

# Top \*3\* Reasons You Will LOVE the FHA 203K Rehab Mortgage Program

When a Bank loans money to a home buyer to purchase their home, the bank has a huge financial stake in the home as well. Therefore, a home's physical condition has to meet a certain minimum standard before the lending institution can give the OK to approve a mortgage.

With a normal real estate sale, this is not a problem, because either the seller or the buyer will fix any issues the bank wants fixed. However, with most government or bank owned foreclosed properties, the buyer is not allowed to make repairs before the closing and the seller (bank/HUD) won't, but the buyer's lender won't approve the loan without the repairs completed BEFORE the CLOSING! So what's the solution?

The FHA 203K mortgage rehab loan can overcome this obstacle. This type of mortgage structures the loan to allow the repairs to be added to the loan and the repairs to be **done after the closing**. Otherwise, you would be at an impasse to close on the loan because the bank requires the house to be at a certain level of repair BEFORE the closing. So the 203K mortgage perfectly bridges this gap...

*Added note: If a home is already in bank acceptable condition, but the buyer wants to update the home's decor, the 203K can do that as well. The 203k will also allow you to add in all new appliances. Not bad!*

## Here's how the 203K loan works:

- A.) First shop, find a home and get it under contract - contingent on a FHA 203K mortgage.
- B.) Next, bring in a contractor and get an estimate for the cost of repairs or renovations. Note - you can not do the repairs. It must be a licensed contractor.
- C.) Then, go to the bank to begin your FHA 203K mortgage application. Not every bank has a 203K loan program, so check first. (There are NO Investor FHA 203k loans)
- D.) Process takes 60-75 days to close on a FHA 203k loan.
- E.) A few days after the closing, the bank will issue a check in the amount of 50% of the total repairs from your contractor's original estimate. If the repairs were \$20,000. You'll get a check for \$10,000. That will get your contractor going.
- F.) After the repairs are complete, the bank will inspect the work and issue another check for the balance of the rehab amount.

Many people wonder if the rehab money is free or a grant. It's neither. For example, let's say the agreed sale price is \$100,000, and the repairs are \$30,000. Your mortgage will be \$130,000, which includes the cost of repairs which were added into the mortgage. House Price + Home Improvements = Total Mortgage amount.

### Here are the 3 reasons you'll love the 203K Mortgage Program:

1. The rehab or home improvement money is added into your mortgage. Not out of your pocket.
2. Contractors can do ALL the work for you. Relax and drink lemonade.
3. The ease of the contractor repair payout. The bank pays 50% when work begins and 50% upon completion. Everyone's happy.



To learn more about the FHA 203K mortgage program grab your phone NOW and dial Adolfi R.E. at (315) 695-6434