

Summary 203(K) Limited Repair Program

MORTGAGEE LETTER 2005-50- December 29, 2005
Enhancements to "Streamlined (k)" Limited Repair Program
Link: <http://portal.hud.gov/fha/reference/ml2005/05-50ml.doc>

WHO CAN GET A STREAMLINGE 203 (K) LOAN?

Purchase or Re-finance-Owner Occupants - No Investors
1 – 4 Units-Existing Home (over 1 year old, from date of first occupancy)
Condos ((not co-ops) - Manufactured homes - Mixed-Use Properties

PROGRAM LOAN LIMITS:

Up to \$35,000 with Contractor Firm & Fixed Bid Proposal
Streamline 203(k) "may not" exceed loan limits

QUALIFYING:

Income qualifying and additional down payment required

ENERGY IMPROVEMENTS Energy Efficient Mortgage may be combined with the Streamline (K)

Energy Efficient Mortgage: 5% of Purchase Price/Appraised Value, up to \$8,000
Buyer automatically qualifies with no additional cash down.
Energy Improvements are above and over the \$35,000 Streamline (K) maximum.
Energy Improvements "can" exceed Loan Limit

CONTRACTOR(S):

The Borrower selects the Contractor(s) Contractors must be licensed, bonded and insured. Written Firm & Fixed Bid Proposals are required: include itemized labor total, itemized materials total and services and required permits "Cost plus" or "time and material" contracts are prohibited Must agree in writing to complete the work for the amount of the cost estimate and within the allowed time

SELF-HELP:

"Self-Help" arrangements may not be allowed or may be "strongly discouraged" depending on the Lenders administrate guideline. Each lender may have different guidelines

REPAIRS ARE INSTALLED AFTER THE CLOSE OF ESCROW:

The Streamline (K) funds are held in an Escrow Holding Account

DRAWS:

2 draws per contractor
Initial Draw: No more than 50% for materials only
Final Draw: A Notice of Completion is issued balance is paid to Contractors with proof of Release of Lien(s)

*LENDER & UNDERWRITING

Any FHA-approved Lender may process a Streamline (K) and Energy Efficient Mortgage Program
Lender must receive Contractors and Borrower required documentation before underwriting & loan approval. *Not all FHA-approved Lenders participate in the Streamline 203(K) Program

INELIGIBLE IMPROVEMENTS:

Any structural repairs-New construction (adding a room)-Repairs requiring detailed plans or specs
Any repair taking longer than 6 months- -No landscaping

ELIGIBLE REPAIRS:

Almost any "Simple" Discretionary-Non-Structural Repairs, Renovations and Weatherization
Minor repairs and Improvements to Living Areas, Baths and kitchen
Replace or Repair Roof, Gutters Improvements for persons with Disabilities
Replace Floor Coverings Wells & Septic
Repair Decks & Patios Appliances:
Repair Pest/Dry Rot Energy Efficiency Dual Windows, Heat & Air, Insulation
Solar & Renewables (at Lender discretion)