



Entry Form 2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

Email:

Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

Payment:

My HFA is mailing a check to NCSHA.

My HFA is emailing the credit card authorization form to awards@ncsha.org.

FirstHomes 100+ Homeownership: Empowering New Buyers

Overview

When RI Housing rolled out our FirstHomes100+ program in 2010, we recognized that it was a product that would meet the needs of many homebuyers. In the years since, we have become the “go to” resource in the state for this loan product, so much so that **in the last two years alone the number of 203(k) loans closed through our programs have almost doubled**. And we expect that number will continue to rise.

We spent 2016 expanding our program and highlighting the positive benefits of our 203(k) program to bring new homebuyers into the market. Through trainings, the development of informational materials for lenders, realtors and homebuyers, overview videos and homebuyer education, we’ve breathed new life into the program. **Our efforts were so successful in fact, that 8% of our 2016 mortgage lending volume was from 203(k) loans.**

Older Homes/Tight Inventory

Statistically speaking, Rhode Island has one of the oldest housing stock in the nation (in fact, RI has the fourth-oldest housing stock and the oldest multifamily housing in the country). In terms of overall inventory, only Massachusetts, New York and Washington DC have higher shares of homes built before 1940. Additionally, the rate of new construction has failed to keep up with the need for additional homes. New residential permit activity has yet to improve even as the state’s economy begins to recover.

As most US real estate markets face increasingly tight inventory levels, existing-home sales are dwindling across the nation and mortgage closings are taking a hit. ***Not only is the inventory tight, but for move-in ready homes, many are going for above asking price and often with multiple offers, further squeezing first-time homebuyers out of the market.***

When we couple that with the recently enacted statewide legislation mandating cesspool replacement and the number foreclosed properties that still exist in our state, it’s no surprise that the **FHA 203(k) is a program that is essential to the many homebuyers purchasing homes in need of repairs and updates.**

For Example:

15% of 203(k)s were from the city of Woonsocket while only 11% of overall closed volume (ytd) is from this city. This illustrates that in a city like Woonsocket, which has among the oldest housing stock in the state, the program has opened the doors for homebuyers and RI Housing has met a market need.

Expanding Options for Buyers

Renovation loans allow homebuyers to finance the cost of a home purchase as well as repairs, renovations and updates. 203(k) loans open up buyers’ possibilities and help them find an affordable home that they can modify to meet their needs. Real estate agents and mortgage professionals benefit from purchase-rehab loans by opening up opportunities for business in a tight market.

The program expands the range of properties homebuyers can consider to include those properties requiring repairs or improvements and puts these homes within reach of first-time buyers. 203(k) loan helps buyers “think outside the box” when it comes to “the right property.” Oftentimes, buyers get discouraged when they can’t find the home of their dreams so they end up putting off a purchase all together. Working with RI Housing, real estate and mortgage professionals are recommending buyers find a home that has the potential to be what they want. Financing the purchase with a renovation loan can help buyers turn a “fixer-upper” into their dream home.

Launched in 2009, our FirstHomes 100+ loan (203(k) loan) helps meet the needs of the first-time homebuyer looking to purchase one of the numerous “fixer uppers” in our state. The loan allows buyers to finance the purchase of a home that needs improvements as well as the cost of those improvements in one loan.

2016 Improvements Include:

Educational outreach activities:

- **203(k) Loan Origination Training:** offered as a half-day training for lender partners, providing tools needed to help them successfully guide borrowers and real estate partners through the 203(k) rehabilitation process while originating a quality loan that gets borrowers to the closing table smoothly and efficiently.
- **203(k) Homebuyer Education:** development of materials for homebuyers to highlight aspects of 203(k) loans:
 - Powerpoint,
 - Handout,
 - Videos (in English and Spanish)
 - Materials: highlight benefits of loan, 203(k) options (Standard and Limited), disbursement schedules, role of HUD consultant, post closing

We are poised to launch our online 203(k) education effort to continue to expand awareness of 203(k) loan options as inventory is expected to continue to be tight.

