System Changes and Processing Instructions in Compliance with the March 14, 2016 Updates to HUD Handbook 4000.1

Effective April 18, 2016

Table of Contents

1 System Implementation of Policy Changes in Compliance with HUD Handbook 4000.1 Updated 03/14/16 4

2 203k Calculator Implemented 4

2.1 Connection Authorization for 203k Calculator 4

2.2 Case Processing Menu Modifications 5

2.3 203k Calculator (with FHA Case Number) on the FHA Connection 6

2.3.1 Accessing 203k Calculator (with FHA Case Number) 6

2.3.2 Case Information for 203k Calculator (with FHA Case Number) 8

2.3.2.1 Property Address and Borrower Data 8

2.3.2.2 Case Characteristics 8

2.3.3 Step 1. Establishing Financeable Repair and Improvement Costs, Fees and Reserves 10

2.3.3.1 Step 1A. Repair and Improvement Costs and Fees Total *(sum of Step A1 thru Step A7)* 10

2.3.3.2 Step 1B. Financeable Contingency Reserves 12

2.3.3.3 Step 1C. Financeable Mortgage Payments Reserves 12

2.3.3.4 Step 1D. Financeable Mortgage Fees Total *(sum of Step D1 and Step D2)* 13

2.3.3.5 Step 1E. Total Rehabilitation Cost *(Step 1 total) (sum of Steps 1A, 1B, 1C and 1D)* 13

2.3.4 Step 2. Establishing Value 14

2.3.4.1 Step 2 for a Purchase Case 14

2.3.4.2 Step 2 for a Refinance Case 16

2.3.5 Step 3. Calculating Maximum Mortgage 18

2.3.5.1 Step 3 for a Purchase Case 19

2.3.5.2 Step 3 for a Refinance Case 22

2.3.6 Step 4. Additions to Base Mortgage Amount 23

2.3.7 Step 5. Calculating the LTV for Application of Annual MIP 27

2.3.8 Step 6. Establishing the Rehabilitation Escrow Amount 28

2.3.8.1 Steps 6A through 6E 28

2.3.8.2 Step 6F. Initial Draw at Closing Total *(sum of Step F1 thru Step F7)* 29

2.3.8.3 Step 6G. Rehabilitation Escrow Amount Balance *(for future draws)* = Step 6E Minus Step 6F 30

2.3.9 Processing Completed 203k Calculator (with FHA Case Number) .. 31

2.4 Blank Form 203k Calculator on HUD.GOV 33

2.4.1 Entering Case Information for Blank Form 203k Calculator 34

2.4.1.1 Property Address 34

2.4.1.2 Borrower Data 35

2.4.1.3 Case Characteristics 35

2.4.2 Processing Case Information for Blank Form 203k Calculator 36
2.4.3 Entering Worksheet Information for Blank Form 203k Calculator .. 38
2.4.4 Processing Completed Blank Form 203k Calculator 38
3 Appraisal Logging Changes 42
3.1 Changes to Appraisal Logging Information that Affect 203k Calculator. 42
3.2 Appraisal Type Field Added 43
3.2.1 Appraisal Type Processing Rules 43
3.2.1.1 203(k) Cases 43
3.2.1.2 Non-203(k) Cases 44
3.3 Modifications for a Second Appraisal 45
4 Insurance Application Changes 46
4.1 Modifications for 203k Calculator 46
4.1.1 Minimum Decision Credit Score Ranges 46
4.1.2 Link to 203k Calculator Added 46
4.1.3 Field Changes Related to 203k Calculator 47
4.1.3.1 Pre-filled Fields 48
4.2 Building on Own Land Changes 51
4.3 HUD REO Repair Amount Added 51
4.4 New Maximum HUD REO LTV Ratios 52
4.5 CLTV Total (%) and Good Neighbor Next Door 52
4.6 Modifications for an Energy Efficient Home (EEH) 52
5 Case Number Assignment Changes 54
6 Refinance Authorization and Refinance Credit Query Changes 55
7 Good Neighbor Next Door Added as a Secondary Financing Source 57
8 Escrow Closeout Changes 58

1 System Implementation of Policy Changes in Compliance with HUD Handbook 4000.1 Updated 03/14/16

On April 18, 2016, additional modifications were made to the FHA Connection (FHAC), FHA Connection Business to Government (FHAC B2G) and Computerized Homes Underwriting Management System (CHUMS) as part of the implementation of the Single Family Housing policies contained in the consolidated FHA Single Family Housing Policy Handbook (Handbook 4000.1), section II. Origination through Post-Closing/Endorsement for Title II forward mortgages issued September 14, 2015 and updated March 14, 2016.

2 203k Calculator Implemented

In compliance with updated HUD Handbook 4000.1, changes were made for 203(k) Rehabilitation Mortgage cases. **203k Calculator** was added to the FHA Connection and HUD.GOV websites to allow lenders to:

- Determine the maximum base mortgage amount
- Determine loan-to-value (LTV) factor for maximum mortgage eligibility
- Calculate the LTV for the application of the annual mortgage insurance premium (MIP)
- Establish the details of the 203(k) escrow account

There are two versions of **203k Calculator** as follows:

- **203k Calculator** on the FHA Connection for a specified case number (see *2.3 203k Calculator (with FHA Case Number) on the FHA* Connection).
- **203k Calculator** on HUD.GOV without a case number (*2.4 Blank Form 203k Calculator on HUD.GOV*).

2.1 Connection Authorization for 203k Calculator

Authorization is required to use **203k Calculator** on the FHA Connection. The lender's FHA Connection Application Coordinator provides the user with *Update* authorization for **203k Calculator (with FHA Case Number)** to add or update information for an existing case (**Figure 1**). The *Query* authorization allows the user to view completed **203k Calculator** information for an FHA Case Number.

Figure 1: FHA Connection authorizations for **203k Calculator**

2.2 Case Processing Menu Modifications

The ***Case Processing*** menu was modified to include a link to the **203k Calculator (with FHA Case Number)** (**Figure 2**). To get to the ***Case Processing*** menu, follow these links from the FHA Connection main menu: *Single Family FHA*, *Single Family Origination*, and *Case Processing*.

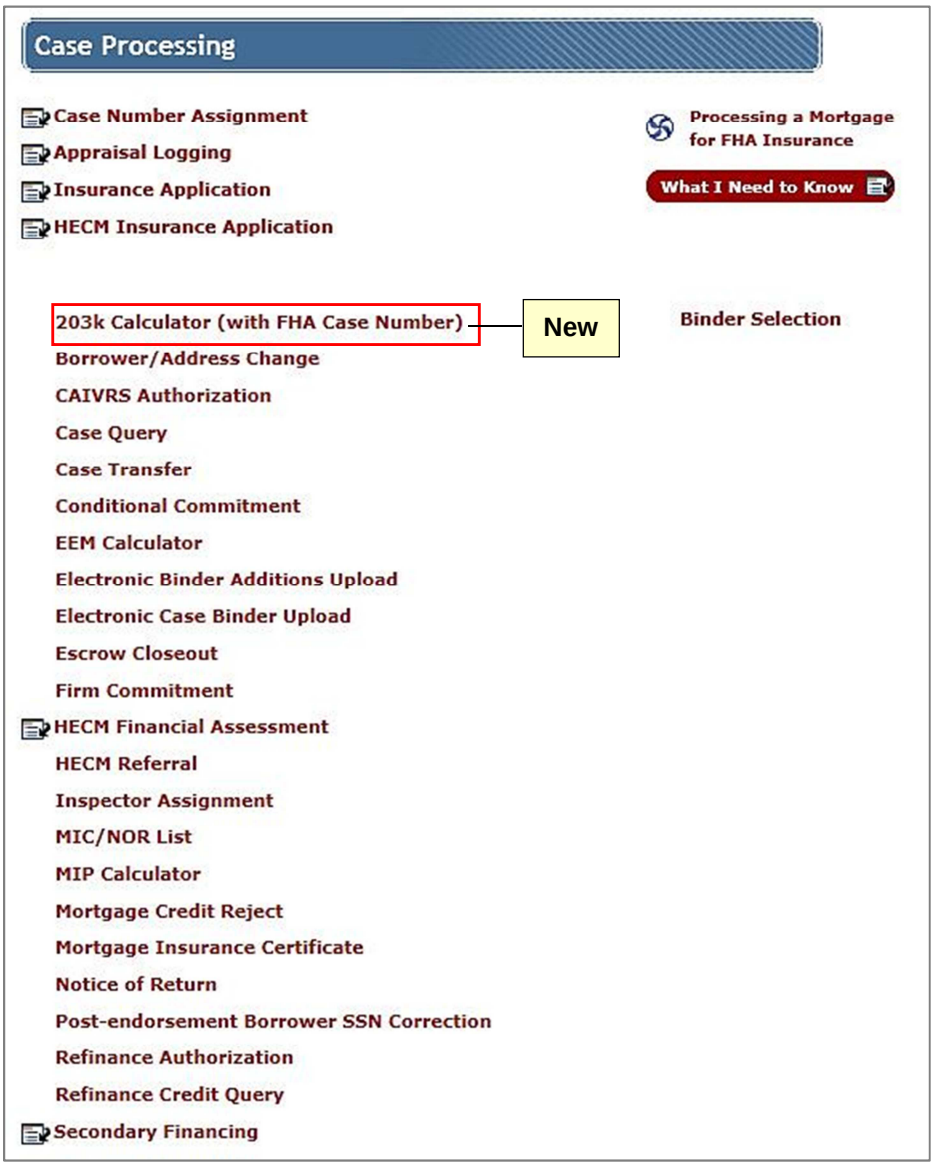


Figure 2: Modified *Case Processing* menu

2.3 203k Calculator (with FHA Case Number) on the FHA Connection

For 203(k) cases assigned a case number on or after October 31, 2016, this version of **203k Calculator** must be completed before processing **Insurance Application** and endorsement of the case for FHA insurance. For 203(k) cases assigned a case number between September 14, 2015 and October 30, 2016, completing **203k Calculator** is optional. However, if **203k Calculator** is processed during the optional period, it cannot be backed out. These rules are also applicable to FHAC B2G for **203k Calculator**.

203k Calculator for a specified case number is pre-filled with information from **Case Number Assignment** and may be pre-filled with information from **Appraisal Logging** and/or **FHA TOTAL Scorecard**, depending on the stage of case processing. If pre-filled information must be updated, an update is made to the source of the information first, and then **203k Calculator** is updated. For example, if the appraised value of the property is updated through **Appraisal Logging**, **203k Calculator** must be processed (recalculated) with the new value.

If **203k Calculator** was processed before **Appraisal Logging** or if certain **Appraisal Logging** information was updated after **203k Calculator** was processed, **Insurance Application** cannot be processed until **203k Calculator** is updated with the new information from **Appraisal Logging**.

2.3.1 Accessing 203k Calculator (with FHA Case Number)

203k Calculator for a specified case number is accessed by clicking the **203k Calculator (with FHA Case Number)** link on the ***Case Processing*** menu (**Figure 2**). The **203k Calculator Request** page appears when the link is selected (**Figure 3**).

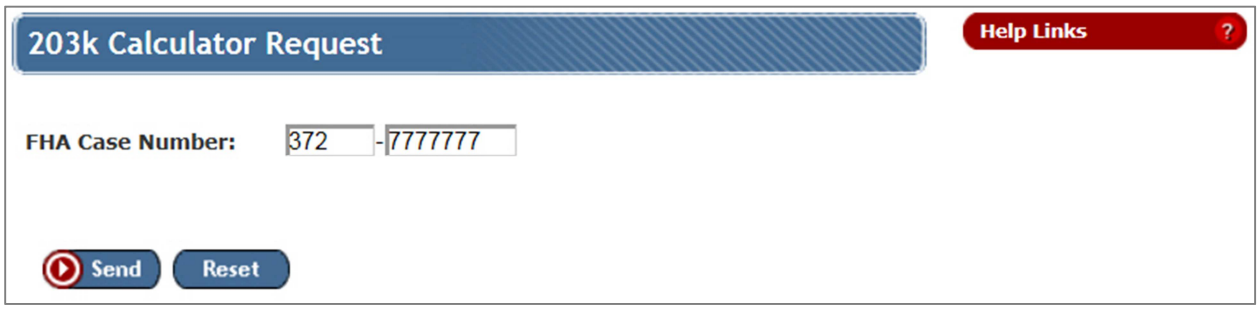
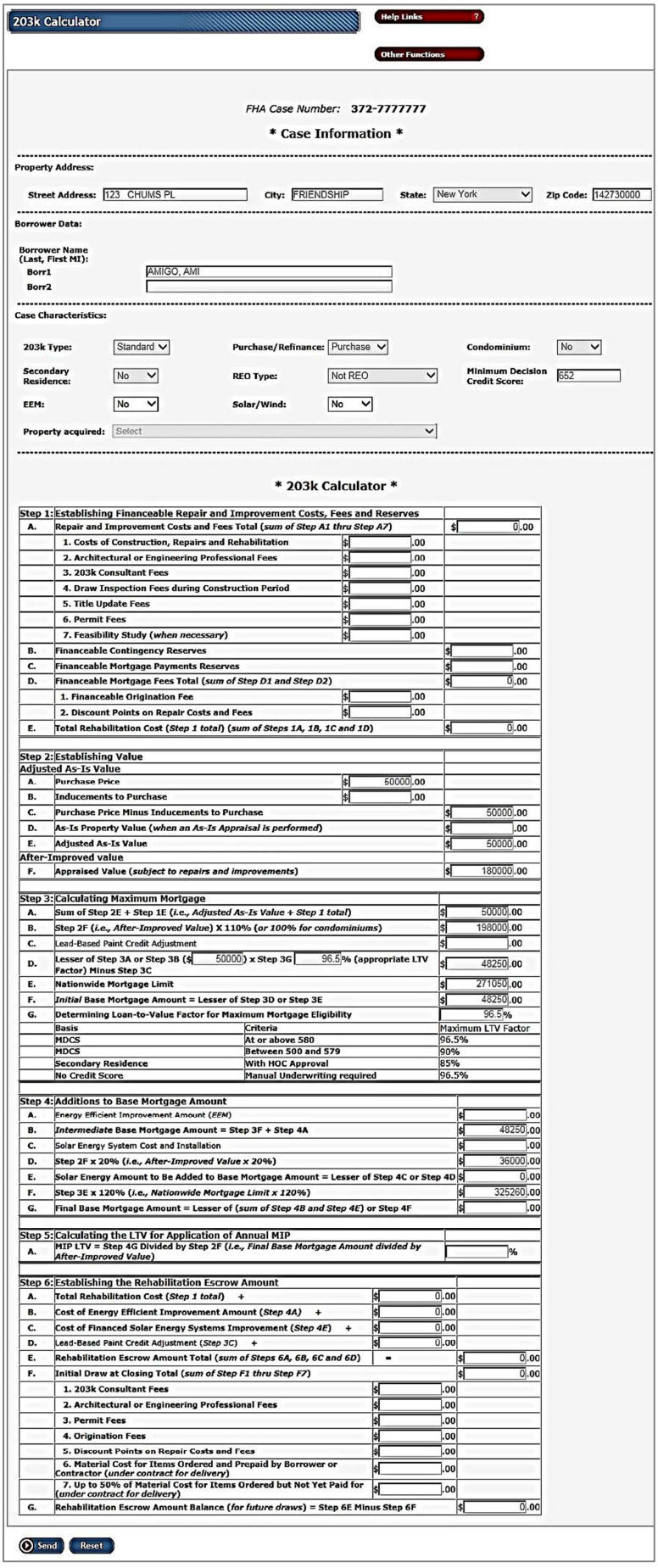


Figure 3: 203k Calculator Request page

The 10-digit case number for the 203(k) case is entered in the **FHA Case Number** field and **Send** is clicked to process the **203k Calculator Request** page. The **203k Calculator** page appears when processing is successful. **Figure 4** shows a Standard 203(k) purchase case for which **Case Number Assignment**, **Appraisal Logging**, and **FHA TOTAL Scorecard** were processed.



203k Calculator

Help Links ?

Other Functions

FHA Case Number: 372-7777777

* Case Information *

Property Address:

Street Address: 123 CHUMS PL City: FRIENDSHIP State: New York Zip Code: 142730000

Borrower Data:

Borrower Name (Last, First MI):
Borr1 AMIGO, AMI
Borr2

Case Characteristics:

203k Type: Standard Purchase/Refinance: Purchase Condominium: No
Secondary Residence: No REO Type: Not REO Minimum Decision Credit Score: 652
EEM: No Solar/Wind: No
Property acquired: Select

* 203k Calculator *

Step 1:	**Establishing Financeable Repair and Improvement Costs, Fees and Reserves**		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$ 0.00
	1. Costs of Construction, Repairs and Rehabilitation	$ .00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. 203k Consultant Fees	$ .00	
	4. Draw Inspection Fees during Construction Period	$ .00	
	5. Title Update Fees	$ .00	
	6. Permit Fees	$ .00	
	7. Feasibility Study (*when necessary*)	$ .00	
B.	Financeable Contingency Reserves		$ .00
C.	Financeable Mortgage Payments Reserves		$ .00
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$ 0.00
	1. Financeable Origination Fee	$ .00	
	2. Discount Points on Repair Costs and Fees	$ .00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$ 0.00

Step 2:	**Establishing Value**		
Adjusted As-Is Value			
A.	Purchase Price	$ 50000.00	
B.	Inducements to Purchase	$ .00	
C.	Purchase Price Minus Inducements to Purchase		$ 50000.00
D.	As-Is Property Value (*when an As-Is Appraisal is performed*)		$ .00
E.	Adjusted As-Is Value		$ 50000.00
After-Improved value			
F.	Appraised Value (*subject to repairs and improvements*)		$ 180000.00

Step 3:	**Calculating Maximum Mortgage**		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 50000.00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 198000.00
C.	Lead-Based Paint Credit Adjustment		$ .00
D.	Lesser of Step 3A or Step 3B ($ 50000) x Step 3G 96.5% (appropriate LTV Factor) Minus Step 3C		$ 48250.00
E.	Nationwide Mortgage Limit		$ 271050.00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$ 48250.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5%

Basis	Criteria	Maximum LTV Factor
MDCS	At or above 580	96.5%
MDCS	Between 500 and 579	90%
Secondary Residence	With HOC Approval	85%
No Credit Score	Manual Underwriting required	96.5%

Step 4:	**Additions to Base Mortgage Amount**	
A.	Energy Efficient Improvement Amount (*EEM*)	$ .00
B.	*Intermediate* Base Mortgage Amount = Step 3F + Step 4A	$ 48250.00
C.	Solar Energy System Cost and Installation	$ .00
D.	Step 2F x 20% (*i.e., After-Improved Value x 20%*)	$ 36000.00
E.	Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D	$ 0.00
F.	Step 3E x 120% (*i.e., Nationwide Mortgage Limit x 120%*)	$ 325260.00
G.	Final Base Mortgage Amount = Lesser of (*sum of Step 4B and Step 4E*) or Step 4F	$ .00

Step 5:	**Calculating the LTV for Application of Annual MIP**		
A.	MIP LTV = Step 4G Divided by Step 2F (*i.e., Final Base Mortgage Amount divided by After-Improved Value*)		%

Step 6:	**Establishing the Rehabilitation Escrow Amount**		
A.	Total Rehabilitation Cost (*Step 1 total*) +	$ 0.00	
B.	Cost of Energy Efficient Improvement Amount (*Step 4A*) +	$ 0.00	
C.	Cost of Financed Solar Energy Systems Improvement (*Step 4E*) +	$ 0.00	
D.	Lead-Based Paint Credit Adjustment (*Step 3C*) +	$ 0.00	
E.	Rehabilitation Escrow Amount Total (*sum of Steps 6A, 6B, 6C and 6D*) =		$ 0.00
F.	Initial Draw at Closing Total (*sum of Step F1 thru Step F7*)		$ 0.00
	1. 203k Consultant Fees	$ .00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. Permit Fees	$ .00	
	4. Origination Fees	$ .00	
	5. Discount Points on Repair Costs and Fees	$ .00	
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (*under contract for delivery*)	$ .00	
	7. Up to 50% of Material Cost for Items Ordered but Not Yet Paid for (*under contract for delivery*)	$ .00	
G.	Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F		$ 0.00

Send Reset

Figure 4: 203k Calculator for a specified case number

2.3.2 Case Information for 203k Calculator (with FHA Case Number)

The information provided in the *Case Information* section of **203k Calculator** determines some of the calculations in the worksheet section of the page (**Figure 5**). It is divided into three subsections: *Property Address*, *Borrower Data*, and *Case Characteristics*.

