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| **Government Program Helps Buyers Fix Up Their Home**    The Federal Housing Administration (FHA) is a division of the Department of Housing and Urban Development (HUD). One of their most popular programs is a rehabilitation (rehab) mortgage. It is the 203 (k) program.  As with other FHA programs, the agency doesn't actually loan the funds. Rather the administration insures the loans through FHA approved lenders. In some cases it is possible to use other FHA or HUD programs in conjunction with a 203 (k) loan.  Here is a list of facts and guidelines about this mortgage program:   1. **A rehabilitation (rehab) mortgage** is one that allows the buyer to finance the costs associated with repairs and improvements along with the mortgage itself. One major advantage of a rehab mortgage is that it allows you to have just one loan to cover all costs the house itself and the home improvements. This means you only have to make one monthly. 2. **The HUD office** in Houston, Texas states that "the basic requirements for your property to be eligible for a 203 (k) loan are the following:   a. Your property must be a one-to-four family dwelling that is owner occupied, that is at least one year old, and that meets the acceptable provisions of local zoning requirements."  b. There is a $5000 minimum required for 203 (k) improvements; otherwise you cannot participate in the program.  c. The maximum amount varies depending on the purchase price of the house. In order to determine the 203 (k) valuation there are usually two separate appraised values of the property. One value is the value of the property before rehab. The other value is determined by the estimated market value of the property upon completion of the proposed rehab or improvements.   1. **If you purchase a $100,000 house** with 10% down, the amount financed would be $90,000. If you borrow funds up to $27,000 for the rehab, your total loan would be $117,000 ($90,000 + $27,000) It would probably less than buying the house and then getting a home-improvement loan. 2. **The program can also be used to make property improvements** by refinancing property that you purchased within the past six months. For most property you could expect to borrow 100% to 110% of the expected market value of the property. 3. **You need to be knowledgeable of the limitations** on what the 203 (k) funds can be used for. Some of the acceptable expenses are as follows:   a. Structural alterations, repairs or replacements and additions, such as chimneys, attics, basements and skylights qualify. Roofing, gutters and downspouts may also be added or repaired.  b. Reconditioning or Replacing heating system, air conditioning, electrical systems, and plumbing (including connecting to public water and/or sewer systems) are acceptable items.  c. Modernization, including but not limited to remodeled kitchens, bathrooms and built in appliances. Health and Safety items (mainly dealing with the removal of lead-based paints, which may still be common in some older homes) are also included. Energy conservation improvements such as double pain windows, insulation, caulking and weather-stripping are highly acceptable items.  d. Well or Septic Systems, which must be installed or repaired before beginning other repairs to the property, are important.  e. Major landscape work and site improvement, such as patios, decks and terraces that improve the value of the property are included. (Trees, shrubs, and seeding or sodding cannot be included in the first $5000 requirement.  f. Accessibility improvements for a disabled person, such as wider doors and exterior ramps for wheelchair access and remodeling of kitchens and baths for wheelchair access and remodeling of kitchens and baths for wheelchair access, are acceptable.  g. Aesthetic Appeal changes affecting the actual appearance of the home such as new siding, additional stories, covered porches, stair railings and carports qualify. Flooring, tile, and carpeting may also be installed.   1. **There are a few exceptions considered luxury items**, such as a swimming pool or tennis court, which cannot be included. Some cosmetic repairs may be added after the $5000 threshold for items affecting the health and safety of the occupants has been reached. These cosmetic items include interior and exterior painting and new free standing appliances, such as a range, a refrigerator, a washer and dryer, and a trash compactor. 2. **The rehab programs used to be offered to both individual homeowners and investors.** In October 1996, HUD placed a moratorium on all 203 (k) loans for investors. This was done because of abuse of the program by certain investors. The program used to work for investors the same way that it still works for individual homeowners. However, it also included rental properties such as condominiums, apartments, and other types of multiple family units. At the present time, HUD has not yet determined whether investors will be allowed back into the 203 (k) program. 3. **The 203 (k) loan is an ideal solution for those who are willing to purchase a house with the intention of making repairs and/or improvements.** Too often people purchase a house, assuming that they will be able to finance the needed changes. Sometimes lack of available credit postpones or negates such intentions. Utilizing a 203 (k) loan can help many people own a home and also create the home of their dreams. |