

# Colorado 203kLender.com

## The 10 Step Quick Start Guide

### What's Included:

Types of 203k Loans

& 10 Quick Steps To  
Get You Started



# The FHA 203K Loan 10 Step Quick Start Guide

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***If there was a way to create your dream home without emptying your savings, would you be interested in knowing how? Of course! That's precisely why we've developed this step-by-step quick start guide to the FHA 203K Loan process. We want you to be as educated and informed as possible before you buy your next home or refinance and remodel your existing home.***

Hello, I'm Jocelyn Predovich, a licensed mortgage consultant here in Denver, Colorado and I specialize in helping clients obtain FHA 203K loans.

The FHA 203K loan offers everything you could want for that home needing a little TLC to a complete renovation. Whether it is that fantastic foreclosure deal, adding that new deck, getting rid of that shag carpet, updating appliances, saving the purchase deal that the bank turned down due to property condition or a major remodel that turns an ordinary home into your dream home, the FHA 203K loan can help you.

Unfortunately, there aren't many real estate agents who are aware of this program or feel comfortable doing these types of transactions. In fact, most mortgage lenders are unable to fund these loans because they lack the necessary knowledge or capability to do so. My goal is to provide an overview on the process from beginning to end when using an FHA 203K loan to purchase a property in Colorado.



Knowing what to expect and what is required will help you prepare in advance for the steps necessary to efficiently process your transaction and limit delays. If your real estate agent is unfamiliar with the FHA 203K loan program, you may want to refer him or her to this guide to help them get a better idea of the 203K process.

Before we get into the 10 steps, you must know there are two types of FHA 203K loans you can use to buy and fix up a property, and choosing the type that suits you best will depend on the amount of improvements your property needs.

The FHA 203K Standard can be used for major improvements totaling over \$35,000 and an "FHA Cost Consultant" is required, along with one bid from a contractor. A 203K Streamline can be used for rehab and repairs of up to \$35,000 and one bid per contractor. For more information about the Standard and Streamline 203K loans, download the Everything You Need to Know FHA 203K Manual (see link at end of this guide).

Now, let's go over the 10 steps. *(continued on page 2)*





## Step 1: Get Pre-approved with a Qualified, Experienced 203K Lender

(Home Buyer/Borrower)

### Having a pre-approved loan will:

- Ensure you know the price range of homes to be shopping and are comfortable with the total monthly payment, down payment and costs to close
- Help you understand the process & requirements of FHA 203K loans
- Put you at the top of the list when presenting your offer
- Expedite your closing process

Heads up! 95% of mortgage lenders are unable to lend on FHA 203K loans and it is crucial to find a lender who cannot only offer this program, but is also a specialist.

To get preapproved with an FHA 203K lender, go to [www.Colorado203kLender.com](http://www.Colorado203kLender.com) & click "Apply Online."

## Step 2: Searching for a Property

(Home Buyer)

A great way to expedite the closing process is to interview contractors while you're searching for a property. For a list of reputable contractors familiar with the FHA 203K loan, go to [www.Colorado203kLender.com](http://www.Colorado203kLender.com). If you already have a contractor you would like to use, go to [www.Colorado203kLender.com](http://www.Colorado203kLender.com) to determine eligibility requirements.

Many clients have also found it beneficial to spend time at local hardware stores (i.e. Home Depot, Lowes, etc.) researching possibilities and prices.

When searching for a property, the property can be a single family

residence, 2 to 4 units (e.g. duplex, triplex or fourplex), condo, or PUD. There are different maximum loan limits that apply and will vary depending

on the county in which the property is located and whether the property is 1 to 4 units. For a table of the maximum loan limits in your area you can go to [www.Colorado203kLender.com](http://www.Colorado203kLender.com).

## Step 3: Making the Offer

(Home Buyer and Real Estate Agent)

You've found a house!! Before meeting with your agent to make the offer, develop a list of possible renovation options. I would suggest you develop the following lists:

- Must Do List (*addresses health & safety*) - Appraiser may add to this after viewing property.
- Wish List

For a list of eligible improvements, reference your **Everything You Need to Know FHA 203K Manual** (see link at the end of this ebook).

