



LEVERAGE RENO MORTGAGES

Learn Affordable Financing
Solutions for Properties in Need
of Major or Minor Repairs



www.EquityOneLending.com

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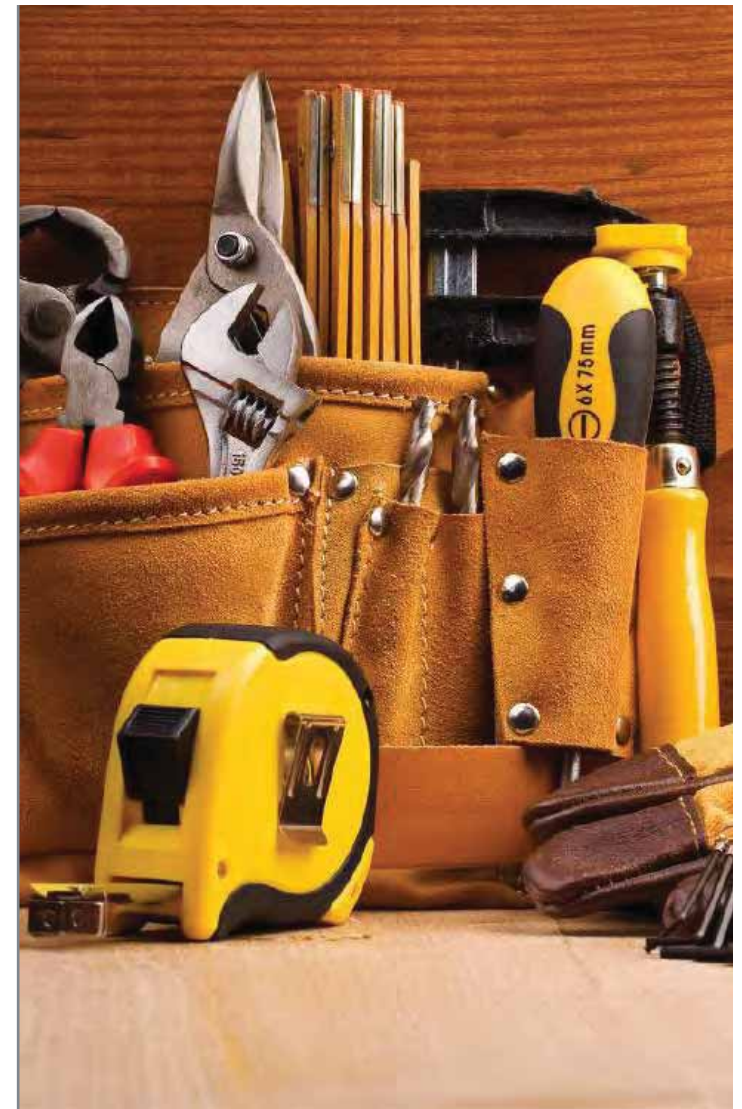
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INTRODUCTION

Today's homebuyers say they want move-in ready homes, but they are also drawn to the bargain pricing of the many distressed properties on the market. How many buyers say they don't want a home that needs a lot of work, but then are repeatedly interested in charming older homes, properties in the ideal location, or larger homes, all of which are in their price range simply because they are in need of some repairs?

According to a major real estate industry study among first time homebuyers 54% said that finding a "move-in ready" home was "very important", and it was described as "somewhat important" by another 33%. What if buying and then rehabbing a home means access to the home of their dreams? A home they would be happy in for years to come, avoiding the cost of another move shortly down the road once they've outgrown the "starter home"?

What often stands in the way of considering this type of real estate purchase is that many buyers can't afford to first buy the home and then pay out of pocket for the repairs or updates. However, with a renovation loan it is possible to finance the cost of work done on the property as part of a first mortgage loan.

Houses in need of rehabilitation may be available at a significant discount when compared to homes that need few or no repairs. In May 2015, distressed properties were selling at 43% below the median price of a non-distressed sale, according to Daren Blomquist, Vice President at RealtyTrac.

Low inventory is also driving this trend towards buying homes in need of renovation. According to the National Association of REALTORS® 2015 Profile of Home Buyers and Sellers, "buyers continue to report the most difficult task for them in the home buying process is simply finding the right home to purchase."