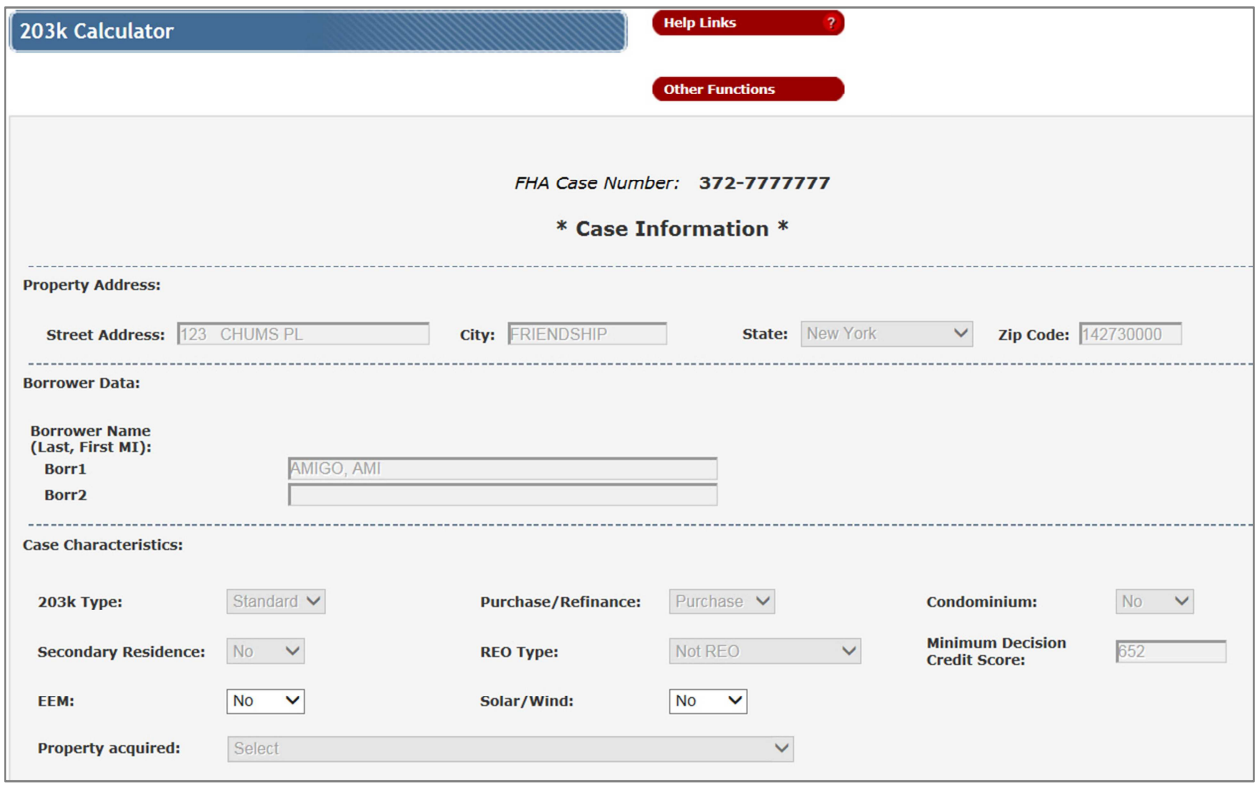


Figure 5: *Case Information* section of **203k Calculator** for a specified case number

2.3.2.1 Property Address and Borrower Data

The *Property Address* and *Borrower Data* subsections are pre-filled with information that was entered for **Case Number Assignment**. Modifications to this information are made through **Borrower/Address Change**.

2.3.2.2 Case Characteristics

The following fields of the *Case Characteristics* subsection are pre-filled with information from **Case Number Assignment**: **203k Type**, **Purchase/Refinance**, **Condominium**, and **Secondary Residence** and are view only. Modifications to this information are made through **Case Number Assignment**. Other fields may be pre-filled from **FHA TOTAL Scorecard** or **Appraisal Logging** as explained below. Case characteristics are entered as follows:

- **REO Type:** For a purchase case identified as HUD Real Estate Owned (REO) through **Case Number Assignment**, a selection is made from the drop-down list in the **REO Type** field (**Figure 6**):
  - *Not REO:* Not HUD REO property
  - *REO, not $100 down:* HUD REO property that is not being purchased under the FHA $100 Down Sales Incentive.
  - *$100 down REO:* HUD REO property that is being purchased under the FHA $100 Down Sales Incentive.

  Otherwise, this field is view only and displays *Not REO*.

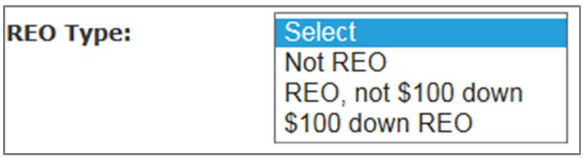


Figure 6: 203k Calculator REO Type field

- **Minimum Decision Credit Score:** If **FHA TOTAL Scorecard** was not processed, the three-digit Minimum Decision Credit Score for the borrower is entered.

  -or-

  For a borrower with non-traditional or insufficient credit, *N/A* is entered. Note: The maximum loan-to-value (LTV) factor is 96.5% for a purchase case and 97.75% for a refinance case. If the property is a secondary residence, the maximum LTV factor for a secondary residence is used (85%).
- **EEM:** If combining HUD's Energy Efficient Mortgage (EEM) program, *Yes* is selected from the drop-down list. Otherwise, *No* is selected.
- **Solar/Wind:** If combining HUD's Solar and Wind Technologies program, *Yes* is selected from the drop-down list. Otherwise, *No* is selected.
- **Property acquired:** This field is only applicable to a refinance case. If **Appraisal Logging** was processed, this field is view only and is pre-filled with the information from **Appraisal Logging**. If **Appraisal Logging** was not processed, the time period within which the property was acquired by the borrower is selected from the drop-down list (**Figure 7**). This field is view only for a purchase case. The options are:
  - *Less than 12 months prior to Case Number Assignment date*.
  - *Greater than or equal to 12 months prior to Case Number Assignment date*.
  - *Less than 12 months through Inheritance or Gift from Family Member*.

Property acquired:	Select Less than 12 months prior to Case Number Assignment date Greater than or equal to 12 months prior to Case Number Assignment date Less than 12 months through Inheritance or Gift from Family Member

Figure 7: 203k Calculator Property acquired field

2.3.3 Step 1. Establishing Financeable Repair and Improvement Costs, Fees and Reserves

The type of 203(k) case, Standard or Limited, determines the information entered for **Step 1: Establishing Financeable Repair and Improvement Costs, Fees and Reserves** (**Figure 8**). Only whole dollar amounts are entered without cents, commas, or dollar signs.

Step 1:	Establishing Financeable Repair and Improvement Costs, Fees and Reserves		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$ 0 .00
	1. Costs of Construction, Repairs and Rehabilitation	$ .00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. 203k Consultant Fees	$ .00	
	4. Draw Inspection Fees during Construction Period	$ .00	
	5. Title Update Fees	$ .00	
	6. Permit Fees	$ .00	
	7. Feasibility Study (*when necessary*)	$ .00	
B.	Financeable Contingency Reserves		$ .00
C.	Financeable Mortgage Payments Reserves		$ .00
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$ 0 .00
	1. Financeable Origination Fee	$ .00	
	2. Discount Points on Repair Costs and Fees	$ .00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$ 0 .00

Figure 8: 203k Calculator - Step 1. Establishing Financeable Repair and Improvement Costs, Fees and Reserves

2.3.3.1 Step 1A. Repair and Improvement Costs and Fees Total *(sum of Step A1 thru Step A7)*

Step 1A provides the total amount of financeable repair and improvement costs and mortgage fees. It is a view-only field that displays the sum of the amounts entered for the items listed below (**Figure 9**):

- **1. Costs of Construction, Repairs and Rehabilitation:** Total cost of eligible improvements to the property. For a Standard 203(k), the amount must be 5000 or greater.

  Note: If combining HUD's EEM or Solar/Wind program with a 203(k) loan, enter the costs associated with those programs separately in Step 4, but not in Step 1. Otherwise, if the case is not using either of those add-on programs, include the costs for energy efficient improvements and/or solar/wind

improvements in the total rehabilitation costs in Step 1. See Handbook 4000.1 for details on when to combine the 203(k) program with HUD's EEM and/or Solar/Wind programs.

- **2. Architectural or Engineering Professional Fees:** For a Standard 203(k) case, this is the total cost of fees paid for architectural or engineering professional services. For a Limited 203(k) case, this information is not required and data entry is not allowed.
- **3. 203k Consultant Fees:** For a Standard 203(k) case, this is the total cost of fees paid to an FHA-approved 203(k). For a Limited 203(k) case, this information is not required and data entry is not allowed.
- **4. Draw Inspection Fees during Construction Period:** Total cost of fees drawn from the escrow account to pay for inspections during rehabilitation of the property is entered. Note: This amount does not include the cost of inspection fees for an EEM or solar/wind energy system (even if the inspector is also the 203(k) consultant). Instead, these inspection fees must be included in the amount financed for energy efficient improvements.
- **5. Title Update Fees:** Total cost of title update fees.
- **6. Permit Fees:** Total cost of fees paid for required permits. Notes: The total cost of permit fees must be entered even if the borrower is being reimbursed at closing for obtaining the permits, prior to loan disbursement. Permit fees are not the same as draw inspection fees.
- **7. Feasibility Study *(when necessary):*** Total cost of a study performed to determine if the project is financially feasible. For a Limited 203(k) case, this information is not required and data entry is not allowed.

Not applicable to a Limited 203(k)

Step 1:	Establishing Financeable Repair and Improvement Costs, Fees and Reserves		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$ 46900.00
	1. Costs of Construction, Repairs and Rehabilitation	$ 45000.00	
	2. Architectural or Engineering Professional Fees	$ 500.00	
	3. 203k Consultant Fees	$ 700.00	
	4. Draw Inspection Fees during Construction Period	$ 300.00	
	5. Title Update Fees	$ 150.00	
	6. Permit Fees	$ 250.00	
	7. Feasibility Study (*when necessary*)	$ 0.00	
B.	Financeable Contingency Reserves		$ .00
C.	Financeable Mortgage Payments Reserves		$ .00
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$ 0.00
	1. Financeable Origination Fee	$ .00	
	2. Discount Points on Repair Costs and Fees	$ .00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$ 46900.00

Figure 9: 203k Calculator completed Step 1A for a Standard 203(k) purchase case

2.3.3.2 Step 1B. Financeable Contingency Reserves

The *contingency reserve* refers to funds that are set aside to cover unforeseen project costs. The minimum and maximum contingency reserve is established as a percentage of the financeable repair and improvement costs. A contingency reserve is mandated for a Standard 203(k) case and is optional for a Limited 203(k) case. An amount rounded up to the nearest dollar may be entered.

For a Standard 203(k) case, the contingency reserve requirements are:

Structures with an Actual Age of Less than 30 Years		
	Minimum	**Maximum**
Required when evidence of termite damage	10%	20%
Discretionary	No Minimum	20%

Structures with an Actual Age of 30 Years or More		
	Minimum	**Maximum**
Required	10%	20%
Required when utilities are not operable as referenced in the Work Write-Up	15%	20%

For a Limited 203(k) case, financed contingency reserve funds may be established by the lender. The funds may not exceed 20% of the financeable repair and improvement costs (**Step 1A.1. Costs of Construction, Repairs and Rehabilitation**).

When the completed **203k Calculator** form is processed, the minimum and maximum financeable contingency reserve requirements are validated using the amount entered in Step 1B with the age of the property entered for **Appraisal Logging**, if **Appraisal Logging** was completed prior to 203k **Calculator**.

2.3.3.3 Step 1C. Financeable Mortgage Payments Reserves

The *mortgage payment reserve* refers to financeable funds set aside for making mortgage payments when the property cannot be occupied during rehabilitation.

For a Standard 203(k) case, a mortgage payment reserve is optional, but if the lender establishes one, the amount entered in **Step 1C. Financeable Mortgage Payments Reserves** cannot exceed six months of mortgage payments. The number of mortgage payments cannot exceed the time frame required for completion set forth in the Rehabilitation Loan Agreement. For a multi-unit property, if one or more units are occupied, the mortgage payment reserve may only include the portion of the mortgage payment attributable to the units that cannot be occupied.

For a Limited 203(k) case, this information is not applicable and data entry is not allowed.

2.3.3.4 Step 1D. Financeable Mortgage Fees Total *(sum of Step D1 and Step D2)*

Step 1D displays the view-only sum of the amounts entered for the following items (**Figure 10**):

- **1. Financeable Origination Fee:** Financeable portion of the borrower-paid origination fee. The amount cannot exceed the greater of $350.00 or 1.5% of the sum of:
  - **Step 1A. Repair and Improvement Costs and Fees Total (sum of Step A1 thru Step A7)**
  - **Step 1B. Financeable Contingency Reserves**
  - **Step 1C. Financeable Mortgage Payments Reserves** (not applicable to a Limited 203(k) case)
- **2. Discount Points on Repair Costs and Fees:** Financeable portion of the borrower-paid discount points on repair costs and fees. It cannot exceed an amount equal to the discount point percentage multiplied by the sum of the following:
  - **Step 1A. Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7)***
  - **Step 1B. Financeable Contingency Reserves**
  - **Step 1C. Financeable Mortgage Payments Reserves** (not applicable to a Limited 203(k) case)

2.3.3.5 Step 1E. Total Rehabilitation Cost *(Step 1 total) (sum of Steps 1A, 1B, 1C and 1D)*

The total amount for **Step 1. Establishing Financeable Repair and Improvement Costs, Fees and Reserves** is calculated by the system and displayed in this view-only field (**Figure 10**). For a Limited 203(k) case, the amount cannot exceed $35,000.00.

Figure 10 shows the completed Step 1 for a Standard 203(k) case.

Step 1:	Establishing Financeable Repair and Improvement Costs, Fees and Reserves		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$ 46900.00
	1. Costs of Construction, Repairs and Rehabilitation	$ 45000.00	
	2. Architectural or Engineering Professional Fees	$ 500.00	
	3. 203k Consultant Fees	$ 700.00	
	4. Draw Inspection Fees during Construction Period	$ 300.00	
	5. Title Update Fees	$ 150.00	
	6. Permit Fees	$ 250.00	
	7. Feasibility Study (*when necessary*)	$ .00	
B.	Financeable Contingency Reserves		$ 4690.00
C.	Financeable Mortgage Payments Reserves		$ 1500.00
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$ 850.00
	1. Financeable Origination Fee	$ 350.00	
	2. Discount Points on Repair Costs and Fees	$ 500.00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$ 53940.00

Figure 10: 203k Calculator completed Step 1 for a Standard 203(k) purchase case

The Step 1E amount is used for calculations in the next steps and initially populates some of those fields.

2.3.4 Step 2. Establishing Value

The adjusted as-is and after-improved values are determined in **Step 2: Establishing Value**. Only whole dollar amounts are entered without cents, commas, or dollar signs.

The information required for this step differs between a purchase case and refinance case.

2.3.4.1 Step 2 for a Purchase Case

Figure 11 shows the **203k Calculator** Step 2 fields displayed for a purchase case.

Step 2:	Establishing Value		
Adjusted As-Is Value			
A.	Purchase Price	$ 50000.00	
B.	Inducements to Purchase	$ .00	
C.	Purchase Price Minus Inducements to Purchase		$ 50000.00
D.	As-Is Property Value (*when an As-Is Appraisal is performed*)		$ .00
E.	Adjusted As-Is Value		$ 50000.00
After-Improved value			
F.	Appraised Value (*subject to repairs and improvements*)		$ 180000.00

Figure 11: 203k Calculator - **Step 2: Establishing Value**
(purchase case for which **Appraisal Logging** was processed)

Adjusted As-Is Value for a Purchase Case

The adjusted *as-is* value of the property for a purchase case is established by entering the following information:

- **Step 2A. Purchase Price:** Contract sales price of the property. If **Appraisal Logging** was processed, this field is pre-filled with the value from **Appraisal Logging** and is view only.
- **Step 2B. Inducements to Purchase:** Amount of certain expenses paid by the seller and/or another interested party on behalf of the borrower that results in a dollar-for-dollar reduction to the adjusted value of the property before applying the appropriate loan-to-value (LTV) percentage.
- **Step 2C. Purchase Price Minus Inducements to Purchase** displays the view-only sum of **Step 2A. Purchase Price** minus **Step 2B. Inducements to Purchase** calculated by the system.
- **Step 2D. As-Is Property Value *(when an As-Is Appraisal is performed):*** Estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. If an as-is appraisal was logged via **Appraisal Logging**, this field is pre-filled with the value from **Appraisal Logging** and is view only.
- **Step 2E. Adjusted As-Is Value** displays the view-only amount from:
  - **Step 2C. Purchase Price Minus Inducements to Purchase** if there is a zero (0) amount for **Step 2D. As-Is Property Value *(when an As-Is Appraisal is performed)***.

  -or-

  - **Step 2D. As-Is Property Value *(when an As-Is Appraisal is performed)*** if the amount in this field is greater than zero (0).

After-Improved Value for a Purchase Case

The after-improved value for a purchase case is established by entering the appraised value of the property, subject to completion, repairs, or plans and specifications in **Step 2F. Appraised Value *(subject to repairs and improvements)***. If **Appraisal Logging** was processed, this field is pre-filled with the value from **Appraisal Logging** and is view only.

The amount for **Step 2F. Appraised Value *(subject to repairs and improvements)*** must be greater than the amount for **Step 2D: As-Is Property Value *(when an As-Is Appraisal is performed).***

Figure 12 shows the completed Step 2 for a purchase case.

Step 2: Establishing Value			
Adjusted As-Is Value			
A.	Purchase Price	$ 50000 .00	
B.	Inducements to Purchase	$ 300 .00	
C.	Purchase Price Minus Inducements to Purchase		$ 49700 .00
D.	As-Is Property Value (*when an As-Is Appraisal is performed*)		$ .00
E.	Adjusted As-Is Value		$ 49700 .00
After-Improved value			
F.	Appraised Value (*subject to repairs and improvements*)		$ 180000 .00

Figure 12: 203k Calculator completed Step 2 for a purchase case

2.3.4.2 Step 2 for a Refinance Case

Figure 13 shows the fields displayed in Step 2 for a refinance case.

Step 2: Establishing Value		
Adjusted As-Is Value		
A.	Existing Debt on Property Being Refinanced	$ .00
B.	Step 1 Total (Step 1E)	$ 0 .00
C.	Fees Associated with the New Loan	$ .00
D.	Sum of Step 2A, Step 2B and Step 2C	$ 0 .00
E.	As-Is Property Value (*when an As-Is Appraisal is performed*)	$ .00
F.	Adjusted As-Is Value	$ 0 .00
After-Improved value		
G.	Appraised Value (*subject to repairs and improvements*)	$ 310000 .00

Figure 13: Step 2 for a refinance case for which **Appraisal Logging** was processed

Existing Debt for a Refinance Case

For a 203(k) refinance case, the amount of existing debt must be provided. Existing debt includes the following:

- Unpaid principal balance of the first mortgage as of the month prior to mortgage disbursement.
- Unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage disbursement.
- Unpaid principal balance of any junior liens over 12 months old as of the date of mortgage disbursement. If the balance or any portion of an equity line of credit in excess of $1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new mortgage.

