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# Disaster Recovery: A Resource for Homeowners



# What's Inside

- Before the Disaster: How to Prepare . . . . . 1
  - Before a Disaster Hits, You Can Take Precautionary Action That Will Aid Your Future Recovery. . . . . 1
- After the Disaster: Immediate Steps. . . . . 2
  - Documenting and Securing Your Home Is the First Step In Recovering From Damage . . . . . 2
- Beginning the Recovery Process . . . . . 4
  - Contact Your Mortgage Servicer . . . . . 4
  - File Insurance Claims. . . . . 5
- Recovery and Rebuilding Assistance . . . . . 6
  - Apply for Disaster Assistance. . . . . 6
  - Summary of Loan and Grant Programs . . . . . 7
  - SBA Home and Personal Property Loans . . . . . 8
  - SBA Business Physical Disaster Loans. . . . . 9
  - SBA Economic Injury Disaster Loans . . . . . 10
  - SBA Military Reservists Economic Injury Loans . . . . . 11
  - FHA 203 (h) Program . . . . . 12
  - FHA 203 (k) Rehabilitation Program. . . . . 13
  - Freddie Mac Renovation Mortgages . . . . . 15
  - Fannie Mae HomeStyle® Renovation Mortgages . . . . . 16
  - USDA Rural Housing Single Family Housing Repair Loans & Grants. . . . . 17
- Insurance Payments Distribution Flow Chart. . . . . 18

# Before the Disaster: Prepare

## Before a Disaster Hits, You Can Take Precautionary Action That Will Aid Your Future Recovery

### If you have any reason to believe you are at risk in your residence, evacuate and seek shelter.

- Find a Shelter. Listen to your radio or watch local media for the location of the nearest shelter. Search online for local and state disaster response information, e.g. your state governor's office of emergency services.
- You can use the normal text message functionality on your phone to search for open shelters: text SHELTER and a Zip Code to 43362 (4FEMA). You may also contact 211, if it has been activated by your State.
- American Red Cross: [www.redcross.org](http://www.redcross.org) (800) RED-CROSS
  - + Provides meals, beds, clothing and other necessary items.
  - + Call ahead for the shelter's pet policies.
- If you have a little time before evacuation, document your property before you leave.
  - + Take photos or a video of every room. Focus on walls, cabinets, and large appliances.
  - + Take photos of all important documents using your cellphone camera.
  - + Gather important papers and documents, such as birth certificates, passports and insurance policies. Include your last mortgage statement, as that will include contact information for your mortgage servicer.
- If you have more time before evacuation, and resources to do so, do your best to secure your residence.
  - + Board the windows
  - + Secure and protect outside property as best you can. Property and belongings outside of your home such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools are not covered under standard flood insurance policies issued by the National Flood Insurance Program (though some forms of outside damage may be covered by your homeowner's insurance).
  - + If possible, trim back any plant or tree material that could fall down or become airborne.

For full information on best disaster preparation practices, visit [www.ready.gov](http://www.ready.gov)



# After the Disaster: Immediate Steps

## Documenting and Securing Your Home Is the First Step In Recovering From Damage

### Once it is safe to return

#### Document damage to your property

- Continue to take photos and videos of the damage.
- Digital forms of documentation are preferred, as they can be easily stored and copied.
- Document before and after you perform any repairs yourself.
- If you buy materials to help with repairs, keep all receipts.

#### Secure your property

- It is the homeowner's responsibility to prevent further property damage by securing the home.
- Board windows or doors. Secure tarp on the roof to prevent leaks. If you are not staying on the property, do your best to lock the house to prevent from vandalism or intruders.

## Caution! Your Dwelling May Be Hazardous!

- Look for structural damage around the house. Any warping, splitting, or cracking of structural elements should be inspected before you enter the home. This is especially important following an earthquake.
- Contact utility companies if you suspect damage to water, electrical, gas, or sewer lines.
- All water and electrical sources should be turned off before you enter the home. Even if the power is not restored, manually turn off the fuse box in case of unsuspected reactivation.
- Even if flood waters are gone, the dirty water may have left dangerous materials behind.
- Beware of mold exposure — problems from exposure can follow if mold is disturbed through cleanup procedures, and mold is easily transferred from one surface to another. Infants, children, immune-compromised patients, pregnant women, individuals with existing respiratory conditions and the elderly are at higher risks for adverse health effects. Protect yourself with waterproof clothing — high waterproof boots, overalls, or bodysuits.
- Use rubber gloves, protective eyewear, and masks when removing debris.
- Do not ingest anything that came into contact with flood water. FEMA recommends boiling all non-bottled water before drinking until further notice.
- Be aware of air quality issues. Listen to local news and search online for information if possible. Masks may be necessary, especially if there were fires in the disaster.