"Houses in need of rehabilitation may be available at a significant discount when compared to homes that need few or no repairs."

Let's explore the wide range of renovation loans currently available. There's one to suit just about any scenario, allowing you to say yes more often. As you build your pipeline, you'll add value for your referral partners, and gain customers for life in the process.

FHA STANDARD 203(k) REHABILITATION MORTGAGES

Among the most popular and well known of the rehab loans available, the FHA Standard 203(k) Rehabilitation Mortgage is used to finance both the purchase and work done on homes in need of extensive renovation and/or structural repairs.

This program can help a buyer completely transform a home, whether that means foundation repairs and a new roof, or a beautiful modern kitchen, hardwood floors, and the addition of a master suite.



THE BASICS

- Total renovation costs must be at least \$5,000
- Use of a 203(k) consultant, an expert involved through out the process including estimating the cost of repairs and inspecting the work performed, is required
- Eligible properties include 1 – 2 unit primary residences, Manufactured Housing, FHA Approved Condominiums, Site Condominium, PUDs and HUD REO
- The appraisal report must provide an “as completed” appraised value that estimates the value of the property after completion of the renovation
- Work must begin within 30 days of the execution of the agreement, and completed within the time period dictated by the agreement, which can be no longer than six months



BENEFITS OF THE FHA STANDARD 203(k)

Complete the rehabilitation quickly

Buyers may love the idea of renovating a distressed property, but have no desire to live in a construction zone for the next five years. This is often the reality for owner financed rehabs, where projects are tackled one-by-one or room-by-room over time as money is available. With a Standard 203(k) Rehabilitation Mortgage, the funds are at the ready to cover the extent of the repairs. You could be enjoying life in the home of your dream within weeks rather than years.

Live elsewhere until the work is complete

The renovation funds can include enough to cover the cost of alternate housing for up to six months. Anyone who has shared their home with scores of contractors or washed dishes in the bathroom sink for several weeks will immediately understand what a beneficial feature this is!

Refinance options available

Not strictly a purchase program, the FHA Standard 203(k) Rehabilitation Mortgage can be an excellent solution for homeowners looking to finance major improvements to an existing property.

FHA LIMITED 203(k) REHABILITATION MORTGAGES

This program is used to finance both the purchase (or refinance) of, and repairs or renovations to a home with one mortgage loan. A scaled down version of the FHA Standard 203(k) loan, the Limited 203(k) allows for rehabilitation costs up to \$35,000, and is intended for simple repairs and remodels, updates and upgrades, but not for major or structural renovations.

According to the National Association of REALTORS® 2015 Profile of Home Buyers and Sellers, a lack of inventory in many parts of the US is leading buyers to “purchase more expensive homes as prices increase.” Currently it is taking buyers on average 10 weeks to find a home to buy.

Would updated kitchen cabinets, a fresh coat of paint, and a new patio turn a home into one that’s worth a second look? When buyers consider what a home could be, rather than how it looks today, it can open up a limited inventory and create many more exciting options.

THE BASICS

- Cost of work cannot exceed \$35,000 – There are no minimum repair costs
- Eligible properties include 1 – 2 unit primary residence, Manufactured Housing, FHA Approved Condominiums, Site Condominium, PUDs and HUD REO
- The appraisal report must provide an “as completed” appraised value that estimates the value of the property after completion of the renovation work – Up to 110% of this after-improved value can be borrowed
- Must work with a General Contractor (licensed as required in the state/municipality of the home) – DIY projects are ineligible

EXAMPLES OF ELIGIBLE PROJECTS

- Repair/Replacement of roofs, gutters and downspouts
- Repair/Replacement/upgrade of existing HVAC systems
- Repair/Replacement/Upgrade of 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 window and doors, insulation, weather stripping, etc.
- Purchase and installation of appliances, including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Lead-based paint stabilization or abatement of lead-based paint hazards
- Repair/replace/add exterior decks, patios, porches
- Basement finishing and remodeling, which does not involve structural repairs
- Basement waterproofing
- Window and door replacements and exterior wall re-siding



FHA 203(b) REPAIR ESCROW

This program can be an excellent choice for buyers purchasing HUD owned homes that need minor repairs. It allows up to an additional \$10,000 to be borrowed as part of the purchase loan to cover the renovation costs.