- Interest due on the existing mortgage(s)
- Mortgage insurance premium (MIP) due on the existing mortgage(s)
- Any prepayment penalties assessed
- Late charges
- Escrow shortages

Adjusted As-Is Value for a Refinance Case

The adjusted *as-is* value of the property for a refinance case is established by entering the following information:

- **Step 2A. Existing Debt on Property Being Refinanced:** Total amount of existing debt on the property.
- **Step 2B. Step 1 Total (Step 1E)**: View-only amount from **Step 1E. Total Rehabilitation Cost (Step 1 total) (sum of Steps 1A, 1B, 1C and 1D)**.
- **Step 2C. Fees Associated with the New Loan:** Total amount of projected mortgage closing costs and prepaid items (e.g., flood and hazard insurance premiums, MIP, real estate taxes, and per diem interest).
- **Step 2D. Sum of Step 2A, Step 2B and Step 2C** is view only and displays the system-calculated sum of:
  - **Step 2A. Existing Debt on Property Being Refinanced**
  - **Step 2B. Step 1 Total (Step 1E)**
  - **Step 2C. Fees Associated with New Loan**.

  Note: For a refinance case, an as-is appraisal is required if the sum of **Step 2A. Existing Debt on Property Being Refinanced** and **Step 2B. Step 1 Total (Step 1E)** is greater than **Step 2G. Appraised Value (*subject to repairs and improvements*)** (this is in addition to a *subject to* appraisal). If the property was acquired less than 12 months prior to the **Case Number Assignment** date, an *as-is* appraisal is always required (if not acquired by gift or inheritance through a family member).
- **Step 2E. As-Is Property Value *(when an As-Is Appraisal is performed):*** Estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal report date. If **Appraisal Logging** was processed for an as-is appraisal, this field is pre-filled with the value from **Appraisal Logging** and is view only.
- **Step 2F. Adjusted As-Is Value:** View-only amount calculated by the system that is the adjusted *as-is* value of the property, if an as-is appraisal was performed.

  -or-

System-calculated sum of **Step 2A. Existing Debt on Property Being Refinanced** and **Step 2C. Fees Associated with New Loan**.

After-Improved Value for a Refinance Case

The after-improved value for a refinance case is established by entering the appraised value of the property, subject to completion, repairs, or plans and specifications, in **Step 2G. Appraised Value *(subject to repairs and improvements)***. If **Appraisal Logging** was processed, this field is pre-filled with the value from **Appraisal Logging** and is view only.

Figure 14 shows the completed Step 2 for a refinance case.

Step 2:	**Establishing Value**	
Adjusted As-Is Value		
A.	**Existing Debt on Property Being Refinanced**	$ 280000 .00
B.	**Step 1 Total (Step 1E)**	$ 24045 .00
C.	**Fees Associated with the New Loan**	$ 2000 .00
D.	**Sum of Step 2A, Step 2B and Step 2C**	$ 306045 .00
E.	**As-Is Property Value (*when an As-Is Appraisal is performed*)**	$ 0 .00
F.	**Adjusted As-Is Value**	$ 282000 .00
After-Improved value		
G.	**Appraised Value (*subject to repairs and improvements*)**	$ 310000 .00

Figure 14: Completed Step 2 for a refinance case

2.3.5 Step 3. Calculating Maximum Mortgage

The information required for this step differs between a purchase case and refinance case. Only whole dollar amounts are entered without cents, commas, or dollar signs.

2.3.5.1 Step 3 for a Purchase Case

The fields in this step are view only, except for a HUD REO purchase case (see Step 3C below), and display system-calculated amounts (**Figure 15**).

Step 3:	Calculating Maximum Mortgage		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 103640 .00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 198000 .00
C.	Lead-Based Paint Credit Adjustment		$ .00
D.	Lesser of Step 3A or Step 3B ($ 103640) x Step 3G 96.5 % (appropriate LTV Factor) Minus Step 3C		$ 100012 .00
E.	Nationwide Mortgage Limit		$ 271050 .00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$ 100012 .00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5 %
	Basis	Criteria	Maximum LTV Factor
	MDCS	At or above 580	96.5%
	MDCS	Between 500 and 579	90%
	Secondary Residence	With HOC Approval	85%
	No Credit Score	Manual Underwriting required	96.5%

Figure 15: Step 3 for a purchase case (not a HUD REO)

- **Step 3A. Sum of Step 2E + Step 1E *(i.e., Adjusted As-Is Value + Step 1 total)*:** System-calculated sum of:
  - **Step 2E. Adjusted As-Is Value**

    -plus-
  - **Step 1E. Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)**.
- **Step 3B. Step 2F *(i.e., After-Improved Value)* X 110% *(or 100% for condominiums)*:** System-calculated amount as follows:
  - If *No* was selected in the **Condominium** field, this is the sum of **Step 2F. Appraised Value *(subject to repairs and improvements)*** multiplied by 110%.
  - If *Yes* was selected in the **Condominium** field, this is the sum of **Step 2F. Appraised Value *(subject to repairs and improvements)*** multiplied by 100%.
- **Step 3C. Lead-Based Paint Credit Adjustment:** For a HUD REO purchase case only, the amount of the credit adjustment provided by HUD at sales closing associated with a lead-based paint stabilization plan is entered. Only a whole dollar amount is entered without cents, comma, or dollar sign. Otherwise, this field is view only. Note: The sales contract must include a stipulation for the lead-based paint credit adjustment.

  See **Figure 16** and **Figure 17**.

- **Step 3D. Lesser of Step 3A or Step 3B ($_____) x Step 3G _____% (appropriate LTV Factor) Minus Step 3C.** System-calculated amount that is:
  - the lesser of **Step 3A. Sum of Step 2E + Step 1E *(i.e., Adjusted As-Is Value + Step 1 total)*** or **Step 3B. Step 2F *(i.e. After-Improved Value)* X 110% *(or 100% for condominiums)***
  - multiplied by **Step 3G. Determining Loan-to-Value Factor for Maximum Mortgage Eligibility**
  - minus **Step 3C. Lead-Based Paint Credit Adjustment**.

  OR

  Step 3D. Lesser of Step 3A or Step 3B ($_____) Minus $100 Minus Step 3C. For a HUD $100 Down REO purchase case, this is the system-calculated amount that is:
  - the lesser of **Step 3A. Sum of Step 2E + Step 1E *(i.e., Adjusted As-Is Value + Step 1 total)*** or **Step 3B. Step 2F *(i.e. After-Improved Value) X 110% (or 100% for condominiums)***
  - minus $100
  - minus **Step 3C. Lead-Based Paint Credit Adjustment**.

  See **Figure 16** and **Figure 17**.
- **Step 3E. Nationwide Mortgage Limit:** County-level median price estimate used by the FHA for mortgage limit determination. This field is pre-filled with the value from **Case Number Assignment** based on the property address.
- **Step 3F. *Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E:** System-calculated amount that is the lesser of:
  - **Step 3D. Lesser of Step 3A or Step 3B ($_____) x Step 3G _____% (appropriate LTV Factor) Minus Step 3C**

    -or-
  - **Step 3E. Nationwide Mortgage Limit**.

  OR

  For a HUD $100 Down REO purchase case, this is the system-calculated amount that is the lesser of:
  - **Step 3D. Lesser of Step 3A or Step 3B ($_____) Minus $100 Minus Step 3C**

    -or-
  - **Step 3E. Nationwide Mortgage Limit**.

- **Step 3G. Determining Loan-to-Value Factor for Maximum Mortgage Eligibility:** Maximum LTV factor based on the values in the **Minimum Decision Credit Score** (MDCS) and **Secondary Residence** fields in the *Case Information* section of **203k Calculator**.

Step 3:	Calculating Maximum Mortgage		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 103640 .00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 198000 .00
C.	Lead-Based Paint Credit Adjustment		$ 500 .00
D.	Lesser of Step 3A or Step 3B ($ 103640) x Step 3G 96.5 % (appropriate LTV Factor) Minus Step 3C		$ 99512 .00
E.	Nationwide Mortgage Limit		$ 271050 .00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$ 99512 .00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5 %
	Basis	Criteria	Maximum LTV Factor
	MDCS	At or above 580	96.5%
	MDCS	Between 500 and 579	90%
	Secondary Residence	With HOC Approval	85%
	No Credit Score	Manual Underwriting required	96.5%

Figure 16: Step 3 for an REO Not $100 Down purchase case

Step 3:	Calculating Maximum Mortgage		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 103640 .00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 198000 .00
C.	Lead-Based Paint Credit Adjustment		$ 500 .00
D.	Lesser of Step 3A or Step 3B ($ 103640) Minus $100 Minus Step3C		$ 103040 .00
E.	Nationwide Mortgage Limit		$ 271050 .00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$ 103040 .00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5 %
	Basis	Criteria	Maximum LTV Factor
	MDCS	At or above 580	96.5%
	MDCS	Between 500 and 579	90%
	Secondary Residence	With HOC Approval	85%
	No Credit Score	Manual Underwriting required	96.5%

Figure 17: Step 3 for an REO $100 Down purchase case

2.3.5.2 Step 3 for a Refinance Case

The fields in this step are view only and display system-calculated amounts (**Figure 18**).

Step 3:	Calculating Maximum Mortgage		
A.	Step 2D (Sum of 2A, 2B and 2C)		$ 306045 .00
B.	Sum of Step 2F + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 306045 .00
C.	Step 2G (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 341000 .00
D.	Lesser of Step 3B or Step 3C ($ 306045) x Step 3G 97.75 % (*appropriate LTV Factor*)		$ 299158 .00
E.	Nationwide Mortgage Limit		$ 625500 .00
F.	*Initial* Base Mortgage Amount (Lesser of Steps 3A, 3D or 3E)		$ 299158 .00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		97.75 %
	Basis	Criteria	Maximum LTV Factor
	MDCS	At or above 580	97.75%
	MDCS	Between 500 and 579	90%
	Secondary Residence	With HOC Approval	85%
	No Credit Score	Manual Underwriting required	97.75%

Figure 18: Step 3 for a refinance case

- **Step 3A. Step 2D (Sum of Step 2A, 2B and 2C):** System-calculated sum of:
  - **Step 2A. Existing Debt on Property Being Refinanced**
  - **Step 2B. Step 1 Total (Step 1E)**
  - **Step 2C. Fees Associated with New Loan.**
- **Step 3B. Sum of Step 2F + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*):** System-calculated sum of:
  - **Step 2F. Adjusted As-Is Value**

    -plus-
  - **Step 1E. Total Rehabilitation Cost *(Step 1 total) (sum of Steps 1A, 1B, 1C and 1D)***.
- **Step 3C. Step 2G *(i.e., After-Improved Value) X 110% (or 100% for condominiums)*:** System-calculated amount as follows:
  - If *No* was selected in the **Condominium** field, this is the sum of **Step 2G. Appraised Value *(subject to repairs and improvements)*** multiplied by 110%.
  - If *Yes* was selected in the **Condominium** field, this is the sum of **Step 2G. Appraised Value *(subject to repairs and improvements)*** multiplied by 100%.
- **Step 3D. Lesser of Step 3B or Step 3C ($_____) x Step 3G _____% (*appropriate LTV Factor*):** System-calculated amount that is:

- the lesser of **Step 3B. Sum of Step 2F + Step 1E *(i.e., Adjusted As-Is Value + Step 1 total)*** or **Step 3C. Step 2G *(i.e., After-Improved Value)* X 110% *(or 100% for condominiums)*.**
- multiplied by **Step 3G. Determining Loan-to-Value Factor for Maximum Mortgage Eligibility**.

- **Step 3E. Nationwide Mortgage Limit:** County-level median price estimate used by the FHA for mortgage limit determination. This field is pre-filled with the value entered for **Case Number Assignment**.
- **Step 3F. *Initial* Base Mortgage Amount (Lesser of Steps 3A, 3D or 3E):** System-calculated amount that is the lesser of:
  - **Step 3A. Step 2D (Sum of 2A, 2B and 2C)**

  -or-

  - **Step 3D. Lesser of Step 3B or Step 3C ($_____) x Step 3G _____% (appropriate LTV Factor)**

  -or-

  - **Step 3E. Nationwide Mortgage Limit**.
- **Step 3G. Determining Loan-to-Value Factor for Maximum Mortgage Eligibility:** Maximum LTV factor based on the values in the **Minimum Decision Credit Score** (MDCS) and **Secondary Residence** fields in the *Case Information* section of **203k Calculator**.

2.3.6 Step 4. Additions to Base Mortgage Amount

Note: The costs for EEM and/or Solar/Wind improvements must only be entered in Step 1 ***or*** Step 4. Do not enter in both or the loan may be out of compliance.

The fields in this step are view only and display system-calculated amounts, except for Steps 4A and 4C for **EEM** and/or **Solar/Wind** cases (**Figure 19** and **Figure 20**). For **Step 4G. Final Base Mortgage Amount = Lesser of *(sum of Step 4B and Step 4E)* or Step 4F**, the system-calculated amount is provided after the **203k Calculator** page is processed.

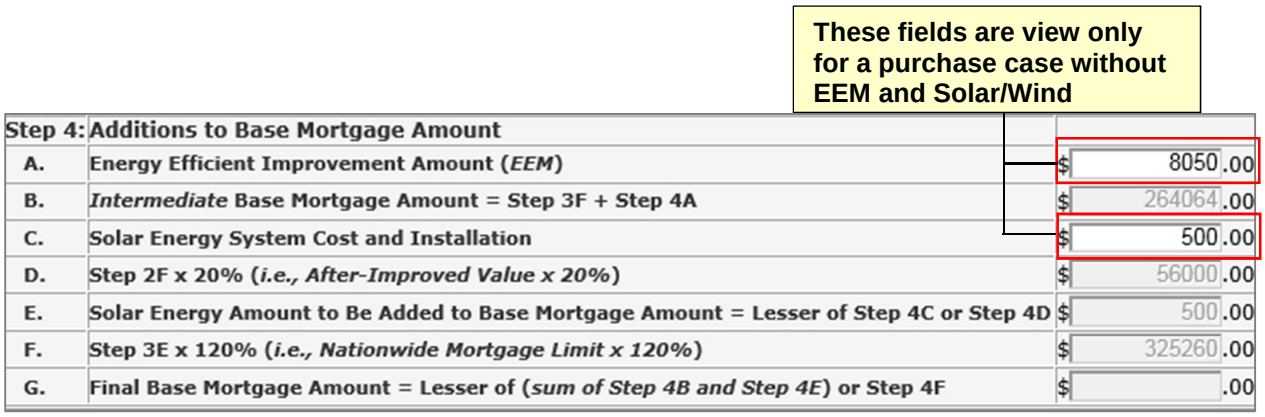


Figure 19: Step 4 for a purchase case with **EEM** and **Solar/Wind**

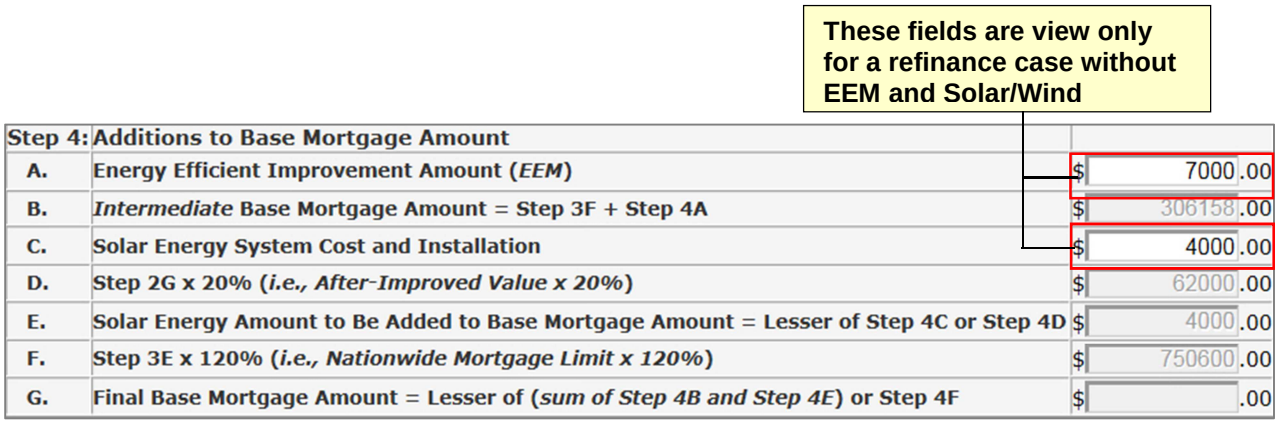


Figure 20: Step 4 for a refinance case with **EEM** and **Solar/Wind**

- **Step 4A. Energy Efficient Improvement Amount (*EEM*):** If *Yes* was selected in the **EEM** field in the *Case Information* section, the total amount of cost-effective energy efficient improvements being financed under the EEM program is entered. Only a whole dollar amount is entered without cents, comma, or dollar sign.

  -or-

  If *No* was selected in the **EEM** field in the *Case Information* section, this field is view only.

- **Step 4B. *Intermediate* Base Mortgage Amount = Step 3F + Step 4A:** For a purchase case, this is the system-calculated sum of:

  - **Step 3F. *Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E**

    -plus-

  - **Step 4A. Energy Efficient Improvements Amount *(EEM).***

  OR

  For a refinance case, this is the system-calculated sum of:

  - **Step 3F. *Initial* Base Mortgage Amount (Lesser of Steps 3A, 3D or 3E)**

    -plus-

  - **Step 4A. Energy Efficient Improvements Amount *(EEM)***.

- **Step 4C. Solar Energy System Cost and Installation:** If *Yes* was selected in the **Solar/Wind** field in the *Case Information* section, the total cost for installing a solar or wind energy system on the property is entered. Only a whole dollar amount is entered without cents, comma, or dollar sign. Note: The cost for the installation of a solar or wind energy system entered here must not also be included in **Step 1A. 1. Costs of Construction, Repairs and Rehabilitation.**

  -or-

If *No* was selected in the **Solar/Wind** field in the *Case Information* section, this field is view only.

- **Step 4D. Step 2F x 20% *(i.e., After-Improved Value x 20%)*:** For a purchase case, this is the system-calculated amount of **Step 2F. Appraised Value *(subject to repairs and improvements)***, which is the after-improved value of the property multiplied by 20%.

  OR

  For a refinance case, this is the system-calculated sum of **Step 2G. Appraised Value *(subject to repairs and improvements)***, which is the after-improved value of the property multiplied by 20%.

- **Step 4E. Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D**: System-calculated solar/wind energy amount to be added to the base loan amount. For a purchase case, this is the lesser of **Step 4C. Solar Energy System Cost and Installation** or **Step 4D. Step 2F x 20% *(i.e., After-Improved Value x 20%)***.

  OR

  For a refinance case, this is the lesser of **Step 4C. Solar Energy System Cost and Installation** or **Step 4D. Step 2G x 20% *(i.e., After-Improved Value x 20%)***.

- **Step 4F. Step 3E x 120% *(i.e., Nationwide Mortgage Limit x 120%):*** System-calculated amount of **Step 3E. Nationwide Mortgage Limit** multiplied by 120%.

- **Step 4G. Final Base Mortgage Amount = Lesser of *(sum of Step 4B and Step 4E)* or Step 4F:** System-calculated final base mortgage amount that is the lesser of:

  - **Step 4B. *Intermediate* Base Mortgage Amount = Step 3F + Step 4A**

    -plus-

    Step 4E. Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D.

  -or-

  - **Step 4F. Step 3E x 120% *(i.e., Nationwide Mortgage Limit x 120%)***.

As previously stated, Step 4G is calculated by the system when **the 203k Calculator** page is processed. It is displayed on the **203k Calculator Results** page (**Figure 21**, **Figure 22**, **Figure 23**, and **Figure 24**).