# Warning! Beware of Potential Scams!

Survivors of natural disasters should be wary of persons offering contracting work or other assistance who may be attempting fraud. Criminals posing as government officials, building contractors, or relief workers may attempt to solicit your money or personal information.

## Remember

- Officials always carry identification.
- There are no fees to apply for FEMA assistance, SBA loans, or other state help
- Your insurance adjuster should quote you an honest price. Be wary of contractors who bid dramatically more or less than the adjuster's quote.
- Be wary of door-to-door salesmen who:
  - + Have no contract, blanks in the contract, or do not wish to leave the contract for you to review.
  - + Play on your emotions.
- Contractors may offer unfavorable terms
  - + Watch for asking for entire amount of insurance claim prior to beginning work.
  - + Check for contracting licenses.
  - + Be careful with Assignment of Benefits, or AOBs. An AOB is a document signed by a policy holder that allows a third party, such as a water extraction company, a roofer, or a plumber, to "stand in the shoes" of the insured and seek direct payment from the insurance company. It has become prevalent in scams.



## Contact Your Mortgage Servicer

Notify your mortgage servicer that you have been impacted by the storm. Note whether you are in a Presidentially Declared Disaster area (if you know).

If you have been temporarily displaced, make sure to let your servicer know how to contact you.

Ask about available disaster assistance payment relief options including payment forbearance and subsequent loan modification options. If you don't know how to reach your servicer, go to their website or check MBA's website to see if we have posted contact information for your servicer.

## What happens if I can't make my mortgage loan payments?

If you live or work in an area impacted by a disaster, you may be eligible for assistance with your mortgage loan such as:

### Foreclosure moratoriums

A freeze or pause on all proceedings toward the foreclosure of a home. If you are already delinquent or in the foreclosure process, this pause provides time to stabilize the borrower's finances before dealing with default and foreclosure.

### Forbearances

An agreement between the borrower and the mortgage company to temporarily pause mortgage payments.\*

### Waiver of late charges

Servicers may waive late fees or other penalties during a time of disaster.

### Suspension of negative credit reporting

During a disaster-related forbearance period, missed payments would not be reported to credit reporting agencies in order to avoid negative effects on the borrower's credit score.



### Important Tip:

Remember forbearance is not forgiveness. You will eventually have to make up missed payments. You should only consider taking the forbearance because your income or employment has been impacted by the disaster, or you have incurred a temporary spike in expenses related to the disaster. The sooner you can afford to begin making regular payments, the easier it will be in the long run to remain current on your loan.

## What happens at the end of a payment forbearance period?

At the end of a disaster payment forbearance period, depending on their type of loan homeowners may be able to repay the forborne amount in the following ways:

1. Repay the full amount of forborne or missed payments in one lump sum.
2. Enter into a repayment plan with your mortgage servicer to spread the past due amount over several months
3. Enter into a loan modification. The type of loan modification options will depend on several factors such as whether you were current on your loan at the time of the disaster, who owns your home loan, and if a government agency insures your loan.

# Beginning the Recovery Process

## File Insurance Claims

### Make the Call

#### Your Homeowner's Insurance Provider

Speak with a representative about your policy and what they can offer to assist with recovery.\* Please see the chart on page 6 for more information about how the insurance process will work.

#### Your Flood Insurance Provider

If you have a flood insurance policy, contact your provider to begin the claims process.

#### NFIP

[www.fema.gov/nfip-file-your-claim](http://www.fema.gov/nfip-file-your-claim)

#### Other Disaster Insurance Providers

##### California Earthquake Authority (CEA)

Your CEA policy was purchased through your home insurance company. Find your provider online at: [www.earthquakeauthority.com/california-earthquake-insurance-policies/participating-insurers](http://www.earthquakeauthority.com/california-earthquake-insurance-policies/participating-insurers)

##### Windstorm Insurance

If you have a windstorm insurance policy, contact your provider to begin the claims process.

