

**MLBWHOLESALE**  
Making Lives Better

# 203K From Rehab to Remarkable

Making Lives Better

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



 NMLS #1101220

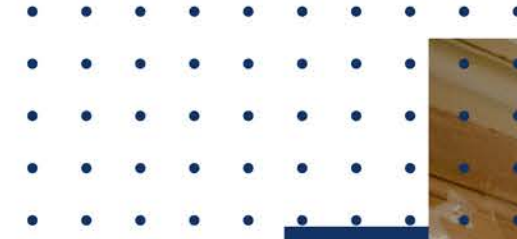
MLB Residential Lending, LLC, located at 841 Mountain Ave, Suite 400, Springfield, NJ 07081. Phone 732-243-0140. MLB Residential Lending, LLC., NMLS 1101220, is a residential lender licensed by NJ Department of Banking and Insurance, AL State Banking Department, AK Division of Banking & Securities, AR Combination Mortgage Banker-Broker-Servicer, AZ Department of Insurance and Financial Institutions, CA Department of Financial Protection and Innovation, CO Division of Real Estate, CT Department of Banking, DC Department of Insurance, Securities, and Banking, DE Office of the State Bank Commissioner, FL Office of Financial Regulation, GA Department of Banking and Finance, IA Division of Banking Finance Bureau, ID Mortgage Broker Lender License, IL Department of Financial & Professional Regulation, IN Department of Financial Institutions, KS Office of the State Bank Commissioner, KY Department of Financial Institutions, LA Office of Financial Institutions, MD Office of the Commissioner of Financial Regulation, ME Bureau of Consumer Credit Protection, MI Department of Insurance and Financial Services, MN Department of Commerce, MS Department of Banking and Consumer Finance, MT Division of Banking & Financial Institutions, NE Department of Banking and Finance, NH Banking Department, NC Commission of Banks Office, ND Department of Financial Institutions, NM Mortgage Loan Company License, NY Department of Financial Services, OH Division of Financial Institutions, OK Department of Consumer Credit, OR Department of Consumer and Business Services, PA Department of Banking and Securities, Rhode Island Department of Business Regulation, SC Board of Financial Institutions, SD Division on Banking, TN Department of Financial Institutions, TX Department of Savings and Mortgage Lending, UT Department of Financial Institutions, VT Department of Financial Regulation, VA Bureau of Financial Institutions, WA Department of Financial Institutions, WI Department of Financial Institutions, WV Division of Financial Institutions, WY Division of Banking. All Rates subject to change without notice. MLB, in no way, claims to represent or to conduct business on behalf of HUD or the Federal Government. EQUAL HOUSING LENDER





# AGENDA

- What is a 203K?
- Why do we offer the 203K?
- Benefits of the 203K
- 203K Guidelines and Timelines
- Limited 203K vs Standard 203K







# WHAT IS A 203K?

The FHA 203K program is HUD's primary program for the rehabilitation and repair of residential properties



Purchase and rate/term only

Cash out to borrowers not allowed

MLB offers the Limited and the Standard 203K





# WHY USE THE 203K?

**Aged Housing**

**Aging  
Population**  
(deferred maintenance)

**Build  
equity**

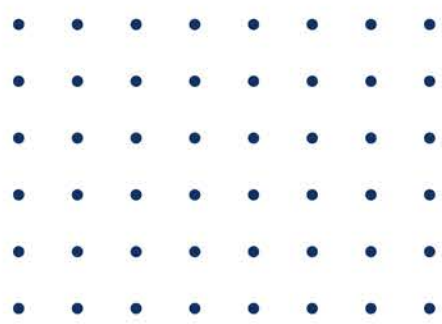
**Influx of  
foreclosures**

**Family has  
outgrown  
starter home**

**Energy-  
efficient  
improvements**

**Accessibility  
for the  
disabled**

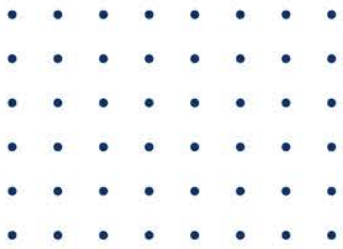
**Make a home  
your own**







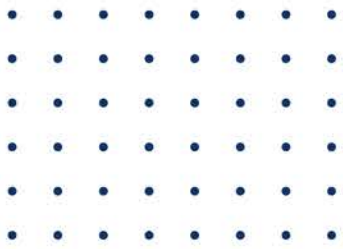
# BENEFITS OF THE 203K



- Affordable and cost effective loan
- Financing for homes that require repairs
- Means for borrowers to finance desired repairs
- Expand Homeownership opportunities
- Tool for community and neighborhood revitalization
- Allows use of FHA financing for properties that would otherwise be uninsurable
- Provides ability to market properties that need updating
- Increases a property's value (avg. 6% YTD)

