

The Renovation Refinance



- Refinance for home-improvement with *very little equity*
- Using the “After-Improvement Value” and the 203k “value cushion”
- Qualifying the opportunity
- Loan structuring/set-up

“AS-IS”



\$207,000

\$200,000 loan balance

\$200,000 loan balance

\$20,000 Renovation

\$7,000 Closing/Prepays

\$227,000 Refinance

\$215,000 “After-Improved”

\$215,000 x 110% = **236,500**

\$236,500 x 97.75% = **231,178 max loan**

✓ ***Available as Conventional Refinance***



- Homestyle (Fannie)
- Choice Reno (Freddie)
- ✓ Improvement can “multiply equity”
- ✓ No PMI or eliminate later
- ✓ Single Family Investor (85%)
- ✓ 2nd Home (90%)
- ✓ No ID of Interest
- ✓ **No “VALUE CUSHION”**
- ✓ **Underwater = Out of Pocket**

Qualifying The Opportunity

- > **Are there any improvements, repairs or remodeling that you would like do?**
 - *Not providing "cash-out", SO...*
 - ***R/T refi...lets us use 97.75% (FHA) or 95% (FNMA/FRDMC)***
- > **What do you think your home is worth now?**
 - *Your purchase-client base will already likely have the needed equity to cover the included closing costs*
 - *Home's value for transaction is based on "**after-improved value**"*
 - *FHA "value-cushion" even adds additional 10% to AIV*

Qualifying The Opportunity

> **FHA or Conventional versions**

- *97.75 or 95% Rate/Term refinance*
- *Full or Limited – Disbursement*

> **ANY repair, ANY upgrade**

- *Cosmetic, Repairs, Inside, Outside*
- *Additions, add-ons, Conversions*
- *Luxury items*

> **Contractor**

- *GC required for "non-limited"*
- *No ID Of Interest on Homestyle*

FHA Management

Basic Info Prequalification **FHA 203k** Informed Consumer Choice Disclosure Notice

203(k) Limited Program

Step 1: Establishing Financeable Repair and Improvement Costs, Fees and Reserves

A. Repair and Improvement Costs and Fees Total (sum of A1 thru A7)	\$	22,075.00
1. Costs of construction, repairs and rehabilitation	\$	21,000.00
2. Architectural or Engineering Professional Fees	\$	
3. 203(k) Consultant Fees	\$	
4. Draw Inspection Fees during Construction Period	\$	700.00
5. Title Update Fees	\$	175.00
6. Permit Fees	\$	200.00
7. Feasibility Study when necessary	\$	
B. Financeable Contingency Reserves	\$	2,100.00
C. Financeable Mortgage Payments Reserves	\$	
D. Financeable Mortgage Fees Total (Sum of D1 and D2)	\$	362.63
1. Financeable Origination Fee	\$	362.63
2. Discount Points on Repair Costs and Fees	% \$	
E. Total Rehabilitation Cost (Step 1 total) (Sum of Steps 1A, 1B, 1C and 1D)	\$	24,537.63

Step 2: Establishing Value

A. Existing Debt on property being refinanced	\$	201,000.00
B. Total Rehabilitation Costs, Fees and Reserves (Step 1 Total)	\$	24,537.63
C. Fees Associated with the new loan	\$	5,000.00
D. Sum of 2A + 2B + 2C	\$	230,537.63
E. As-is Property Value (when an As-is Appraisal is performed)	\$	210,000.00
F. Adjusted As-is Value (If As-is appraisal is obtained, then the As-is property value (Step 2E) = Adjusted As-is Value, OR if As-is appraisal is not obtained, then Step 2A + 2C = Adjusted As-is Value)	\$	206,000.00
G. Appraised Value (subject to repairs and improvements)	\$	216,000.00

Step 3: Calculating Maximum Mortgage

A. Step 2D total (Sum of 2A + 2B + 2C)	\$	230,537.63
B. Sum of Step 2F + Step 1E (Adjusted As-is Value + Step 1 total)	\$	236,537.63
C. Step 2G (i.e. After-improved Value) X 110% (or 100% for Condominiums)	\$	237,600.00
D. Lesser of 3B or 3C (\$ 236,537.63) x Step 3G 97.75 % (Maximum LTV Factor)	\$	231,215.53
E. Nationwide Mortgage Limit	\$	353,000.00
F. Initial Base Mortgage Amount (lesser of Steps 3A, 3D or 3E)	\$	230,537.63
G. Determining Loan-To-Value Factor for Maximum Mortgage Eligibility	%	97.75 %

Step 4: Additions to Base Mortgage Amount

A. Energy Efficient Improvements Amount	\$	
B. Intermediate Base Mortgage Amount = Step 3F + Step 4A	\$	230,537.63
C. Solar Energy System Cost and Installation	\$	
D. Step 2G x 20% (i.e. After Improved Value x 20%)	\$	43,200.00
E. Solar Energy Amount to be Added to Base Mortgage Amount = Lesser of 4C or 4D	\$	
F. Step 3E x 120% (i.e. Nationwide Mortgage Limit x 120%)	\$	423,600.00
G. FINAL Base Mortgage Amount = Lesser of (sum of 4B+ 4E) or 4F	\$	230,537.63

Copy to Base Loan Amount

Step 5: Calculating the LTV for Application of Annual MIP

A. MIP LTV = Step 4G divided by Step 2G (i.e. Final Base Mortgage Amount divided by After-Improved Value)	106.73 %
B. Case LTV = Step 4G divided by Lesser of Step 3B or Step 3C	97.46 %