HUD owned homes are properties acquired by HUD through foreclosure of an FHA loan. Because preference is given to owner-occupants and mortgage financing is permitted, buyers in search of a primary residence may have a better chance of obtaining one of these homes versus other types of distressed properties which may be quickly bought up by investors or cash buyers.

Though foreclosure inventory has been falling since 2012 (according to data from the Mortgage Bankers Association), there are still many HUD homes available for sale. In mid-November 2015, the HUD Home Store (an online search tool that is part of hud.gov) showed properties for purchase in all fifty states. For example, at that time there were more than 180 listings in New Jersey and more than 350 in Texas.



HOW IT WORKS

As part of the purchase contract HUD must agree to allow the Repair Escrow. The appraisal must show that the home meets FHA standards and is Insurable with Repair Escrow (and requires no more than \$10,000 worth of repairs to become Insurable).

The loan amount is increased by the amount needed for the repairs, and these funds are placed in escrow by the mortgage lender.

The work must begin no later than 15 days after the loan closing and documents showing that the work has been completed must be submitted within 60 days of closing, at which time funds will be released to pay the contractor for the work on the home.



EXAMPLES OF ELIGIBLE PROJECTS

The FHA 203(b) Repair Escrow is intended to finance repairs that are uncomplicated in nature (they don't require written plans, engineers, or architects), and for cosmetic purposes. Tear out decades old shag carpeting and put down new hardwood floors? Sure! Take down a load bearing wall to open up a closed in floorplan? This isn't the program for that.

Allowable projects may include:

- Repair roofs, gutters and downspouts
- Repair/Replacement/upgrade of existing HVAC systems
- Repair/Replacement/upgrade of plumbing and electrical systems
- Repair/Replacement of flooring
- Painting, both exterior and interior
- Weatherization, including storm windows and doors, insulation, weather stripping, etc.
- Purchase and installation of appliances, including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Minor repair to exterior decks, patios, porches
- Minor basement waterproofing
- Minor mold remediation



FHA 203(h) MORTGAGE INSURANCE FOR DISASTER VICTIMS

This is a specialty FHA loan program that allows 100% financing to help victims of disasters purchase a new home or rebuild after their home was substantially damaged.

In 2014 there were 84 disaster declarations according to data from FEMA, the Federal Emergency Management Agency. Causes included severe winter storms, severe tropical storms, flooding, earthquake, volcanic eruption, wildfires, and mudslides, among others.



THE BASICS

- 600 minimum qualifying credit score
- Available in 10, 15, 20, 25, and 30 year fixed terms – 5/1 Hybrid ARM option available
- Eligible properties include 1 – 2 unit primary residences, Manufactured Housing, FHA Approved Condominiums and PUDs
- For the purchase or reconstruction of owner-occupied single family homes
- No minimum loan amount
- No down payment required
- Max LTV 100% of the adjusted value
- Purchase transactions only
- The FHA case number must be assigned within one year of the date of the Presidentially Designated Major Disaster Area (PDMDA)
- If rehabilitation of damage is required, see 203(k) options



BENEFITS OF THE FHA 203(h) MORTGAGE

Available to renters as well as homeowners

Renters who are displaced by a disaster may be eligible to purchase a new home with 100% financing through this program, rather than needing to put 3.5 – 5% down as would likely be required through most FHA or Conventional financing.

Does not need to be used right away

In the days and weeks immediately following a disaster it may not be possible or prudent to focus on the next steps towards establishing long term housing or home-ownership. Thankfully eligibility for this program begins as soon as the President declares the disaster and remains for one year from that date of declaration.

Option to rebuild or move on

Financing is available for either rebuilding a home that was destroyed, or purchasing a new property.

"In 2014 there were 84 disaster declarations according to data from FEMA, the Federal Emergency Management Agency."

FHA AND VA ONE-TIME CLOSE CONSTRUCTION-TO-PERMANENT LOANS

Building a home has gotten a whole lot easier. Sure there are still paint colors and cabinet pulls to consider, weather delays to sweat over, and a giant punch list at the end of the process to deal with...but the financing? We make it simple with our One-Time Close Construction-to-Permanent loan option.