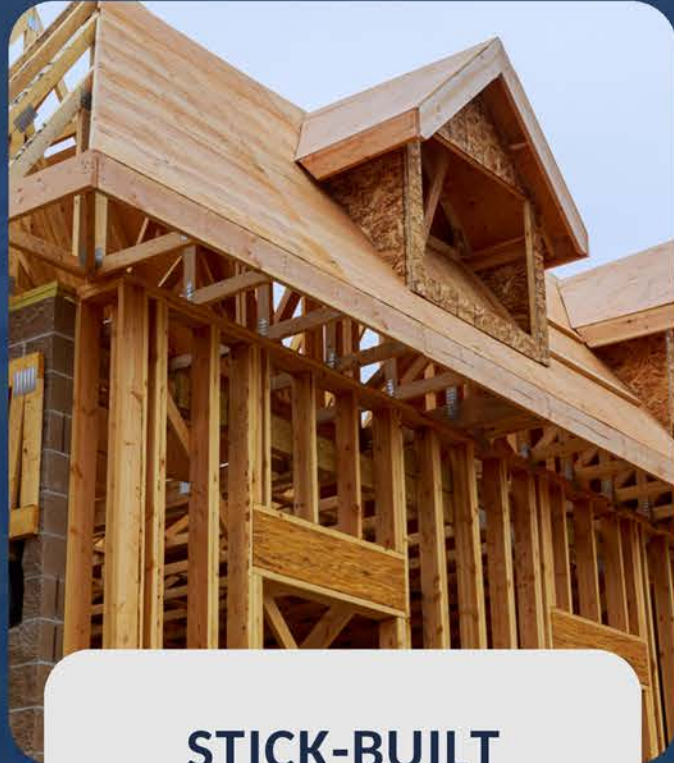


# ELIGIBLE BORROWERS



- Standard FHA credit guidelines
- Fico scores of 580, \*Min FICO in NY 600
- All loans must be submitted through DU. Manual Underwrites are permitted (must meet all Manual Underwriting requirements per 4000.1 HUD Handbook)
- Seller contributions allowed per FHA guidelines up to 6%





STICK-BUILT



MODULAR HOMES



LOG HOMES



CONDO FHA  
APPROVED  
(WALLS IN)

# ELIGIBLE PROPERTIES & LOAN LIMIT GUIDELINES

## Loan Guidelines

- 1-4 Units
- Minimum 580 FICO, \*Min FICO in NY 600
- Minimum \$5000 repair

## Maximum Loans

- Maximum loan amount per FHA County Limits
- Maximum loan limits are determined by HUD geographic areas
- Maximum loan to value is 96.5% for purchases and 97.75% for rate/term refinance

## Loan To Value

- The loan to value is based on the lesser of:
  - Sales price or “as is” appraised value + total rehab cost
  - Purchase: Use sales price or appraised value, whichever is lower
  - Refinances: Require “as is” value
  - 110% of after improved value for 1-4 units, 100% for Condo





# LIMITED 203K

The Limited 203K is intended to help facilitate, uncomplicated improvements or repairs to a home that does not require plans, consultants, engineers, architects, etc.

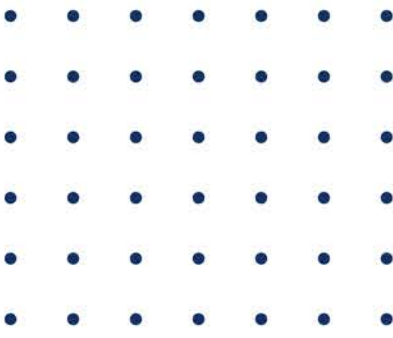
- Non-structural repairs with total cost at or below \$75K
- Minimum \$5000 in repairs
- No HUD Consultant required but always recommended
- Max of 3 individual contractors
- 2 draws disbursed per contractor (3 contractors = 6 draw checks: 3 inspections and 3 title updates)
- First Disbursement is released after closing







