

The FHA Section 203(k) program is Ruoff Home Mortgage's Home Loan Program for the rehabilitation and repair of single family properties. As such, it is an important tool for community and neighborhood revitalization and for expanding homeownership opportunities. Since these are the primary goals of HUD, the Department of Housing and Urban Development believes that Section 203(k) is an important program and they intend to continue to strongly support the program and the lenders that participate in it.

If you have questions about the 203(k) program or are interested in getting a 203(k) FHA insured mortgage loan, we suggest that you get in touch with one of our Home Loan Specialists.

Branch Locations

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**FHA 203K
STREAMLINE
LIMITED REPAIR
PROGRAM**



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FHA 203K Streamline – How is it different?

Most mortgage financing plans provide only permanent financing. That is, the lender will not usually close the loan and release the mortgage proceeds unless the condition and value of the property provide adequate loan security. When rehabilitation is involved, this means that a lender typically requires the improvements to be finished before a long-term mortgage is made.

When a homebuyer wants to purchase a house in need of repair or modernization, the homebuyer usually has to obtain financing first to purchase the dwelling; additional financing to do the rehabilitation construction; and a permanent mortgage when the work is completed to pay off the interim loans with a permanent mortgage. Often the interim financing (the acquisition and construction loans) involves relatively high interest rates and short amortization periods. The Section 203(k) program was designed to address this situation. The borrower can get just one mortgage loan, at a long-term fixed rate, to finance both the acquisition and the rehabilitation of the property. To provide funds for the rehabilitation, the mortgage amount is based on the projected value of the property with the work completed, taking into account the cost of the work. To minimize the risk to the mortgage lender, the mortgage loan (the maximum allowable amount) is eligible for endorsement by HUD as soon as the mortgage proceeds are disbursed and a rehabilitation escrow account is established. At this point, the borrower has a fully-insured FHA mortgage loan.

How the Program Can Be Used ?

This program can be used to accomplish rehabilitation and/or improvement of an existing one-to-four unit dwelling in one of three ways:

- To purchase a dwelling and the land on which the dwelling is located and rehabilitate it.
- To purchase a dwelling on another site, move it onto a new foundation on the mortgaged property and rehabilitate it.
- To refinance existing indebtedness and rehabilitate such a dwelling.

To purchase a dwelling and the land on which the dwelling is located and rehabilitate it, and to refinance existing indebtedness and rehabilitate such a dwelling. The mortgage must be a first lien on the property and the loan proceeds (other than rehabilitation funds) must be available before the rehabilitation begins.

The 203 (k) may also be used to purchase a dwelling on another site, move it onto a new foundation and rehabilitate it, the mortgage must be a first lien on the property; however, loan proceeds for the moving of the house cannot be made available until the unit is attached to the new foundation.

What are the minimum and maximum amounts for repair costs under this program?

Given the need for homeowners to make minor repairs without exhausting personal savings, and in consideration of the increasing cost of materials, the minimum repair cost of \$5,000 is eliminated and the ceiling is now raised to \$35,000. This revised maximum repair/rehabilitation amount recognizes the cost of making older homes more energy efficient. Note that as described below, when the repairs exceed \$15,000, the mortgagee must perform or obtain an inspection to determine that all listed repairs were completed.

What improvements are eligible under the new Streamlined (k) program?

The Streamlined (k) program is intended to facilitate uncomplicated rehabilitation and/or improvements to a home for which plans, consultants, engineers and/or architects are not required. The Streamlined (k) program includes the discretionary improvements and/or repairs shown below:

- Repair/Replacement of roofs, gutters and downspouts
- Repair/Replacement/upgrade of existing HVAC systems
- Repair/Replacement/upgrade of plumbing and electrical systems
- Repair/Replacement of flooring
- Minor remodeling, such as kitchens, which does not involve structural repairs
- Painting, both exterior and interior
- Weatherization, including storm windows and doors, insulation, weather stripping, etc.
- Purchase and installation of appliances, including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Lead-based paint stabilization

- or abatement of lead-based paint hazards
- Repair/replace/add exterior decks, patios, porches
- Basement finishing and remodeling, which does not involve structural repairs
- Basement waterproofing
- Window and door replacements and exterior wall re-siding
- Septic system and/or well repair or replacement

Adding additional square footage such as room additions is prohibited.

Can the Streamlined (k) program be used for refinancing the mortgage?

The Streamlined (k) program is also available for mortgage refinance transactions including those where the property is owned free-and clear.



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