
HomeStyle Renovation Loan Buyers Guide by AmeriFirst Home Mortgage



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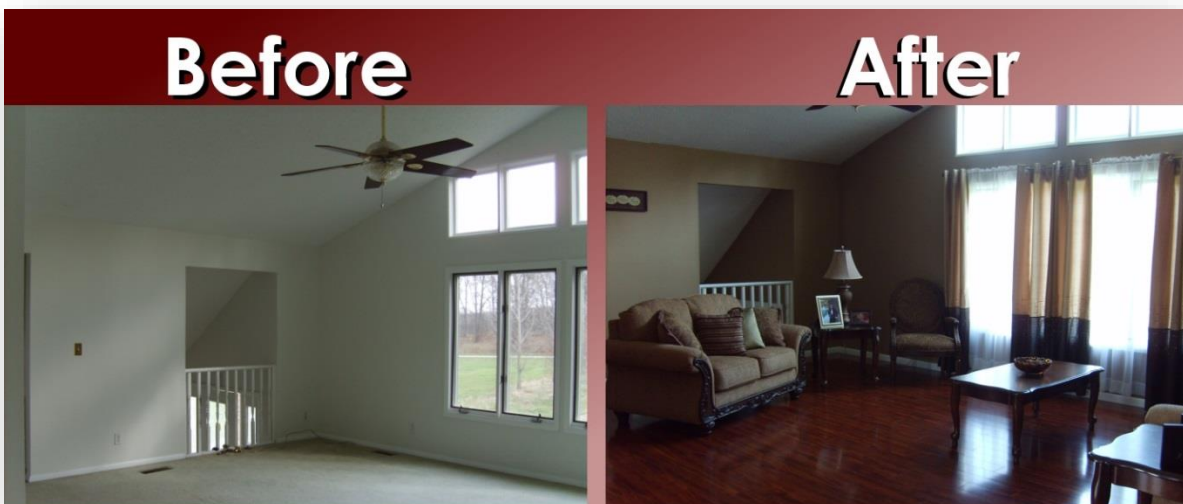
What is a Renovation Mortgage?

Some housing stock needs work. It's a fact of life in any housing market, especially today's market. Some homes need major repairs to bring them up to inspection standards. Other homes need a little updating to bring them into the new century. Still others may just need a touch up or style change to meet the buyer's desires.

In the not-so-distant past, when a house needed some remodeling, a buyer would just use a home equity loan or line of credit, do the work on their own and call it "sweat equity." However, in the current market of low home values and no equity, a HELOC becomes difficult (at best) to secure.

In addition to financing, many home buyers and investors simply do not have the time to put into fixing up a home. We all work full-time jobs and have families or other activities keeping us busy. Working on a house in the evenings and on the weekends is simply too much to handle.

Hiring a professional to remodel a home becomes a much more desirable route. So...how do you finance the work of a professional alongside the purchase of a home? That's where a renovation mortgage comes into play.



A renovation mortgage allows a home buyer to purchase a property and roll the cost of certain home improvements directly into the mortgage loan. This is not a second mortgage or separate line of credit. This is one mortgage, one (low and tax deductible†) interest rate and one monthly payment.

A renovation mortgage allows the home buyer to amortize the cost of renovations over the "life of the loan." You get to spread the cost of a \$20,000 kitchen remodel over your 30-year mortgage. The nice thing about doing it this way rather than a credit card or HELOC is that the work is tied to the equity of the home, so it becomes part of the future sale price if you're considering moving someday.

Home buyers have several choices when it comes to renovation mortgages. In this guide, we'll cover the HomeStyle Renovation mortgage loan option. You'll see how HomeStyle Renovation works, what you'll need to do during the process and how it's helping the housing market. As always, you can find help in this process through an AmeriFirst Home Mortgage branch and one of our mortgage consultants. You can call our main number at 800.466.5626 and ask to talk to a local consultant. You can also find a branch near you at the [AmeriFirst office locator](#).

Thank you for downloading the "HomeStyle Renovation Loan Buyer's Guide" from AmeriFirst Home Mortgage. Welcome Home and good luck on this new adventure.

What is a HomeStyle Renovation Mortgage?

