

of renovation loans

Why are renovation loans so important? Aging house stock, a high percentage of REO properties, many of which have been vandalized or brutalized by the weather, and an aging population that typically defers the maintenance on their home are just a few of the reasons why you need to understand the power of the loan products available through Movement Mortgage and when they are the best financing option for homes needing a little extra TLC.

Renovation loans offer buyers a trusted mortgage option that allows them to take advantage of the below market prices on many of the houses on the market today. Movement Mortgage loans permit borrowers to finance both the purchase price plus any required repairs or to upgrade, modernize, or enhance their chosen property. This enables buyers to move into their newly purchased home with the financing for their chosen improvements in place!

Interested in learning more about Movement Mortgage and our various renovation loan products? Contact one of our certified renovation specialists or visit us on our website (www.movementmortgage.com)

Presenting the renovation option to prospective buyers creates a win-win for everyone. You sell more homes and buyers can make a home their own. In most cases, homeowners will even gain move-in equity! But these loans are not just for buyers. Sellers may also take advantage of the loans available through Movement Mortgage.

RENOVATION

loans at work

EXAMPLE OF A RENOVATION LOAN

Consider an example of how a renovation loan can help a listing a home.

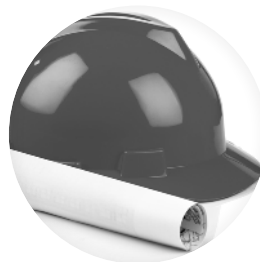
Sales Price	\$120,000
Renovation Cost	\$30,000
Total cost of Purchase with Rehab. Costs	\$150,000
After improved value	\$175,000
Percent equity gained	17%
Required downpayment	\$5,250

FHA 203K

full

The Full 203k is very similar to the 203k Streamline. There are only a couple key differences with this loan product.

- Structural Repairs. Something as big as jacking up your house to replace the sill plate falls under the Full 203k. So would knocking the house down to rebuild it, as long as you leave the foundation.
- HUD Consultant. The Full 203k requires a HUD consultant on the loan. This person draws up the paperwork and works with you and your contractors to get a write-up before the appraisal.
- Cost. The Streamline is \$35,000 MAX (Line B14 on the Maximum Mortgage Worksheet). If your repairs and renovations go above \$35,000 then you need to get into a Full 203k loan.





IMPROVEMENTS

eligible

- Structural alterations and additions
- Garage (attached/detached)
- Remodel kitchen or bathroom
- Install appliances
- Changes to eliminate deterioration and reduce maintenance
- Repair swimming pool (up to \$1,500)
- Modernize plumbing/heating/air conditioning/electrical systems
- Install or repair roofing/gutters/downspout
- Install flooring/tile/carpet
- Energy conservation improvements
- Major landscaping/decks/fencing
- Improvements for accessibility
- Interior and exterior painting
- Improvements that are a permanent part of the real estate



IMPROVEMENTS

ineligible

- New tennis court
- Gazebo or bathhouse
- Additions or alterations to provide commercial use
- Photo mural
- Television antenna or satellite dish
- New swimming pool
- Outdoor fireplace/hearth/barbecue pit

FHA 203K

streamline

WHAT'S THE DIFFERENCE?

The Streamline (k) program is intended to facilitate uncomplicated rehabilitation and/or improvements to a home for which plans, consultants, engineers and/or architects are not required. The Streamline (k) program includes the discretionary improvements and/or repairs.



IMPROVEMENTS

eligible

- 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
- 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 after the first \$5,000.
- Accessibility improvements for persons with disabilities
- Lead based paint stabilization or abatement of lead-based paint hazards (HUD properties only)
- 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 residing
- Septic system and/or well repair or replacement

IMPROVEMENTS

ineligible

- 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
- Any repair or improvement requiring a work schedule longer than six months
- Rehabilitation activities that require more than two payments per specialized contractor

Mortgagors may not use the Streamline (K) program to finance any required repairs arising from the appraisal that do not appear on the list of Streamlined (K) eligible work items or that would:

- Necessitate a “consultant” to develop a “Specification of repairs/Work write up”
- Require plans or architectural exhibits
- Require a plan reviewer
- Require more than six months to complete
- Result in work not starting within 30 days after loan closing
- Cause 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)

FANNIE MAE

HomeStyle Renovation Loan

The Fannie Mae HomeStyle® Renovation Loan is a conventional mortgage product that allows borrowers to finance either the purchase or refinance of a home and include the cost of substantial repairs or improvements through a single mortgage.

