



Role of an FHA-Approved 203(k) Consultant

The Federal Housing Administration's (FHA) 203(k) Rehabilitation Mortgage Insurance Program (203(k) Program) is a renovation program for both homebuyers and homeowners. The program allows borrowers to purchase a property and finance its rehabilitation in the same mortgage or refinance and repair their current home. The 203(k) Program is also an excellent option for homeowners who wish to remodel rather than move or make energy-saving improvements.

The Consultant plays a guiding role throughout the rehabilitation process, acting as the liaison between the homeowner, contractor(s), and lender. The Consultant inspects the property and prepares a feasibility study, architectural exhibits, work write-ups, cost estimates, draw request inspections, and change orders; and ensures that all work is performed in compliance with FHA requirements. Any Consultant who performs work on a 203(k) project must be listed on the FHA-approved 203(k) Consultant Roster.

203(k) Rehabilitation Program Types

Standard 203(k): Finances structural repairs or major renovation; is designed for a home that requires repairs of at least \$5,000; has no maximum renovation cost; and requires the use of an FHA-approved 203(k) Consultant.

Limited 203(k): Financing for a home needing minor renovation or non-structural repairs, costing no more than \$75,000. While using a 203(k) Consultant is not required, lenders and homeowners find a Consultant to be a valuable addition to the process in many situations.

203(k) Consultant's Responsibilities Before Loan Closing

Property Inspection and Permits

The Consultant's first task is to personally perform an on-site property inspection, using FHA's 35-Point Checklist, listed in Handbook 4000.1, Section II.A.9.e. The Consultant must:

- Address any deficiencies that exist;
- Certify the condition of all major systems, health and safety issues, and pests;
- Determine any repairs or improvements required to meet HUD's Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) and local requirements; and
- Ensure all required building permits are obtained before the commencement of work and posted on-site for the work performed.

Resources

203(k) Program

For more information on the 203(k) Program, visit:

https://www.hud.gov/program_offices/housing/sfh/203k.

Handbook 4000.1

See FHA's *Single Family Housing Policy Handbook* 4000.1 (Handbook 4000.1) for more information on:

- 203(k) Consultants – Section I.B.2.
- 203(k) Rehabilitation Mortgage Program – Section II.A. 8. a.
- 203(k) Consultant Requirements – Section II.A.9.
- 35-Point Checklist for Home Inspection – Section II.A.9.e.
- Minimum Property Requirements and Minimum Property Standards – Section II.A.3.a.ii.

To access Handbook 4000.1, go to:
https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1.



FHA RESOURCE CENTER

Online FAQ: www.hud.gov/answers

Email: answers@hud.gov

Phone: (800) CALL FHA (225-5342)

The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech and communication disabilities. Information on how to make an accessible phone call is available at:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Optional Feasibility Study

If the homebuyer is unsure of the repairs the home will need and their costs, the 203(k) Consultant can complete an optional feasibility study to identify the FHA-required repairs. When the borrower or lender requests to determine if the 203(k) project is financially feasible, the Consultant must prepare a feasibility study.

Work Write-Up and Cost Estimate

The Consultant must prepare and review the necessary architectural exhibits. If not qualified to prepare them, the Consultant must obtain the architectural exhibits from a qualified subcontractor. Examples include, but are not limited to, septic certifications, termite reports, foundation certifications, and engineering reports.

Based on this information, the Consultant must prepare a work write-up that addresses any of the work items on the 35-Point Checklist and those on the homeowner's project proposal. On the work write-up, each work item must have a reasonable cost estimate for the area in which the property is located and separately identifies the labor costs and itemized cost of materials. The work write-up and cost estimate must include the work being performed per the project proposal. Health and safety issues must be addressed before any other work items.

203(k) Consultant's Responsibilities After the Mortgage Closes

At mortgage closing, the lender escrows (holds back) the funds designated for rehabilitation. After the escrow is established, the Consultant:

- Reviews the lender request for a draw of funds and must inspect the work for completion and quality of workmanship to ensure the work has been satisfactorily completed in compliance with all codes and ordinances;
- Keeps the lender informed of the progress of the rehabilitation, including any issues that may affect project eligibility, the health, and safety of the homeowner, or work stoppage; and
- Reviews any proposed changes and prepares a change order for the lender to approve if changes to the work write-up are requested.

203(k) Mortgage Process

