

Process for APT – AFR Rehab - FHA SL 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.

*Note that an FHA SL 203K is limited to \$35K in “Non-Structural” repair / rehab items.

REFERRING LO / APT CORR MENTOR:

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

We must receive the following signed contractor documents 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

Bids:

- Must be broken down based on Labor and Material Costs

2) Ineligible Repairs:

- Structural Modifications
- 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.

3) 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.

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

5) The program permits a 50% initial advancement in relation to estimated materials and labor costs before beginning construction to the Contractor (which includes but is not limited to materials for labor and permits) at the time of closing.

6) A maximum of 2 draws after closing is allowed and all draw requests to be performed in writing and executed by the Contractor and Borrower using the FHA 203(k) Limited Draw Request Form which is available on our website.

7) 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.

- 8) Self-Help is not permitted!
- 9) This program allows for a loan amount of 96.5% on purchases or 97.75% on refinances and is based on the lessor of acquisition cost (Total Cost of Rehab), **Or** 110% of the future appraised value after repairs.
- 10) The total cost of rehabilitation for \$35,000 maximum is the total sum of the contractor bid + contingency amount + reinspection fees + permit costs, as applicable + supplemental origination fee, as applicable.
- 11) 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.
- 12) Other Items to fill in on your URLA (If Applicable):
- A) Enter your total sales contract amount like normal once you receive it and enter the dollar amount of repairs to be made **PLUS** 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 is a field for "\$ Construction/Improvements Costs". At the bottom, there are fields for "Lot Acquisition" and "Acquired Date".

Transaction Details	
<input type="checkbox"/>	Conversion of Contract for Deed or Land Contract
<input type="checkbox"/>	Renovation
Construction-Conversion Type ▼	
Improvements ▼	
\$ Construction/Improvements Costs	
Lot Acquisition ▼	Acquired Date 📅

- B) There is nothing different for a refinance other than properly marking any current mortgage to be paid off with the new loan. Please make sure to enter the dollar amount of repairs to be paid for under “Improvements” on your URLA on the “Property” screen in MBOT.
NOTE – If a Contract for Deed is being paid off, you must consider the transaction as a purchase!
- 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.

- 13) 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 \$300
 - *Structural Engineers Report for Manufacture Housing Units.
 - 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.

F) 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).

G) 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!

14) Please remember “Out of Area” loan policy on possible “Transfer Taxes”.

15) Review to make sure that the services have been ran on all loan products (Credit, DV, Flood, DU or LP).

16) Review loan for approvability vs. any AFR Overlays from their site.

17) 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)

18) Please note that because you are the originating loan officer you MAY receive emails from AFR directly throughout the process requesting items, please COMPLETELY ignore these emails and DO NOT respond. Our processing team will be handling all correspondence directly with AFR (the investor) on this product.

19) 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