



# TURN THE HOME YOU LIKE INTO THE HOME YOU LOVE

WITH RENOVATION LENDING

 **homebridge**<sup>®</sup>



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# WHAT IS A **RENOVATION LOAN?**

ONE LOAN THAT DOES IT ALL...

A renovation loan can be used to purchase or refinance a home that is in less-than-perfect condition, make immediate improvements, and pay for them over time. [That's the power of renovation financing.](#)

Whether you are a homebuyer, a homeowner, a Real Estate Agent, or a contractor who specializes in home improvements, you will find this guide a useful reference tool. It explains the features and benefits of our

**“HOMEBRIDGE  
IS A TOP  
FHA 203(K)  
RENOVATION  
LENDER\*”**

renovation products and will walk you through the renovation loan process — from application to completion.

Renovations can include a bedroom addition to a family room extension, an upgraded kitchen or a gleaming bathroom makeover. From required repairs to elegant remodels, our renovation loan options can help homebuyers and homeowners transform a property into the living space they only imagined.

\*Source: Department of Housing and Urban Development, Fiscal Year 2020

A man and a woman are looking at a laptop screen together. The woman is on the left, resting her chin on her hand, and the man is on the right, looking intently at the screen. They appear to be in a home setting, possibly discussing a renovation project.

**LET'S EXPLORE  
THE EXCITING  
WORLD OF  
RENOVATION  
FINANCING!**



# OUR RENOVATION FINANCING OPTIONS CAN **FULFILL ALL** **KINDS OF NEEDS.**

Anyone planning to purchase or refinance a primary residence, vacation home or investment property in need of renovation is eligible to apply. Qualified customers can choose a loan based upon the appraised value of the home after improvements are made.\* The loan includes all of the costs of minor and major repairs, additions and renovations, plus the purchase price or existing home loan balances, minus the required down payment or current equity in the home.

## **HOMEBUYERS CAN:**

- Transform outdated homes in great locations
- Resolve property problems or required improvements right away

## **HOMEOWNERS CAN:**

- Modernize or expand to enhance the value of your home
- Personalize and customize your existing home to increase the comfort and enjoyment for your family without depleting your savings

## **REAL ESTATE AGENTS CAN:**

- Move hard-to-sell listings by creating the vision of remodeling possibilities
- Suggest financing options that may generate more home sales
- Create quality inventory to increase sales

## **CONTRACTORS CAN:**

- Provide estimates, knowing financing has been approved
- Be confident they will receive payment for work completed in a timely manner
- Grow their business by providing financing options for their customers

## **INVESTORS\* CAN:**

- Purchase a property that is in need of repair or updates
- Rehabilitate properties to maximize rental income

## **ENGINEERS OR HOME INSPECTORS CAN:**

- Suggest financing options to buyers when properties are found to be in need of significant repairs

#For FHA 203(k) purchase transactions the maximum loan amount is the lesser of the sales price + renovation costs or 110% of the after improved value, times the maximum loan-to-value.

For refinance transactions the maximum loan amount is the lesser of the property value before renovation + renovation costs or 110% of the after improved value, times the maximum loan-to-value. Loan amount must be within FHA county loan limits.

#For HomeStyle® purchase transactions the maximum loan amount is based on the lesser of the sales price + renovation costs or 100% of the as-completed value, times the maximum loan-to-value allowable. For refinance transactions the maximum loan amount is based on the lesser of 1) 100% of the as-completed value times the maximum loan-to-value or 2) the balance on the existing loan plus the renovation cost plus the settlement costs. The maximum repair amount is limited to 75% of the as-completed value. HomeStyle® is a registered trademark of Fannie Mae.

\*Investment properties limited to Fannie Mae HomeStyle®.

# RENOVATION FINANCING GUIDELINES

## QUALIFICATIONS

- Applicants must meet regular loan program credit qualification requirements
- The property must meet renovation loan qualification requirements
- The post-renovation appraised property value must support the mortgage amount
- Down payment and closing cost amounts may vary depending on the loan type
- Funds needed to close may come from flexible sources

## PROPERTY TYPES

- Depending on the program selected, most owner-occupied 1-4 unit, 1-unit 2<sup>nd</sup> homes and 1-unit non-owner occupied properties are eligible
- Must be acceptable to local zoning requirements
- Must conform to required property construction standards after renovations are complete

## ALLOWABLE RENOVATIONS (THE FOLLOWING LIST IS NOT ALL INCLUSIVE)

- Replacement of electrical, HVAC, plumbing, installation of well and/or septic tanks
- Aesthetic changes and upgrades, such as new siding, paint and landscaping
- Elimination of health and safety hazards, such as lead-based paint and mold
- Remodeling kitchens and baths
- Finishing a basement or raising a roof
- Structural improvements, changes or additions
- Installing accommodations for handicap access
- Adding, repairing or reroofing a garage
- Repairing or replacing a deck
- Installing or repairing a swimming pool\*\*
- Allowable renovations may vary depending on the renovation loan type the customer chooses

## FUNDS DISBURSEMENT

- All renovation work must commence within 30 days of closing
- Renovation work cannot cease for more than 30 days
- All renovation work must be completed within six months

\*\*Installation and repair of swimming pools is offered under the Fannie Mae HomeStyle® loan programs; repairing of pools is also offered under 203(k) loan programs.

