



The FHA 203(k) Loan Program

Turning “Fixer-Uppers” into Dream Homes

About 203(k) Loan Program

If you want to buy a home that needs repair or finance needed repairs to your current home, the Section 203(k) loan program by the U.S. Department of Housing and Urban Development (HUD) may be a good option for you. This program allows you to finance the purchase of a house—or refinance your current mortgage—and include the cost of its repairs through a single mortgage.



About The Program

You can take out a Section 203(k) loan as a 15- or 30- year fixed-rate mortgage or as an Adjustable Rate Mortgage (ARM). The total amount of your mortgage will be based on the projected value of your home after the renovation is completed, taking into account the cost of the work. A portion of your loan is used to pay for the purchase of the home, or in the case of a refinance, to pay off any existing debt. The remainder is placed in an interest-bearing account on your behalf and released in stages as rehabilitation is completed.

A minimum of \$5,000 must be used toward eligible repairs or improvements and you must complete the repairs within six months after the loan’s closing depending on the extent of work to be completed. This first \$5,000 primarily covers eliminating building code violations, modernizing, or making health and safety-related upgrades to the home or its garage. You may add additional repairs after this requirement is satisfied, if applicable. You cannot include improvements for commercial use or luxury items, such as tennis courts, gazebos, or new swimming pools.

Eligible Home Improvements

The Section 203(k) loan covers a range of home improvements. These include, but are not limited to, the following:

- Remodeling bathrooms or a kitchen, including new built-in appliances
- Replacing a roof, gutters, and downspouts
- Adding a family room, bedrooms, or bathrooms
- Replacing flooring, tiling, or carpeting
- Completing a basement or attic conversion or adding a second story
- Renovating a deteriorating property, termite damage, or structural problems
- Upgrading plumbing, heating, air conditioning, or electrical wiring
- Eliminating health and safety hazards, such as removing lead-based paint
- Making the home accessible to the disabled
- Adding a porch, deck, or patio
- Adding or repairing siding or repainting
- Installing energy efficient windows or doors