

Process for APT – AFR Rehab - FHA Full 203K Product

(Minimum 60 Day Contracts Accepted – No Exceptions)

Steps for the Referring Loan Officer - APT LO Mentor and Support Staff

*Note the most important item to know on any rehab program is that the builder MUST act as the general contractor for the construction. Contract must be approved PRIOR to application.

REFERRING LO / APT CORR MENTOR:

1) **LOCKS ARE NOT ALLOWED ON PROGRAM UNTIL AFTER APPRAISAL AND LOAN CONDITIONAL APPROVAL.**

2) We must receive the following signed contractor to get the GC approval prior to processing submission (Please click on this link for these forms):

- Link: [c39de5_b701222f32524b7f907dc0f55693fd40.pdf \(filesusr.com\)](https://filesusr.com/c39de5_b701222f32524b7f907dc0f55693fd40.pdf)
- Application 1- Renovation-Contractor-Profile-C
- Application 2- 203K - 149 Homeowner-Contractor Agreement - Limited C

ONCE THE CONTRACTOR IS APPROVED YOU MAY PROCEED TO APPLICATION!

3) Make sure to review the Purchase contract lists the loan as FHA 203K and that you receive bids from the contractor that will act as the General Contractor (GC).

4) Bids:

- Must be broken down based on Labor and Material Costs
- NOTE-LO needs to stress to contractor that the bids will need to be updated based on UW review and appraisal.
- Liability insurance
- Contractor needs to complete W9.
- Licensed required if per the local jurisdiction.

5) Ineligible Repairs:

- Any repair/removal/remediation of Oil Tanks
- Any repair/installation for private water systems (wells)
- Any repair/installation for private waste management systems (septic systems, lagoons, cesspools, pits, etc.).
- Mold remediation
- Razing/demolition of home down to its foundation is not permitted.
- Physical relocation of a home from another location is not permitted.

6) Please be aware of the following property types / notes:

- Note - "As Completed" Property Condition Rating as determined by the Appraiser must be C1-C4.
- Any loan that has a well and/or septic being replaced or installed, must be processed as a FHA Standard Full 203(k) transaction.
- Non-Approved Condominiums are not permitted.
- Co-Ops are not permitted.
- Manufactured Housing that has been moved and/or traded are not permitted.
- Properties with more than 100 acres are not permitted.
- If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional.

7) A minimum 10% contingency reserve on all FHA Full 203(k) Rehabilitation Mortgage transactions. The amount may be increased to a maximum of 20% at the discretion of the Underwriter.

8) A Licensed HUD Consultant is required on this program that will work directly with the contractor during the process. The referring loan officer must procure the name, email address, phone number and HUD ID Number of each consultant. This must be done at the time of origination as this information is required on the FHA Case Number request.

9) The number of draw disbursements will be determined by the HUD Consultant while working with the General Contractor on this program.

10) Identities/conflicts of interest between the borrower and contractor are not permitted. The borrower and contractor may not be related, nor can there be an employee/employer relationship.

11) Self-Help is not permitted!

12) This program allows for a loan amount of 96.5% on purchases or 97.75% on refinances and is based on the lesser of acquisition cost (Total Cost of Rehab), **Or** 110% of the future appraised value after repairs.

13) The total cost of rehabilitation is the total sum of the contractor bid + contingency amount + reinspection fees + permit costs, as applicable + supplemental origination fee, as applicable.

14) Important: A supplemental origination fee will be charged on this product in the amount of 1.5% of the "Total Cost of Rehab"; or \$350, whichever is greater. See #16 below for more LE Information.

15) Other Items to fill in on your URLA (If Applicable):

A) Enter your total sales contract amount like normal once you receive it.

B) Enter the dollar amount of repairs to be made **PLUS** the 10% Contingency under "Improvements" on your URLA on the "Property" screen in MBOT.

The image shows a screenshot of a web form titled "Transaction Details". It contains several input fields and checkboxes. The "Improvements" dropdown menu is highlighted with a red circle. Below it are fields for "\$ Construction/Improvements Costs", "Lot Acquisition", and "Acquired Date".

Transaction Details

Conversion of Contract for Deed or Land Contract

Renovation

Construction-Conversion Type ▼

Improvements ▼

\$ Construction/Improvements Costs

Lot Acquisition ▼ Acquired Date 📅

C) Setup the “Borrowers Summary Screen” like this in MBOT.

*Note – If you are paying off a contract for deed, this must be treated as a Purchase transaction and the sales price would be the payoff amount of the contract of deed.