This is the time for you and your real estate agent to sit down and determine an appropriate purchase price, while taking into consideration a very rough estimate of additional money needed for work to be done. When making the offer to the seller, the offer you make is for the purchase price only & will not include the money needed for repairs/remodel.

**For example:** You want to pay \$100,000 for a house and plan to roll \$20,000- \$30,000 into the FHA 203K loan for repairs/remodel. The offer to



the seller will be for \$100,000 (the “as is” price); the additional money for repairs/remodel will come from the lender and should not be included in the offer to the seller.

Meeting with your contractor before submitting an offer can be very helpful; however, in a competitive market you risk losing the house while getting your ducks in a row. Not to worry, there is a way around this dilemma. In your contract you can specify the necessary dates and deadlines, allowing you the time required for completing all inspections and gathering all estimates.

## **Step 4: Submitting the Offer**

*(Real Estate Agent)*

This step is your real estate agent’s responsibility; however, it’s beneficial for you to understand the requirements, so you can review your offer prior to your agent submitting it to the seller.

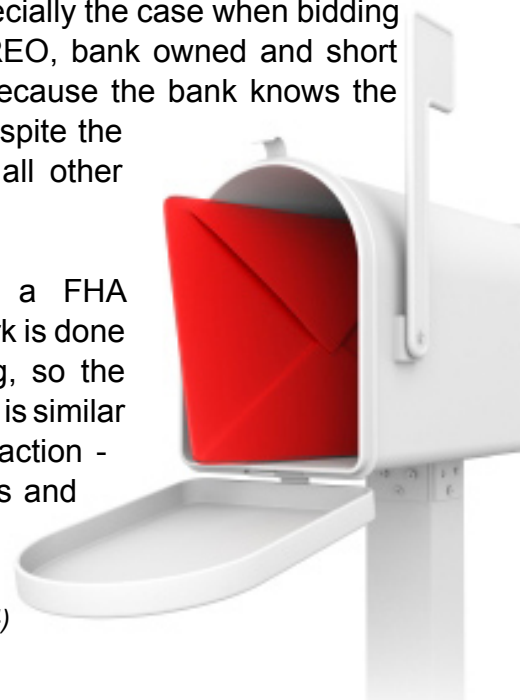
When writing the contract, many real estate agents specify (under additional provisions) that the buyer will be obtaining a FHA 203K loan. This is a great place to give the listing agent and seller a heads

up because **1)** if the property is not currently in the FHA required condition, they know you have a strategy to address all necessary repairs and **2)** FHA 203K loans may require more inspections and different dates and deadlines than a typical transaction.

It has been my experience that many clients are awarded the winning bid because their offer specified the buyer will be obtaining a FHA 203K loan. This is especially the case when bidding on foreclosure, REO, bank owned and short sale properties because the bank knows the loan will close despite the condition, unlike all other loan types.

When obtaining a FHA 203K loan, all work is done after your closing, so the closing timeframe is similar to a typical transaction - real estate agents and sellers love this.

*(continues on page 4)*



## ***Suggested Dates & Deadlines for your Offer / Purchase Contract:***

### ***FHA 203K Streamline: Up to \$35,000 in repairs***

Closing Deadline = 35 days from contract acceptance date  
Inspection Deadline = 14 days from contract acceptance date  
Appraisal Deadline = 21 days from contract acceptance date  
Loan Conditions Deadline = 30 days from contract acceptance date

### ***FHA Standard 203K: \$35,000 or more in repairs***

Closing Deadline = 40 days from contract acceptance date  
Inspection Deadline = 17 days from contract acceptance date  
Appraisal Deadline = 25 days from contract acceptance date  
Loan Conditions Deadline = 35 days from contract acceptance date

Of course these are recommendations only and timeframes may vary depending on the individual transaction, but allowing more time is always better and less stressful.

## Step 5: Offer is Accepted, Inspection is Ordered and Estimates Calculated

(Home Buyer & Real Estate Agent, Home Buyer & Contractor and/or FHA Cost Consultant)

***Congratulations! The offer has been accepted, the clock has now started & it's time for you to:***

- Order your inspection: your real estate agent will guide you through this. **NOTE:** If you think it is possible that you will be obtaining a FHA 203K Standard loan, you will want to use the FHA Cost Consultant to perform the inspection, eliminating the cost of two inspections. Contact your FHA 203K lender for details.
- Meet with the contractor and FHA Cost Consultant (required on FHA Standard 203K loans only) to go over the estimate of all the repairs, updates & rehab that will be done to the property.
- Contact your FHA 203K lender to discuss the outcome of your meeting(s) with your contractor and FHA Cost Consultant and determine the best FHA 203K to suit your needs.