Why it is meritorious:

- We are one of only a few lenders offering 203(k) loans in our state
- We offer in-house servicing so homeowners get the support they need post-closing. With Servicing staff dedicated to 203(k) customers
- Program’s success derives from the innovative packaging with other loans and products, which provides increased purchasing power to consumers.
- Empowers more buyers and opens door to homeownership to larger subset of population. With stagnant wages, limited inventory, and rising prices, the program opens up doors to homeownership by incorporating rehab and purchase costs into one loan. In purchasing their first home, it’s not unusual for homebuyers to have tapped all their available financial resources, leaving them with no other funding sources to cover any necessary and costly repairs that in some cases may prevent a home from being habitable.

- The program allows first-time homebuyers who find the “almost perfect home” to make it their dream home. Aging inventory: many homes require repairs and at a minimum upgrades to meet needs of today’s homebuyers.
- Educational offerings and outreach done mostly using in-house staffing and capacity.
- Educational offerings help realtors and lender partners not only understand more about the loan, but markets the program for them as well, helping them achieve more closings.

203(k) Training: Lender Partners



FHA 203(k) Loan Origination Training

[Registration](#) closes soon! Don't miss out!

Monday, November 7, 2016

8:00 a.m. - 1:00 p.m.

Radisson Hotel Providence Airport

2081 Post Road, Warwick, RI 02886

(8:00 a.m. Breakfast & Registration; 9:00 a.m. Training)

Please join us for a FREE training on 203(k) loan origination. Whether you've never originated, or are very experienced with FHA 203(k) transactions, you won't want to miss this valuable educational opportunity. Expand your business base and gain new tools to confidently direct clients through the process.

Course topics include:

- Marketing to Realtors and Borrowers
- Completing the 1003: calculating loan amount, repairs, contingency reserves, total acquisition cost
- Eligible Repairs and Renovations
- Limited (Streamline) 203(k) versus Standard 203(k)
- Knowing when a Consultant is required
- Contractor Disbursements

This training will be instructed by the professionals of [Diehl and Associates](#), whose goal is to help you acquire the knowledge needed to successfully originate 203(k) loans, while meeting today's ever changing mortgage industry environment. Rhode Island Housing's Loan Servicing team will also conduct a portion of the training.

Breakfast is included. Seating is limited! All attendees will receive a certificate of completion.

All attendees must RSVP, please click [HERE](#).


If you have questions, please contact, Lisa McGregor, Lender Services Manager at lmcgregor@rhodeislandhousing.org.

 [Send to a Colleague](#)

Helping Rhode Islanders

Rhode Island Housing strives to ensure that all people who live or work in Rhode Island can afford a healthy, attractive home that meets their needs. A good home provides the foundation upon which individuals and families thrive, children learn and grow, and communities prosper.

203(k) Training Presentation: Lender Partners (from our Servicing Division)



Rhode Island Housing

After the Loan Closing

Leslie McKnight, Director of Loan Servicing

Agenda

- Disbursements and Timing
- Contractor Selection – the “3 C’s”
- Scope of Work
- Disputes
- Avoiding Pitfalls
- Quality Control

Disbursements & Timing

| | |
|--|--|
| <p><u>Limited</u></p> <p>↓</p> <p>2 Disbursements</p> <p>↓</p> <p>Closing & Completion</p> | <p><u>Full</u></p> <p>↓</p> <p>5 Disbursements</p> <p>↓</p> <p>Closing & Draws</p> |
|--|--|

Contractor Selection – “3 C’s”

- Capacity to handle work
 - Are subcontractors being used for any portion?
- Certifications (licensing and permits)
 - Are they licensed to do technical work such as lead paint removal?
- Capital
 - Will job progress be limited to funds being disbursed?

