



What Is a 203(k) Loan?

The FHA 203(k) loan lets you purchase or refinance and rehabilitate a property with one loan closing. The projected rehabilitation costs are held in an escrow account and disbursed as work is completed and inspected. The loan amount is based on the lower of the projected market value following repairs or purchase price plus renovation costs.

Benefits of a 203(k) Loan

- Properties that are sold “as-is” often would not qualify for a standard FHA loan. However, 203(k) loans are designed to improve, update and modernize the home.
- The loan enables you to purchase foreclosure properties that require repairs. Most HUD Foreclosure properties could benefit from a 203(k) loan.
- You can purchase a home that does not require repairs and finance the cost of “modernization” or cosmetic repairs.
- The loan allows for 1-2 unit dwellings, including condominiums.
- Up to 110% (100% on condominiums) of the after improved value of the home may be used as basis for mortgage calculations. (The appropriate LTV factor is then applied.)
- Up to six months of PITI (principal, interest, tax and insurance) payments can be financed to assist those who would otherwise be required to make double-housing payments. Consultant will determine the number of months house will be uninhabitable for financing of payments. (Consultant K only)
- Buyers who purchased a property with cash can use the 203(k) program to complete repairs/modernization and replenish funds used at the time of purchase. Mortgage must close within 6 months of cash purchase.
- The loan can be used for complete reconstruction of a home on its original foundation.
- Properties in “below-average” condition can be upgraded through repairs and maintenance (i.e., new roof, fix broken windows, and lead paint abatement). Increase square footage by building an addition, building a second floor or finishing a basement or attic space. (Consultant K only.)