# RENOVATION FINANCING FIRST STEPS

## ROLES, RESPONSIBILITIES & REPORTS

### RENOVATION MORTGAGE LOAN ORIGINATOR

Customers who are ready to buy, or already own a property they want to improve, should contact me. I am a Homebridge Mortgage Loan Originator who specializes in Renovation Lending and can provide a no commitment consultation to help them:

- Understand their loan options and apply for financing
- Determine if a HUD-approved consultant is needed

If needed, I can select a HUD-approved consultant, who is an independent consultant authorized to inspect properties and:

- Help customers identify needed repairs and desired improvements to obtain work cost estimates
- Prepare itemized write-ups of work to be completed on the property
- Make sure all required and desired renovations are completed properly and in a timely manner

### PREPARE A WRITTEN WORK WRITE-UP REPORT

This report, prepared by the HUD consultant (if required), includes detailed breakdowns of all desired and required renovation work and related cost estimates. So customers should make a list of all desired improvements before meeting with the consultant.

The Work Write-Up must be completed before ordering the appraisal, so the appraiser can establish the after-completed property value based on the work that will be done. This does not apply to limited or streamline renovation projects, which need only a detailed bid instead of a Consultant and Work Write-Up.

### REAL ESTATE AGENT

For purchases, buyers' Real Estate Agents play a key role. They will:

- Write up a sales contract and negotiate the terms of the sale
- Order any required inspections
- Communicate with the buyer, the seller, lender and closing agent to facilitate a smooth homebuying experience



**“IT’S A GREAT HONOR TO  
BE A TOP RENOVATION  
LENDER IN THE NATION”**

**Steven Marshall**  
Director, Homebridge  
Renovation Lending





## THE CONTRACTOR

The customer is responsible for selecting a contractor to do the actual renovation work. It is suggested to get recommendations for a contractor and then price quotes either prior to or immediately after selecting a property.

In most states the contractor selected must be licensed and insured. The contractor selected by the customer must go through a validation process by Homebridge Financial Services.

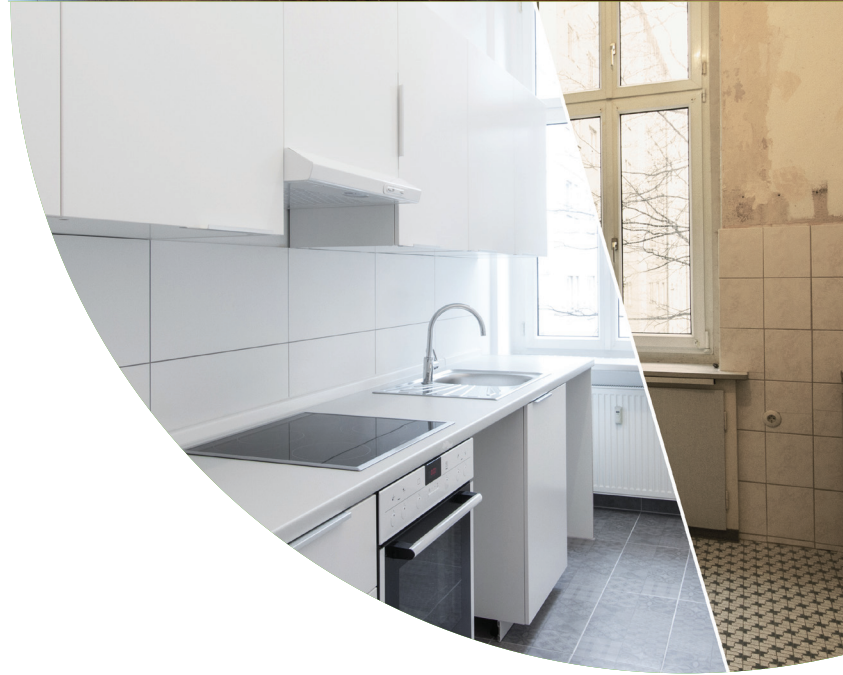
## SCOPE OF WORK DOCUMENT

A detailed “Scope of Work” document, which includes a listing of necessary materials and a cost breakdown, must be provided. It defines what is required to meet the customer’s needs and program guidelines. It also provides an opportunity for the customer, contractor, appraiser, lender and HUD consultant to understand and agree on the scope of work. This document also ensures that all health and safety issues have been addressed and the allocated funds for renovations are sufficient to cover the required work for completion.

