

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

(Minimum 60 Day Contracts Accepted when received with a BID – 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 BROKER 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:

- 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.

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) 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.

9) 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.

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) 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.

12) Self-Help is not permitted!

13) 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.

14) 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.

15) 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.

Setting up your Loan in MBOT for Application and Disclosure

16) Please set up a prequal or loan request within MBOT in normal procedure. You do NOT have to change any loan numbers; please email loa@flanagansstatebank.com and ask our team to change each loan to a "38" and they will. If you can change loan numbers, please do so.

17) 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 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

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.

18) LE Should be set-up like a normal loan in the LO's area. However, please remember that the following will be added to each loan when disclosed:

- Final Inspection fees of \$125 X The number of draws we recommend \$750 (6 draws).
- *Structural Engineers Report for Manufacture Housing Units.
- Charge to the HUD Fee Consultant Fee.
- 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) NOTE- The Apt Unit will be sending out all disclosures on this product directly through AFR (the investor)!

- 19) Please remember "Out of Area" loan policy on possible "Transfer Taxes".
 - 20) Review to make sure that the services have been run on all loan products (Credit, DV, Flood, DU or LP).
 - 21) Review loan for approvability vs. any AFR Overlays from their site.
 - 22) 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 aptproc@flanagansstatebank.com and your mentor and DO NOT respond. Our processing team will be handling all broker processing directly with AFR (the investor) for this product.
 - 23) 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.
 - 24) Prepare all parties, that there could be a lot of back and forth with underwriting.
 - 25) Please upload your purchase contract (I/A) and Contractor Bid to Image flow within MBOT.
 - 26) Make a note in MBOT to advise our APT Processor if you want to retain contact with borrower(s) /contractors and supply processing conditions, or if you want the processor to go directly to the borrower(s). Note, APT will handle all communication with HUD Consultants.
 - 27) To start the loan disclosure process, send an email to APT@flanagansstatebank.com along with the following information:
 - Reference the loan number within MBOT and the primary borrower's first and last name.
 - Upload any / all pertinent loan documentation into Image Flow.
- NOTE:**
On broker products, all borrower(s) will be required to pay for all appraisals prior to ordering via a credit card, or other direct payment method.

28) Weekly Communication

APT will invite you to a weekly pipeline call at 9:30 AM CST every Thursday if you have a loan disclosed and in process, if you have selected that option. You may choose NOT to attend, but this is highly recommended.

APT BROKER MENTOR:

- 29) Please make sure the Purchase Agreement and bid is uploaded to the file (I/A).
- 30) Please make sure that a BIP is uploaded to Image Flow or Notes have been added to MBOT for processing to do appropriate ordering.
- 31) Please make sure to make this new loan “Non-HMDA Reportable”.
- 32) Broker Mentor will register or lock each loan with AFR and run DU findings directly on their site after uploading a FNMA 3.4 file format.
- 33) APT Mentor will make sure a note about processing contact has been entered into MBOT.
- 34) Once complete, please send an email to aptproc@flanagansstatebank.com to have processing take over the loan disclosure and loan processes.

APT PROCESSING:

- 35) Processing team will locate each loan in the AFR pipeline after registration by the mentor.
- 36) Processor will request disclosure directly on the AFR Investor Site.
- 37) The loan will be processed in the manner selected by each loan officer.
- 38) APT Processor will move each loan to “UW Approved W Conditions” after the investor has approved each loan.
- 39) APT Processor at time of final resubmission to AFR will request the “LOCK” by emailing lockdesk@flanaganstatebank.com .
- 40) APT Processor will upload all final Cleared to Close Statuses on this loan product to MBOT and move the loan to a “U/W DECISION - FINAL APPROVAL/READY FOR DOCS” but will **NOT** final the loan for closing.
- 41) Once loan funding has taken place, the APT division will mark each loan funded.