# LIMITED 203K **ELIGIBLE** REPAIRS



- Roofs
- Gutters/Downspouts
- HVAC
- Plumbing
- Electrical
- Flooring
- Painting (Interior, exterior, lead-based)
- Windows
- Doors
- Septic/Well
- Fencing
- Modifications for disabled
- Appliances
- Basement (remodeling/finishing)
- Exterior Decks, Patios, Porches

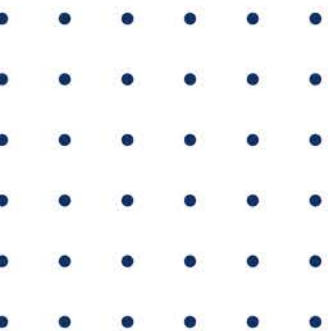
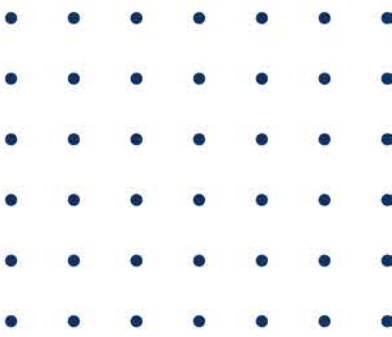




# LIMITED 203K **INELIGIBLE** REPAIRS

## Major rehab:

- Structural repairs
- Room additions
- Repairs requiring drawing architectural exhibits
- Landscaping, site amenity improvements
- Any repair that will displace the homeowner for more than 30 days







# LIMITED 203K PROCESS

1. Borrower locates a property in need of repair or in need of a cosmetic makeover
2. Borrower and seller sign a standard sales contract to purchase the property
  - a. Sales price does not include purchaser's desired repair cost
  - b. Buyer and seller need to sign an addendum to contract acknowledging the 203K financing
3. In addition to standard disclosures, the application should also include all 203K required documents
4. Borrower researches contractors and obtains bids for the rehabilitation cost
  - a. All bids must be specific to desired repair/improvement and break out the cost of materials and labor
  - b. Appraiser uses the final bids to complete the appraisal
5. Appraisal ordered with all 203K information provided from Mortgage Management Consulting only
6. Loan is submitted with appraisal, 203K documents/disclosures and contractor information
7. Underwriter determines acceptable repairs and maximum loan amount
8. Repair work must begin within 30 days of closing and must be completed within 9 months of closing
9. Upon work completion, the borrower notifies MLB, who will order a final inspection and title update
10. Borrower must sign the letter of completion and the final 50% of repair costs are disbursed

**Any unused/unspent funds must be used to pay down the original principle balance**

**\*\*\* NO CASH BACK \*\*\***





# STANDARD 203K

## DESIGNED FOR MORE COMPLICATED PROJECTS

- Structural repairs and/or repair cost exceeding 75K
- Minimum \$5,000 in repairs
- HUD Consultant required
- If house is uninhabitable, may finance up to 12 months PITI during that period
- Bid prepared by 1 general contractor
- Max draws 5 during rehab phase, draw schedule determined by contractor and HUD Consultant