[HomeStyle Renovation](#) is a financing option offered through Fannie Mae. According to Fannie Mae:

The HomeStyle Renovation mortgage enables a borrower to obtain a purchase transaction mortgage or a limited cash-out refinance mortgage and receive funds to cover the costs of repairs, remodeling, renovations or energy efficient improvements to the property.

There are no required improvements or restrictions on the types of repairs allowed or a minimum dollar amount for the repairs. Repairs or improvements, however, must be permanently affixed to the real property and add value to the property.

When HomeStyle is used for energy-related improvements, borrowers are required to obtain an energy report to identify recommended energy improvements to the property and the estimated cost savings associated with those improvements.

Essentially, HomeStyle Renovation is a solution to the current problem in housing that home buyers often see: finding houses that aren't yet "home." You can buy a house with potential and turn it into your home with your style, without breaking the bank. With a minimum of 5% down*, you can finance the purchase and remodeling of your dream home.



HomeStyle Highlights

With as little as a 5% down payment you can add your taste & style to a house to make it your home with remodeling projects like a new kitchen, bathroom, room addition or energy efficient upgrades. HomeStyle Renovation allows you to buy a home and fix it up, or refinance and remodel your current home.

- Purchase or refinance & remodel
- 5% minimum down payment for primary, single-family residences (10% for second homes)
- You can use gift funds for down payment & closing costs for owner occupied, primary residences after you contribute a minimum 3% down payment
- 3% seller contribution allowed
- Cosmetic and structural renovations allowed
- Allowable improvements can include landscaping, appliances, swimming pools and more

Borrower Requirements

An individual home buyer or homeowner that purchases or refinances an existing dwelling for renovation is an eligible borrower for a *HomeStyle* renovation Mortgage.

Fannie Mae's *HomeStyle Renovation Consumer Tips* (Form [1204](#)), is a checklist for the key facts that need to be disclosed to the borrower, and the borrower's signature will serve as an acknowledgment of his or her understanding of these facts.

Non-profit investors and local government agencies are not eligible borrowers for a HomeStyle mortgage through AmeriFirst Home Mortgage.

| Transaction Type | Number of Units | Maximum LTV,CLTV,HCLTV Fixed Rate Only | FICO Score Requirement*** |
|------------------------------|-----------------|---|---------------------------|
| Principal Residence | | | |
| Purchase | 1 Unit | 90%* | 660 |
| **Limited Cash-Out Refinance | 2 Units | 80% | 660 |
| | 3-4 Units | 75% | 680 |
| Second Homes | | | |
| Purchase | 1 Unit | 90% | 680 |
| **Limited Cash-Out Refinance | | | |
| Investment Property | | | |
| Purchase | 1 Unit | 80% | 680 |
| **Limited Cash-Out Refinance | 1 Unit | 75% | 680 |

*Exception required by AmeriFirst Financial Corp. management for 95% LTV on 1 unit Purchases only & reviewed on a case by case basis.

** No cash back at closing is allowed on any refinance transactions.

***Exception required by AmeriFirst Financial Corp. management for approval of any fico score below AmeriFirst published guideline above. Any exception request must meet Fannie Mae published program fico score requirement for consideration and have DU approve/eligible findings.

Number of Financed Properties

On a second home or investment property, Fannie Mae limits the number of residential properties the borrower may currently be financing to four (4) properties, including his or her principal residence. This limitation is based on the total number of properties financed regardless of units but is cumulative for all borrowers on the loan. For example: a borrower may own 4 single family properties; 2 two-family properties and 2 single-family properties; one co-borrower may own 1 single-family property and the other co-borrower may own 3 two-family properties; a borrower may own 4 four-family properties; etc.

HomeStyle Renovation Property Requirements

The subject property for a HomeStyle Renovation mortgage must be:

- A one-to-four unit principal residence
- A one-unit second home
- A one-unit investment property
- Note: manufactured homes and co-ops are not permitted

The property for a HomeStyle Renovation mortgage may be a unit in an eligible PUD or Fannie Mae Warrantable Condo unit. When the subject property is a unit in a condo, the project must be one for which the proposed renovation work is permissible under the bylaws of the homeowners' association.

Renovation Requirements

Appraisal

The appraisal report for a *HomeStyle* Renovation Mortgage must provide an “as completed” appraised value that estimates the value of the property after completion of the renovation work. The appraisal fee may be included in the amount of total renovation related costs of the loan.