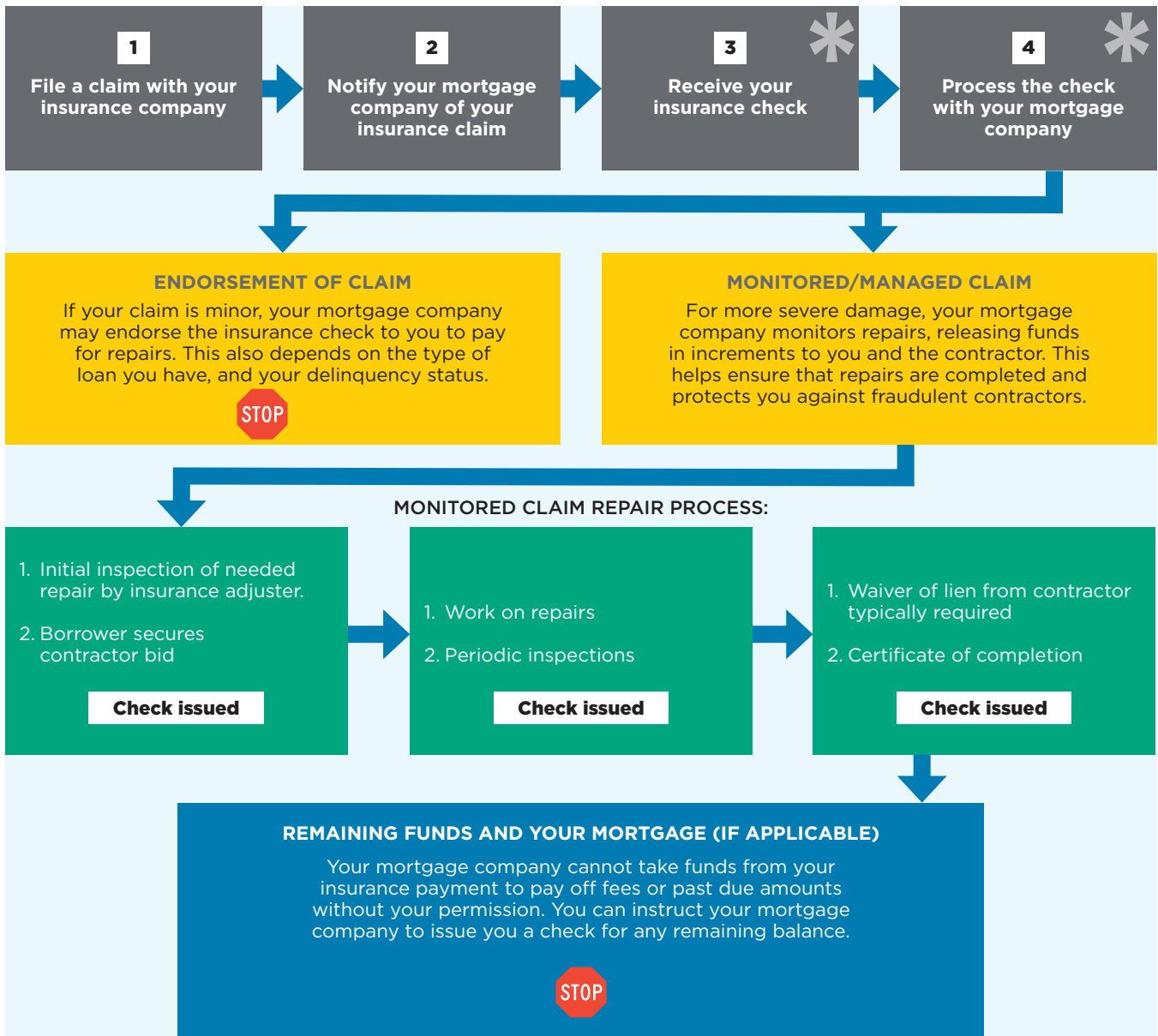


**If you do not have insurance or sufficient coverage, see page 7 for disaster assistance.**



# Insurance Payments Distribution Flow Chart

## From Filing Your Claim To Final Refund



**Q: Why is my insurance check made out to both me and my mortgage company?**

A: If your property is damaged, your mortgage company has a financial interest in ensuring your property is repaired.

