

# FHA 203(K) REHAB LOAN

## WHAT IS A 203(K) LOAN?

**The FHA 203(k) rehab loan** is a cost-effective loan which allows a buyer to finance necessary repairs or desired home improvements with a minimum 3.5% down payment FHA loan. It allows a single loan to simplify a purchase or refinance along with financing renovations. It's a great option for a property that needs a little work and the buyer doesn't have the cash to pay for improvements.

There are two types of 203(k) Rehab loans: Standard and Limited. A Standard 203(k) Rehab Loan program can include structural changes, additions, fencing, and improvements. The Limited program is user-friendly and allows the following improvements to be financed into the loan.

### PROGRAM ELIGIBILITY:

- Fixed-rate FHA mortgage
- Primary residence only
- Maximum \$35,000 rehab amount; no minimum
- FHA guidelines apply for loan credit approval
- Minimum 640 credit score
- Cash reserves may be required
- Up to 6% in interested party contributions allowed
- Standard FHA investment required
- Maximum 96.5% loan-to-value (LTV) on a purchase
- Maximum 97.5% LTV on a refinance
- Attached and detached single-family residences, condos, and planned unit developments (PUDs)
- 2- to 4-unit properties allowed if owner lives in one of the units
- Allows for energy-efficient program

### TYPES OF IMPROVEMENTS INCLUDE:

- Repair/replacement of roofs, gutters, and downspouts
- Repair/replacement/upgrade of existing HVAC systems, 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.
- Lead-based paint stabilization or abatement of lead-based paint hazards
- Repair/replace/add exterior decks, patios, and porches
- Basement finishing and remodeling, which does not involve structural repairs
- Basement waterproofing
- Window/door replacement and exterior wall re-siding
- Septic system and/or well repair or replacement

**Note:** *Structural alterations and luxury items such as swimming pools and barbecue pits are not eligible.*



### BRIAN SHOWERS

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