Not available in Arizona, California, Connecticut, Delaware, Idaho, Maine, Massachusetts, Montana, Nevada, New Hampshire, New Mexico, New York, Oregon, Rhode Island, Utah, Vermont, Virginia, Washington

Benefits:

- No Minimum Loan Amount
- Mortgage Term and Amortization (30 year 20 year or 15 year, fixed rate)
- No MI at 80% LTV

Maximum loan Amount

- Fannie Mae's loan limits for Conventional Mortgages
see (www.efanniemae.com/sf/refmaterials/loanlimits)

Renovation Amount

- No minimum renovation amount
- Maximum: Funds for renovation (including contingency reserves, soft costs, and payment reserves) cannot exceed 50% of the estimated “as completed” value.

FANNIE MAE

HomeStyle Renovation Loan

Eligible Improvements

There are no restrictions on the type of improvements that can be financed; however all improvements must be fixed to the property and add value.

Contingency Reserve

Minimum 10% (required on all loans)

Minimum 15% (if Utilities are off)

HUD Consultants

Are required for renovations totaling \$35,000 or more and or containing any structural improvements/repairs.

Draws

Maximum of five (5) draws. Final draw will be made after Escrow Dept. receives:

- HomeStyle Completion Certificate
- Project Inspector's Final Report
- Release of Lien
- Title Update

COMPARISON

side by side

<i>Topic</i>	<i>Full</i>	<i>Streamline</i>	<i>HomeStyle</i>
Nature of the Project	Substantial Rehabilitation/ Renovation	Repair and remodeling	Repair and remodeling
Purchase/Refinance	Either	Either	Either
Repair Cost	Min. \$5,000 max as supported by appraised value	No min. \$35,000 max total costs MMW (Est. \$30,000 in repairs)	No Min.
Self-Help Allowed (Y/N)	No	No	No
Owner GC (Multiple Contractors)	No	No	No
Max Number Draws	5 (including final release)	2 (1+1)	5
Initial Draw/Release for Materials	For kitchen cabinetry & finish flooring only	Up to 35 %	0
Max Financed Mortgage Payments	6 with Underwriter approval	0	6
Eligible Borrowers	Owner occupant	Owner occupant	Owner occupant, 2nd home, Investor

INSTRUCTIONS

step by step

Step 1. Find a buyer. Renovation loans are great for young families planning to grow, or seniors needing increased accessibility or mobility options. These loans are suitable for anyone who wants or needs to fix up a home but doesn't have the cash resources to self-fund their projects.

Step 2. Have a Movement Mortgage Advisor pre-approve your buyer. There's nothing worse than writing a contract only to find out your homebuyer doesn't qualify for a home loan.

Steps 3 and 4. Find a house (step 3), and recommend renovation loans when appropriate (step 4). How do you know when to offer a renovation loan as an option? It is perfect for aging homes or foreclosed homes. Does your buyer show an interest in energy-efficient improvements? Have you shown countless homes to a buyer who just can't find that "perfect" home? Teach them how to Make a Home Their Own!

Step 5. Write an Offer. When writing an offer on a renovation loan, it is important to know which type of financing your buyer has applied for. Be sure to confirm this with your Movement Mortgage Advisor.



INSTRUCTIONS

step by step

Step 6. Send the accepted offer to your buyer's Movement Mortgage Advisor.

Step 7. Wait for your buyer's renovation loan to be approved. In the meantime, show more homes to new buyers, write new offers and sell more homes! You can rest assured that your buyer's renovation loan is being handled in a timely and professional manner, and you will receive emailed updates along the way outlining the progress of your buyer's loan.

Step 8. Close the loan! The process of a renovation loan does not differ greatly from that of traditional financing from the Realtor's perspective. Here at Movement Mortgage our goal is 7 days clear to close!



RENOVATION

checklist

- Contact a Movement Mortgage Advisor to assist you in educating your client about the various Home Improvement loans and opportunities available through renovation loans.
- Recognize distressed properties that would be good candidates for repairs, and recommend renovation loans during showings.
- Provide your Mortgage Advisor with a copy of the MLS listing. This may help us pinpoint homes in need of repair early in the home buying process, preventing the need to switch mortgage products midway through the loan process and delays in closing.
- When showing an outdated home be sure to present renovation loans as an option. This will provide the encouragement your client may need to imagine converting a fixer upper into a home of their own.
- Research the market to provide relevant advice for the homebuyer's offer.
- Deliver the accepted offer to your Mortgage Advisor as soon as it is executed. This will get the ball rolling and your client on their way to homeownership!
- Provide any existing HUD documents for HUD REOs to your assigned Renovation Project Manager as soon as possible. These documents include:
 - Original HUD appraisal
 - HUD Property Condition Report
 - Lead-based paint assessment
 - Lead-based paint remediation agreement
- Work on another deal while your Renovation Project Manager gets the construction phase of the rehab loan completed!
- Coordinate the closing schedule with your Mortgage Advisor.
- Close the loan and start all over again with your next client!



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