**Q: What if my home was completely destroyed?**

A: Generally the company will only pay to rebuild your home the way it was before it was destroyed. If you do not wish to rebuild and your mortgage is paid, you may receive a smaller settlement amount. If you do not wish to rebuild and you are still paying your mortgage, your mortgage company might require you to rebuild your home.

### Tips for success

- Keep documents/forms organized and prepared, and take notes during conversations with your insurance and mortgage company.
- Good records will be useful for tax purposes.
- Save receipts on personal purchases for repairs.

### If your payment isn't covering repairs

Contact your insurance company for a supplemental claim review



# Recovery and Rebuilding Assistance

## Apply for Disaster Assistance

### Federal Emergency Management Agency (FEMA)

Apply for FEMA disaster assistance. **Do not wait to hear back from your insurance providers.** PAY ATTENTION TO APPLICATION DEADLINES.

FEMA housing assistance can be used to meet your uninsured housing needs after a disaster. Housing assistance can include reimbursement for short term hotel expenses; money to rent a place to live for up to 18 months while your home is being repaired; money to repair damage to your home; or money to help you purchase a new home if your home is destroyed. If no other housing options are available in your area, FEMA may allow you to live in a FEMA-owned manufactured housing unit or temporary housing unit as a last.

FEMA also offers disaster assistance for other disaster-caused expenses including, medical and dental, child care, funeral and burial, essential household items, moving and storage, vehicle, and some clean-up items.

[www.disasterassistance.gov](http://www.disasterassistance.gov)

(800) 621-FEMA [TTY: (800) 462-7585]

### Small Business Administration (SBA)

Apply for SBA disaster loans. (FEMA may direct you to these options when applying to disaster assistance). While you may qualify for some housing assistance funds through FEMA, most disaster assistance from the Federal government is in the form of low interest disaster loans administered by the SBA. SBA offers Home and Personal Property, Business Physical, Economic Injury, and Military Reservists Disaster Loans. For more information, see page 8.

[www.sba.gov/funding-programs/disaster-assistance](http://www.sba.gov/funding-programs/disaster-assistance)

(800) 659-2955 [TTY: (800) 877-8339]



**Despite its name, SBA loans are not just for businesses!**

### American Red Cross

Apply for immediate assistance. In addition to shelter, supplies, and other aid during a disaster, survivors can apply to the Red Cross's immediate assistance program to receive financial aid. PAY ATTENTION TO APPLICATION DEADLINES.

[www.redcross.org](http://www.redcross.org)

(800) RED-CROSS

### State and Local Grants

Check your state and local government websites for additional programs and assistance for which you may be eligible.

### 2-1-1

2-1-1 is a free and confidential service available 24/7 to help people across the United States find local resources, including those related to natural disaster.

[www.211.org](http://www.211.org)



# Summary of Loan and Grant Programs

## **SBA Home and Personal Property Loans ..... 9**

If you have experienced damage to your primary residence or personal property due to a declared disaster, you may apply to the SBA for a loan to help recover losses not covered by insurance or other recoveries.

## **SBA Business Physical Disaster Loans ..... 10**

If you have experienced damage to your business in a declared disaster area, you may be eligible for financial assistance from the SBA to repair or replace physical losses not covered by insurance or other recoveries.

## **SBA Economic Injury Disaster Loan ..... 11**

Small businesses, and most private nonprofit organizations, that suffered economic injury can apply for working capital to help meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster and are not covered by insurance or other recoveries.

## **SBA Military Reservists Economic Injury Loans .....12**

Provides funds to eligible small businesses to meet ordinary and necessary operating expenses that the business could have met, but is unable to meet, because an essential employee was “called-up” to active duty in their role as a military reservist.

## **FHA 203 (h) Program .....13**

Enables borrowers that live in presidentially designated disaster areas whose homes were destroyed or seriously damaged to purchase a home or rebuild their home with no down payment. The program can also be used to refinance a mortgage on a home that was not destroyed in the disaster but requires repairs, renovations or reconstruction.

## **FHA 203(k) Rehabilitation Program .....14**

Enables home buyers or owners to finance the purchase or refinancing of a home plus the cost of a major home rehabilitation, improvement or remodeling project with a single FHA loan.