Scope of Work – Example 1

| Description | Price / Total |
|---|-----------------|
| Roof: Strip existing roof on main house and install new lifetime architectural shingles with lead chimney wrapping, ice & water and 6" drip edge. | \$7,975 |
| Basement Bathroom: Install new 36x60 stand up shower stall. Install 36" vanity with top and faucet, plumbing included. Install 320d drop ceiling in basement bathroom. Finish plaster bathroom walls and prep to paint | \$2,940 |
| Copper pipe repair/replace: Air test (see attached) concluded hot water pipe running through basement ceiling, up through kitchen sink needs to be replaced due to leaks. Access holes to be cut and repaired. | \$695 |
| Waste pipe replace: Cut and remove leaky cast iron pipe located in corner of the basement. Replace with 4" PVC and reconnect tie ins. | \$530 |
| Heating system: Air test (see attached) concluded boiler is cracked through the bottom and no longer holding pressure. New system to be installed | \$10,350 |
| Total | \$22,490 |

Scope of Work – Example 2

| Description | Price / Total |
|--|------------------|
| - Replacement of 13 windows | Labor & material |
| - Demolish & replace bathroom tile floor | \$9,500 |
| - Demolish & replace tub | |
| - Replacement of toilet | |
| Total | \$9,500 |

Disputes



Often resulting in attorneys and licensing board involvement or even mediation

Avoiding Pitfalls

- Any changes to the scope of work **MUST** be approved by Rhode Island Housing first!
- Advise homeowner to select materials with their contractor before any work begins
- Advise homeowner they want to have everything in writing

Why Do We Care?

Quality Control

- Federal Housing Authority has become more aggressive with “Spot Checks,” which has resulted in lenders needing to “dot i’s” and “cross t’s” at every stage
- Federal Housing Authority is also more active in reviewing lender disbursements

Why Should You Care?

Reputation and Referrals

It's about your industry knowledge, guidance, and commitment before AND after the loan closes



203(k) Training Presentation: Lender Partners (from 203(k) Consultant)

203 (k) Rehabilitation Mortgage Insurance Program

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Learning Objectives

Upon completion of this module, you will be able to:

- Describe the purpose and benefits of the 203 (k) loans
- Explain the two different 203 (k) loan categories and when to use each product
- Describe the borrower and property eligibility for the 203 (k) loans
- Identify eligible property types, repairs and improvements
- List the role and responsibilities associated with the origination process



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Overview

Purpose

- Rehabilitate an existing one- to-four-unit structure, which will be used primarily for residential purposes;
- Purchase and rehabilitate a structure and purchase the real property on which the structure is located
- Rehabilitate and refinance outstanding indebtedness on the Structure and the real property on which the Structure is located

Benefits

Overview

Purpose

- Bring substandard property up to FHA minimum property standards
- Give borrowers more property options
- Increase the property value at time of purchase
- Reduce seller objections because repairs are made after closing
- Open to refinances, often a better alternative to a home equity line of credit (HELOC)
- The loan is fully disbursed at closing with an escrow account for repairs
- Mortgage amount is based on the LESSER OF a "projected" appraised value or the "as is" value plus cost of rehabilitation
- Loan is eligible for FHA insuring prior to completion of rehabilitation work

Benefits

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Types of 203(k)

Standard 203(k)

- Used for more involved projects
- Involves additional parties and requires additional coordination of parties
- Allows up to five draws (disbursements) during renovation

Limited 203(k) (FKA Streamline)

- Generally limited to two-three specialty contractors
- Allows up to two draws per contractor
- Contractors can receive up to 50% at closing or prior to start of work to allow for ordering of materials that requires payment upfront.



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Standard 203 (k) Transactions

Eligible Improvements

Converting a 1-family Structure to a 2-, 3- or 4-family Structure

Decrease an existing multi-unit structure to a 1- to 4-family Structure

Reconstruct a structure that has been/will be demolished

Install/repair wells and/or septic systems

Move existing homes to a new foundation

Purchase an existing structure on another site, moving it onto a new foundation and repair/renovate it

Make structural alterations or replacement of structural damage, additions to the structure, and finished attics and/or basements

Rehabilitate/improve/construct a garage(attached or detached)

Repair/reconstruct/elevating an existing foundation where the structure will not be demolished



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Standard 203 (k) Transactions

Ineligible Improvements/Repairs

The 203(k) mortgage proceeds may not be used to finance costs associated with the purchase or repair of any luxury item, any improvement that does not become a permanent part of the subject Property, or improvements that solely benefit commercial functions within the Property, including but not limited to:

- Swimming Pools
- Hot Tubs/Saunas
- Tennis courts;
- Satellite dishes



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Roles and Responsibilities

203(k) Consultant

The consultant can be an instrumental role. The MLO should build a rapport with the consultant and communicate adequately.