Instead of the two phases typical of most construction mortgage programs where a first closing takes place at the start of building to finance the land and the build, followed by a second closing when the home is complete to put the permanent financing in place, there is **just one closing with One-time Close**. This one closing arranges financing for the construction, lot purchase (if applicable), and permanent loan, all wrapped up in one loan.

With homes selling again and low inventory in many areas, more home buyers are turning to new construction.

THE PROCESS

Stage 1: Builder/Retailer Approval & Loan Calculation

Information on the plans, builder, and cost of construction are submitted

Stage 2: Lender Credit Underwriting

A full credit application is submitted

Stage 3: Construction Underwriting

A detailed construction application is submitted including plans, land cost, cost of each phase of building, and more





BENEFITS OF A ONE-TIME CLOSE LOAN

Lower Cost

One appraisal, one set of closing costs, one underwriting and approval process. Get rid of the redundancy of a second closing and reduce all of the associated costs, allowing you to save money.

Reduced Interest Rate Risk

Rather than having to wait until near the end of the construction phase to lock in a rate for the permanent financing, with a One-Time Close loan, the rate is locked before the single closing, and before construction begins. No need to nervously watch the market throughout construction. No concerns that a rate uptick could jeopardize your final approval.

No Payments During Construction.

Buyers love this feature - Even though the final financing is in place at the start of construction, payments don't start until the home is complete. This frees up funds for alternate housing making building a home much more affordable.

No Requalification

Before the builders break ground the closing is complete, and there is no need to be requalified at the end of the construction phase. This eliminates concern that the appraisal might expire, or something could pop up in underwriting to cause headaches along the way.

FANNIE MAE HOMESTYLE[®] RENOVATION MORTGAGES

This loan allows borrowers to purchase a home that needs repairs, or refinance their existing home, and include the necessary funds for renovation in the balance of the new loan. The loan amount is based on the “as-completed” value of the home rather than the present value. Here is a solution for borrowers or projects that simply do not fit the FHA guidelines.

The Fannie Mae HomeStyle[®] Renovation Mortgage is incredibly versatile and accommodates a wide range of situations. If there’s a vision for giving new life to an old home or turning a distressed property into a dream home, it’s likely a HomeStyle[®] Renovation loan can help make it happen.