## **Freddie Mac Renovation Mortgages .....16**

Offers financing options to repair, restore, rehabilitate or renovate existing site-built homes.

## **Fannie Mae HomeStyle® Renovation Mortgage .....17**

Allows borrowers to use financing for additional home repairs, remodeling or renovations at the time of home purchase or through a limited cash-out refinance.

## **USDA Rural Housing Single Family Housing Repair Loans .....18**

Funding for low to very low income homeowners for essential repairs to improve conditions to provide decent, safe and sanitary living conditions under Section 502.

# SBA Home and Personal Property Loans

If you have experienced damage to your primary residence or personal property, you may apply to the SBA for a loan to help you recover from a disaster for losses not covered by insurance or other recoveries.

## What types of properties are eligible?

- Must be within the declared disaster area.
- Secondary or vacation homes not eligible; rental properties may be eligible under SBA Business Physical Disaster Loan.

## How may I use the funds?

- The loans may not be used to upgrade homes or make additions, unless required by building codes.
- If you make improvements that help prevent the risk of future property damage caused by a similar disaster, you may be eligible for additional loan funds up to 20 percent of your total physical losses, as verified by SBA.
- In some cases, SBA may be able to refinance all or part of a previous mortgage (not to exceed \$200,000) if you are unable to obtain credit elsewhere, have suffered substantial disaster damage not covered by insurance, and you intend to repair the damage.

## What are the loan amounts?

- Homeowners may apply for up to \$200,000 to repair their primary residence to its pre-disaster condition.
- Home loans for more than \$25,000 in Presidential and Agency declarations must be secured with collateral to the extent possible. The SBA will ask the applicant for available collateral, but will not decline a loan for lack of collateral. A first or second mortgage on the damaged real estate is commonly used as collateral for an SBA disaster loan.
- Renters and Homeowners may borrow up to \$40,000 to replace/repair damaged personal property including clothing, furniture, appliances, cars, etc.)

## What are the terms?

- The terms of each loan are established in accordance with each borrower's ability to repay. The interest rate for each loan is based on SBA's determination of whether an applicant has the ability to borrow or use their own resources to overcome the disaster.
- Loans at up to 4 percent interest rate if applicant cannot obtain credit elsewhere. If credit available elsewhere, interest rates capped at 8 percent.
- Up to 30 year loan term.

## How to Apply

**NOTE:** Homeowners and renters applying for assistance in a Presidential disaster declaration must first register with FEMA online at [www.disasterassistance.gov](http://www.disasterassistance.gov) or by phone at 1-800-621-3362 (FEMA).

- You do not need to wait to settle with your insurance company before applying for SBA assistance.
- You can apply online at SBA's Disaster Loan Assistance website: <https://disasterloan.sba.gov/ela/>
- You can also apply in person at any FEMA-State Disaster Recovery Center or SBA Disaster Loan Outreach Center and receive personal, one-on-one help from an SBA representative. To find a location near you contact SBA'S Customer Service Center at (800) 659-2955 or by email at [DisasterCustomerService@sba.gov](mailto:DisasterCustomerService@sba.gov).

## Information

<https://disasterloan.sba.gov/ela/Information/HomePersonalPropertyLoans>

# SBA Business Physical Disaster Loans

If you have experienced damage to your business, you may be eligible for financial assistance from the SBA.

## Who may apply?

Businesses of all sizes and private nonprofit organizations may apply for an SBA disaster loan to help recover from physical losses not covered by insurance or other recoveries.

## How may I use the funds?

- Use funds for repair or replacement of the following: real property, machinery, equipment, fixtures, inventory, and leasehold improvements.
- The loans may not be used to upgrade or make additions, unless required by building codes.
- If you make improvements that help prevent the risk of future property damage caused by a similar disaster, you may be eligible for additional loan funds up to 20 percent of your total physical losses, as verified by SBA.

## What are the loan amounts?

- SBA makes physical disaster loans of up to \$2 million.
- If you also apply for an Economic Injury Disaster Loan (EIDL) the combined total may not exceed \$2 million.

## What are the terms?

- The interest rate will not exceed 4 percent if you are unable to obtain credit elsewhere.
- For businesses and nonprofit organizations with credit available elsewhere, the interest rate will not exceed 8 percent. SBA determines whether credit is available elsewhere.
- Up to 30 year loan term.