There are no required improvements or restrictions on the types of repairs allowed or a minimum dollar amount for the repairs. Repairs or improvements, however, must be permanently affixed to the real property and add value to the property. There is a maximum amount of repairs or improvements subject to 50% of the after improved appraised value.

Contractor Requirements

All renovation work must be completed by a licensed contractor. The borrower must choose their own contractors; the lender may not choose the contractor or refer the borrower to any one specific contractor. All contractors will be validated by Granite Management.

Construction Contract

The construction contract must:

- Itemize specific work the contractor agrees to perform for the borrower.
- State the agreed-upon cost of the renovation.
- Identify all subcontractors and suppliers.
- Include an itemized description establishing the schedule for completing each stage of the work and the corresponding payments to be made to the contractor.
- Comply with all building codes and zoning regulations including obtaining any building permits or certificate of occupancy, if required.
- Provide for appropriate remedies for resolving disputes (including an agreement to indemnify the borrower for all property losses or damages caused by the contractor’s employees or subcontractors).
- Be signed by both the buyer and the contractor.
- Be on the approved AmeriFirst revised form 3734, *HomeStyle Renovation Construction Contract*.

You can use a HomeStyle Renovation Mortgage on a primary residence, a second home or an investment property. No other renovation mortgage has this much flexibility.

*A 5% down payment will require approval from AmeriFirst Financial Corp. management

How to Get Started on a HomeStyle Renovation Loan

When buying a home, the process should start with mortgage pre-approval. Getting pre-approved ensures that your budget and your credit are ready for a mortgage loan. A mortgage consultant will look at your situation – your income, debt and FICO score – and let you know whether you qualify for a mortgage and just how much you should plan on spending.

If you're already considering a renovation loan to buy your house, then let your mortgage consultant know. You can talk with them about options like HomeStyle and where you need to be with your credit score and the cash-in-hand you may need.

Let's look at how this works with a HomeStyle Renovation mortgage.

When you're considering buying a home, the first step is to find out how much house you can afford. A mortgage consultant will help you plan out a comfortable monthly house payment that you can afford. For instance, your consultant may say you're able to afford a house payment that adds up to a \$130,000 home. Your consultant would likely go over some of your financing options like renovation mortgages. Armed with this knowledge, you head out house hunting with your real estate agent.

As you search for "just the right home," you realize that if you qualified for a \$130,000 mortgage, you could actually look at homes in the \$100,000 sale price range, and afford around \$30,000 in renovations. Because you're educated on what a renovation loan is, you're ready to find a fixer-upper and make it your own.

Next, you find a home you want, and take the information to your mortgage consultant for final approval on financing. If you're heading down the renovation road with HomeStyle, you'll then bring your renovation contractor and a Granite Loan Management consultant into the mix. This consultant will help you and your contractor gather the information on renovation cost for the bid. An appraiser will use the bid to come up with the after-improved value of the home. This step also helps set up your contingency fee.

Now we head to closing. After closing on your loan, the work begins. Your Granite Loan Management consultant will oversee the work on the house, perform draw inspections on the renovations and ensure you're looped into a successful process.

Once the work is done and everyone is paid, it's time to move into your new house! Welcome home.

A contingency fee is like an escrow account, funded from your loan. The contingency covers things that may pop up like health & safety repairs, potential cost overruns or other unforeseen issues during the process. Your contingency fee with an AmeriFirst HomeStyle Renovation Mortgage is 10% of the bid amount.



HomeStyle Renovation Consumer Tips from Fannie Mae

Please review the important tips listed below about Fannie Mae HomeStyle Renovation Mortgages and home improvement projects.

