

203K LOANS

IN LOVE WITH A FIXER-UPPER? A 203K LOAN MAY BE
THE KEY TO OWNING IT!

An FHA 203k loan is a loan backed by the federal government that helps you make the big repairs like roofing, siding, flooring, and structural repairs upfront.



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You've found the home of your dreams, but it needs a little more than a little bit of work. What happens when lenders won't give you a loan because they believe the home is "uninhabitable"? Or perhaps the cost of remodeling is way higher than you anticipated? Fear not! Your love story doesn't have to end here. Read on to find out how 203k loans can be your knight in shining armor.



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WHAT IS AN FHA 203K LOAN?

FHA 203k loans are designed for people who want to purchase homes that need large repairs or upgrades prior to being habitable. This can include renovations to your kitchen, bathroom, deck and flooring, to name a few. These loans are designed to include the cost of specific repairs for your primary residence in the loan, and the home must meet FHA 203k requirements (more on that in a little bit).

Basic loan requirements include:

- ✓ **Minimum 640 credit score**
- ✓ **3.5% down payment required**
- ✓ **36-48 month waiting period after a bankruptcy or foreclosure**
- ✓ **24 month waiting period after bankruptcy or foreclosure**
- ✓ **Maximum 43% debt-to-income ratio**
- ✓ **Loan is for your primary residence only (investors will not qualify)**



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WHAT TYPES OF PROPERTIES QUALIFY?

203k loans might be an answered prayer when you've found the home of your dreams. Just imagine the satisfaction of creating a home that meets your needs and specifications—does a more wonderful thing exist?

Before you go sticking a SOLD sign in the yard, here are some of the types of qualifying homes:

- ✓ **Single-family homes**
- ✓ **1-4 unit homes which have been completed for one year**
- ✓ **Homes and modular units off-site that can be moved to a property**
- ✓ **Tear down or demolished properties where at least a portion of the original foundation remains**

Okay, so your desired home meets one of the above requirements. Great! Here is the type of work that is allowed under a 203k loan:

- ✓ **Painting, flooring, and new appliances**
- ✓ **Electrical and plumbing**
- ✓ **Basement waterproofing**
- ✓ **Weatherization (new siding for example)**
- ✓ **Structural repairs**
- ✓ **A new garage**

Unfortunately, you'll have to hold off on the luxury water features, the tennis court, and the heated lazy river pool... an FHA 203k loan will not cover "luxury" improvements such as those.



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WHAT TYPES OF PROPERTIES QUALIFY?

There are two options for the 203k loans: Streamline 203k or Standard 203k.

With a streamline 203k loan, you'll work with an appraiser to identify the recommended repairs and you'll be able to buy a home, borrow money for those repairs, and lump it all into one mortgage payment.

A licensed contractor will send you a bid for the work, and you'll send that to your lender. The cash cap for this is \$35,000 and you'll have a specific time frame to have the repairs completed. Once it's all complete, the final appraisal will occur and you'll be ready for closing.

The standard 203k loan can be difficult to acquire simply because there is so much more paperwork to complete. There is no maximum amount of cash you can receive for repairs. The catch is that you cannot occupy the property during the repairs. You are allowed to add up to 6 months of mortgage payments to the loan to cover that. On top of that, an HUD consultant will be assigned to oversee the work to be done to ensure that everything moves along in a timely manner.



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PROS AND CONS OF 203K LOANS

It goes without saying that either option—standard or streamline 203k loan—has its pros and cons. It certainly is worth jotting them down as a visual, so we've broken out the scratch pad for you.

PROS

- 3.5% down payment
- 640+ credit score and you're qualified
- Take a fixer-upper and make it your dream home
- Low interest rates
- Cash for big repairs that would otherwise cost a fortune out of pocket

CONS

- No DIY repairs, you need a licensed general contractor
- Can be a lot of paperwork
- HUD may be involved
- Time intensive and longer closing times
- Strict underwriting requirements

As you can see, it's not all sunshine and JoAnna Gaines repairs. There are a lot of factors that go into making the decision to fund a fixer-upper, but with this guide, you're one step closer to making that decision.



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Making the leap into homeownership is a monumental moment in your life, especially if the home isn't move-in ready yet. After reading through this guide, it's likely that you'll have more questions. Give me a call today to discuss how your dream home can become a reality!

Get a FREE Home Value Update at : [**SandyM.FreeValues4Home.com**](http://SandyM.FreeValues4Home.com)



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