## How to Apply

- You can apply online at SBA's Disaster Loan Assistance website: <https://disasterloan.sba.gov/ela>
- You must submit the completed loan application and a signed and dated IRS Form 4506-T giving permission for the IRS to provide SBA your tax return information.

## Information

Please contact the SBA disaster assistance customer service center. Call (800) 659-2955 (TTY: (800) 877-8339) or email [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).

# SBA Economic Injury Disaster Loan

If you have suffered substantial economic injury and are one of the following types of businesses located in a declared disaster area you may be eligible for an SBA Economic Injury Disaster Loan (EIDL).

## Who may apply?

- Small businesses
- Small agricultural cooperatives
- Most private nonprofit organizations

## What types of properties are eligible?

Business must be within the declared disaster area.

## How may I use the funds?

Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. EIDLs provide the necessary working capital to help small businesses survive until normal operations resume after a disaster.

## What are the loan amounts?

- Businesses may qualify for both EIDL and Business Physical Disaster Loan funds. The maximum combined loan is \$2 million.
- Your loan amount will be based on your actual economic injury and your company's financial needs, regardless of whether the business suffered any property damage.

## What are the terms?

- Interest rates capped at 4 percent.
- Up to 30 year loan term.
- EIDL only available to small businesses SBA determines are unable to obtain credit elsewhere.

## How to Apply

- You can apply online at SBA's Disaster Loan Assistance website: <https://disasterloan.sba.gov/ela>
- You must submit the completed loan application and a signed and dated IRS Form 4506-T giving permission for the IRS to provide SBA your tax return information.

## Information

Please contact the SBA disaster assistance customer service center. Call (800) 659-2955 (TTY: (800) 877-8339) or email [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).

# SBA Military Reservists Economic Injury Loans

MREIDL provides funds to eligible small businesses to meet its ordinary and necessary operating expenses that it could have met, but is unable to meet, because an essential employee was “called-up” to active duty in their role as a military reservist. These loans are intended only to provide the amount of working capital needed by a small business to pay its necessary obligations until operations return to normal after the essential employee is released from active military duty. The purpose of these loans is not to cover lost income or lost profits.

## Who may apply?

- Businesses that do not have the financial capability to fund their own recovery.
- Businesses that cannot obtain the credit through non-governmental sources without undue financial hardship.

## What types of properties are eligible?

Must be within the declared disaster area.

## How may I use the funds?

- Funds cannot be used to expand the business.
- Funds cannot be used to cover lost profits.

## What are the loan amounts?

- What are the loan amounts?
- The maximum loan amount limit is \$2 million, unless the business is a major source of employment, in which case SBA can waive limit.
- The amount of each loan is limited to the actual economic injury as calculated by SBA. The amount is also limited by business interruption insurance and whether the business and/or its owners have sufficient funds to operate.

## What are the terms?

- The filing period for MREIDL assistance begins on the date the essential employee receives a notice of expected call-up and ends one year after the essential employee is discharged or released from active duty.
- Interest rate of 4 percent.
- Up to 30 year loan term. SBA determines the term of each loan in accordance with the borrower’s ability to repay.
- Collateral is required for all loans over \$50,000.

## How to Apply

- You can apply online at SBA’s Disaster Loan Assistance website: <https://disasterloan.sba.gov/ela>
- You must submit the completed loan application and a signed and dated IRS Form 4506-T giving permission for the IRS to provide SBA your tax return information.

## Information

Please contact the SBA disaster assistance customer service center. Call (800) 659-2955 (TTY: (800) 877-8339) or email [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).

<https://disasterloan.sba.gov/ela/Information/MREIDLLoans>

# FHA 203 (h) Program

The Section 203(h) Loan Program enables borrowers that live in presidentially designated disaster areas whose homes were destroyed or seriously damaged to purchase a home or rebuild their home with no down payment. The program can also be used to refinance a mortgage on a home that was not destroyed in the disaster but requires repairs, renovations or reconstruction.

## Who may apply?

- Anyone whose home has been destroyed or severely damaged in a presidentially declared disaster area is eligible. Borrowers are required to submit their loan application for the program, including proof of damage to their home, within one year of the President declaring the area a disaster area.
- The program is available to both first-time and repeat home buyers.