If you have additional repairs required as an outcome of your home inspection, these repairs can be included into the estimate, as well.

## Step 6: The Appraisal is Ordered

(FHA 203K Lender)

Once your inspection has been completed and you have received all estimates giving you a breakdown of the costs of the work to be done, your FHA 203K lender will order the appraisal.

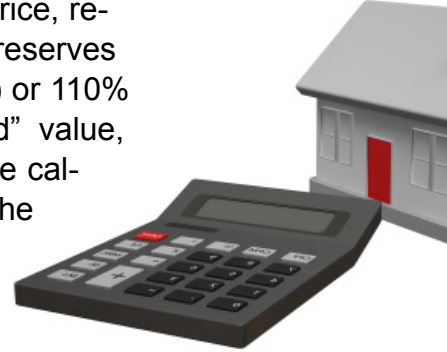


The appraiser will go out to the property & give an “as-is” value as well as an “after improved” value (also known as a “subject to” value).

## Step 7: Verifying the Loan Amount

(FHA 203K Lender)

Now that the appraisal has been completed and received, your loan numbers can be finalized. The maximum loan amount and down payment (3.5%) are calculated and based on the sum of the purchase price, repairs and contingency reserves (10-20% of total costs) or 110% of the “after improved” value, whichever is less. (see calculation example in the ***Everything you need to know FHA 203K Manual***)



On a refinance, the maximum loan amount is based on the sum of the loan payoff, closing costs, prepaids, repairs and contingency reserves, or 97.75 \* (110% of the “after improved” value), whichever is less. (see calculation in the ***Everything You Need To Know FHA 203K Manual***)

The contingency reserve is the required buffer, covering unforeseen situations that may cause you to need more money to complete your project. Depending on your project's complexity, the lender will appropriate 10% to 20% of the total remodeling costs to the contingency reserve. After completing your project, all unused money will be applied to the principal balance of your loan.

## Step 8: Loan Approval

(FHA 203K Lender)

The loan package has now been completed, submitted to underwriting and approved. Once the loan is approved and conditions are satisfied, the final loan documents are ordered & signed.





## Step 9: Closing

This is when everything is now in line and ready to fund. The wire/loan proceeds are disbursed to pay off the seller, as well as to set up the escrow account for the improvements to be made after closing.

Final HUD-1 statement is the real estate document containing all your final numbers, including the exact amount of money you need to bring to the closing table. This will be available at a minimum of 48 hours before your closing and in most cases this is available 1 week before your closing.

**Please allow 1 hour for your closing to take place. *Make sure you bring to closing:***

- Cashier's Check signed by your bank and made payable to you. You will endorse this to the title company after your closing
- Photo ID's

## Step 10: Inspections & Draw Disbursement Checks

If your loan is a 203K Streamline, there will be one inspection & two checks, one upfront check within 7-10 days from closing and the second & final check after the work/inspections have been completed.

If your loan is a FHA 203K Standard, there will be one upfront check 30 days after closing & up to four inspections with disbursement checks to follow.

Well, I hope this has helped and you now feel more comfortable in making an offer on properties needing repairs, cosmetic or major, using the FHA 203K loan.

If you would like more information about the FHA 203K Loan, check out the ***Everything you Need to Know FHA 203K Manual***.

If you've misplaced it just click the link below to download the manual:

[www.Colorado203kLender.com/pdf/203kManual.pdf](http://www.Colorado203kLender.com/pdf/203kManual.pdf)

If you would like more information about FHA 203K loans, please visit: [www.Colorado203kLender.com](http://www.Colorado203kLender.com)

You can also contact our team at 303-325-3578 or email us at [info@Colorado203kLender.com](mailto:info@Colorado203kLender.com).

To get preapproved go to: [www.Colorado203kLender.com](http://www.Colorado203kLender.com) & click "Apply Online."

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