

Renovation loan reference guide

Issue	Conventional Conforming	FHA 203(k) Streamline	Standard FHA 203(k)
Types of repairs	<ul style="list-style-type: none"> • Health & safety, livability • Luxury items allowed • Structural repairs allowed 	<ul style="list-style-type: none"> • Health & safety, livability • Luxury items not allowed • Structural repairs not allowed 	<ul style="list-style-type: none"> • Health & safety, livability • Luxury items not allowed • Structural repairs allowed
Minimum repairs	<ul style="list-style-type: none"> • No minimum limit 	<ul style="list-style-type: none"> • No minimum limit 	<ul style="list-style-type: none"> • \$5,000* (*see FHA manual for requirements)
Renovation amount	<ul style="list-style-type: none"> • No limit 	<ul style="list-style-type: none"> • Maximum renovation costs \$35,000 	<ul style="list-style-type: none"> • No limit
Mixed-use properties	<ul style="list-style-type: none"> • Not allowed 	<ul style="list-style-type: none"> • Allowed 	<ul style="list-style-type: none"> • Allowed
Property age	<ul style="list-style-type: none"> • No age restriction 	<ul style="list-style-type: none"> • 1 year old 	<ul style="list-style-type: none"> • 1 year old
# of contractors	<ul style="list-style-type: none"> • General contractor 	<ul style="list-style-type: none"> • Multiple 	<ul style="list-style-type: none"> • General contractor
“Self help”	<ul style="list-style-type: none"> • Not allowed unless contractor by trade 	<ul style="list-style-type: none"> • Allowed per underwriter approval for time, talent and assets 	<ul style="list-style-type: none"> • Allowed per underwriter approval for time, talent and assets
Loan types	<ul style="list-style-type: none"> • Fixed rate and ARMs 	<ul style="list-style-type: none"> • Fixed rate and ARMs 	<ul style="list-style-type: none"> • Fixed rate and ARMs
Transaction types	<ul style="list-style-type: none"> • Purchase, rate/term refinance and cash-out refinance 	<ul style="list-style-type: none"> • Purchase and rate/term refinance 	<ul style="list-style-type: none"> • Purchase and rate/term refinance
Occupancy types	<ul style="list-style-type: none"> • Owner occupied/second homes and investment 	<ul style="list-style-type: none"> • Owner occupied only 	<ul style="list-style-type: none"> • Owner occupied only
Homebuyer education	<ul style="list-style-type: none"> • Homebuyer education is not required 	<ul style="list-style-type: none"> • Homebuyer education is not required according to FHA guidelines 	<ul style="list-style-type: none"> • Homebuyer education is not required according to FHA guidelines
Units	<ul style="list-style-type: none"> • 1-4 units 	<ul style="list-style-type: none"> • 1-4 units 	<ul style="list-style-type: none"> • 1-4 units
Secondary financing	<ul style="list-style-type: none"> • Allowed 	<ul style="list-style-type: none"> • Allowed 	<ul style="list-style-type: none"> • Allowed
Contingency percentage¹	<ul style="list-style-type: none"> • 10% 	<ul style="list-style-type: none"> • At lender’s discretion based on repairs 	<ul style="list-style-type: none"> • 10% to 20%
Contingency reserve usage	<ul style="list-style-type: none"> • Health & safety first • Remaining funds at borrower’s discretion 	<ul style="list-style-type: none"> • Health & safety/unforeseen deficiencies only 	<ul style="list-style-type: none"> • Health & safety first • Unforeseen deficiencies • Remaining funds based on LTV and product guidelines, i.e. no luxury items
Payment schedule	<ul style="list-style-type: none"> • Funds are disbursed after work has been completed and inspected by a Third Party Inspector 	<ul style="list-style-type: none"> • Up to 35% up-front for materials if requested • Remainder of the funds when the borrower signs off that the work is complete and work has been inspected, if applicable 	<ul style="list-style-type: none"> • Payments are made after HUD-approved consultant approves the work

1. Contingency percentage is at the discretion of the lender for the FHA 203(k) Streamline. Based on the current condition of the property and the scope of work for the renovation project the lender may add a contingency to the loan to cover any unforeseen health and safety issues that may be discovered during the renovation project. This flyer is intended for real estate professionals only and is not intended to be distributed to consumers or other third parties.