Step 4:	Additions to Base Mortgage Amount	
A.	*Energy Efficient Improvement Amount (EEM)*	**$8050.00**
B.	*Intermediate Base Mortgage Amount = Step 3F + Step 4A*	**$264064.00**
C.	*Solar Energy System Cost and Installation*	**$500.00**
D.	*Step 2F x 20% (i.e., After-Improved Value x 20%)*	**$56000.00**
E.	*Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D*	**$500.00**
F.	*Step 3E x 120% (i.e., Nationwide Mortgage Limit x 120%)*	**$325260.00**
G.	*Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F*	**$264564.00**

Figure 21: Step 4G calculation on **203k Calculator Results** page for a purchase case with **EEM** and **Solar/Wind**

Step 4:	Additions to Base Mortgage Amount	
A.	*Energy Efficient Improvement Amount (EEM)*	**$.00**
B.	*Intermediate Base Mortgage Amount = Step 3F + Step 4A*	**$100012.00**
C.	*Solar Energy System Cost and Installation*	**$.00**
D.	*Step 2F x 20% (i.e., After-Improved Value x 20%)*	**$36000.00**
E.	*Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D*	**$.00**
F.	*Step 3E x 120% (i.e., Nationwide Mortgage Limit x 120%)*	**$325260.00**
G.	*Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F*	**$100012.00**

Figure 22: Step 4G calculation on **203k Calculator Results** page for a purchase case without **EEM** and **Solar/Wind**

Step 4:	Additions to Base Mortgage Amount	
A.	*Energy Efficient Improvement Amount (EEM)*	**$7000.00**
B.	*Intermediate Base Mortgage Amount = Step 3F + Step 4A*	**$306158.00**
C.	*Solar Energy System Cost and Installation*	**$4000.00**
D.	*Step 2G x 20% (i.e., After-Improved Value x 20%)*	**$62000.00**
E.	*Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D*	**$4000.00**
F.	*Step 3E x 120% (i.e., Nationwide Mortgage Limit x 120%)*	**$750600.00**
G.	*Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F*	**$310158.00**

Figure 23: Step 4G calculation on **203k Calculator Results** page for a refinance case with **EEM** and **Solar/Wind**

Step 4:	Additions to Base Mortgage Amount	
A.	*Energy Efficient Improvement Amount (EEM)*	**$.00**
B.	*Intermediate Base Mortgage Amount = Step 3F + Step 4A*	**$299158.00**
C.	*Solar Energy System Cost and Installation*	**$.00**
D.	*Step 2G x 20% (i.e., After-Improved Value x 20%)*	**$62000.00**
E.	*Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D*	**$.00**
F.	*Step 3E x 120% (i.e., Nationwide Mortgage Limit x 120%)*	**$750600.00**
G.	*Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F*	**$299158.00**

Figure 24: Step 4G calculation on **203k Calculator Results** page for a refinance case without **EEM** and **Solar/Wind**

2.3.7 Step 5. Calculating the LTV for Application of Annual MIP

Step 5A is a view-only field that displays the LTV ratio for determining the annual mortgage insurance premium (MIP) rate, after the **203k Calculator** page is processed. For a purchase case, this field is labeled: **Step 5A. MIP LTV = Step 4G Divided by Step 2F *(i.e., Final Base Mortgage Amount divided by After-Improved Value)***. For a refinance case, this field is labeled **Step 5A. MIP LTV = Step 4G Divided by Step 2G *(i.e., Final Base Mortgage Amount divided by After-Improved Value)***. It is:

- **Step 4G. Final Base Mortgage Amount = Lesser of (*sum of Step 4B and Step 4E)* or Step 4F**.

  -divided by-

- **Step 2F. Appraised Value (*subject to repairs and improvements)*** for a purchase case.

  -or-

  Step 2G. Appraised Value (*subject to repairs and improvements)* for a refinance case.

The system-calculated amount for this step is displayed on the **203k Calculator Results** page (**Figure 25** and **Figure 28**).

Step 5:	Calculating the LTV for Application of Annual MIP	
A.	*MIP LTV = Step 4G Divided by Step 2F (i.e., Final Base Mortgage Amount divided by After-Improved Value)*	**55.56%**

Figure 25: 203k Calculator Results page with the system-calculated amount for Step 5 for a purchase case

This is the maximum annual MIP LTV allowed for the 203(k) case. However, this may not be the actual MIP LTV used for **Insurance Application**. The value on the **Insurance Application** form may be equal to or less than the amount displayed in **Step 5A** of **203k Calculator**.

2.3.8 Step 6. Establishing the Rehabilitation Escrow Amount

The fields for **Step 6. Establishing the Rehabilitation Escrow Amount** are view only except for **Step 6F. Initial Draw at Closing Total *(sum of Step F1 thru Step F7)*** (**Figure 26**).

Step 6:	Establishing the Rehabilitation Escrow Amount		
A.	Total Rehabilitation Cost (*Step 1 total*) +	$ 53940 .00	
B.	Cost of Energy Efficient Improvement Amount (*Step 4A*) +	$ 0 .00	
C.	Cost of Financed Solar Energy Systems Improvement (*Step 4E*) +	$ 0 .00	
D.	Lead-Based Paint Credit Adjustment (*Step 3C*) +	$ 0 .00	
E.	Rehabilitation Escrow Amount Total (*sum of Steps 6A, 6B, 6C and 6D*) =		$ 53940 .00
F.	Initial Draw at Closing Total (*sum of Step F1 thru Step F7*)		$ 0 .00
	1. 203k Consultant Fees	$ .00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. Permit Fees	$ .00	
	4. Origination Fees	$ .00	
	5. Discount Points on Repair Costs and Fees	$ .00	
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (*under contract for delivery*)	$ .00	
	7. Up to 50% of Material Cost for Items Ordered but Not Yet Paid for (*under contract for delivery*)	$ .00	
G.	Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F		$ 53940 .00

Figure 26: Step 6 for a Standard 203(k) purchase case

2.3.8.1 Steps 6A through 6E

Steps 6A through 6E are view only and display amounts from prior steps as follows:

- **Step 6A. Total Rehabilitation Cost *(Step 1 total)* +:** Displays the amount from **Step 1E. Total Rehabilitation Cost *(Step 1 total) (sum of Steps 1A, 1B, 1C and 1D)***.
- **Step 6B. Cost of Energy Efficient Improvement Amount (*Step 4A*):** Displays the amount from **Step 4A. Energy Efficient Improvement Amount *(EEM)***.
- **Step 6C. Cost of Financed Solar Energy Systems Improvement *(Step 4E)* +:** Displays the amount from **Step 4E. Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D**.
- **Step 6D. Lead-Based Paint Credit Adjustment *(Step 3C)* +:** For an REO purchase case, this field displays the amount from **Step 3C. Lead-Based Paint Credit Adjustment**. This field is displayed for all purchase cases, but is only applicable to an REO purchase case.

  -or-

  Step 6D. Lead-Based Paint Credit Adjustment (N/A) +: This field is displayed for a refinance case but is not applicable to this case type.

- **Step 6E. Rehabilitation Escrow Amount Total *(sum of Steps 6A, 6B, 6C and 6D)*:** System-calculated amount for an interest-bearing rehabilitation escrow account. It is the sum of the following:
  - **Step 6A. Total Rehabilitation Cost *(Step 1 total)* +**
  - **Step 6B. Cost of Energy Efficient Improvement Amount *(Step 4A)* +**
  - **Step 6C. Cost of Financed Solar Energy Systems Improvement *(Step 4E)* +**
  - **Step 6D. Lead-Based Paint Credit Adjustment *(Step 3C)* +** (for a purchase case)

    -or-

    Step 6D. Lead-Based Paint Credit Adjustment *(N/A)* + (for a refinance case).

2.3.8.2 Step 6F. Initial Draw at Closing Total *(sum of Step F1 thru Step F7)*

Step 6F. Initial Draw at Closing Total (sum of Step F1 thru Step F7) provides the total portion of costs and fees that are reimbursed at mortgage closing through a draw of the escrow funds (**Figure 27**). This is a view-only field that displays the system-calculated sum of all applicable items listed under this step. The type of 203(k) case, Standard or Limited, determines the information entered. Only whole dollar amounts without cents, commas, or dollar signs are entered as follows:

- **1. 203k Consultant Fees:** For a Standard 203(k) case, the portion of the fees paid to an FHA-approved 203(k) consultant is entered. It must not exceed the amount in **Step 1A. 3. 203k Consultant Fees**. For a Limited 203(k) case, this information is not required and data entry is not allowed.
- **2. Architectural or Engineering Professional Fees:** For a Standard 203(k) case, the portion of the fees paid for architectural or engineering professional services is entered. It must not exceed the amount in **Step 1A. 2. Architectural or Engineering Professional Fees**. For a Limited 203(k) case, this information is not required and data entry is not allowed.
- **3. Permit Fees:** The portion of the fees paid for required permits that are reimbursed at mortgage closing through a draw of the escrow funds is entered. It must not exceed the amount in **Step 1A. 6. Permit Fees**. Note: Permit fees can only be financed if there is documentation showing the borrower paid for the permit fees prior to closing.

- **4. Origination Fees:** The portion of the fees paid for the origination of the mortgage is entered. It must not to exceed the amount in **Step 1D. 1. Financeable Origination Fee**.
- **5. Discount Points on Repair Costs and Fees:** The portion of the fees paid for discount points on repair costs and fees is entered. It must not exceed the amount in **Step 1D. 2. Discount Points on Repair Costs and Fees**.
- **6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor *(under contract for delivery)*:** For a Standard 203(k) case, the portion of the material cost is entered for items prepaid by the borrower in cash or by the contractor, where a contract is established with the supplier and an order is placed with the manufacturer for delivery at a later. For a Limited 203(k) case, this information is not required and data entry is not allowed.
- **7. Up to 50% of Material Cost for Items Ordered but Not Yet Paid for *(under contract for delivery):*** The portion of the material cost (not to exceed to 50%) is entered for items not yet paid for by the borrower or contractor, where a contract is established with the supplier and an order is placed with the manufacturer for delivery at a later date.

2.3.8.3 Step 6G. Rehabilitation Escrow Amount Balance *(for future draws)* = Step 6E Minus Step 6F

Step 6G. Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F is view only and displays the system-calculated remaining rehabilitation escrow balance. It is the sum of:

- **Step 6E. Rehabilitation Escrow Amount Total *(sum of Steps 6A, 6B, 6C and 6D)***

  -minus-

- **Step 6F. Initial Draw at Closing Total *(sum of Step F1 thru Step F7)***.

Figure 27 shows completed Step 6 for a Standard 203(k) purchase case.

Not applicable to a Limited 203(k) case

Step 6:	Establishing the Rehabilitation Escrow Amount		
A.	Total Rehabilitation Cost (*Step 1 total*) +	$ 53940 .00	
B.	Cost of Energy Efficient Improvement Amount (*Step 4A*) +	$ 0 .00	
C.	Cost of Financed Solar Energy Systems Improvement (*Step 4E*) +	$ 0 .00	
D.	Lead-Based Paint Credit Adjustment (*Step 3C*) +	$ 0 .00	
E.	Rehabilitation Escrow Amount Total (*sum of Steps 6A, 6B, 6C and 6D*) =		$ 53940 .00
F.	Initial Draw at Closing Total (*sum of Step F1 thru Step F7*)		$ 11550 .00
	1. 203k Consultant Fees	$ 700 .00	
	2. Architectural or Engineering Professional Fees	$ 500 .00	
	3. Permit Fees	$ .00	
	4. Origination Fees	$ 350 .00	
	5. Discount Points on Repair Costs and Fees	$ .00	
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (*under contract for delivery*)	$ 2000 .00	
	7. Up to 50% of Material Cost for Items Ordered but Not Yet Paid for (*under contract for delivery*)	$ 8000 .00	
G.	Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F		$ 42390 .00

Figure 27: Completed Step 6 for a Standard 203(k) purchase case

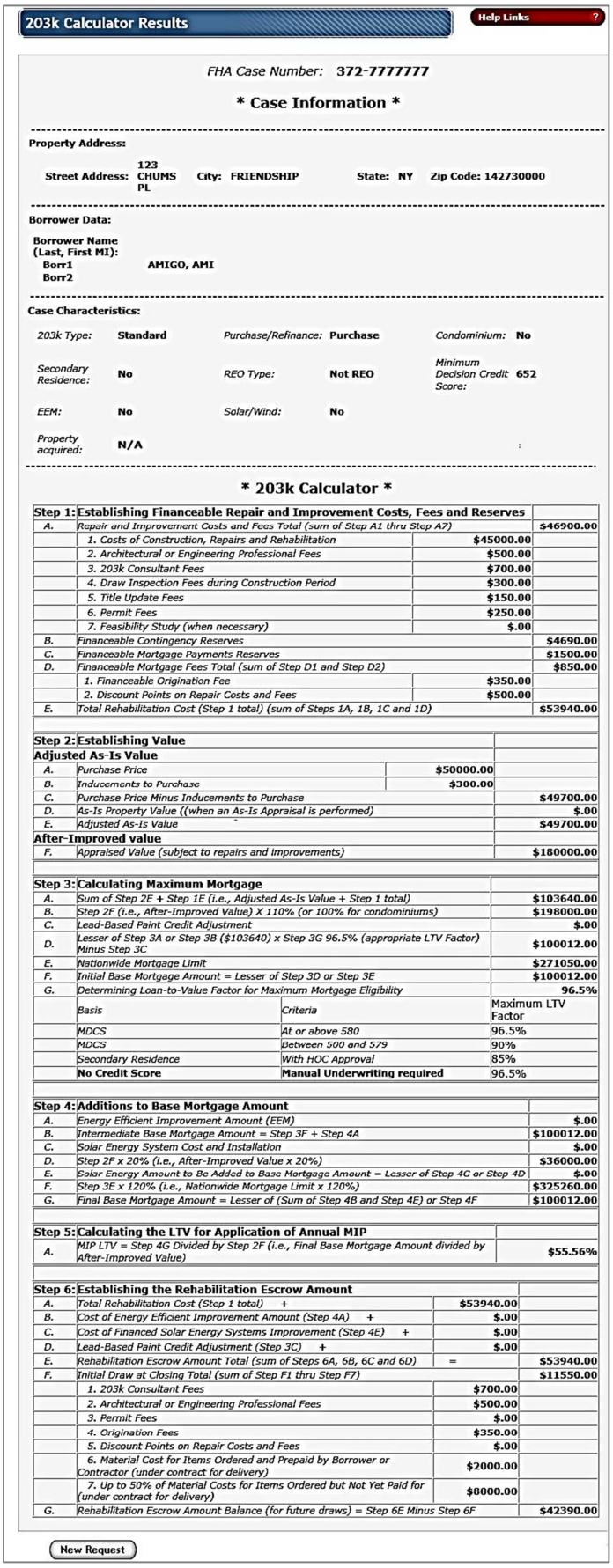
2.3.9 Processing Completed 203k Calculator (with FHA Case Number)

When all of the required information has been entered on the **203k Calculator** page, **Send** is clicked to process the information. The **203k Calculator Results** page appears if processing was successful (**Figure 28**). The system-calculated amounts are provided for the following:

- **Step 4G. Final Base Mortgage Amount = Lesser of *(sum of Step 4B and Step 4E)* or Step 4F** and
- **Step 5A. MIP LTV = Step 4G Divided by Step 2F *(i.e., Final Base Mortgage Amount divided by After-Improved Value)*** for a purchase case.

  -or-

  Step 5A. MIP LTV = Step 4G Divided by Step 2G (*i.e., Final Base Mortgage Amount divided by After-Improved Value*) for a refinance case.



203k Calculator Results

Help Links

FHA Case Number: 372-7777777

* Case Information *

Property Address:

Street Address: 123 CHUMS PL City: FRIENDSHIP State: NY Zip Code: 142730000

Borrower Data:

Borrower Name (Last, First MI):
Borr1 AMIGO, AMI
Borr2

Case Characteristics:

203k Type:	Standard	Purchase/Refinance:	Purchase	Condominium:	No
Secondary Residence:	No	REO Type:	Not REO	Minimum Decision Credit Score:	652
EEM:	No	Solar/Wind:	No		
Property acquired:	N/A				

* 203k Calculator *

Step 1:	**Establishing Financeable Repair and Improvement Costs, Fees and Reserves**		
A.	Repair and Improvement Costs and Fees Total (sum of Step A1 thru Step A7)		$46900.00
	1. Costs of Construction, Repairs and Rehabilitation	$45000.00	
	2. Architectural or Engineering Professional Fees	$500.00	
	3. 203k Consultant Fees	$700.00	
	4. Draw Inspection Fees during Construction Period	$300.00	
	5. Title Update Fees	$150.00	
	6. Permit Fees	$250.00	
	7. Feasibility Study (when necessary)	$.00	
B.	Financeable Contingency Reserves		$4690.00
C.	Financeable Mortgage Payments Reserves		$1500.00
D.	Financeable Mortgage Fees Total (sum of Step D1 and Step D2)		$850.00
	1. Financeable Origination Fee	$350.00	
	2. Discount Points on Repair Costs and Fees	$500.00	
E.	Total Rehabilitation Cost (Step 1 total) (sum of Steps 1A, 1B, 1C and 1D)		$53940.00

Step 2:	**Establishing Value**		
Adjusted As-Is Value			
A.	Purchase Price	$50000.00	
B.	Inducements to Purchase	$300.00	
C.	Purchase Price Minus Inducements to Purchase		$49700.00
D.	As-Is Property Value ((when an As-Is Appraisal is performed)		$.00
E.	Adjusted As-Is Value		$49700.00
After-Improved value			
F.	Appraised Value (subject to repairs and improvements)		$180000.00

Step 3:	**Calculating Maximum Mortgage**		
A.	Sum of Step 2E + Step 1E (i.e., Adjusted As-Is Value + Step 1 total)		$103640.00
B.	Step 2F (i.e., After-Improved Value) X 110% (or 100% for condominiums)		$198000.00
C.	Lead-Based Paint Credit Adjustment		$.00
D.	Lesser of Step 3A or Step 3B ($103640) x Step 3G 96.5% (appropriate LTV Factor) Minus Step 3C		$100012.00
E.	Nationwide Mortgage Limit		$271050.00
F.	Initial Base Mortgage Amount = Lesser of Step 3D or Step 3E		$100012.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5%

Basis	Criteria	Maximum LTV Factor
MDCS	At or above 580	96.5%
MDCS	Between 500 and 579	90%
Secondary Residence	With HOC Approval	85%
No Credit Score	**Manual Underwriting required**	96.5%

Step 4:	**Additions to Base Mortgage Amount**	
A.	Energy Efficient Improvement Amount (EEM)	$.00
B.	Intermediate Base Mortgage Amount = Step 3F + Step 4A	$100012.00
C.	Solar Energy System Cost and Installation	$.00
D.	Step 2F x 20% (i.e., After-Improved Value x 20%)	$36000.00
E.	Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D	$.00
F.	Step 3E x 120% (i.e., Nationwide Mortgage Limit x 120%)	$325260.00
G.	Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F	$100012.00

Step 5:	**Calculating the LTV for Application of Annual MIP**	
A.	MIP LTV = Step 4G Divided by Step 2F (i.e., Final Base Mortgage Amount divided by After-Improved Value)	$55.56%

Step 6:	**Establishing the Rehabilitation Escrow Amount**			
A.	Total Rehabilitation Cost (Step 1 total)	+	$53940.00	
B.	Cost of Energy Efficient Improvement Amount (Step 4A)	+	$.00	
C.	Cost of Financed Solar Energy Systems Improvement (Step 4E)	+	$.00	
D.	Lead-Based Paint Credit Adjustment (Step 3C)	+	$.00	
E.	Rehabilitation Escrow Amount Total (sum of Steps 6A, 6B, 6C and 6D)	=		$53940.00
F.	Initial Draw at Closing Total (sum of Step F1 thru Step F7)			$11550.00
	1. 203k Consultant Fees		$700.00	
	2. Architectural or Engineering Professional Fees		$500.00	
	3. Permit Fees		$.00	
	4. Origination Fees		$350.00	
	5. Discount Points on Repair Costs and Fees		$.00	
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (under contract for delivery)		$2000.00	
	7. Up to 50% of Material Costs for Items Ordered but Not Yet Paid for (under contract for delivery)		$8000.00	
G.	Rehabilitation Escrow Amount Balance (for future draws) = Step 6E Minus Step 6F			$42390.00

New Request

Figure 28: 203k Calculator Results page for a Standard 203(k) purchase case

The **Other Functions** menu provides links on its drop-down list to other FHA Connection functions for the same case (**Figure 29**). It is available on the **203k Calculator** and **203k Calculator Results** pages.