## CUSTOMER RESPONSIBILITIES

The Mortgage Loan Originator will answer questions, address concerns and work with customers throughout the process to help them:

- Provide a copy of the fully executed sales contract for purchases
- Provide all required documentation for loan approval
- Order required inspections and submit reports upon completion
- Meet with selected contractors to agree on scope of work
- Provide copies of the contractor licenses and other validation forms
- Submit all required contractor documents
- If needed, meet with HUD consultant at the property to discuss all repairs and improvements
- Pay the HUD consultant directly for services at the time of the initial inspection
- Contact the closing agent to schedule closing
- After closing, contact the HUD consultant or draw specialist each time a draw inspection is needed





# RENOVATION FINANCING

## NEXT STEPS

READY TO RENOVATE!

### APPRAISAL

Once the Work Write-up or detailed bid is completed and reviewed by the customer and the Mortgage Loan Originator, it will be sent to an appraiser, who uses it to determine the after-improved value of the property.

### FINAL APPROVAL

The Mortgage Loan Originator submits the Work Write-up or detailed bid, contractor documents and appraisal for final loan approval. Once the approval process is complete, and any outstanding conditions are met, the loan can proceed to closing.

### PRE-CLOSING TASKS

Depending on the state in which the property is located, a title company, escrow agent or real estate attorney is responsible for handling the loan closing. It is recommended to select a closing agent at the beginning of the process to allow enough time to conduct a title search, order a survey and correct any errors. When the loan has received final approval, a closing date, time and location can be scheduled. The closing agent will coordinate the closing with Homebridge Financial Services.

### LOAN CLOSING

The closing agent will have all required documents ready for customers to review and sign, including the Closing Disclosure that details all costs of the transaction. A renovation escrow account will be set up to hold the funds to pay for work to be done. Funds disbursement “draws” are managed by the Homebridge Mortgage Draw Center. The Mortgage Loan Originator will provide the name and phone number of the assigned draw specialist, who will send the customer a Welcome Package with instructions for requesting draws.



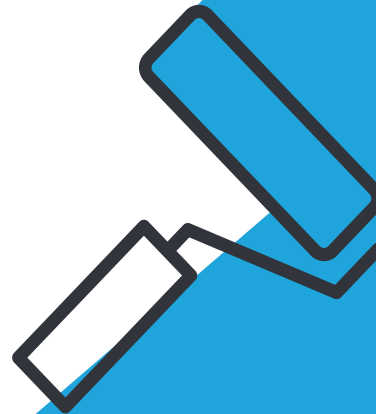
## HOW FUNDS ARE DISBURSED:

- Renovation financing loans are fully funded at closing
- For purchase transactions, the home sellers receive their net proceeds and Real Estate Agents are paid
- A renovation escrow account is set up to pay the renovation costs
- For refinance transactions, the homeowner's existing mortgage is paid in full and the renovation funds are placed in an escrow account after a three-day waiting period
- When a consultant is required, the customer contacts the HUD consultant or draw specialist to schedule an appointment for each required inspection
- Funds are released in "draws" from the escrow account as work is completed
- The HUD consultant must inspect the completed work and submit a request for a draw
- Request form must be signed by the customer, consultant and contractor in order for funds to be disbursed
- Once the completed request is received by Homebridge Financial Services, a two party check made payable both to the homeowner and contractor will be released within 5-7 business days



## THE FINAL DRAW

When all work is complete, the draw department provides a letter of completion, which the customer must sign and return prior to release of the final funds. The customer will receive a final release form that confirms all the specified work is completed and shows how all funds were applied. For certain transactions, the appraiser may be required to re-inspect the property and issue a completion report to Homebridge Financial Services.



# RENOVATION LOAN OPTIONS

Homebridge offers a full line of renovation mortgages.