- For the HomeStyle Renovation Mortgage, you do not receive any cash at the loan closing. The funds provided for renovation are placed in an interest-bearing escrow account (Renovation Escrow Account).
- The lender may require that a contingency reserve be placed in the Renovation Escrow Account to cover unforeseen repairs or deficiencies during the renovation. If funds remain after the renovation is complete, they can be applied to additional elective repairs or improvements or can be used to reduce the principal balance. If you deposit funds into the account, the funds you deposited can be paid directly back to you at your option.
- When selecting a contractor, always review the contractor's references, licensing, and financial background. Ask the lender for a Contractor Profile form to assist in your review, or locate one at www.efanniemae.com.
- You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor's work.
- You are responsible for overseeing the renovation and ensuring that it is done as specified in the Construction Contract with the contractor. If work stops for an extended period of time, or there are problems with the work performed that may cause significant delays, you must contact the lender.
- If you are purchasing a home to renovate it, please note that the lender does not warrant or guarantee the condition of the property being purchased or the renovation.
- You are responsible for making the mortgage payment each month, even if the renovation is not satisfactorily completed.
- Funds for the renovation are paid in accordance with a schedule acceptable to you, the contractor, and the lender. Funds are released to the contractor after an inspection of each phase of the renovation. The funds are provided in a check made payable jointly to both you and the contractor. You request these payments on a draw request form submitted to the lender.
- Do not approve funds to be released to the contractor if you are not happy with the work. Do not accept unsatisfactory work.
- Do not pay the contractor "up front" out of your own funds before the renovation is satisfactorily completed.
- The lender may withhold some of the funds from each Draw Request. These funds are paid to the contractor when the work is completed. This helps to protect you from a contractor failing to complete the renovation.
- If you would like to revise the original approved renovation, you must submit a Change Order Request to the lender for approval, and deposit any additional required funds (including contingency reserve) in the Renovation Escrow Account.
- When the renovation is completed, you and the contractor sign a Completion Certificate. The lender should provide you an accounting for all distribution of funds in the Renovation Escrow Account.

Potential Home Checklist

Organizing yourself during the house hunting process can help make a smoother experience. Having a record of what each home offers can make your final decision much easier. Print out a few copies of this checklist to use as you visit prospective homes.

Date Seen: _____ Address: _____ Price: _____
 Property Taxes: _____ Seller: _____ Age of House: _____
 Style of home Two Story Ranch Split Level Traditional Contemporary
 Cape cod Townhouse Condo
 Type of construction Wood Brick Stone Stucco Vinyl Siding Aluminum Siding

Exterior Features

Landscaping Good Fair Poor
 Fencing Good Fair Poor Nonexistent
 Porch Good Fair Poor Nonexistent
 Paint Good Fair Poor
 Patio Good Fair Poor Nonexistent
 Deck Good Fair Poor Nonexistent
 Garage 1 car 2 car 3 car Detached
 Good Fair Poor
 Roof Condition Good Fair Poor
 Sidewalks Yes No
 Well-maintained neighborhood Yes No

Interior Features

Kitchen Size _____
 Eat-in Yes No
 Flooring Ceramic Vinyl Wood Carpet Good Fair Poor
 Appliances Good Fair Poor Nonexistent
 Cabinets Good Fair Poor
 Windows Good Fair Poor

 Dining room Size _____
 Flooring Carpet Hardwood Tile Good Fair Poor
 Lighting fixtures Good Fair Poor Nonexistent

 Living room Size _____
 Flooring Carpet Hardwood Tile Good Fair Poor
 Lighting fixtures Good Fair Poor Nonexistent
 Fireplace Good Fair Poor Nonexistent

 Hallway Flooring Carpet Hardwood Tile Good Fair Poor

 Linen closet Good Fair Poor Nonexistent

 Total bedrooms _____
 Bedroom 1 Size _____
 Flooring Carpet Hardwood Tile Good Fair Poor
 Closet Good Fair Poor Nonexistent

Interior Features Continued

Bedroom 2 Size _____

Flooring Carpet Hardwood Tile Good Fair Poor

Closet Good Fair Poor Nonexistent

Bedroom 3 Size _____

Flooring Carpet Hardwood Tile Good Fair Poor

Closet Good Fair Poor Nonexistent

Total Bathrooms _____

Master Bath Size _____

Flooring Ceramic Vinyl Wood Carpet Good Fair Poor

Tub Good Fair Poor

Fixtures Good Fair Poor

Guest Bath Size _____

Flooring Ceramic Vinyl Wood Carpet Good Fair Poor

Tub Good Fair Poor

Fixtures Good Fair Poor

Laundry room Location _____

Washer Good Fair Poor Nonexistent

Dryer Good Fair Poor Nonexistent

Good closet space Yes No

Basement Yes No Finished Carpet Hardwood Tile

Utilities

Type of heating Hot water Gas Electric Oil

Insulation Fiberglass Cellulose Foam Nonexistent

Central Air Yes No

Plumbing Condition Good Fair Poor

Sump pump/drainage system Yes No

Connected to sewer system Yes No

Age of heating system _____

Age/capacity of water heater _____

Age of electrical wiring _____

Easy proximity to:

Work Schools Shopping Airport Area Industry Highways

Houses of worship Train station Public transportation Doctors/dentists

Recent sales in neighborhood:

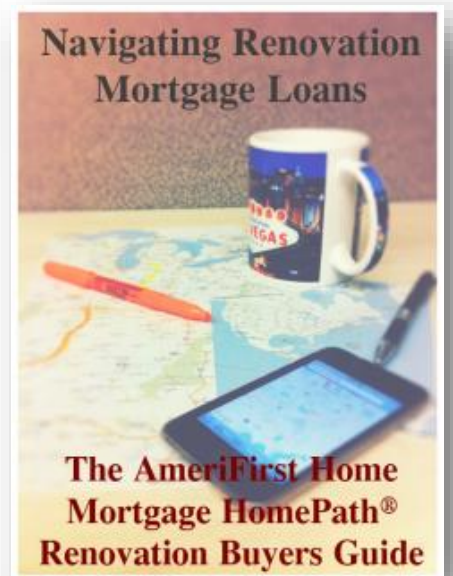
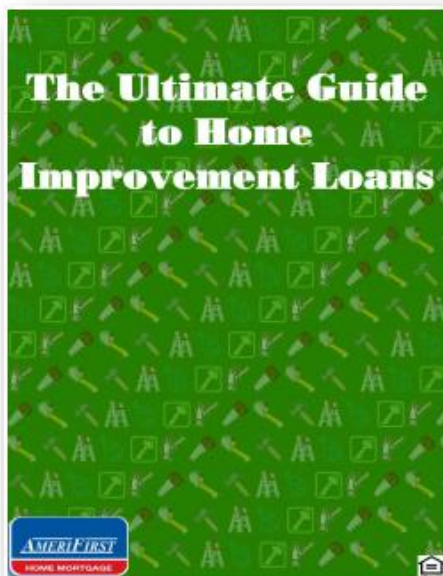
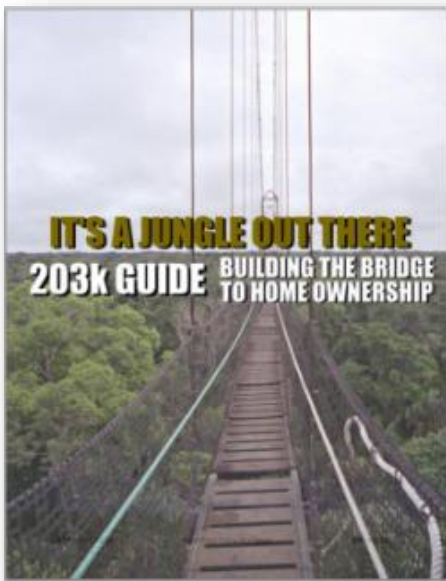
Address: _____ Size: _____ Price: _____

Address: _____ Size: _____ Price: _____

Address: _____ Size: _____ Price: _____

More Resources for Renovation Mortgages

From HomeStyle to HomePath Renovation to FHA 203k, you have options for financing the purchase and remodeling of a home. The guides below will help you learn about what's available, and how it all works. Education is important to us here at AmeriFirst Home Mortgage. Download the guides and become a more powerful, educated home buyer.



Let Us Know How We Can Help

For 30 years, AmeriFirst Home Mortgage has helped first time home buyers realize the dream of leaving that rental behind, and owning a house. Whether it's conventional lending, an FHA program, VA loan, USDA Rural Development or a renovation mortgage loan, the team at AmeriFirst is here to find the right mortgage for you. AmeriFirst is licensed for mortgage lending in: Michigan, Minnesota, Wisconsin, Illinois, Indiana, Ohio, Kentucky, Tennessee, North Carolina, Alabama and Florida. There is sure to be an office near you. You can find the [AmeriFirst office locator here](#).

We're easy to find.

The website: AmeriFirst.com

Find us on the "usual" social media sites as well.



Read the blog and keep up with the industry so you can be an informed borrower.



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