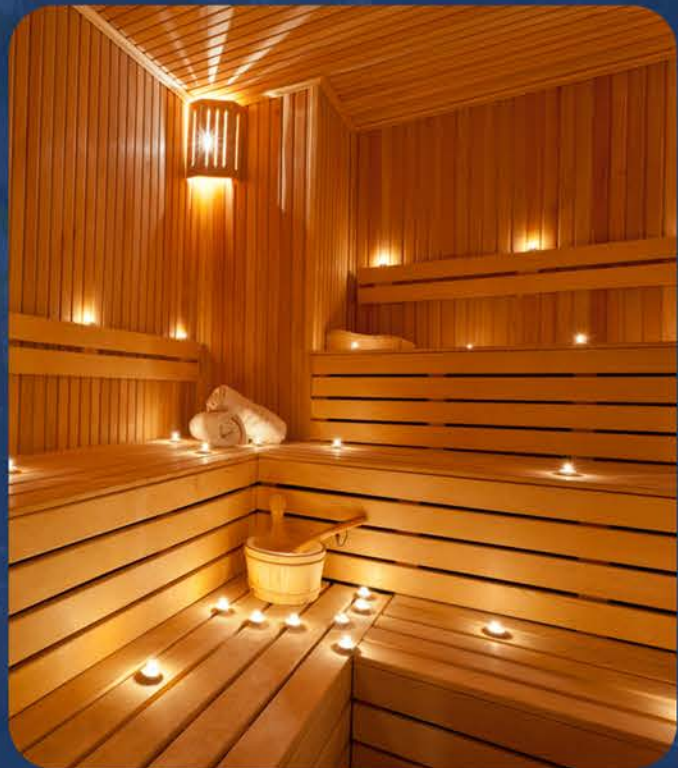


# STANDARD 203K **ELIGIBLE** REPAIRS



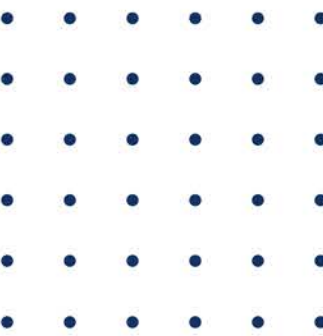
- Repairs Requiring Drawings, Specs, Architectural Exhibits
- Energy Improvements
- Structural Repairs
- Conversions of SFR to 2-4 Unit or Vice Versa
- Room Additions
- Attached or Detached Garage
- Landscaping, Site Amenity Improvements
- Health/Safety Issues





# STANDARD 203K INELIGIBLE REPAIRS

- Luxury items
  - Gazebos
  - Tennis courts
  - Spas
- Outdoor kitchens







# STANDARD 203K PROCESS

1. Borrower locates a property in need of repair or a needs a cosmetic makeover
2. Borrower and seller sign a standard sales contract to purchase the property
  - a. Sales price does not include purchasers desired repair cost
  - b. Buyer and seller need to sign an addendum to contract acknowledging the 203K financing
3. The HUD approved consultant meets the borrower at the property for the initial inspection
4. HUD consultant completes Feasibility Study and Specification Of Repairs (SOR\*)
5. Borrower researches contractors and obtains bids for the rehabilitation cost
  - a. All bids must be specific to desired repair/improvement and break out the cost of materials and labor
6. Borrower selects contractors and final bids
  - a. Appraiser uses the final HUD consultant SOR\*
7. Appraisal is ordered with all 203K information provided by the consultant
8. Loan is submitted with appraisal, 203K documents/disclosures and contractor(s) information
9. Max mortgage worksheet is completed by Underwriter
10. Prior to closing the 203K escrow department conducts a closing call with borrower
11. At closing, typically only “soft” cost for Architectural, Engineering Fees, Inspection Permits, are released at closing
12. Repair work must begin within 30 days of closing and must be completed within 12 months of closing
13. HUD Consultant completes all draw/final inspections and MLB funds the draws (5 + Final)
  - a. Each draw request will require a 10% hold back
  - b. 203K escrow dept. orders title update with each draw
14. Borrower must sign the letter of completion prior to final disbursement

\*\*\* NO CASH BACK \*\*\*





# CALCULATING LOAN AMOUNT – LIMITED PURCHASE/REFI

## STEP 1 - Establishing Total Rehab Costs

For Limited 203k (purchase or refinance) the maximum Rehab costs of \$75,000 includes all fees and reserves

Step 1:	Establishing Financeable Repairs and Improvement Costs , Fees and Reserves			
A.	<b>Financeable Repair and Improvement Costs and Fees Total (Sum of A1 thru A4 )</b>			\$0.00
	1. Costs of construction, repairs and rehabilitation			
	2. Inspection Fees (For work performed during rehabilitation)		x	\$0.00
	3. Title Update Fees			\$0.00
	4. Permit Fees			\$0.00
B.	<b>Financeable Contingency Reserves</b>			\$0.00
C.	<b>Financeable Mortgage Fees (Sum of C1 and C2)</b>			\$0.00
	1. Origination Fee (Greater of \$350 or 1.5% of (Sum of 1A+1B)			\$0.00
	2. Discount Points on 1A (Applied to the sum of 1A+1B)			\$0.00
D.	<b>Total Rehabilitation Costs, Fees and Reserves (Sum of 1A , 1B &amp; 1C) (NOT TO EXCEED \$75,000)</b>			\$0.00