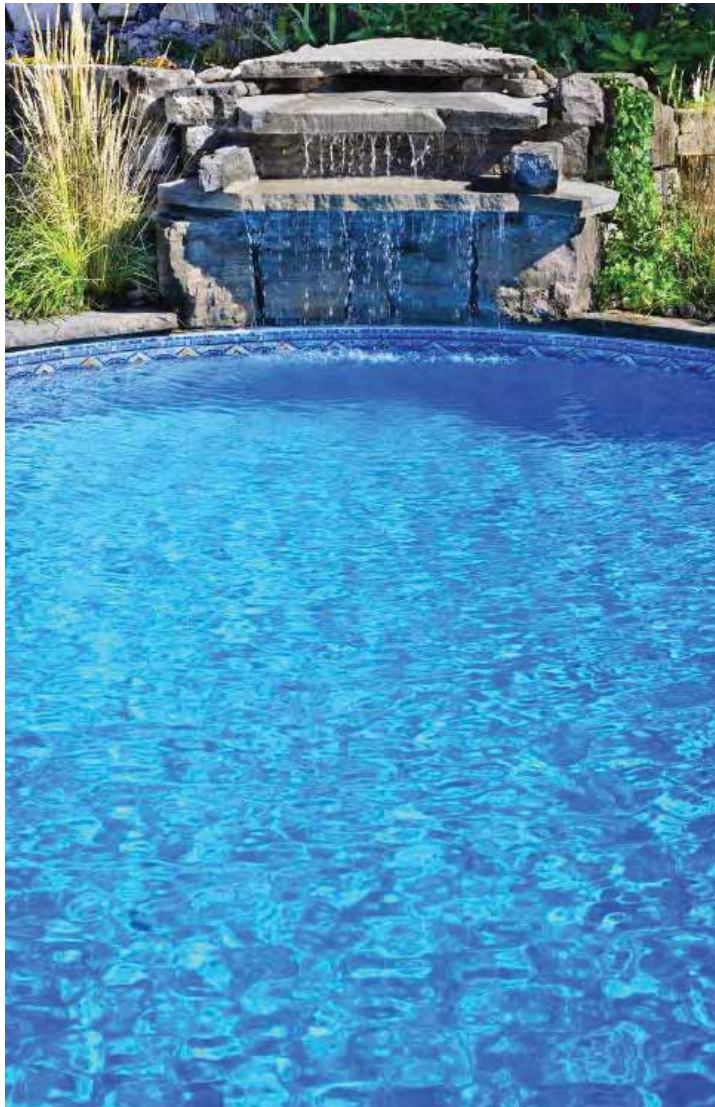


THE BASICS

- 620 minimum qualifying credit score
- Eligible properties include 1 - 2 unit primary residences, 1 unit second homes and investment properties, PUDs and Fannie Mae approved Condominiums
- Property must have been completed for at least one year
- LTV ranges from 95% on a 1 unit principal residence purchase to 75% on a 1 unit investment property limited cash-out refinance

WHAT MAKES THIS PROGRAM DIFFERENT?

- Available for purchase or refinance
- Luxury items such as pools are eligible improvements
- Not solely for primary residences, 1 unit second homes, 1 unit investment properties, and FNMA approved condos are also eligible
- No minimum dollar amount required for repairs



LEVERAGING THE HOMESTYLE® RENOVATION LOAN

- Scenario 1:** You fell in love with a home in the perfect neighborhood, just the right size, great backyard...but it needs a new roof and some electrical work. You think it's a great value even considering the cost of repairs, but just don't have the cash available to do the work.
- Scenario 2:** The owner of an investment property with a nice steady rental income wants to make some improvements to keep the home appealing to renters, but doesn't have the funds available for the updates and is concerned about the cost of an equity line or taking cash out.
- Scenario 3:** The appraisal on a purchase deal you've been working on just came back showing significant plumbing work is needed.

**"Buyers can often gain instant equity
by buying undervalued properties
and fixing them up."**

— Andrew Allen, American Financial Resources

VA RENOVATION LOAN

Among the most fulfilling work we do as mortgage professionals is helping the hard-working men and women who serve this country with their dream of homeownership or improvement of their financial position through the refinancing process. The VA Renovation loan is a NEW and unique product offered by only a few select lenders across the country.

The VA Renovation loans offers all the benefits of VA with the freedom to include cosmetic and minor repairs in the loan. This loan is a great choice for borrowers who have equity in their home, with little cash on-hand, and who would like to make minor renovations. However, this product is available for purchase transactions as well!



THE BASICS

- 620 minimum qualifying score for all qualifying borrowers
- Available in 10, 15, 20, 25, and 30 Year Fully Amortizing Fixed
- Available for purchase and refinance. No Cash-Out Refinance
- No down payment
- No minimum renovation cost
- Renovations cannot exceed \$35,000
- Cosmetic and non-structural repairs

WE MAKE IT EASY FOR YOU TO BUY AND RENOVATE YOUR NEXT HOME WITH THE HEADACHES

EXPERIENCE IS KEY WHEN DEALING WITH SPECIALTY MORTGAGES

Are you interested in RENOVATION MORTGAGES but concerned that the process may be too taxing? Think again. Our team consists of Mortgage Professionals who have backgrounds in construction and construction financing. Therefore, you are in good hands. Whether the project is small or large, we can help you close on time. Despite the horror stories of renovation mortgages taking forever to close, the bulk of our transactions close in under 30 days.

Call or visit our website today to get PRE-APPROVED for a quick and stress-free RENOVATION MORTGAGE.

HOW DOES IT WORK?

1. **Get Pre-Approved for a RENOVATION MORTGAGE** - Renovation mortgages have specific parameters that often differ from standard mortgages. This is why it is essential to get pre-approved specifically for renovation products.
2. **Find a Qualified & Reliable Contractor** - Select a licensed and reputable contractor of your choice or use one of our recommended remodeling companies.
3. **Find a Home Within Your Budget** - When shopping for a home, keep your total approval amount and program guidelines in mind.
4. **Review Necessary & Desired Repairs with Your Contractor** - Be sure to address any safety concerns before aesthetic upgrades.
5. **Send Us Your Construction Contract & Project Details** - We will review the construction budget and repairs to structure the loan.
6. **We Structure the Mortgage to Save You Money** - We review all loan terms with you and explain the remaining process. You stay in the loop.
7. **We Close Your Loan & Escrow the Money for Your Repairs**

We make RENOVATION MORTGAGES easy!

