

Step-by-Step How to Originate and Submit a Renovation Loan

With new home inventory becoming more and more scarce, many Borrowers are seeking alternative financing to help them turn a house purchase into their dream home. All of this can be accomplished with one loan. Whether your Borrower qualifies for FHA, VA or FNMA financing, we have the perfect solution. The below listed steps is a snapshot of what your Borrower is to expect as they explore renovation financing.

Step 1: Encourage your Client to prepare a needs list of the most important features/items they would like in their home. Get your Clients excited about making their house their dream home!

Step 2: Instruct your Client to find a contractor that has experience with a renovation loan (203k or HomeStyle).

Step 3: This is a great opportunity for you as the broker/lender to refer your Client to a Realtor. This can only help you to get future business from that Realtor!

Step 4: Host a meeting with your Borrower, Realtor and Contractor to ensure all parties are on the same page and understand the renovation process. To assist you, AFR will gladly join you during this call to discuss all the post-closing activity such as how the renovation portion of the loan will be funded. The number 1 key to success with any renovation program is communication!

The above 4 steps (like any well-constructed home) illustrate the foundation for a successful project. Now that we have built the foundation, the following steps will bring the entire transaction together!

Step 5: Now the fun can begin for your Client with the home search.

Step 6: Once the property has been secured the contractor should visit to inspect and verify if all repairs/improvements are feasible. The contractor should be able to prepare an official bid in accordance with the lender's requirements. This bid should be broken down between labor and materials. Please refer to our resource center for a sample bid.

Step 7: Now that the bid has been prepared the loan amount can now be calculated. For a 203K loan, the HUD 203k calculator will be used to complete this calculation. For a FNMA Homestyle loan, the maximum mortgage worksheet is what will be used to calculate your numbers. AFR will gladly assist you with this very important step. Keep in mind, all numbers are a moving target until the appraisal is finalized.

Step 8: Now that all your numbers have been calculated, assuming you have collected all the supporting documentation for your credit package, you are ready to submit your loan to AFR.