# CALCULATING LOAN AMOUNT – STANDARD PURCHASE/REFI

## STEP 1 - Establishing Total Rehab Costs

For Standard 203k (purchase or refinance) all fees, inspections and other costs are included in the Total Rehab Costs. There is no limit on the amount of repairs for a Standard 203k however there is a minimum of \$5000

Step 1:	Establishing Financeable Repairs and Improvement Costs , Fees and Reserves			
A.	<b>Financeable Repair and Improvement Costs and Fees Total (Sum of A1 thru A7)</b>			\$0.00
	1. Costs of construction, repairs and rehabilitation (min repair \$5,000)			
	2. Inspection Fees (For work performed during rehabilitation)		x	\$0.00
	3. Title Update Fees			\$0.00
	4. Permit Fees			\$0.00
	5. Architectural or Engineering Professional Fees			
	6. 203(k) Consultant Fees			
	7. Feasibility Study when necessary			\$0.00
B.	Financeable Contingency Reserves			\$0.00
C.	Financeable Mortgage Payments Reserves		x	\$0.00 Piti
D.	<b>Financeable Mortgage Fees (Sum of D1 and D2)</b>			\$0.00
	1. Origination Fee (Greater of \$350 or 1.5% of (Sum of 1A thru 1C)			\$0.00
	2. Discount Points (Applied to Sum of 1A thru 1C)			\$0.00
E.	<b>Total Rehabilitation Costs, Fees and Reserves (Sum of 1A thru 1D)</b>			\$0.00





# CALCULATING LOAN AMOUNT – PURCHASE (STANDARD AND LIMITED)

## STEP 2 - Establishing Value

For both Standard and Limited 203k refinance, enter the payoff of all liens on property plus total rehab costs and fees per 1D in step 1 PLUS all other non renovation related costs. (if steps A-C below exceeds the After-Improved Value, a 2nd appraisal is required reflecting As-Is value)

Step 2:	Establishing Value		
A.	Existing Debt on property being refinanced	\$0.00	
B.	Total Rehabilitation Costs, Fees and Reserves (Step 1D)	\$0.00	
C.	Fees Associated with the new loan (closing costs & pre-pays)	\$0.00	
D.	Sum of 2A + 2B + 2C		\$0.00
E.	As-Is Property Value (As-is Appraisal required for properties acquired <12 mos. before case # assignment date (except gift/inheritance), OR if Step 2A + 2B > Step 2G)	\$0.00	
F.	Adjusted As-Is Value (If As-is appraisal is obtained, then the As-is property value (Step 2E) = Adjusted As-Is Value, OR if As-is appraisal is not obtained, then Step 2A + 2C = Adjusted As-is Value)		\$0.00
G.	After Improved Value (Appraisal Subject to Repairs and Improvement)		\$0.00





# CALCULATING LOAN AMOUNT – REFINANCE (STANDARD AND LIMITED)

## STEP 2 - Establishing Value

For both Standard and Limited 203k you enter the Purchase price and value based on the Sales Contract and Appraisal. (To determine your initial base loan amount, you can use Purchase Price only until appraisal is obtained)

Step 2:	Establishing Value		
A.	Purchase Price	\$0.00	
B.	Inducement to Purchase	\$0.00	
C.	Purchase Price Less Inducement to Purchase		\$0.00
D.	As-Is Property Value <i>(As-Is Appraisal may be required to comply with Property Flipping guidelines)</i>	\$0.00	
E.	Adjusted As-Is Value <i>(If As-is appraisal is obtained, then the As-is property value (Step 2D) = Adjusted As-is Value, OR if As-is appraisal <u>is not</u> obtained, then Step 2C = Adjusted As-is Value)</i>		
F.	After Improved Value (Appraisal Subject to Repairs and Improvement)		\$0.00





# CALCULATING LOAN AMOUNT – REFINANCE (STANDARD AND LIMITED)

## STEP 3 - Calculating Maximum Mortgage Amount

Once Steps 1 and 2 are completed, you will fill in Step 3 which will determine your maximum mortgage amount