	FHA 203(k) Renovation Mortgage (Consultant)	Limited FHA 203(k) Renovation Mortgage
<b>Loan Type</b>	Purchase or rate term refinance.	Purchase or rate term refinance.
<b>Purpose</b>	Purchase or refinance and renovate most residential properties.	Purchase or refinance and renovate most residential properties.
<b>Down Payment</b>	3.5% minimum down payment [Loan to Value (LTV) of 96.5%] primary residences only.	3.5% minimum down payment [Loan to Value (LTV) of 96.5%] primary residences only.
<b>Gift Funds</b>	Per HUD guidelines, gift funds are permitted.	Per HUD guidelines, gift funds are permitted.
<b>Maximum Loan Amount</b>	Loan amounts within FHA County loan limits; high balance option available.	Loan amounts within FHA County loan limits; high balance option available (max. rehabilitation cost of \$35,000).
<b>Mortgage Insurance</b>	Upfront MI premium and monthly premiums; loans with LTV > 90%, monthly premiums are for life of loan (max. 30 years).	Upfront MI premium and monthly premiums; loans with LTV > 90%, monthly premiums are for life of loan (max. 30 years).
<b>Renovation Maximum</b>	Renovation amount max is the lesser of 96.5% of Total Acquisition Cost or 96.5% of 110% of the After Improved Value. Total Acquisition Cost is defined as Sales Price + Total Renovation Cost.	Renovation amount max is the lesser of 96.5% of Total Acquisition Cost or 96.5% of 110% of the After Improved Value. Total Acquisition Cost is defined as Sales Price + Total Renovation Cost. Total renovation costs cannot exceed \$35,000.
<b>Residence</b>	Available for 1-4 unit primary residences.	Available for 1-4 unit primary residences.
<b>Repairs</b>	Allowable repairs from structural changes to landscaping, new appliances and more.	Allowable repairs from flooring/ painting, fences, pools, remodeling kitchen/bath, appliances and more; no major remodeling, structural repairs or landscaping.

	Fannie Mae HomeStyle® Renovation Mortgage (Consultant)	Fannie Mae HomeStyle® Renovation Mortgage (Streamline)																																
Loan Type	Purchase or rate term refinance.	Purchase or rate term refinance.																																
Purpose	Purchase or refinance and renovate most residential properties.	Purchase or refinance and renovate most residential properties.																																
Down Payment*	<table><thead><tr><th></th><th>Primary</th><th>2<sup>nd</sup> Home</th><th>Investment</th></tr></thead><tbody><tr><td>1-unit</td><td>5%</td><td>10%</td><td>15%</td></tr><tr><td>2-unit</td><td>15%</td><td>—</td><td>—</td></tr><tr><td>3-4 unit</td><td>25%</td><td>—</td><td>—</td></tr></tbody></table> <p>Minimum FICO score restrictions apply.</p>		Primary	2 <sup>nd</sup> Home	Investment	1-unit	5%	10%	15%	2-unit	15%	—	—	3-4 unit	25%	—	—	<table><thead><tr><th></th><th>Primary</th><th>2nd Home</th><th>Investment</th></tr></thead><tbody><tr><td>1-unit</td><td>5%</td><td>10%</td><td>—</td></tr><tr><td>2-unit</td><td>—</td><td>—</td><td>—</td></tr><tr><td>3-4 unit</td><td>—</td><td>—</td><td>—</td></tr></tbody></table> <p>Minimum FICO score restrictions apply.</p>		Primary	2nd Home	Investment	1-unit	5%	10%	—	2-unit	—	—	—	3-4 unit	—	—	—
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<small>* 3% available for 1<sup>st</sup> time buyers. Restrictions apply. HBFS overlay available (10%). Potential for exception, please discuss details with MLO.</small>																																		
Gift Funds	Per Fannie Mae guidelines, gift funds can be used for down payment/closing costs for primary residences.	Per Fannie Mae guidelines, gift funds can be used for down payment/closing costs for primary residences.																																
Maximum Loan Amount	\$647,200 (FNMA County Loan Limits/High Balance Available). 2-4 unit properties have higher loan limits.	\$647,200 (FNMA County Loan Limits/High Balance Available) (max. rehabilitation cost of \$35,000).																																
Mortgage Insurance	Monthly premiums for all loans when LTV is > 80%; monthly premiums will automatically terminate at 78% LTV.	Monthly premiums for all loans when LTV is > 80%; monthly premiums will automatically terminate at 78% LTV.																																
Renovation Maximum	Maximum LTV calculation is based on the lesser of the Total Acquisition Cost or 100% of the After Improved Value. Total Acquisition cost equals Sales Price + Total Renovation Cost.	Maximum LTV calculation is based on the lesser of the Total Acquisition Cost or 100% of the After Improved Value. Total Acquisition cost equals Sales Price + Total Renovation Cost. Total renovation costs cannot exceed \$35,000.																																
Residence	Available for 1-4 unit primary residence, 1-unit 2nd home and 1-unit investment properties.	Available on 1 unit primary residence and second homes.																																
Repairs	Allowable repairs from structural changes to landscaping, new appliances, swimming pools, and more. Luxury items allowed	From flooring to painting, remodeling kitchen/bath, appliances, landscaping and more. Luxury items allowed. No structural repairs allowed.																																



# LEARN MORE ABOUT RENOVATION LOANS

REACH OUT TO A HOMEBRIDGE MORTGAGE LOAN ORIGINATOR TODAY!

 homebridge®

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Rev 12.14.21 (0217-0114d); LR 2021-622