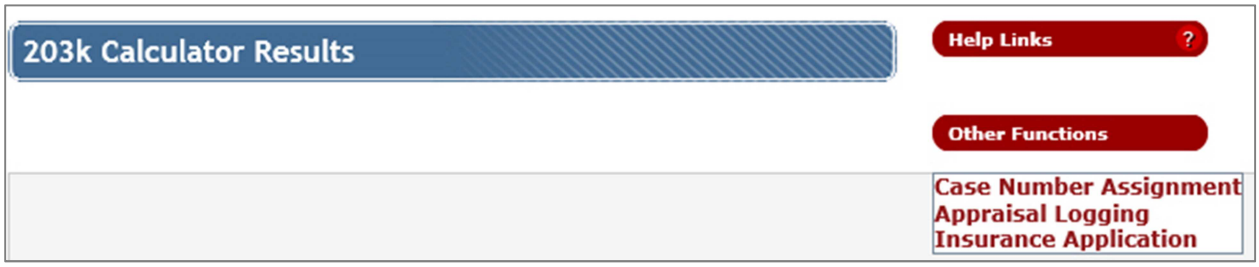


Figure 29: Other Functions on the **203k Calculator Results** page

2.4 Blank Form 203k Calculator on HUD.GOV

The blank form of **203k Calculator** is available on the HUD.GOV website at:

https://entp.hud.gov/idapp/html/f17203k-look.cfm.

It is used to get the calculations for an existing or potential 203(k) Rehabilitation Mortgage without the entry of an FHA Case Number. A user ID and password are not required to use **203k Calculator** on HUD.GOV.

The initial page for blank form **203k Calculator** on HUD.GOV is illustrated in **Figure 30**.

Figure 30: Initial page of blank form **203k Calculator** on the HUD.GOV website

2.4.1 Entering Case Information for Blank Form 203k Calculator

Case information entered on the initial **203k Calculator** page (**Figure 30**) determines the appropriate calculator worksheet displayed on the next page.

2.4.1.1 Property Address

In the *Property Address* section of blank form **203k Calculator**, property information is entered as follows:

- **Street Address:** House number and street name or number for the property.

- **City:** City in which the property is located.
- **State:** State in which the property is located is selected from the drop-down list in this field.
- **Zip Code:** Property's five- or ten-digit zip code.

2.4.1.2 Borrower Data

In the *Borrower Data* section of blank form **203k Calculator**, property information is entered as follows:

- **Borr1:** Last name, first name, and middle initial of the primary borrower.
- **Borr2:** Last name, first name, and middle initial of the co-borrower.

2.4.1.3 Case Characteristics

In the *Case Characteristics* section of blank form **203k Calculator**, case characteristics are entered as follows:

- **203k Type:** *Limited* or *Standard* is selected from the drop-down list in this field to specify the type of 203(k) case.
  - *Standard:* Remodeling and repairs with a minimum cost of $5,000. Use of a 203(k) Consultant is required.
  - *Limited:* Minor remodeling and non-structural repairs that do not exceed $35,000 (no minimum). Use of a 203(k) Consultant is not required.
- **Purchase/Refinance:** *Purchase* or *Refinance* is selected from the drop-down list in this field to specify the type of mortgage transaction.
- **Condominium:** *Yes* or *No* is selected from the drop-down list in this field to specify whether the property is a condominium unit.
- **Secondary Residence:** *Yes* or *No* is selected from the drop-down list in this field to specify whether the property is a secondary residence. Note: A secondary residence is a dwelling the borrower occupies less than a majority of the calendar year, in addition to the borrower's principal residence, and is not a vacation home. For cases assigned a case number on or after September 14, 2015, secondary residences are permitted, but only with written approval from the jurisdictional HUD Homeownership Center (HOC).
- **REO Type:** A selection is made from the drop-down list in this field as follows:
  - *Not REO:* Not HUD REO property.
  - *REO, not $100 down:* HUD REO property that is not being purchased under the FHA $100 Down Sales Incentive.
  - *$100 down REO:* HUD REO property that is being purchased under the FHA $100 Down Sales Incentive.

- **Estimated Minimum Decision Credit Score:** The three-digit estimated Minimum Decision Credit Score (MDCS) for the borrower is entered.

  -or-

  For a borrower with non-traditional or insufficient credit, *N/A* is entered. Note: The maximum loan-to-value (LTV) factor is 96.5% for a purchase case and 97.75% for a refinance case. If the property is a secondary residence, the maximum LTV factor for a secondary residence is used (85%).

- **EEM:** If combining HUD's Energy Efficient Mortgage (EEM) program, *Yes* is selected from the drop-down list. Otherwise, *No* is selected.

- **Solar/Wind:** If combining HUD's Solar and Wind Technologies program, *Yes* is selected from the drop-down list. Otherwise, *No* is selected.

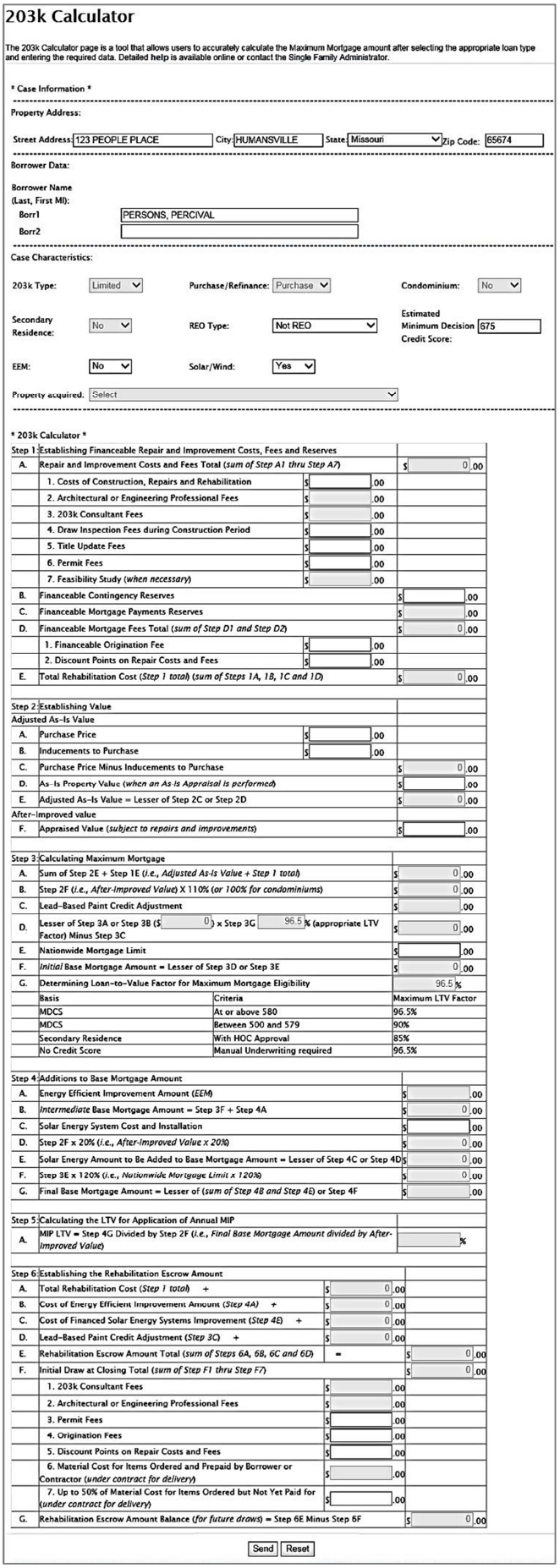
- **Property acquired:** For a refinance case, the time period within which the property was acquired by the borrower is selected from the drop-down list. The options are:

  - *Less than 12 months prior to Case Number Assignment date*.
  - *Greater than or equal to 12 months prior to Case Number Assignment date*.
  - *Less than 12 months through Inheritance or Gift from Family Member*.

  No selection is made for a purchase case.

2.4.2 Processing Case Information for Blank Form 203k Calculator

When all of the case information has been entered on the initial page of blank form **203k Calculator**, **Send** is clicked. If processing was successful, the **203k Calculator** page appears with the appropriate calculator worksheet based on the case information entered (**Figure 31**). Case information can be updated except for these *Case Characteristics*: **203k Type, Purchase/Refinance**, **Condominium**, and **Secondary Residence**.



203k Calculator

The 203k Calculator page is a tool that allows users to accurately calculate the Maximum Mortgage amount after selecting the appropriate loan type and entering the required data. Detailed help is available online or contact the Single Family Administrator.

*** Case Information ***

Property Address:

Street Address: 123 PEOPLE PLACE City: HUMANSVILLE State: Missouri Zip Code: 65674

Borrower Data:

Borrower Name (Last, First MI):

Borr1: PERSONS, PERCIVAL

Borr2:

Case Characteristics:

203k Type: Limited | Purchase/Refinance: Purchase | Condominium: No

Secondary Residence: No | REO Type: Not REO | Estimated Minimum Decision Credit Score: 675

EEM: No | Solar/Wind: Yes

Property acquired: Select

*** 203k Calculator ***

Step 1:	**Establishing Financeable Repair and Improvement Costs, Fees and Reserves**		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$ 0.00
	1. Costs of Construction, Repairs and Rehabilitation	$ .00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. 203k Consultant Fees	$ .00	
	4. Draw Inspection Fees during Construction Period	$ .00	
	5. Title Update Fees	$ .00	
	6. Permit Fees	$ .00	
	7. Feasibility Study (*when necessary*)	$ .00	
B.	Financeable Contingency Reserves		$ .00
C.	Financeable Mortgage Payments Reserves		$ .00
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$ 0.00
	1. Financeable Origination Fee	$ .00	
	2. Discount Points on Repair Costs and Fees	$ .00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$ 0.00
Step 2:	**Establishing Value**		
	Adjusted As-Is Value		
A.	Purchase Price	$ .00	
B.	Inducements to Purchase	$ .00	
C.	Purchase Price Minus Inducements to Purchase		$ 0.00
D.	As-Is Property Value (*when an As-Is Appraisal is performed*)		$ .00
E.	Adjusted As-Is Value = Lesser of Step 2C or Step 2D		$ 0.00
	After-Improved value		
F.	Appraised Value (*subject to repairs and improvements*)		$ .00
Step 3:	**Calculating Maximum Mortgage**		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 0.00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 0.00
C.	Lead-Based Paint Credit Adjustment		$ .00
D.	Lesser of Step 3A or Step 3B ($ 0) x Step 3G 96.5 % (appropriate LTV Factor) Minus Step 3C		$ 0.00
E.	Nationwide Mortgage Limit		$ .00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$ 0.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5 %

Basis	Criteria	Maximum LTV Factor
MDCS	At or above 580	96.5%
MDCS	Between 500 and 579	90%
Secondary Residence	With HOC Approval	85%
No Credit Score	Manual Underwriting required	96.5%

Step 4:	**Additions to Base Mortgage Amount**		
A.	Energy Efficient Improvement Amount (*EEM*)		$ .00
B.	*Intermediate* Base Mortgage Amount = Step 3F + Step 4A		$ 0.00
C.	Solar Energy System Cost and Installation		$ .00
D.	Step 2F x 20% (*i.e., After-Improved Value x 20%*)		$ 0.00
E.	Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D		$ 0.00
F.	Step 3E x 120% (*i.e., Nationwide Mortgage Limit x 120%*)		$ 0.00
G.	Final Base Mortgage Amount = Lesser of (*sum of Step 4B and Step 4E*) or Step 4F		$ .00
Step 5:	**Calculating the LTV for Application of Annual MIP**		
A.	MIP LTV = Step 4G Divided by Step 2F (*i.e., Final Base Mortgage Amount divided by After-Improved Value*)		%
Step 6:	**Establishing the Rehabilitation Escrow Amount**		
A.	Total Rehabilitation Cost (*Step 1 total*) +	$ 0.00	
B.	Cost of Energy Efficient Improvement Amount (*Step 4A*) +	$ 0.00	
C.	Cost of Financed Solar Energy Systems Improvement (*Step 4E*) +	$ 0.00	
D.	Lead-Based Paint Credit Adjustment (*Step 3C*) +	$ 0.00	
E.	Rehabilitation Escrow Amount Total (*sum of Steps 6A, 6B, 6C and 6D*) =		$ 0.00
F.	Initial Draw at Closing Total (*sum of Step F1 thru Step F7*)		$ 0.00
	1. 203k Consultant Fees	$ .00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. Permit Fees	$ .00	
	4. Origination Fees	$ .00	
	5. Discount Points on Repair Costs and Fees	$ .00	
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (*under contract for delivery*)	$ .00	
	7. Up to 50% of Material Cost for Items Ordered but Not Yet Paid for (*under contract for delivery*)	$ .00	
G.	Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F		$ 0.00

Send Reset

Figure 31: Blank form **203k Calculator** on HUD.GOV with worksheet based on case information entered

2.4.3 Entering Worksheet Information for Blank Form 203k Calculator

The information entered in the **203k Calculator** worksheet section is the same as that for **203k Calculator** with an FHA case number. (See *2.3.3 - Step 1. Establishing Financeable Repair and Improvement Costs, Fees and Reserves* and succeeding steps.) However, the fields are not pre-filled with information from other sources, such as **Case Number Assignment** or **Appraisal Logging**. Also, the mortgage limits for the property must be entered by the user in **Step 3E. Nationwide Mortgage Limit**. The **Mortgage Limits** look up is available on HUD.GOV at:

https://entp.hud.gov/idapp/html/hicostlook.cfm.

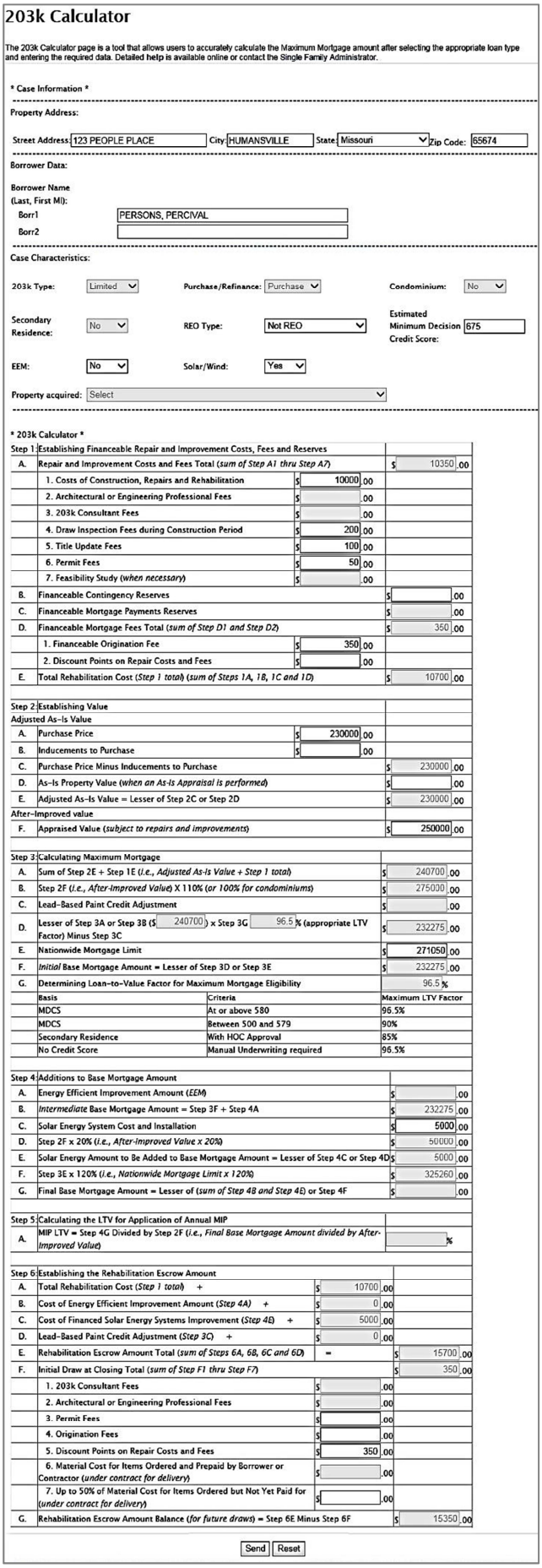
2.4.4 Processing Completed Blank Form 203k Calculator

When all of the required case and worksheet information has been entered on the **203k Calculator** page (**Figure 32**), **Send** is clicked to process the information. The **203k Calculator Results** page appears if processing was successful (**Figure 33**). The system-calculated amounts for the following fields are provided:

- **Step 4G. Final Base Mortgage Amount = Lesser of *(sum of Step 4B and Step 4E)* or Step 4F** and
- **Step 5A. MIP LTV = Step 4G Divided by Step 2F *(i.e., Final Base Mortgage Amount divided by After-Improved Value)*** for a purchase case.

  -or-

  Step 5A.MIP LTV = Step 4G Divided by Step 2G (*i.e., Final Base Mortgage Amount divided by After-Improved Value*) for a refinance case.



203k Calculator

The 203k Calculator page is a tool that allows users to accurately calculate the Maximum Mortgage amount after selecting the appropriate loan type and entering the required data. Detailed help is available online or contact the Single Family Administrator.

*** Case Information ***

Property Address:

Street Address: 123 PEOPLE PLACE City: HUMANSVILLE State: Missouri Zip Code: 65674

Borrower Data:

Borrower Name (Last, First MI):
Borr1: PERSONS, PERCIVAL
Borr2:

Case Characteristics:

203k Type: Limited | Purchase/Refinance: Purchase | Condominium: No
Secondary Residence: No | REO Type: Not REO | Estimated Minimum Decision Credit Score: 675
EEM: No | Solar/Wind: Yes
Property acquired: Select

*** 203k Calculator ***

Step 1:	**Establishing Financeable Repair and Improvement Costs, Fees and Reserves**		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$ 10350.00
	1. Costs of Construction, Repairs and Rehabilitation	$ 10000.00	
	2. Architectural or Engineering Professional Fees	$ .00	
	3. 203k Consultant Fees	$ .00	
	4. Draw Inspection Fees during Construction Period	$ 200.00	
	5. Title Update Fees	$ 100.00	
	6. Permit Fees	$ 50.00	
	7. Feasibility Study (*when necessary*)	$ .00	
B.	Financeable Contingency Reserves		$ .00
C.	Financeable Mortgage Payments Reserves		$ .00
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$ 350.00
	1. Financeable Origination Fee	$ 350.00	
	2. Discount Points on Repair Costs and Fees	$ .00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$ 10700.00

Step 2:	**Establishing Value**		
Adjusted As-Is Value			
A.	Purchase Price	$ 230000.00	
B.	Inducements to Purchase	$ .00	
C.	Purchase Price Minus Inducements to Purchase		$ 230000.00
D.	As-Is Property Value (*when an As-Is Appraisal is performed*)		$ .00
E.	Adjusted As-Is Value = Lesser of Step 2C or Step 2D		$ 230000.00
After-Improved value			
F.	Appraised Value (*subject to repairs and improvements*)		$ 250000.00

Step 3:	**Calculating Maximum Mortgage**		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$ 240700.00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$ 275000.00
C.	Lead-Based Paint Credit Adjustment		$ .00
D.	Lesser of Step 3A or Step 3B ($ 240700) x Step 3G 96.5 % (appropriate LTV Factor) Minus Step 3C		$ 232275.00
E.	Nationwide Mortgage Limit		$ 271050.00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$ 232275.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5 %

Basis	Criteria	Maximum LTV Factor
MDCS	At or above 580	96.5%
MDCS	Between 500 and 579	90%
Secondary Residence	With HOC Approval	85%
No Credit Score	Manual Underwriting required	96.5%