Step 3:	Calculating Maximum Mortgage Amount				
A.	Step 2D total				\$0.00
B.	Sum of Step 2F + Step 2B (Adjusted As-is Value + Total Rehab costs)				\$0.00
C.	Step 2G (After improved value) x 110% (100% if Condo)	\$0.00	x		\$0.00
D.	Lesser of (Step 3B or 3C) x LTV Factor from Step 3G	\$0.00	x		\$0.00
E.	Nationwide Mortgage Limit				
F.	Lesser of (3A, 3D, or 3E) = Initial Base Mortgage Amount				\$0.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility				
	Basis	Criteria		Maximum	
	MDCS	At or above 580		<input type="checkbox"/> 97.75%	
	MDCS	Between 500 and 579		<input type="checkbox"/> 90%	
	Secondary Residences	With HOC Approval		<input type="checkbox"/> 85%	
	No Credit Score	Manual Underwriting required		<input type="checkbox"/> 97.75%	
	<b>Note:</b> MDCS = Minimum Decision Credit Score				





# CALCULATING LOAN AMOUNT – PURCHASE (STANDARD AND LIMITED)

## STEP 3 - Calculating Maximum Mortgage Amount

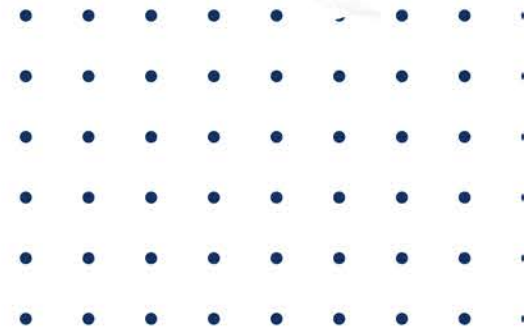
Once Steps 1 and 2 are completed, you will fill in Step 3 which will determine your maximum mortgage amount

Step 3:	Calculating Maximum Mortgage Amount				
A.	Step 2E + Step 1E (Adjusted As-Is Value + Step 1 Total)				\$0.00
B.	Step 2F (After-Improved Value) X 110% (100% if Condo)	\$0.00	x		\$0.00
C.	Less Lead Based Paint Credit				\$0.00
D.	Lesser of 3A or 3B x Maximum LTV Factor from 3F	\$0.00	x		\$0.00
E.	Nationwide Mortgage Limit				
F.	Initial Base Mortgage Amount = Lesser of 3B or 3D				\$0.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility				
	Basis	Criteria		Maximum	
	MDCS	At or above 580		<input type="checkbox"/> 96.5%	
	MDCS	Between 500 and 579		<input type="checkbox"/> 90%	
	Secondary Residences	With HOC Approval		<input type="checkbox"/> 85%	
	No Credit Score	Manual Underwriting required		<input type="checkbox"/> 96.5%	
	<b>Note:</b> MDCS = Minimum Decision Credit Score				





# HUD CONSULTANTS



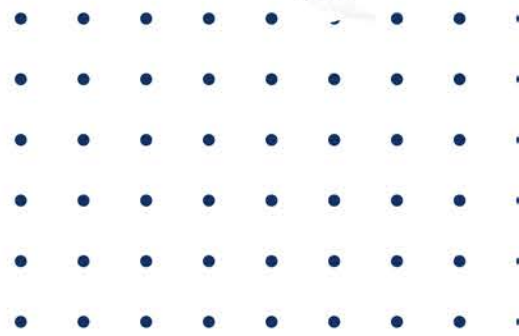
- Paid at the time of service by the borrower
- Inspects property
- Determine fair market price for project cost
- Supervises rehab
- Performs draw inspections
- May request draw of Contingency Reserve funds at ANY TIME
- Certifies project completion
- Works with borrower to keep project moving and on schedule

RECOMMENDED FOR BOTH LIMITED AND STANDARD 203K PRODUCTS





# HUD CONSULTANT COST



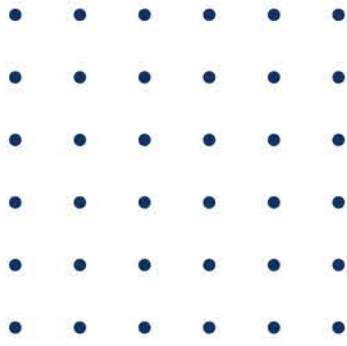
- The consultant’s fees are determined by the estimate cost of the repairs and can be included in the maximum mortgage calculations
  - On Multi-Unit (2-4 unit) Properties the consultant can charge an additional \$50 per unit

