



# Affordable Friday Series

---

**Date: March 17, 2023**

**Time: 12:00 pm**

**FHA 203(k) and CRA Lending  
with Jim Bopp**

# FHA 203(k) and CRA Lending

A PROVEN PROGRAM TO DRIVE HOMEOWNERSHIP



Presented By:

**Jim Bopp**

*VP National Renovation Lending*

Planet Home Lending



Planet Home Lending®

**NYMBA Affordable  
Fridays Series**

**NYMBA**

MORTGAGE BANKERS ASSOCIATION

# What We'll Cover

- Meet CRA goals
- Revitalize communities
- Create turn-key homes at affordable prices



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023



# FHA 203(k) Rehabilitation Program Purpose



- HUD's main program for rehab of 1-4 family homes
- Promotes restoration of existing homes
- Aids in community revitalization and expansion of homeownership
- Helps lenders demonstrate commitment to lending in lower income communities and meet Community Reinvestment Act (CRA) responsibilities

*\*Source: FHA Mortgagee Letter 94-11 – [www.hudclips.org](http://www.hudclips.org)*



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023

**NY**  
**MBA**

MORTGAGE BANKERS ASSOCIATION

# FHA 203(k) + Local Agencies and Nonprofits



- Can be used in partnership with state and local housing agencies and nonprofit organizations
- State and local government agencies can combine Section 203(k) with other financial resources
- Lenders can leverage local housing agency and nonprofit organization expertise to manage the rehabilitation

*\*Source: FHA Mortgagee Letter 94-11 – [www.hudclips.org](http://www.hudclips.org)*



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023



# FHA 203(k) Rehabilitation Program in Secondary Market



- A strong secondary market for Section 203(k) mortgages has developed over the last few years
- Many of these secondary lenders will also assist originating lenders in developing a successful 203(k) program
- **It is easy to price and deliver this product as a correspondent lender**

*\*Source: FHA Mortgagee Letter 94-11 – [www.hudclips.org](http://www.hudclips.org)*



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023

**NY**  
**MBA**

MORTGAGE BANKERS ASSOCIATION



# 203(k) Rehabilitation Loan Process

**Step 1:** Lender Pre-Qualifies borrower

**Step 2:** Customer finds property in need or want of repair

**Step 3:** Customer finds a contractor and 203(k) consultant to establish repair budget & appraiser establishes “as repaired value”

**Step 4:** Lender underwrites and approves loan

**Step 5:** Loan closes

**Step 6:** Contractor starts renovations and works with mortgage servicer to access renovation funds

**Step 7:** Final inspection

**Step 8:** Customer moves in during or upon completion of repairs

**Potential to  
finance up to 6  
months of  
payments when  
major renovations  
being performed**



**Planet Home Lending®**

**MBA's CRA Residential  
Lending Workshop 2023**

**NYA**  
**MBA**

MORTGAGE BANKERS ASSOCIATION

# FHA 203(k) Program Features and Design

- 1 – 4 Units Unit Maximum DTI and FICO Per AUS
- Loan Based off 110% “After-improved Value”
- No cap on repair budget
- 10 to 20% Contingency Reserve
- Inspection and Title Update Fees
- Mortgage Payments Escrowed for up to 6 months
- Architectural and Engineering Fees
- FHA 203(k) Consultant Fees
- Building Permits Fees
- Supplemental Origination Fee



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023





# FHA Standard and Limited 203(k)

- Purchase or Refinance
- Good Neighbor Next Door Program
- HUD REO \$100 Down Program
- 1 - 4 Units
- Conversions
- Mixed-use
- FHA and other REO Acceptable
- Manufactured Homes
- Fixed and Adjustable Rates



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023



MORTGAGE BANKERS ASSOCIATION

# Fannie Mae HomeStyle® and HomeReady® HomeStyle®

- Purchase and \*Limited Cash-Out Refinance (\*No funds to borrower outside of repair escrow funds on a refinance)
- 1-4 units, 1 unit second home, 1 unit investment property, Condo (standard guidelines apply for Florida Condos), PUDs and Manufactured Homes
- 97% 1st Time Home Buyer and HomeReady Options
- Fixed Rate: 15, 20, 25, and 30 year
- Conventional, credit, and reserves
- Manufactured Housing



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023



# Freddie Mac CHOICERenovation<sup>®</sup> and HomePossible<sup>®</sup> CHOICERenovation<sup>®</sup>

- Purchase and Rate/Term Refinance
- 1-4-unit Primary Residence, 1 Unit Second home, 1 unit Investment Property, Manufactured Homes (Doublewides Only), SFR, PUD, and Warrantable Condo
- Standard Conforming and Home Possible - Fixed Rate: 15, 20, 25, and 30 year
- Manufactured Housing



Planet Home Lending<sup>®</sup>

MBA's CRA Residential  
Lending Workshop 2023



# Selecting an Investor

- Look for a partner that will help you build and grow your program with sales and technical training/support
- Flexible operating templates for both underwriting and draw management
  - Delegated and Non-Delegated Underwriting
  - Delegated and Non-Delegated Draw Options
- Minimize Renovation Risk Factors for all parties
- Goal of completing projects, creating satisfied homeowners, and community partners
- One that will ensure your excellent reputation in your market and enhance your CRA Affordable Lending Programs!



Planet Home Lending®

MBA's CRA Residential  
Lending Workshop 2023

**NYA**  
**MBA**

MORTGAGE BANKERS ASSOCIATION

# Thank You

**JIM BOPP**

**VP National Renovation Lending**

[JBopp@PlanetHomeLending.com](mailto:JBopp@PlanetHomeLending.com)

518.348.6426

[www.phlcorrespondent.com](http://www.phlcorrespondent.com)



This is a business-to-business communication meant for use by mortgage professionals only. It is not intended for distribution to consumers or other third parties. It is not an advertisement” as defined in Section 1026.2(a)(2) of the Truth-in-Lending Act. Product information is subject to change without notice. © Planet Home Lending, LLC. NMLS #17022. All rights reserved.



**Planet Home Lending®**

**MBA's CRA Residential  
Lending Workshop 2023**

**NYA**  
**MBA**

MORTGAGE BANKERS ASSOCIATION