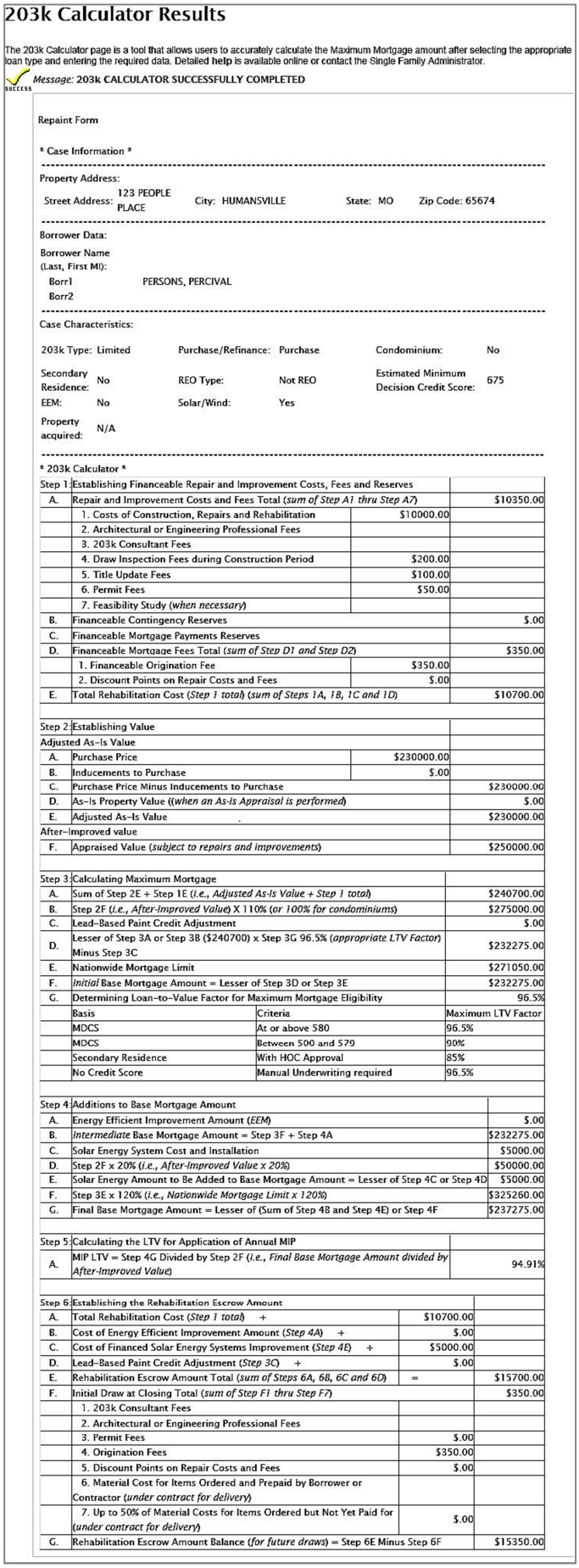
Step 4:	**Additions to Base Mortgage Amount**		
A.	Energy Efficient Improvement Amount (*EEM*)		$ .00
B.	*Intermediate* Base Mortgage Amount = Step 3F + Step 4A		$ 232275.00
C.	Solar Energy System Cost and Installation		$ 5000.00
D.	Step 2F x 20% (*i.e., After-Improved Value x 20%*)		$ 50000.00
E.	Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D		$ 5000.00
F.	Step 3E x 120% (*i.e., Nationwide Mortgage Limit x 120%*)		$ 325260.00
G.	Final Base Mortgage Amount = Lesser of (*sum of Step 4B and Step 4E*) or Step 4F		$ .00

Step 5:	**Calculating the LTV for Application of Annual MIP**	
A.	MIP LTV = Step 4G Divided by Step 2F (*i.e., Final Base Mortgage Amount divided by After-Improved Value*)	%

Step 6:	**Establishing the Rehabilitation Escrow Amount**			
A.	Total Rehabilitation Cost (*Step 1 total*) +	$ 10700.00		
B.	Cost of Energy Efficient Improvement Amount (*Step 4A*) +	$ 0.00		
C.	Cost of Financed Solar Energy Systems Improvement (*Step 4E*) +	$ 5000.00		
D.	Lead-Based Paint Credit Adjustment (*Step 3C*) +	$ 0.00		
E.	Rehabilitation Escrow Amount Total (*sum of Steps 6A, 6B, 6C and 6D*) =			$ 15700.00
F.	Initial Draw at Closing Total (*sum of Step F1 thru Step F7*)			$ 350.00
	1. 203k Consultant Fees	$ .00		
	2. Architectural or Engineering Professional Fees	$ .00		
	3. Permit Fees	$ .00		
	4. Origination Fees	$ .00		
	5. Discount Points on Repair Costs and Fees	$ 350.00		
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (*under contract for delivery*)	$ .00		
	7. Up to 50% of Material Cost for Items Ordered but Not Yet Paid for (*under contract for delivery*)	$ .00		
G.	Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F			$ 15350.00

Send | Reset

Figure 32: Completed **203k Calculator** on HUD.GOV for a Limited 203(k) purchase case



203k Calculator Results

The 203k Calculator page is a tool that allows users to accurately calculate the Maximum Mortgage amount after selecting the appropriate loan type and entering the required data. Detailed **help** is available online or contact the Single Family Administrator.

SUCCESS *Message:* **203k CALCULATOR SUCCESSFULLY COMPLETED**

Repaint Form

* Case Information *

Property Address:

Street Address: 123 PEOPLE PLACE City: HUMANSVILLE State: MO Zip Code: 65674

Borrower Data:

Borrower Name (Last, First MI):

Borr1 PERSONS, PERCIVAL

Borr2

Case Characteristics:

203k Type:	Limited	Purchase/Refinance:	Purchase	Condominium:	No
Secondary Residence:	No	REO Type:	Not REO	Estimated Minimum Decision Credit Score:	675
EEM:	No	Solar/Wind:	Yes		
Property acquired:	N/A				

* 203k Calculator *

Step 1:	Establishing Financeable Repair and Improvement Costs, Fees and Reserves		
A.	Repair and Improvement Costs and Fees Total (*sum of Step A1 thru Step A7*)		$10350.00
	1. Costs of Construction, Repairs and Rehabilitation	$10000.00	
	2. Architectural or Engineering Professional Fees		
	3. 203k Consultant Fees		
	4. Draw Inspection Fees during Construction Period	$200.00	
	5. Title Update Fees	$100.00	
	6. Permit Fees	$50.00	
	7. Feasibility Study (*when necessary*)		
B.	Financeable Contingency Reserves		$.00
C.	Financeable Mortgage Payments Reserves		
D.	Financeable Mortgage Fees Total (*sum of Step D1 and Step D2*)		$350.00
	1. Financeable Origination Fee	$350.00	
	2. Discount Points on Repair Costs and Fees	$.00	
E.	Total Rehabilitation Cost (*Step 1 total*) (*sum of Steps 1A, 1B, 1C and 1D*)		$10700.00

Step 2:	Establishing Value		
Adjusted As-Is Value			
A.	Purchase Price	$230000.00	
B.	Inducements to Purchase	$.00	
C.	Purchase Price Minus Inducements to Purchase		$230000.00
D.	As-Is Property Value (*when an As-Is Appraisal is performed*)		$.00
E.	Adjusted As-Is Value		$230000.00
After-Improved value			
F.	Appraised Value (*subject to repairs and improvements*)		$250000.00

Step 3:	Calculating Maximum Mortgage		
A.	Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)		$240700.00
B.	Step 2F (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)		$275000.00
C.	Lead-Based Paint Credit Adjustment		$.00
D.	Lesser of Step 3A or Step 3B ($240700) x Step 3G 96.5% (*appropriate LTV Factor*) Minus Step 3C		$232275.00
E.	Nationwide Mortgage Limit		$271050.00
F.	*Initial* Base Mortgage Amount = Lesser of Step 3D or Step 3E		$232275.00
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility		96.5%

Basis	Criteria	Maximum LTV Factor
MDCS	At or above 580	96.5%
MDCS	Between 500 and 579	90%
Secondary Residence	With HOC Approval	85%
No Credit Score	Manual Underwriting required	96.5%

Step 4:	Additions to Base Mortgage Amount	
A.	Energy Efficient Improvement Amount (*EEM*)	$.00
B.	*Intermediate* Base Mortgage Amount = Step 3F + Step 4A	$232275.00
C.	Solar Energy System Cost and Installation	$5000.00
D.	Step 2F x 20% (*i.e., After-Improved Value x 20%*)	$50000.00
E.	Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of Step 4C or Step 4D	$5000.00
F.	Step 3E x 120% (*i.e., Nationwide Mortgage Limit x 120%*)	$325260.00
G.	Final Base Mortgage Amount = Lesser of (Sum of Step 4B and Step 4E) or Step 4F	$237275.00

Step 5:	Calculating the LTV for Application of Annual MIP	
A.	MIP LTV = Step 4G Divided by Step 2F (*i.e., Final Base Mortgage Amount divided by After-Improved Value*)	94.91%

Step 6:	Establishing the Rehabilitation Escrow Amount			
A.	Total Rehabilitation Cost (*Step 1 total*) +	$10700.00		
B.	Cost of Energy Efficient Improvement Amount (*Step 4A*) +	$.00		
C.	Cost of Financed Solar Energy Systems Improvement (*Step 4E*) +	$5000.00		
D.	Lead-Based Paint Credit Adjustment (*Step 3C*) +	$.00		
E.	Rehabilitation Escrow Amount Total (*sum of Steps 6A, 6B, 6C and 6D*)		=	$15700.00
F.	Initial Draw at Closing Total (*sum of Step F1 thru Step F7*)			$350.00
	1. 203k Consultant Fees			
	2. Architectural or Engineering Professional Fees			
	3. Permit Fees	$.00		
	4. Origination Fees	$350.00		
	5. Discount Points on Repair Costs and Fees	$.00		
	6. Material Cost for Items Ordered and Prepaid by Borrower or Contractor (*under contract for delivery*)			
	7. Up to 50% of Material Costs for Items Ordered but Not Yet Paid for (*under contract for delivery*)	$.00		
G.	Rehabilitation Escrow Amount Balance (*for future draws*) = Step 6E Minus Step 6F			$15350.00

Figure 33: 203k Calculator Results page on HUD.GOV for a Limited 203(k) purchase case

To return to the completed **203k Calculator** page and make adjustments, **Repaint Form** is clicked near the top of the **203k Calculator Results** page (**Figure 34**).

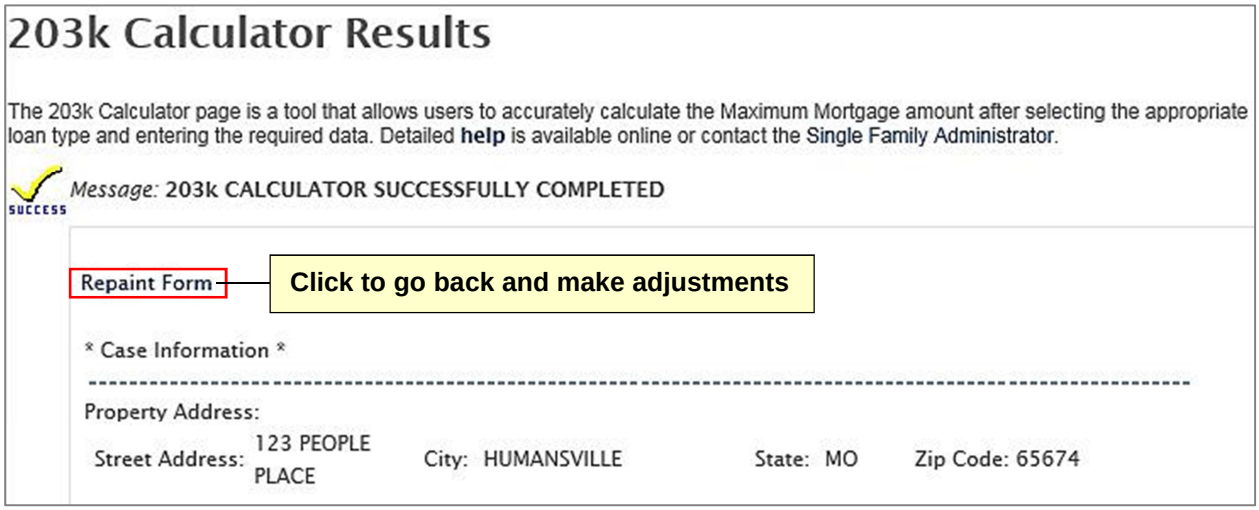


Figure 34: Upper part of **203k Calculator Results** page (blank form version) with **Repaint Form** link

3 Appraisal Logging Changes

The **Other Functions** menu on the **Appraisal Logging Update** and **Results** pages was modified to include on its drop-down list a link to **203k Calculator** for the same 203(k) case with which the user is working (**Figure 35**).

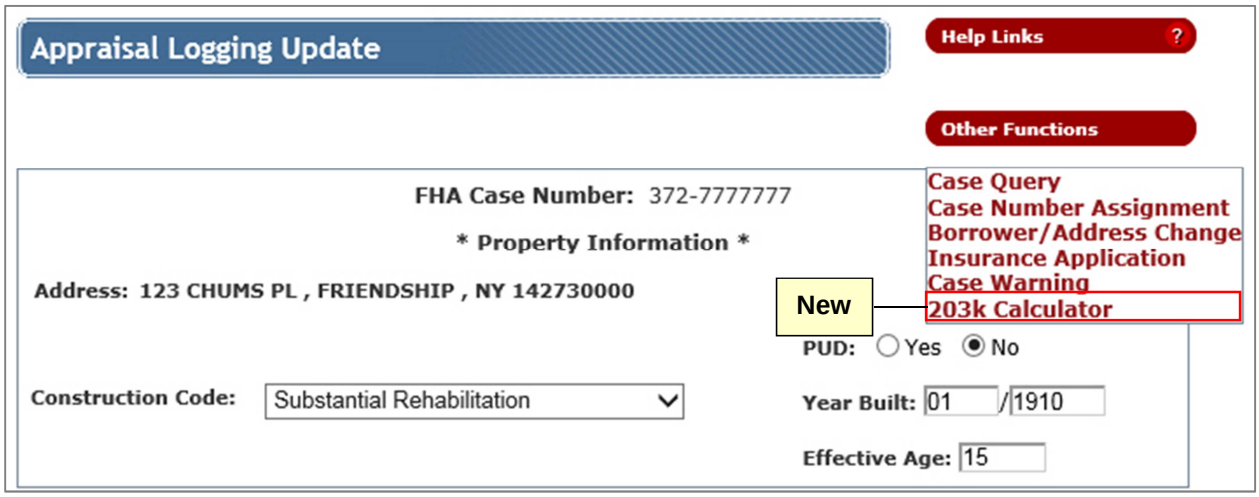


Figure 35: Modified **Other Functions** menu on the upper part of the **Appraisal Logging Update** page

3.1 Changes to Appraisal Logging Information that Affect 203k Calculator

Certain changes to **Appraisal Logging** information affect **203k Calculator** (with case number) information. They are:

- Contract Price
- Appraised Value
- Second appraisal added
- Prior sale information for a refinance case (property was acquired within the last 12 months or prior sale/transfer as a result of family gift or inheritance)

If changes are made to any of the **Appraisal Logging** information listed above, the user must return to **203k Calculator** and process the new information. **Insurance Application** cannot be accessed until **203k Calculator** information is in synch with **Appraisal Logging** information.

3.2 Appraisal Type Field Added

In the *Reconciliation Fields* section of **Appraisal Logging**, the new **Appraisal Type** field was added to identify the type of appraisal performed (**Figure 36**).

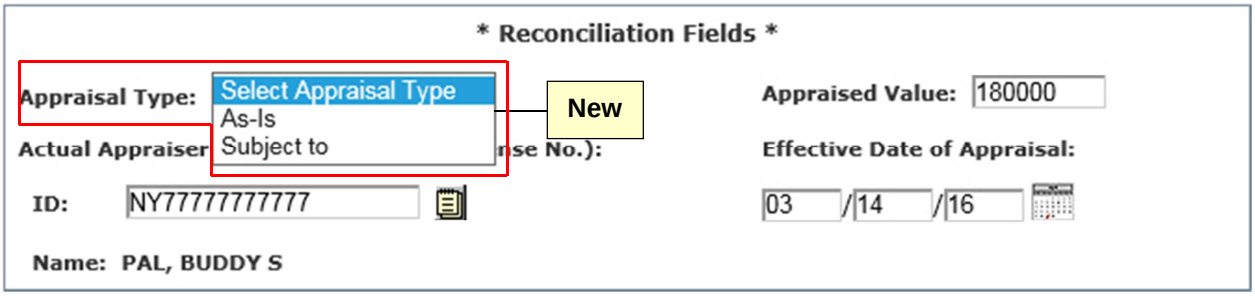


Figure 36: **Appraisal Type** field in the *Reconciliation Fields* section of **Appraisal Logging**

The **Appraisal Type** field has a drop-down list with these options:

- *As-Is:* Estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.
- *Subject to:* Appraised value of the property subject to completion, repairs and improvements, and/or plans and specifications.

3.2.1 Appraisal Type Processing Rules

The processing rules for the **Appraisal Type** field are explained in the following paragraphs.

3.2.1.1 203(k) Cases

For a 203(k) case, the first appraisal must be a *Subject to* **Appraisal Type**. If a second appraisal is required, it must be an *As-Is* **Appraisal Type**.

The order for submitting electronic appraisals for a 203(k) via the Electronic Appraisal Delivery (EAD) portal is:

- Appraisal 1: *Subject to* appraisal
- Appraisal 2: *As-Is* appraisal

If there are two appraisals, the *Subject to* appraisal value must be greater than the *As-Is* appraisal value.

If an appraisal update is needed for the *Subject to* appraisal (Appraisal Update and/or Completion Report, Fannie Mae Form 1004D), the EAD submission order is as follows:

- Appraisal 1: *Subject to* appraisal
- Appraisal 2: 1004D for *Subject to* appraisal
- Appraisal 3: *As-Is* appraisal

If an appraisal update is needed for the *As-Is* appraisal, the EAD submission order is as follows:

- Appraisal 1: *Subject to* appraisal
- Appraisal 2: *As-Is* appraisal
- Appraisal 3: 1004D for *As-Is* appraisal

The **Appraisal Type** is required for all 203(k) cases processed on the FHA Connection, regardless of the **Case Number Assignment** date.

For 203(k) cases processed via B2G, entry of the **Appraisal Type** depends on the **Case Number Assignment** date as follows:

- Before September 14, 2015: Optional
- On or after September 14, 2015: If the **Appraisal Type** is not provided, it defaults to *Subject to* for the first appraisal and *As-Is* for the second appraisal.
- On or after October 31, 2016: Required

3.2.1.2 Non-203(k) Cases

For non-203(k) cases, the **Appraisal Type** can be either *Subject to* or *As-Is* for the first and/or second appraisal. However, if there are two different appraisals, the *Subject to* appraisal value must be greater than the *As-Is* appraisal value.

Entry of the **Appraisal Type** is required for non-203(k) cases processed on the FHA Connection with a **Case Number Assignment** date of April 18, 2016 or later. It is optional for non-203(k) cases with a **Case Number Assignment** date prior to April 18, 2016.

For non-203(k) cases processed via B2G, entry of the **Appraisal Type** is required for cases with a **Case Number Assignment** date of October 31, 2016 or later. It is optional for non-203(k) cases with a **Case Number Assignment** date prior to October 31, 2016.

3.3 Modifications for a Second Appraisal

The **Second Appraisal** button at the bottom of the **Appraisal Logging** page is used to enter a second appraisal. The pop-up message that appears when it is clicked was modified to include 203(k) *As-is* appraisal verbiage (**Figure 37**).