## What are the borrower qualifications for this program?

### Credit Score

Typically, requires a minimum credit score of 500 which is lower than what is typically required for a standard FHA loan.

### Debt-to-Income (DTI) Ratio

The DTI ratio represents the maximum percentage of a borrower's monthly gross income that can be spent on total monthly housing expense plus other monthly debt payments such as credit cards and student loans. The higher the DTI applied by a lender, the larger the mortgage you can qualify for.

Typically, lenders use a DTI of 43% but it is possible to qualify with a DTI of 50% or higher in some circumstances.

- Borrower Income Limit: none
- Borrower financial reserves requirement: none
- Employment History: 2 years of continuous employment history is typical; however there may be flexibility for borrowers whose jobs were impacted by the natural disaster.

## What are the property eligibility requirements?

The 203(h) program only applies to owner-occupied single family properties and may not be used for investment properties or vacation homes.

## What are the financing options?

- No down payment is required. Borrowers are eligible for 100 percent financing. Closing costs and prepaid expenses must be paid by the borrower in cash or paid through premium pricing or by the seller, subject to a 6 percent limitation on seller concessions.
- Borrowers must pay an up-front mortgage insurance premium (which may be financed) at the time of purchase, as well as monthly premiums that are added to the regular mortgage payment.
- There are limits for the size of mortgage loan under the 203(h) program. The current FHA mortgage limit can be viewed online. These figures vary over time and by place, depending on the cost of living and other factors.

## Questions?

Contact the FHA Resource Center: [https://www.hud.gov/program\\_offices/housing/sfh/fhairesourcectr](https://www.hud.gov/program_offices/housing/sfh/fhairesourcectr)

# FHA 203(k) Loans

The FHA 203(k) Loan Program enables you to finance the purchase or refinancing of a home plus the cost of a major home rehabilitation, improvement or remodeling project with a single FHA loan.

1. **Limited 203(k)** is designed for less extensive improvements and for projects that will not exceed a total of \$35,000 in renovation and related expenses. The renovation must begin within 30 days of the closing of the loan and must be completed within the time frame established in the loan agreement. The total time for renovation must not exceed six months and must not cause the homeowner to be displaced from the property for more than 30 days during the time the rehabilitation work is being conducted.
2. **Standard 203(k)** is intended for more complicated projects that involve structural changes, such as room additions, exterior grading and landscaping, or renovation that would prohibit you from occupying the residence. Since this loan allows for more extensive work, more paperwork is required to apply and more supervision is required throughout the process.

## Who May Apply?

Available to both first-time and repeat home buyers

## What types of properties are eligible?

- Owner-occupied single family properties that are at least one year old and meet certain energy efficiency standards
- Condo and townhome owners can use the program for interior projects
- Investment properties or vacation homes and NOT eligible

## How may I use the funds?

### Limited 203(k) Loan

- 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 windows 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
- Septic system and/or well repair or replacement



### Standard 203(k) loan

- structural alterations and reconstruction
- modernization and improvements to the home's function
- elimination of health and safety hazards
- changes that improve appearance and eliminate obsolescence
- reconditioning or replacing plumbing; installing a well and/or septic system
- adding or replacing roofing, gutters, and downspouts
- adding or replacing floors and/or floor treatments
- major landscape work and site improvements
- enhancing accessibility for a disabled person
- making energy conservation improvements

### What are the loan amounts?

- **Limited 203(k) Loan** — up to \$35,000.
- **Standard 203(k) Loan** — minimum of \$5000, maximum up to 110 percent of the property's proposed future value, or the home price plus repair costs, whichever is less. The total value of the property must still fall within the FHA mortgage limit for the area..

FHA mortgage lending limits vary based on a variety of housing types and the state and county in which the property is located. You can check the lending limit for your location here:

<https://entp.hud.gov/idapp/html/hicostlook.cfm>

### What are the terms?

- **Credit Score:** Typically, a minimum credit score of 580 is required although a lower score may be permitted with a larger down payment or more equity in the home.
- **Down Payment:** FHA requires just a 3.5 percent down payment, based on the purchase price + total project cost.
- **Debt-to-Income (DTI) Ratio:** Typically, lenders require a DTI of 43 percent (less than 43 percent of your income should go toward your proposed house payment plus all other debts), but it is possible to qualify with a higher DTI in some circumstances.