- Required for all Standard 203(k) Mortgages; optional for Limited 203(k) Mortgages (but cannot be financed)
- Must be listed on the FHA 203(k) Consultant Roster
- Inspects the property, prepares the architectural exhibits, the Work Write-Up and Cost Estimate.



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Homebuyer Education: 203(k) Powerpoint

RHODE ISLAND HOUSING

203(k) LOAN

STANDARD/LIMITED



203(k) STANDARD / LIMITED LOAN GUIDE

About the Loan

- Fixed 30-year loan with established guidelines and procedures
- Take advantage of today's real estate buying opportunities
- Helps you finance repairs or improvements
- Expert assistance, every step of the way



203(k) STANDARD / LIMITED LOAN GUIDE

How does a 203(k) loan differ from a traditional loan?

- Finances cost of repairs or improvements
- Additional parties involved
 - HUD Consultant (required for Standard 203(k))
 - Contractor
- Higher closing costs
- Increased borrower responsibilities
 - Identify improvements
 - Identify contractor(s)
 - Share disbursement schedule with contractor(s)

203(k) STANDARD / LIMITED LOAN GUIDE

Benefits of the Loan

- Allows you to buy your dream home
 - Livable condition with good potential
- One fixed 30-year mortgage
 - Purchase price plus improvements rolled into one mortgage/payment
 - No surprises



203(k) STANDARD / LIMITED LOAN GUIDE

203(k) Options:

| STANDARD | LIMITED |
|---|--|
| Repairs or improvements up to and over \$45,000. | Repairs, improvements, and fees under \$45,000 |
| HUD consultant required | HUD consultant optional |
| Structural repairs permitted | Does not allow structural repairs |
| Up to 3% disbursements to contractor(s) No disbursement at closing | Up to 2% disbursements to contractor(s) 10% or less at closing if requested |
| 20% Contingency Reserve | 10% - 20% Contingency Reserve |
| Septic/well* | Septic/well* |
| Cesspool removal* | Cesspool removal* |

*Must be completed prior to any other work

203(k) STANDARD / LIMITED LOAN GUIDE

Eligible repairs using the Standard FHA 203(k) Mortgage Loan:

- Structural alterations and reconstruction, such as repair or replacement of structural damage, chimney repair, additions, installation of additional bath(s), repairs to foundation.
- Connecting to public water and/or sewer system
- Installation of a well and/or septic system

Ineligible repairs for the Standard FHA 203(k) Mortgage Loan:

- New swimming pool
- Gazebo
- Additions or alterations for commercial use

203(k) STANDARD / LIMITED LOAN GUIDE

Eligible repairs using the Limited FHA 203(k):

- Repair/replacement of roofs, gutters, and downspouts
- Repair/replacement of flooring
- Minor remodeling, such as kitchens and bathrooms, which do not involve structural repairs

Ineligible repairs for the Limited FHA 203(k):

- Major renovation or remodeling, such as relocation of a load-bearing wall
- New construction, such as a room addition
- Rehab of structural damage, such as damage caused by termites
- Landscaping (not including removal of landscaping that is compromising the structural integrity of the house)

203(k) STANDARD / LIMITED LOAN GUIDE

Project Example:

| Description | Price |
|---|-----------------|
| Roof: Strip existing roof on main house and install new life time architectural shingles with lead chimney wrapping, ice & water and 1" drip edge | \$7,975 |
| Basement Bathroom: Install new floor stand up shower stall, install 10" vanity with top and basin, plumbing included, install 10" drop ceiling in basement bathroom. Finish plaster bathroom walls and pop to paint | \$2,900 |
| Copper pipe repair/replace: Air test (see attached) concluded hot water pipe running through basement ceiling, up through kitchen sink needs to be replaced due to leaks. Access holes to be cut and repaired | \$695 |
| Waste pipe replace: Cut and remove leaky cast iron pipe located in corner of the basement. Replace with 4" PVC and reconnect tie ins | \$530 |
| Heating system: Air test (see attached) concluded boiler is cracked through the bottom and no longer holding pressure. New system to be installed | \$10,350 |
| Total | \$22,850 |