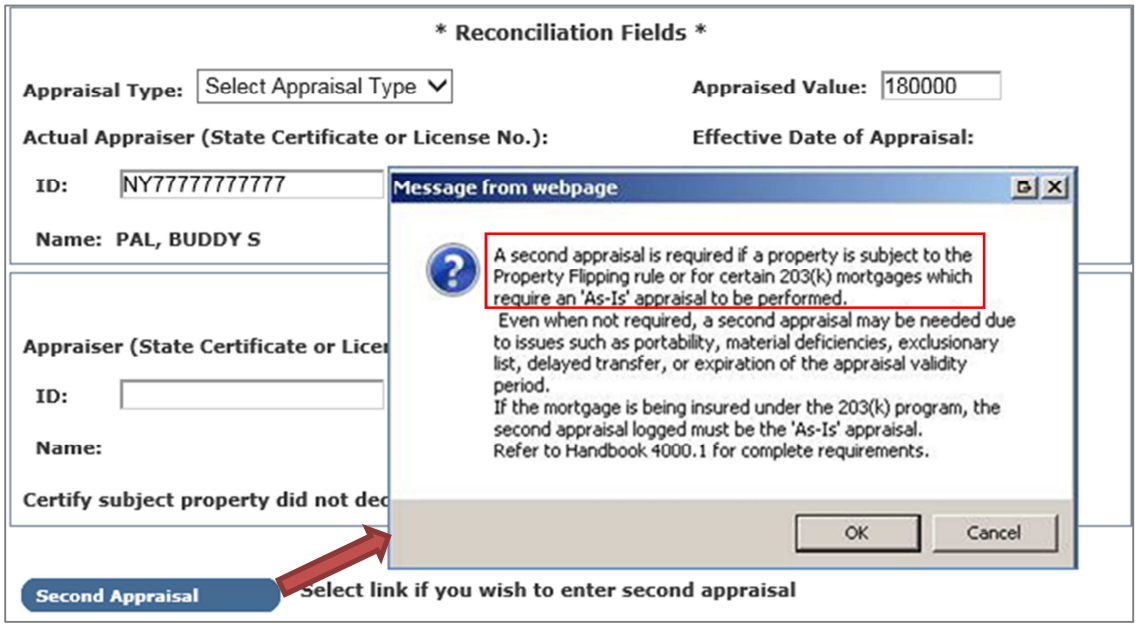


Figure 37: Modified **Appraisal Logging** pop-up message for a second appraisal

On the **Appraisal Logging** page for the second appraisal, the **Second Appraisal Reason** field was modified to include *203(k) As-Is Appraisal* as an option (**Figure 38**). This option is used for a 203(k) case that requires a second *As-Is* appraisal in addition to the initial *Subject to* appraisal.

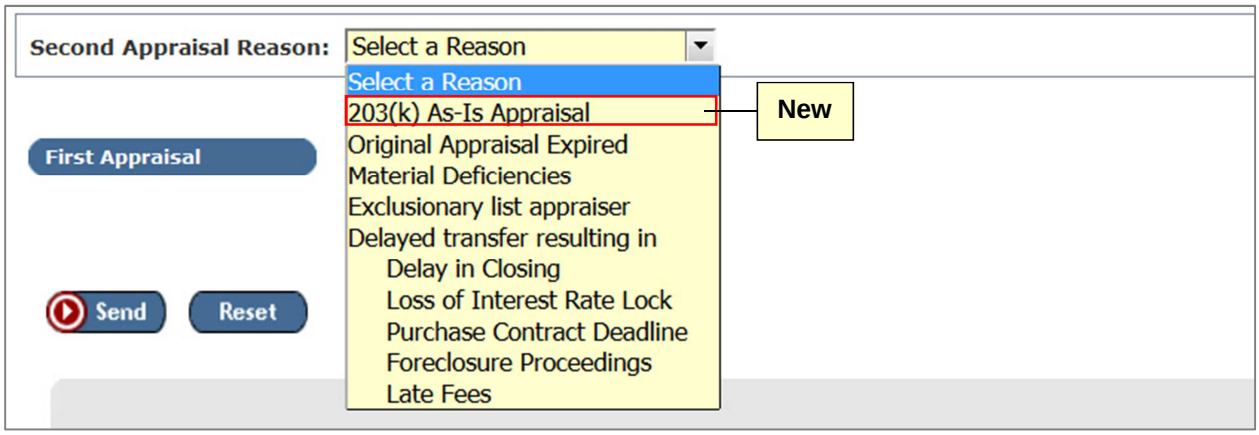


Figure 38: Modified **Second Appraisal Reason** field

4 Insurance Application Changes

The following paragraphs explain the **Insurance Application** changes.

4.1 Modifications for 203k Calculator

Insurance Application cannot be accessed and an error message is now returned for a 203(k) case if any of the following conditions exist:

- **203k Calculator** information is not in synch with **Appraisal Logging** information.
- A second as-is appraisal is required and was not logged.
- The **Effective FICO Score** from **FHA TOTAL Scorecard** does not agree with the **Minimum Decision Credit Score** in the **203k Calculator**. The error occurs if the **Effective FICO Score** and **Minimum Decision Credit Score** fall in different **Minimum Decision Credit Score** ranges or if either falls below 500. See *4.1.1 Minimum Decision Credit Score Ranges*.
- **203k Calculator** was not processed (applicable to a case assigned a case number on or after October 31, 2016).

4.1.1 Minimum Decision Credit Score Ranges

The **Minimum Decision Credit Score** ranges are as follows:

- Credit score is 580 or greater: Borrower is eligible for maximum financing: LTV of 96.5% for a purchase case and 97.75% for a refinance case.
- Credit score is between 500 and 579: Borrower is limited to a maximum of LTV of 90%.
- Non-traditional or insufficient credit: Borrower is eligible for maximum financing: LTV of 96.5% for a purchase case and 97.75% for a refinance case.
- Secondary residence: Borrower is limited to a maximum of LTV of 85%.

4.1.2 Link to 203k Calculator Added

The **Other Functions** menu on the **Insurance Application Update** and **Results** pages was modified to include on its drop-down list a link to **203k Calculator** for the same 203(k) case that the user is working with (**Figure 39**). It is only listed for a 203(k) case for which **203k Calculator** was processed.

Figure 39: Modified **Other Functions** menu on the upper part of the **Insurance Application Update** page

4.1.3 Field Changes Related to 203k Calculator

In the *Worksheet Information* and *Mortgage Information* sections of **Insurance Application**, field modifications were made as follows:

- **After-Improved Value:** In the *Worksheet Information* section, the **Appraised Value** field was replaced with the **After-Improved Value** field for a 203(k) case for which **203k Calculator** was processed (**Figure 41**). The **After-Improved Value** is the appraised value of the property subject to completion, repairs, or plans and specifications for a 203(k) case. This field is pre-filled with the value from **Appraisal Logging**. If **203k Calculator** was not processed, the **Appraised Value** field is displayed instead.
- **Loan-to-value (%):** This field, located in the *Mortgage Information* section, was modified to enforce the LTV maximum for the 203(k) case (**Figure 42**). The LTV can only be exceeded for Solar/Wind and/or EEM.
- **MIP LTV:** The new **MIP LTV** field was added to the *Mortgage Information* section and is displayed for all forward mortgages processed through **Insurance Application** on or after April 18, 2016 (**Figure 42**). It provides the system-calculated LTV ratio for determining the annual MIP rate. For a 203(k) case, this field initially displays the value from **203k Calculator**, if **203k Calculator** was completed. It is calculated by **203k Calculator** as the final base mortgage amount (without upfront MIP) divided by **After-Improved Value**. **Insurance Application** recalculates the **MIP LTV** value using the *actual* final base mortgage amount divided by the **After-Improved Value**. The **MIP LTV** based on the *actual* mortgage amounts cannot be greater than the **203k Calculator** **MIP LTV** value, otherwise an error message is returned.

- **203k Calculated Value:** In the *Mortgage Information* section, **Adjusted Value** was replaced with the **203k Calculated Value** field for a 203(k) case for which **203k Calculator** was processed (**Figure 42**). The **203k Calculated Value** is a system-calculated value as follows:
  - Purchase case: Value that is the lesser of (a) **Step 3A. Sum of Step 2E + Step 1E (*i.e., Adjusted As-Is Value + Step 1 total*)** or (b) **Step B. Step 2F (*i.e., After-Improved Value)* X 110% (*or 100% for condominiums*)** of **203k Calculator**.
  - Refinance case: Value that is the lesser of (a) **Step 3B. Sum of Step 2F + Step 1E (i.e., Adjusted As-Is Value + Step 1 total)** or (b) **Step 3C. Step 2G (*i.e., After-Improved Value*) X 110% (*or 100% for condominiums*)** of **203k Calculator**.

  If **203k Calculator** was not processed, the **Adjusted Value** field is displayed instead.

4.1.3.1 Pre-filled Fields

If **203k Calculator** was completed for a 203(k) case, the following **Insurance Application** fields are pre-filled and view only:

- **$100 REO Down Payment Program**
- **After-Improved Value**
- **EEM Improvement Amount**
- **Energy Efficient Mortgage**
- **Escrow Amount**
- **Inducements to Purchase**
- **MIP LTV**
- **Sales Price**
- **Solar/Wind**
- **Solar/Wind Amount**

Adjustments to the pre-filled **Insurance Application** information can be made by updating **203k Calculator**, except the **After-Improved Value** and **Sales Price** information. Adjustments to the **After-Improved Value** and **Sales Price** information can be made through **Appraisal Logging**. If an electronic appraisal report was submitted via the Electronic Appraisal Delivery (EAD) portal, the appraisal report is modified and uploaded again to EAD. **Appraisal Logging** is used to review and confirm the change, then **203k Calculator** is processed again with the modified information provided by **Appraisal Logging**.

See **Figure 40**, **Figure 41**, and **Figure 42**.

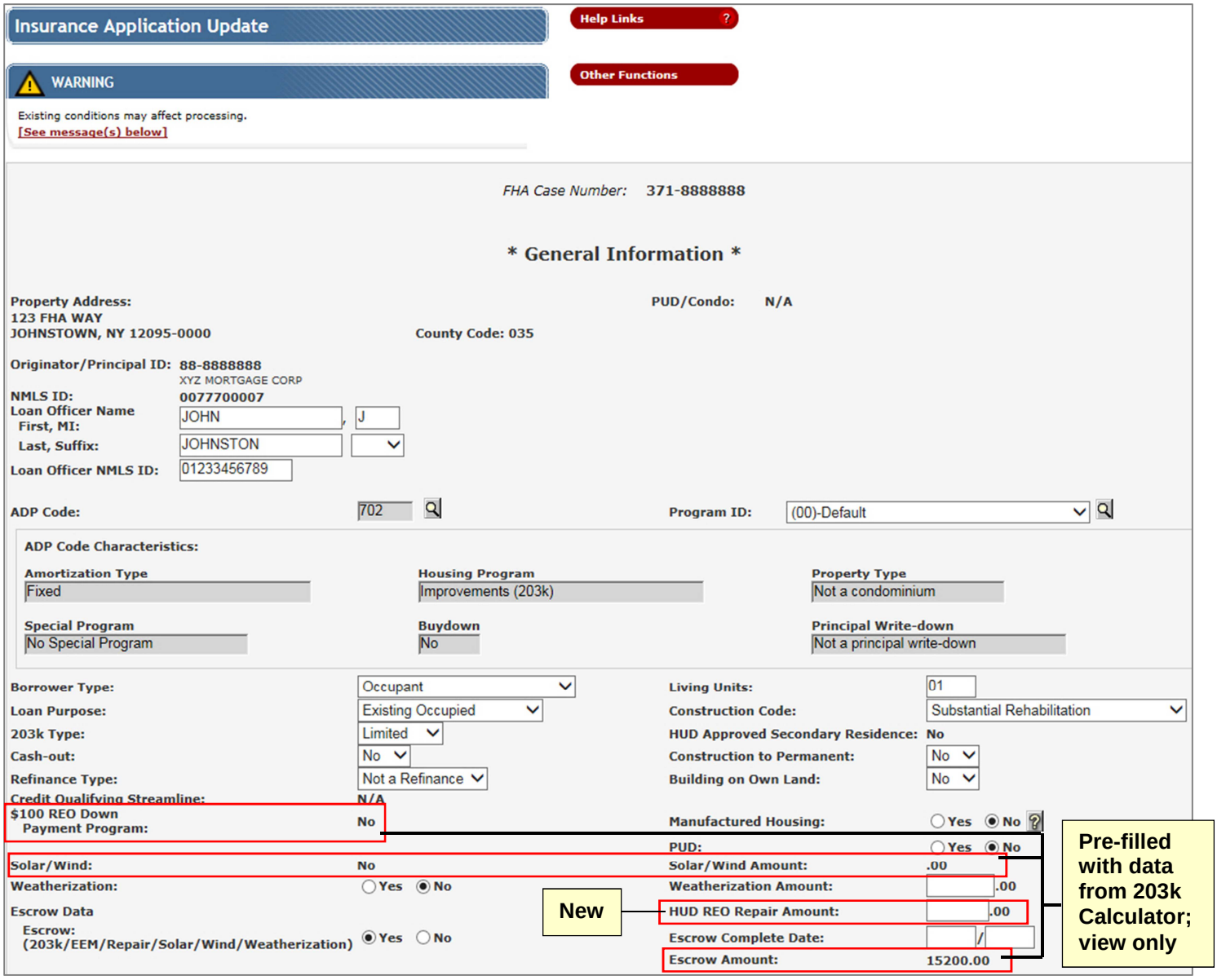


Figure 40: Modified *General Information* section of **Insurance Application**

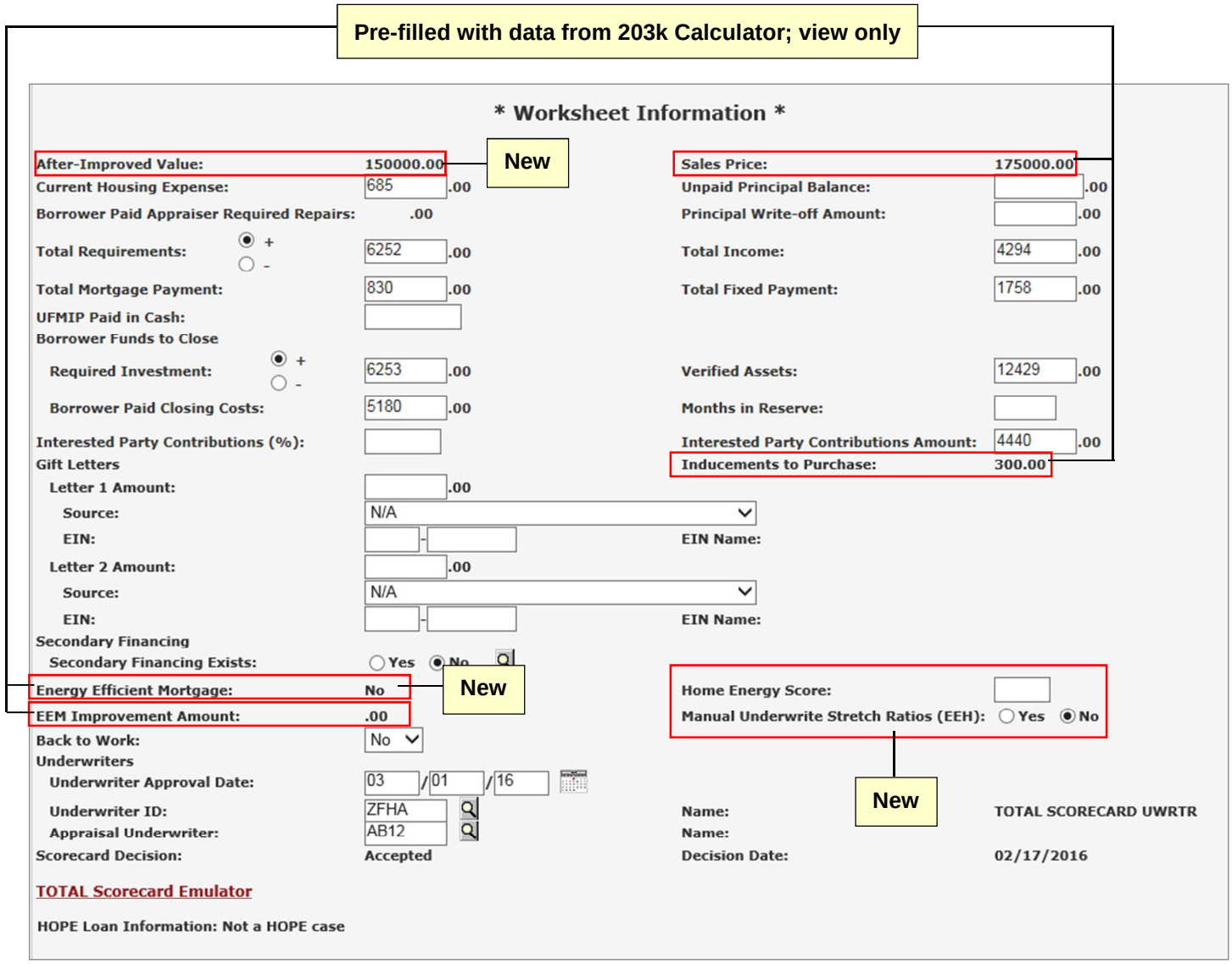


Figure 41: Modified *Worksheet Information* section of **Insurance Application**

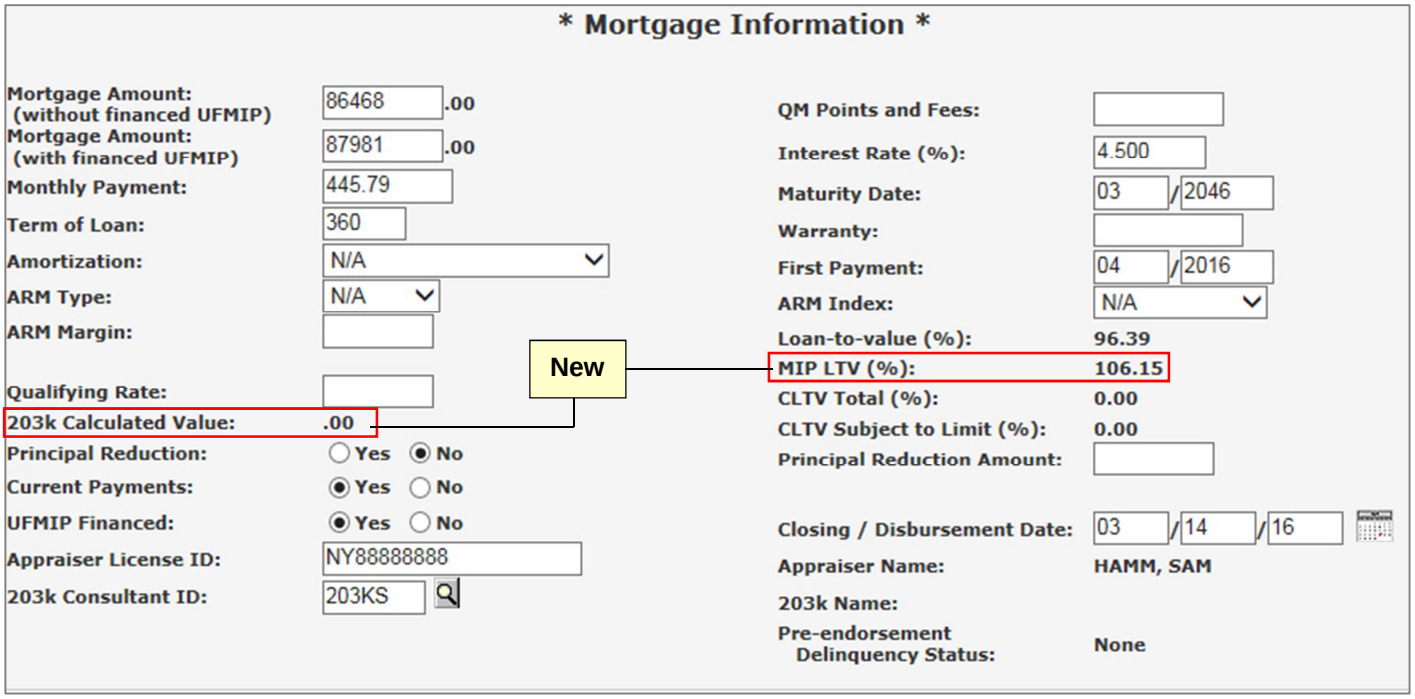


Figure 42: Modified *Mortgage Information* section of **Insurance Application**

4.2 Building on Own Land Changes

The **Building on Own Land** field, located in the *General Information* section of **Insurance Application**, specifies whether the borrower is building a dwelling on land already owned by the borrower for more than six months prior to the **Case Number Assignment** date (**Figure 40**). Changes were made as follows:

- If Yes is selected, the **Construction Code** must be *Proposed Construction*, *Under Construction*, or *New Construction (Less than 1 Year).*
- If *No* is selected, the **Construction Code** must be *Existing Construction* or *Substantial Rehabilitation*.

4.3 HUD REO Repair Amount Added

The **HUD REO Repair Amount** field was added to the *General Information* section of **Insurance Application** (**Figure 40**). If funds for repairs are being held in escrow in order to meet HUD's Minimum Property Requirements for a HUD Real Estate Owned (REO) case, the amount is entered in the **HUD REO Repair Amount** field. Up to $5,500 is allowed ($5,000 plus 10% contingency ($500)). This amount should not include funds held in escrow for the installation of a solar or wind energy system or weatherization.