### FHA 203(k) lenders

Not every mortgage lender originates 203(k) loans, and not every loan officer or mortgage broker understands the product. So you'll want to make sure that the company you work with is approved to do this loan and does a lot of them.

### Information

[https://www.hud.gov/program\\_offices/housing/sfh/fhairesourcectr](https://www.hud.gov/program_offices/housing/sfh/fhairesourcectr)



# Freddie Mac Renovation Mortgages

Renovation Mortgages offer permanent financing options to repair, restore, rehabilitate or renovate their existing site-built homes.

## Who may apply?

- Borrowers seeking to repair, restore, rehabilitate or renovate an existing site-built home
- Borrowers who want to make additions to their existing home

## What types of properties are eligible?

- Existing 1- to 4-unit site-built homes
- Primary residence
- Investment property
- Second homes
- Manufactured homes are not eligible

## What are the financing options?

- 15-, 20-, and 30-year fixed-rate mortgages
- Most Adjustable Rate Mortgages (ARMs) eligible for sale to Freddie Mac
- Freddie Mac Home Possible® mortgage
- Super conforming mortgages

## What are the transaction types?

- Purchase
- No cash-out refinances
- Cash-out refinances

For more information: [www.freddiemac.com/singlefamily/factsheets/sell/renovation.html](http://www.freddiemac.com/singlefamily/factsheets/sell/renovation.html)

# Fannie Mae HomeStyle® Renovation Mortgage

The HomeStyle Renovation mortgage allows borrowers to use financing for additional home repairs, remodeling or renovations at the time of home purchase or through a limited cash-out refinance. Borrowers using a Homestyle Renovation can make repairs or improvements that total up to 50 percent of the as-completed appraised value of the property with a first mortgage. The mortgage may cover costs related to the renovation such as architect and engineering expenses and inspection fees.

## Who may apply?

An individual home buyer or homeowner, a for-profit or nonprofit investor, or a local government agency that purchases existing dwellings for renovation is an eligible borrower for a HomeStyle Renovation mortgage.

## What types of properties are eligible?

- Principal residences, one to four units
- One-unit second homes
- Single-unit investment properties
- Single family homes, condos, and co-ops

## What are the financing options?

- 15- and 30-year fixed-rate mortgages
- Adjustable-rate mortgages
- Down payments as little as 5 percent
- Gifts and down payment assistance programs are allowed

For more information: [www.fanniemae.com/singlefamily/construction-renovation](http://www.fanniemae.com/singlefamily/construction-renovation)

# USDA Rural Housing Single Family Housing Repair Loans

The Section 502 Direct Loan Program offers repair loans to low and very-low income homeowners who reside in an eligible service area. The Direct loans are originated from the USDA Rural Development Field Office locations throughout each state and US territory.

## Who may apply?

- Low and Very-low income homeowners

## What are the qualifications for this program?

- Own and occupy the house as your primary residence
- Be unable to obtain affordable credit elsewhere
- Have household income below 80 percent of the area median income limit
- The existing loan against the property may be an affordable non-Rural Development loan
- A whole house inspection is not required

## What is an eligible area?

Applicants may check the address of their home to determine rural eligibility online: visit [www.rd.usda.gov](http://www.rd.usda.gov) and click on *Check Eligibility*

## How much can I borrow?

The maximum loan amount is determined by borrower qualification based on repayment ability and the applicable Area Loan Limit established by Rural Development

## How may I use the funds?

Use loan funds for essential repairs to improve and address conditions to provide decent, safe and sanitary living conditions when the improvements financed with the loan are completed

## Loan terms

- Loans may be made for up to 100% of “as repaired” appraised value plus certain closing costs
- Fixed Interest rate based on current market rates at loan approval or loan closing whichever is lower
- Up to a 33 year repayment term
- Loans less than \$7,500 and repayable within 10 years may be available without a mortgage or deed of trust

## How much down payment is required?

- No down payment is typically required.
- Applicants with non-retirement assets greater than \$15,000 may be required to use a portion of those assets toward repairs

For more information, contact your local Rural Development office. USDA is an equal opportunity provider, employer, and lender.



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