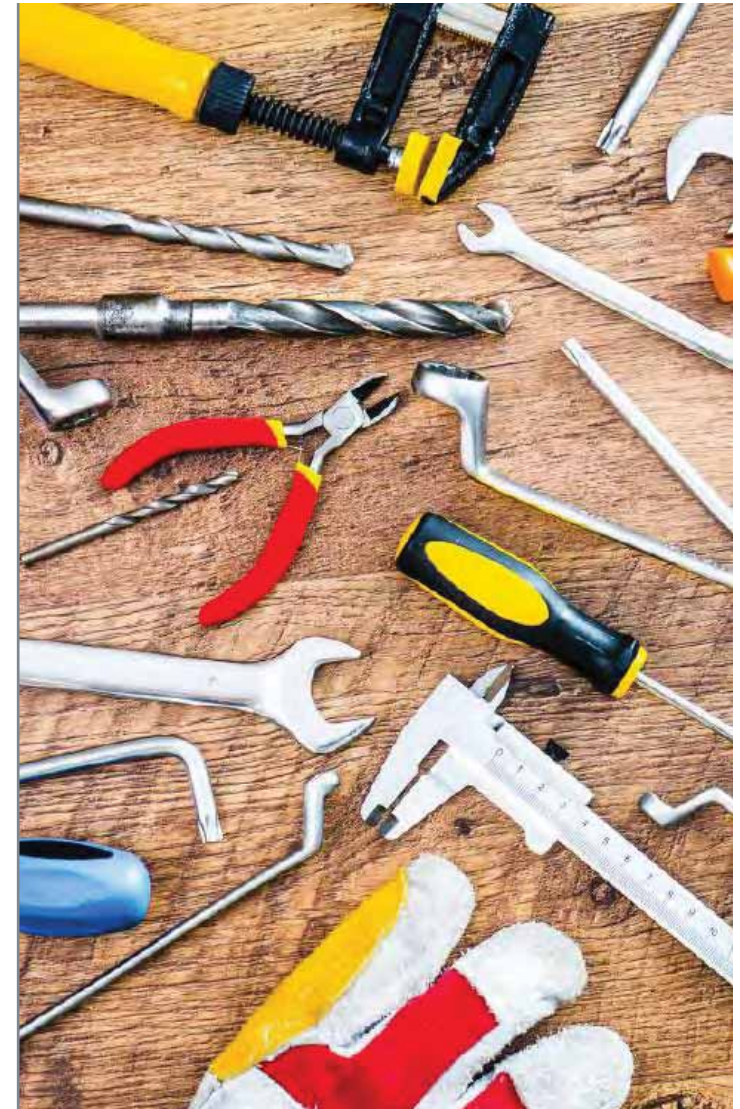
GET STARTED

Have Questions? We're Here to Help! Give us a call.

We have a streamlined approval process available on our website www.EquityOneLending.com for all types of mortgage products. The application and all supporting documentation can be submitted electronically and the approval process generally takes about five business days after submission.

If you are an **existing partner**, please reach out to your **Mortgage Loan Officer** about using **Renovation Mortgage** options to close more loans.

(443) 961-2500



Legal Disclaimers

All information is subject to change. All programs are not available in all areas. For informational purposes only. All products are subject to credit and collateral approval. Rates, points and closing costs may vary based on loan features and/or other terms and conditions. Rates, points and closing costs are subject to change without notice. This is not a commitment to lend. Additional rate and point quotes are available, please contact your loan officer for more information. If you provide your contact information, you agree to allow us to contact you regarding your financial needs. Some restrictions may apply. Equal opportunity lender. Fidelity Direct Mortgage, LLC NMLS#188829. Branch NMLS#1586699. Kwe Parker NMLS #49165. <http://www.nmlsconsumeraccess.org>