

FHA 203K STEP-BY-STEP PROCESS

1. Learn about the product.
 - a. Check out the program guidelines on www.pcmexpress.com.
 - b. Meet with your account executive to discuss any training needs you or your staff may have.
2. Get familiar with all the right forms. These forms are located on www.pcmexpress.com and should be completed and presented to your team prior to placing an appraisal order.
 - a. Bid Template - This is a detailed template that can be used by your borrower and contractor(s) to outline specific repairs and all associated costs. It is not a mandatory form, but is highly encouraged to prevent possible delays in approval.
 - b. Bid Checklist - This details contractor requirements (especially helpful if not using the Bid Template).
 - c. Self-Help Agreement - This form is required to be completed and signed by the borrower if they will be performing any work themselves, including the purchase of appliances.
 - d. Homeowner/Contractor Agreement - This form is to be signed by both parties. The amount shown on this agreement should equal the amount on contractor's bid.
 - e. Homeowner/Contractor Agreement Addendum - This form is to be signed by both parties.
 - f. Borrower's 203K Acknowledgment (HUD Form 92700A) - This form is to be signed by the borrower and loan officer at the time of application.
 - g. Borrower Identity of Interest Disclosure - This form is to be completed and signed by the borrower at the time of application.
 - h. Contractor Reference Form - This form is to be completed and signed by the borrower for each contractor selected.
 - i. Maximum Mortgage Worksheet (HUD Form 92700) - Use this form to determine your maximum base loan amount once the borrower has obtained all bids from their selected contractors. Until an appraisal is actually performed, you will need to estimate the "After-improved Value" based on the repairs being made. Sections A, B and C (or D if refinance) are to be completed.
3. Get the bid(s) done.
 - a. Meet with the borrower - Use this time to explain the loan process and what will be required and expected of them. It is critical that the borrower and all parties involved (agents and sellers) are aware of the additional processing time required for this program. A minimum of 45 days is suggested to allow time for gathering documents and preliminary approval.
 - b. Have the borrower order a home inspection (if purchase). This will be used to determine if there are any immediate safety and/or health concerns that must first be addressed prior to any preference items. Keep in mind that the appraiser may add to this list after viewing the property.
 - c. Have your borrower make out two lists:
 - i. A "Must Do" list - These are the items that will correct any safety and/or health concerns with the home that were noted in the home inspection.
 - ii. A "Wish" list - These are those borrower preference items that can be made once the items on the "Must Do" list are completed. Remember there can be NO STRUCTURAL REPAIRS!
 - d. Have the borrower start collecting bids from contractors who are properly qualified to perform the work being requested. It is easier (but not mandatory) to use one General Contractor rather than multiple specialized contractors.
 - i. A minimum of 3 bids must be obtained for all work items.

- ii. If not using the Bid Template, remind the contractor(s) to be specific - itemizing all costs associated with the work to be performed.
 - iii. For the purchase of appliances, the borrower will need to provide vendor estimates for each appliance.
 - e. Narrow down the bids and scope of work to the maximum "Total Rehab Cost" of \$35,000, which means your bids should be no more than \$30,000-\$31,000 to allow for contingency reserves and fees.
 - f. Collect necessary contractor approval documents listed in the PCM FHA 203K Streamline guidelines.
 - i. Borrower is responsible for requesting and verifying references for each selected contractor.
 - ii. Refer to the Contractor Approval checklist to ensure all items are obtained prior to submission to PCM.
4. Submit the bid to your PCM Team for approval.
 - a. Be sure that information is well organized and clearly labeled. Including a summary page of all work and totals per contractor, with the information to follow in the same order is highly suggested to prevent delays.
 - b. If submitting documents through BlitzDocs, use the following folders:
 - i. 203K - Disclosures: For all borrower disclosures, including Homeowner/Contractor Agreements
 - ii. 203K - Contractor Approval: For all contractor approval documents (licenses, insurance, W-9, references, etc.)
 - iii. 203K - Construction Documents: For all construction estimates/bids
 - c. Your team will review and let you know if the requested repairs and supporting documentation is acceptable or if additional information will be required.
5. Order your appraisal through PCM Valuation.
 - a. Be sure to select "FHA 203K" as appraisal type.
 - b. The appraisal fee will be \$75 higher than the standard FHA fee for the state in which the property is located.
 - c. Upload the contract along with the complete set of construction bids, including the summary of work.
6. Submit your full file once the appraisal is completed (if not submitted already).
 - a. Remember this is a fully documented FHA loan program. All posted PCM FHA credit and documentation guidelines apply.
7. Once the loan is completely approved and cleared to close, the file can proceed to closing.
 - a. The file must be submitted to PCM's closing department a minimum of **48 hours** prior to closing date.
 - b. If initial construction draws will be requested at closing, be sure to break out amounts due per contractor (maximum 50% per contractor, or maximum 50% of borrower supplies/materials if using approved Self-Help agreement).
 - c. Remaining escrow funds will be placed in the borrower's escrow account with PCM.
8. Inspections and Draw Disbursements
 - a. Once the loan is closed, the repairs may then begin.
 - b. The borrower will notify PCM when work is completed and final draws can be made.
 - i. The borrower must complete and sign the "203K Borrower Completion Certification" prior to releasing any funds (one per contractor/draw).
 - c. An inspection (if total of all repairs exceed \$15,000) and title update confirming no new liens will be required for each draw request. (Utilizing one general contractor will greatly reduce the number of inspections and title updates!)