Next Steps

- Identify Needs vs. Wants
- Select and evaluate contractor(s)
 - Contractors must be licensed and insured
 - Improvements and repairs can not be done by homeowner
 - Obtain an itemized work estimate
- Work with your lender to finalize loan package
- Close on loan

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Disbursements/Loan Servicing

- Prior to contractors receiving money
 - Contact Rhode Island Housing to start disbursement process
 - (401) 457-1130
- HUD consultant inspects work done to date
- HUD consultant provides report within 3 business days
- Report reviewed by Rhode Island Housing
- If approved, funds are disbursed to the homeowner and contractor.

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Things to Consider

- Repairs/improvements can not cost more than increase in property value
- Prior to closing, notify Rhode Island Housing if your property has a septic or well.
- Changing contractors is prohibited unless approved by Rhode Island Housing.
- Any changes in scope of work must be approved by Rhode Island Housing.

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Questions & Answers



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Certificate



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Homebuyer Education: 203(k)
Videos



Video Links:

<https://www.youtube.com/watch?v=Jb553aDgsRw>

<https://www.youtube.com/watch?v=giZIG0wjglk>

<https://www.youtube.com/watch?v=WMVxK0RTbaM>

<https://www.youtube.com/watch?v=WvZ8wfHb634>



Standard 203(k) Loan

For Repairs and Improvements Up To and Over \$35,000

About The Loan

- 30-year fixed term
- Take advantage of today's real estate buying opportunities
- Helps you make repairs or improvements
- Expert assistance, every step of the way



Your HUD Consultant

- 203(k) homebuyer benefits from a HUD consultant
- Assists you in making sound decisions about your project, and makes sure the work is completed according to plan.
- While you are responsible for paying for the HUD consultant, that cost can be rolled into your mortgage.
- Provides a scope of work plan that can include items such as roofing, plumbing, heating or a kitchen or bath remodel.

Select Your Contractor(s)

Once you receive the HUD consultant's plan, it is your responsibility to find and select a licensed and insured contractor. Rhode Island Housing does not maintain a master list of area contractors. You should review several proposals before selecting a contractor and entering into an agreement. **Be sure your estimate and contract include an itemized list of materials being used in the renovation.**

With Your Lender - Finalize Your Loan Package

With your renovation contracts in hand, along with the HUD consultant's plan, it is time to work with your lender to finalize your loan package. **It is to your benefit to get the contracts as soon as possible.** Lenders will not order the home appraisal until they receive the contracts. Any delay can impact your ability to close on time.

Closing On Your Home

Once your loan is approved, a closing is scheduled. **This is the final step to homeownership.** (It is important to note that no funds are distributed at closing for renovations.)



loans.rhodeislandhousing.org

Getting To Work On Repairs

- **Schedule your contractor(s)**
- Contractors are responsible for obtaining all required building permits from your city or town
- Work must start within 30 days of closing
- Work must be completed in 180 days
- Contingency funds to protect you in the event of unforeseen repairs



✓ **The HUD consultant is especially valuable to you in making sure your contractor is getting the work done according to the contract.**

Paying Contractor(s)

- There are opportunities for contractors to receive payments at 5 separate phases of work
- HUD consultant will inspect the work and confirm it is completed
- Consultant's report is submitted and processed by Rhode Island Housing
- A check is issued to the contractor by Rhode Island Housing



✓ **Payments will only be made to contractors approved by the lender at the time of application.**

Some Additional Things To Consider

- Notify Rhode Island Housing if your property has a septic or well.
- Changing contractors is prohibited unless approved by Rhode Island Housing.
- Any changes in scope of work must be made by Rhode Island Housing.
- **If your repairs are non-structural and total cost is less than \$35,000 (including fees), please consider our Limited 203(k), a less complicated renovation loan option.**

▶ **Please view the 203(k) summary video for further assistance.**

Contact a Participating Lender or the Rhode Island Housing Loan Center with any questions.