

The Power of Renovation Financing

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Marketplace Challenge - Aging Owner-Occupied Housing Stock

- Median age of owner-occupied homes in the U.S. is 40 years *
- New construction continues to fall behind in the number of new homes built *
- Older structures need new amenities, repairs/replacements, upgrades and updates
- Homes with known condition issues/problems often avoided by general buying public
 - a. Buyers can't afford cost of repairs/upgrades/updates
 - b. Subject doesn't meet minimum loan property standard

Marketplace Solution - Renovation Financing

- Enables buyer(s) to purchase and close on a property **AS-IS**, regardless of its current condition
- Provides funds for renovation, repairs and/or upgrades (renovation work started after close of escrow)
- Uses after-renovated value to help determine loan amount
- No repairs are required to be done or paid for prior to close

General Agency (Fannie Mae and Freddie Mac) Credit Qualifying Guidelines:

- Primary Residence, Second Homes and Investment Properties - Purchase and Limited Cash Out (or No Cash Out) only - Cash Out Refis not allowed
- Max Loan Amount, LTV, CLTV, HCLTV guidelines mirror non-renovation loan guidelines
- Please refer to a qualified lender for more detailed guideline information

Renovation Purchase Transaction Example

As-Is Purchase Price: \$425,000

- Foundation repairs needed
- Missing kitchen and portions of flooring
- Several areas of mold throughout the house
- Significant pest inspection report repairs

Total Renovation Costs: \$160,000

Purchase Price (As-Is):	\$425,000
Total Renovation Costs:	\$160,000
Total Cost:	\$585,000
* Max Loan Amount (95% LTV):	\$555,750
Down Payment (Diff of Total Cost and Loan Amount):	\$29,250
After-Renovated Value:	\$650,000

* Please consult qualified lender for more detailed guideline information

Renovation Refinance Transaction Example

- Borrowers recently purchased 3Bed/2Bath home for \$400,000
- 20% Down Payment (\$80,000), 80% LTV (\$320,000)
- Wanted to do a major remodel making their home into 5Bed/4Bath home
- Total renovation costs \$125,000 (incl. contingency and misc. renovation fees)

Purchase Price/As-Is Value (3Bed/2Bath):	\$400,000
Down Payment/Equity:	\$80,000
Loan Balance:	\$320,000
Total Renovation Costs:	\$125,000
Closing Costs:	\$5,000
Total \$ Amount Needed:	\$450,000
After Renovated Value (5Bed/4Bath):	\$575,000
Total Loan Amount:	\$450,000
Loan To Value (LTV):	78.26%
Cash to Close	\$0.00

Renovation Lending Benefits:

Buyer Benefits:

- Capitalize on current market/inventory, regardless of property condition
- Consider homes largely avoided by the general buying public
- Dual purpose, single loan transaction
- Purchase house and transform it into their dream home
- Low down payment on overall project cost

Realtor Benefits:

- Enables Realtors to market distressed properties to the general buying public instead of cash only, investor buyers
- Expands pool of properties to show prospective buyers
- Vehicle for: “Cash Only”, “Handyman Special”, “Needs TLC”, etc.
- Seller does not need to make or pay for any repairs prior to close
- Empowered to play instrumental role in revitalizing neighborhoods and communities

Lender Benefits:

- Enables lenders to provide Realtors and buyers a solution to overcome the challenges in dealing with properties in need of renovation
- Provides Realtors and borrowers more options in terms of properties to consider (beyond those in move-in condition)
- Significant refinance opportunities