The screenshot shows the 'Borrower Summary' form in MBOT. The left sidebar is titled 'Forms & Docs' and includes a red arrow pointing to 'Borrower Summary'. The main form has three main sections:

- Property Information:** Includes fields for 'Same as Borrower's Present Address?' (No), 'Subject Property Address' (1006 E. Tascosa Ave), 'Address Number' (1006), 'Address Street' (E Tascosa Ave), 'City' (KERMIT), 'State' (TX), 'County' (WINKLER), and 'Zip' (79745).
- Loan Information:** Includes 'Sales Price' (\$90,000.00), 'Estimated Balance on Home' (\$0.00), 'Property Type' (Detached), 'Estimated/Appraised Value Same as Sales Price' (\$351,000.00), 'Approx. Mtg Payment' (\$0.00), 'Property will be' (Primary Residence), 'Purpose of Loan' (Purchase), 'Base Loan Amount' (\$338,700.00), 'Is Employee Loan?' (No), 'Product' (Z-APT ND Rehab FHA K Full AFR), 'Financed FHA MIP or VAFF' (\$5,927.00), 'LTV' (376.333%), 'Lien Type' (First Mortgage), 'Mortgage Applied For' (FHA), 'Total Loan Amount' (\$344,627.00), 'CLTV' (376.333%), 'Number of Months' (360), 'Rate' (7.625%), 'Down Payment' (-276,333% | \$-248,700.00), 'Subordinate Financing LIAB' (\$0.00), 'Subordinate Financing DOT' (\$0.00), 'New First Mortgage Amount' (\$0.00), 'Closing Costs from 2nd Lien' (\$0.00), and 'Application Date' (04/26/2024).
- Construction/Construction Permanent Only:** A section at the bottom of the form.

D) There is nothing different for a refinance other than properly marking any current mortgage to be paid off with the new loan, and there would be no Sales Price entered.

*Note – If you are paying off a contract for deed, this must be treated as a Purchase transaction and the sales price would be the payoff amount of the contract of deed.

16) LE Should be set-up like a normal loan in the LO's area. However, please remember to add the following:

- Final Inspection fees of \$125 X The number of draws we recommend \$750 (6 draws).
- *Structural Engineers Report for Manufacture Housing Units.
- Make sure to charge the HUD Fee Consultant Fee on the LE.
- Must disclose title update fees, at a minimum 3 @ \$150 = \$450
- Supplemental origination fee (1.5%)
- There may be significant discount points required on this product. Please see the APT Rate Sheet for the exact amount. If there is not a 6% seller concession the program may not be viable. APT will make sure to charge for the appropriate discount on each loan before disclosing.

- G) In addition to normal fee setup make sure the \$1800 commitment fee is disclosed on all APT Correspondent loans unless an exception has been granted by doing a lender credit from JH on the URLA prior to disclosure. This fee will be used to “replace” any regular underwriting or processing charges (please remove I/A).
- H) **NOTE- The Apt Unit will be sending out all disclosures on this product! You must set up your LE, but you may NOT disclose this product offering!**

- 17) Please remember “Out of Area” loan policy on possible “Transfer Taxes”.
- 18) Review to make sure that the services have been run on all loan products (Credit, DV, Flood, DU or LP).
- 19) Review loan for approvability vs. any AFR Overlays from their site.
- 20) Once the loan is reviewed for approvability, the following disclosures will be required prior to initial disclosure preparation and submission that are required on the program. Please see the APT Website for these disclosures. Please upload these to Image Flow.
- These are the forms that will be required to be signed **PRIOR** to each FHA 203K Loan moving to processing within the APT Division.
- Please click on this link for all the various Borrower Disclosures required for this product:
- Link: [c39de5_77f2dbe449fc429498078483e39878d3.pdf \(filesusr.com\)](https://filesusr.com/c39de5_77f2dbe449fc429498078483e39878d3.pdf)
- 21) Please note that because you are the originating loan officer you MAY receive emails from AFR directly throughout the process requesting items. Please forward these emails to the processor and your mentor and DO NOT respond. Our processing team will be handling all correspondence directly with AFR (the investor) for this product.
- 22) A 2nd appraisal may be needed when the home has not been owned for 12 months, or the seller owned the property for less than 6 months. If the seller has not owned the home for at least 90 days, per HUD guidelines the loan is not approvable.
- 23) Prepare all parties, that there could be a lot of back and forth with underwriting.

24) There are certain forms that the borrower(s) and contractor will need during the draw / rehabilitation process to procure funds. Below is a list of these forms that you can find below.

- Link: [c39de5_70d4a5a4483442c6962c5f907d0859ca.pdf \(filesusr.com\)](https://filesusr.com/c39de5_70d4a5a4483442c6962c5f907d0859ca.pdf)
- Post Close 1- Renovation Draw Process Acknowledgement Disclosure
- Post Close 2- Limited Lien release-C
- Post Close 3- Important Notice Regarding Contingency Funds on Renovation Loans-C.pdf
- Post Close 4- Mortgagors-Letter-Of-Completion-C