



Streamlined 203(k) Policies and Procedures Correspondent

FHA's Streamlined 203(k) program permits homebuyers to finance up to an additional \$35,000.00 into their mortgage to improve or upgrade their home before move-in. With this product, homebuyers can quickly and easily tap into cash to pay for property repairs or improvements, such as those identified by a home inspector or FHA appraiser. Mortgagee Letter 2005-19 (ML 05-19) describes the requirements for the Streamlined 203(k) program. In general, ML 05-19 shall be used as the primary guide when determining program eligibility. However, this document will describe the policies and procedures adopted by Weststar Mortgage Corporation (WMC) in addition to the requirements set-forth in ML 05-19.

- Minimum 620 Middle FICO Score.
- The minimum amount of rehabilitation costs shall be set at \$5,000.00.
- HUD Consultant Review is required on all transactions and will be submitted along with contractors bid to the appraiser.
 - Website for HUD Consultants:
 - <https://entp.hud.gov/idapp/html/f17cnsldata.cfm>
- The Streamlined 203(k) program is not eligible on transactions secured by manufactured housing.
- The Streamlined 203(k) program may not be used for refinance transactions in the state of Texas when the **existing** subject property lien is considered a home equity loan according to section 50(a) (6) of the Texas constitution.
- Only an accepted contractor by WMC, may be utilized on any given Streamlined 203(k) Transaction. A list of accepted contractors in various geographic regions shall be maintained by WMC.
- All contractor bids must be submitted as "Fixed Cost" to identify clearly all Labor and Materials costs.
- Contractor "Allowances" are not permitted on bids.
- Contractor bids and HUD Consultant Review must be reviewed by the Construction Management Team (CMT), prior to initial submission for appraisal order.
- Appraisers are to be provided with information regarding the proposed rehabilitation or improvements and all fixed costs bids to include HUD consultants Review.
- "As is" and "After Improved Values" are required for all 203K Streamline appraisal.
- A Homeowner/Contractor Agreement shall be signed by the borrower and contractor prior to closing and shall be placed in the insuring binder.
- "Self-help" programs in which the borrower acts as the general contractor is not be permitted.
- Borrowers may not act as a sub-contractor to the General Contractor.
- WMC shall pay in advance to the general contractor, the cost of materials up to a maximum of 50% of the total rehabilitation costs. Funds for the initial advance shall be available within 7 days after closing.
- WMC shall require a final inspection prior to the advance of the final escrow disbursement by HUD consultant.

- Any overage shall be applied to the mortgagor's principal balance.
- Supplemental Origination Fee = Greater of \$350 or 1.5% of subtotal of rehabilitation charges (203K Worksheet B10) applies to all transactions. Disclosed Section 801 of 2010 Itemization.
- (1) Date Down Endorsement (Title Update Fee) \$100 Applies to all transactions (203K Worksheet B3). Disclosed 1101 Section of 2010 itemization.
- Supplemental Origination and Date down Endorsement fees must be disclosed on the 2010 itemization.
- An Early Release Title Policy is required in the State of Oregon.

203(k) Appraisal Order Standard Language

The following language shall be included in the comments section of all appraisal orders for 203(k) loan programs. The contractor's costs estimate bid as well as HUD consultants review shall also be provided to the appraiser.

"This appraisal order is for a section 203(k) rehabilitation transaction". Attached you will find:

- *HUD Consultants Property Review.*
- *Contractors cost estimates and/or bids for the proposed rehabilitation and/or improvements.*

In the reconciliation section, please indicate the "after-improved" value, subject to the completion of the proposed repairs and/or improvements. Also please include a description of the proposed repairs and/or improvements in the appraisal report as well as a copy of the contractor's cost estimate."

In the Appraiser Comments Section, please indicate an "As Is Value" prior to repairs.