Item	New Fee Schedule
Work Write-Up	<ul style="list-style-type: none"><li>• Up to \$1,000 for repairs less than or equal to \$50,000</li><li>• Up to \$1,200 for repairs between \$50,001 and \$85,000</li><li>• Up to \$1,400 for repairs between \$85,001 and \$140,000</li><li>• 1% of the repair costs or \$2,000, whichever is lower, for repairs above \$140,000</li></ul>





# REHAB AND DRAW PROCESS



## LIMITED 203K

- Does not allow borrowers to be displaced from the property for more than 30 days during repair period
- Once work is complete borrower will notify MLB and sign letter of completion
- Final inspection is conducted and remaining funds are disbursed

## STANDARD 203K

- Typically, the consultant will authorize up to a maximum of 5 draws plus the final disbursement
- Each authorized draw will include a (10%) holdback (Total of holdbacks released with final disbursement)
- Final inspections are completed by consultants
- Any changes must be authorized by MLB and consultant





# MLB WHOLESALE RENOVATION CONCIERGE DESK

We know how time-consuming it can be to chase down contractor documents for renovation loans. That's why MLB Wholesale's Concierge Desk is stepping in to make your life easier!

- We handle **ALL** communication with the contractor—collecting licenses, insurance, W9s, and any other required docs.
- We take care of the **vetting process** once everything is in, checking references so you don't have to.

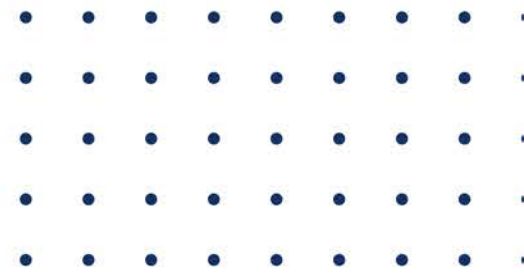


That means less hassle for you, faster approvals, and smoother closings!





# CONTRACTORS



## CONTRACTORS DO NEED TO BE APPROVED BY MLB

Underwriter will review to make sure that individual contractor's information and documentation is acceptable

All contractors must provide the following for approval:

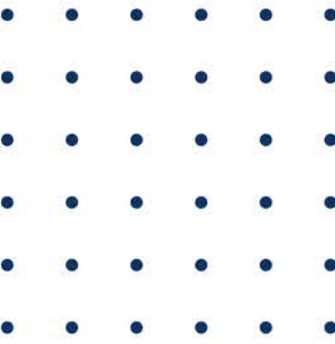
1. Proof of business license and valid driver's license
2. Contractor profile to include:
  - a. Three business references completing similar jobs
  - b. Insurance, phone # and policy #
3. General liability Insurance and workman's comp
  - a. Signed/dated detailed bid itemizing the specific cost (material and labor) of each individual repair
  - b. Completed Federal W-9







# 203K DISCLOSURES



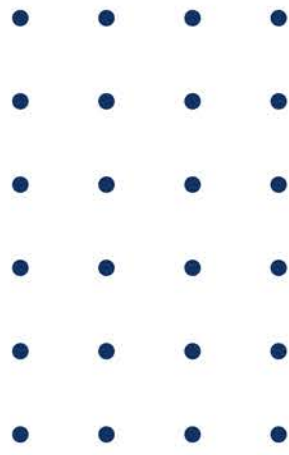
- 203K borrowers acknowledgement
- Mortgage payment disclosures (Standard only)
- Borrowers identity of interest certification
- Homeowner/Contractor agreement (Standard or Limited)
- Homeowner /Contractor Certification
- Contractor acknowledgement (Standard or Limited)
- Contractor Identity of Interest
- Consultant Identity of interest (Standard Only)
- Consultant/Borrower Fee Agreement (Standard Only)
- Consultant Certification (Standard Only)



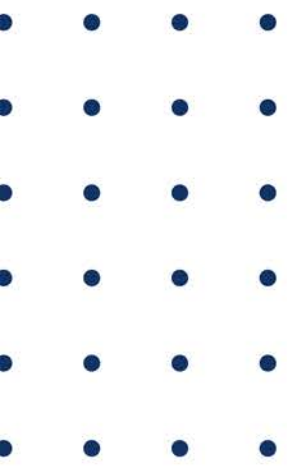


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