4.4 New Maximum HUD REO LTV Ratios

For HUD REO cases assigned a case number on or after April 18, 2016, the maximum loan-to-value (LTV) ratios are as follows:

- HUD REO investment property: 75% for one to four units.
- HUD REO: Limited to 96.5%.
- HUD REO $100 Down: Not LTV based; mortgage can be the *adjusted value* minus $100.

4.5 CLTV Total (%) and Good Neighbor Next Door

The **CLTV Total (%)** field, located in the *Mortgage Information* section of **Insurance Application**, provides the combined loan-to-value ratio if the borrower has more than one loan (i.e., secondary financing). The new HUD Good Neighbor Next Door (GNND) secondary financing source is not included in the **CLTV Subject to Limit (%)** for **Insurance Application** (*Mortgage Information* section) since it is a government entity. See also *7 Good Neighbor Next Door Added as a Secondary Financing Source*.

4.6 Modifications for an Energy Efficient Home (EEH)

An Energy Efficient Home (EEH) is a home that meets the 2000 International Energy Conservation Code (IECC) and is eligible for the two percentage point increase in the EEH qualifying ratios (stretch ratios). If the mortgage is being manually underwritten for an EEH so that the borrower's income qualifying ratios are "stretched" by two percentage points above the standard home limits, information is entered in the following new **Insurance Application** fields located in the *Worksheet Information* section (**Figure 41**):

- **Home Energy Score:** For cases with a **Construction Code** of *Existing Construction* or *Substantial Rehabilitation*, the home's energy performance score is entered (0 to 10).

  -or-

  For cases with a **Construction Code** of *Proposed Construction*, *Under Construction*, or *New (Less than 1 Year),* this field is left blank, as they are automatically eligible for stretch ratios. However, the home must meet or exceed the highest of the 2006 International Energy Conservation Code (IECC), any successor energy code standard that has been adopted by HUD for its Minimum Property Standard (MPS), or the applicable IECC year used by the state or local building code.

- **Manual Underwrite Stretch Ratios (EEH):** *Yes* is selected in this field to manually underwrite the mortgage for the stretch ratios.

If the case is not an EEH for which the mortgage is being manually underwritten for stretch ratios, the **Home Energy Score** field is left blank and *No* is selected in the **Manual Underwrite Stretch Ratios (EEH)** field.

In addition, the former **Energy Efficient Mortgage Type** field with a list of EEM classifications was replaced with the **Energy Efficient Mortgage** field. *Yes* or *No* is selected the **Energy Efficient Mortgage** field to specify whether the case is an EEM.

5 Case Number Assignment Changes

Changes to **Case Number Assignment** include the following:

- The **Processing Type** field was modified to no longer display *Real Estate Owned (REO) w/o Appraisal* on its drop-down list (**Figure 43**). For a HUD REO case with a case number assigned on or after April 18, 2016, only *Real Estate Owned (REO) w/Appraisal* is a valid option.

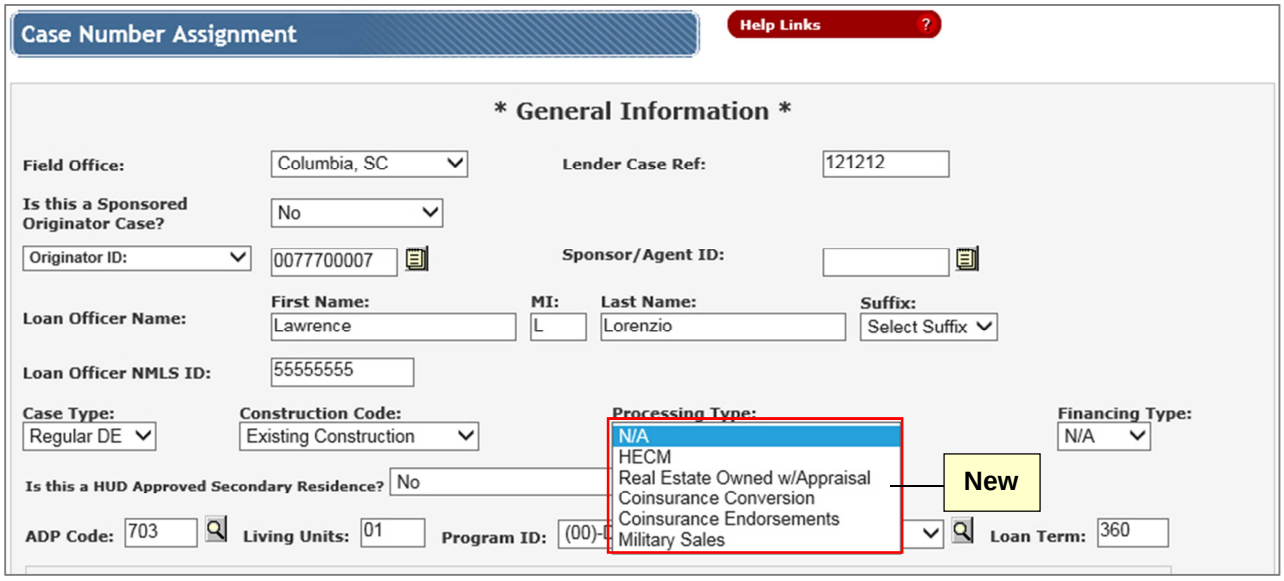


Figure 43: Modified **Processing Type** options on the **Case Number Assignment** page

- The **Original Annual MIP Factor (%)** field was added to the *Refinance Authorization* section of the **Case Number Assignment Results** page for an FHA-to-FHA refinance case. See *6 Refinance Authorization and Refinance Credit Query Changes* for additional information.
- The **Other Functions** menu on the **Case Number Assignment Update** page was modified to include on its drop-down list a link to **203k Calculator** for the same 203(k) case the user is working on (**Figure 44**).

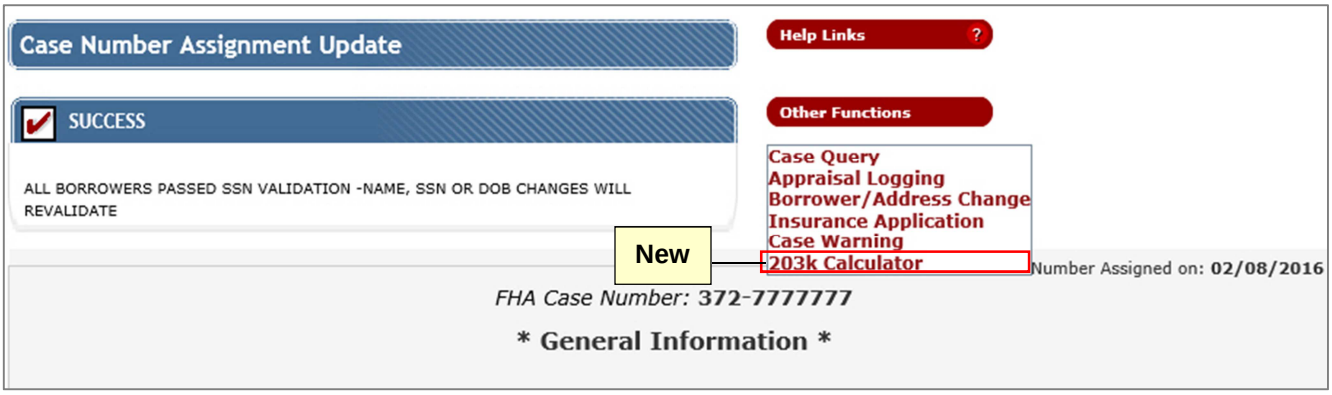


Figure 44: Modified **Other Functions** menu on the upper part of the **Case Number Assignment Update** page

6 Refinance Authorization and Refinance Credit Query Changes

Refinance Authorization and **Refinance Credit Query** were modified to include the **Original Annual MIP Factor (%)** field (**Figure 45** and **Figure 46**). This is the factor used to determine the amount of annual MIP for the prior FHA-insured mortgage.

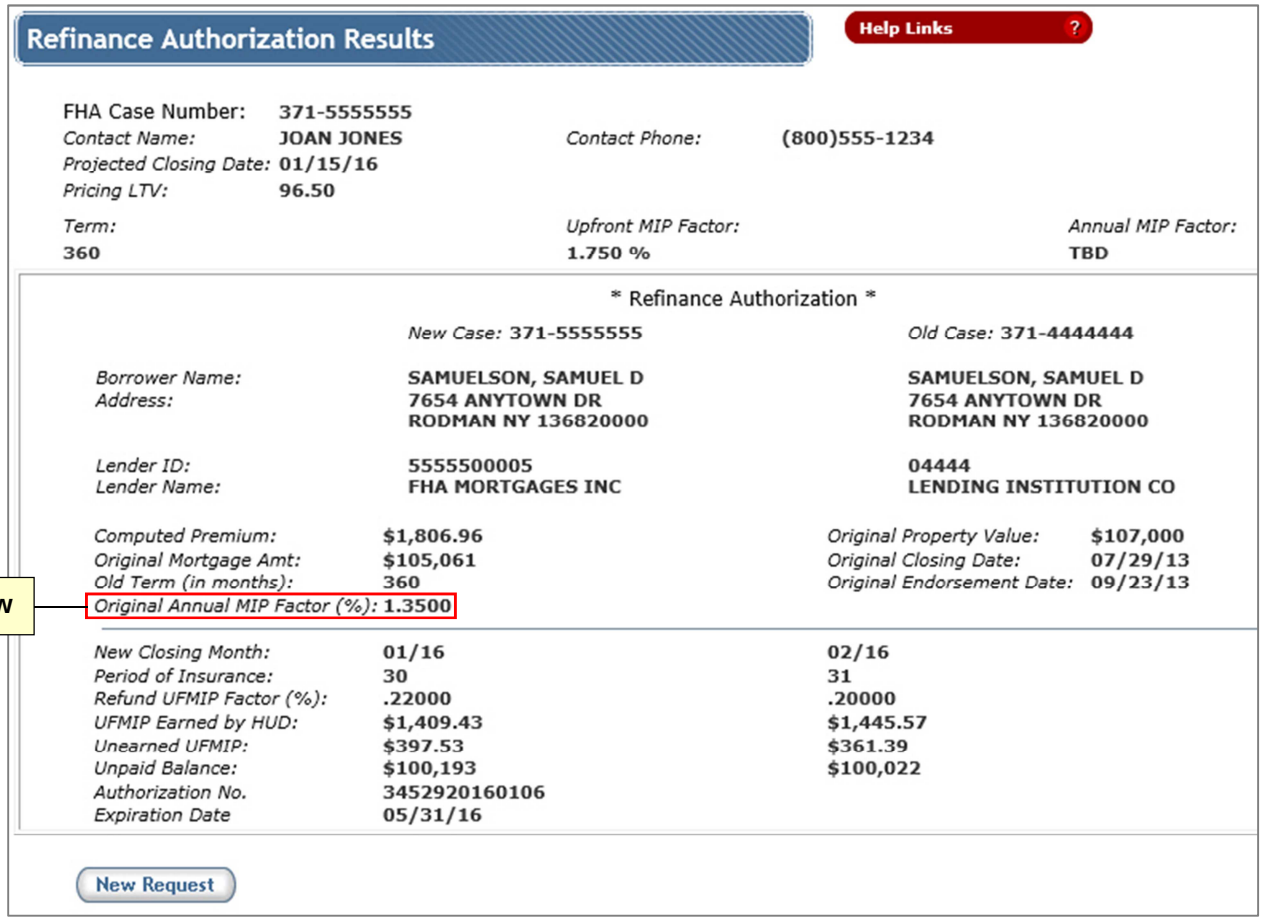


Figure 45: Modified **Refinance Authorization Results** page

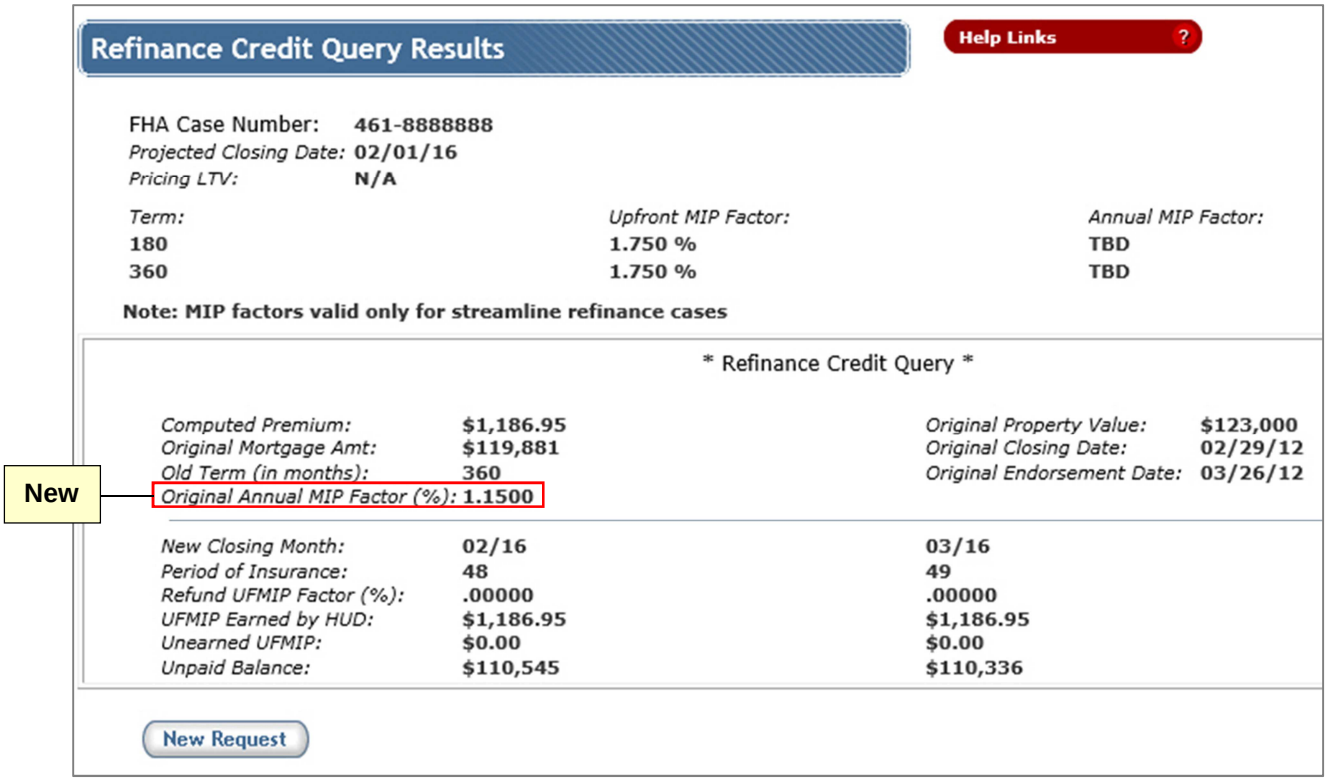


Figure 46: Modified **Refinance Credit Query Results** page

7 Good Neighbor Next Door Added as a Secondary Financing Source

HUD's Good Neighbor Next Door (GNND) program was added as a source of secondary financing. On the **Secondary Financing Update** page, the **Source of Funds** field was modified to include *Federal Government – GNND* on its drop-down list (**Figure 47**). For the HUD GNND program, this option is selected and the amount of the discount by which the sales price was reduced is entered in the **Amount 1** field. No other selections or data entry are required.

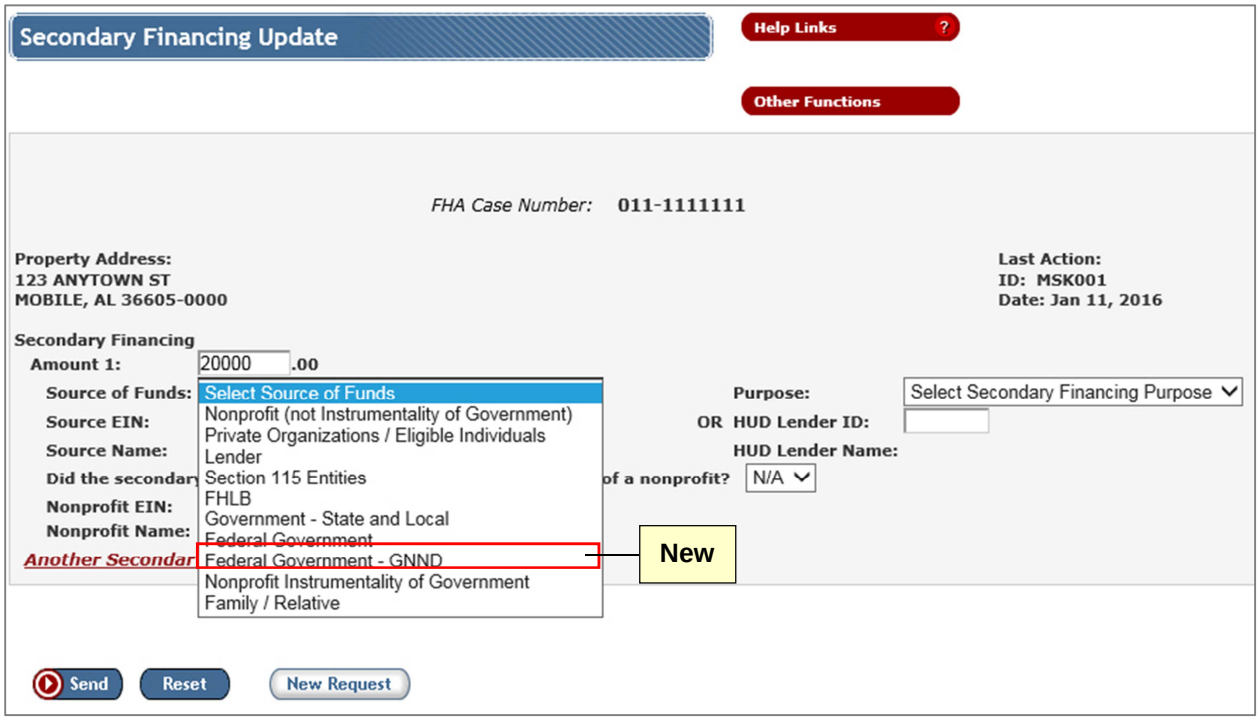


Figure 47: *Federal Government - GNND* added to **Source of Funds** list

8 Escrow Closeout Changes

The modifications to **Escrow** are explained in the following paragraphs and illustrated in **Figure 48** and **Figure 49**.

- **203k Consultant ID** field was added for a 203(k) case to provide the identification of the 203(k) consultant assigned to the project. It is view only and displays the following:

  - Standard 203(k): Five-character FHA ID for the FHA-approved 203(k) consultant assigned to the project and name of the 203(k) consultant.
  - Limited 203(k): *203KS* or 203(k) consultant's five-character FHA ID and name.

  This field is not displayed for a non-203(k) case.

- **Replacement 203k Consultant ID** field was added for a 203(k) case. If a different 203(k) consultant was assigned to the project, the five-character FHA ID for the FHA-approved 203(k) consultant that replaced the former 203(k) consultant is entered in this field. The name of the 203(k) consultant appears after the **Escrow Closeout Certification** page is processed. The replacement consultant (a) must have been active at the time of endorsement or (b) is currently active on the 203k Consultant Roster. This field is not displayed for a non-203(k) case.

- **Replacement 203k Consultant Date** field was added. The date the replacement 203(k) consultant was assigned to the project is entered in the **Replacement 203k Consultant Date** field. Entry of the date is optional. However, if a date is entered, the consultant must have been on HUD's 203k Consultant Roster and approved as of the **Replacement 203k Consultant Date**. This field is not displayed for a non-203(k) case.

- **Closeout Types** field was modified to include a *HUD REO*. This option is selected for repair work on a HUD Real Estate Owned (REO) property. In addition, if *Solar/Wind* is selected in the **Closeout Types** field, one or both of the following energy-efficient improvements must also be selected: *Solar PV/Hot Water* and *Wind Energy Systems*.

- The former *N/A* option in the energy-efficient improvement section was replaced with: *None of the above energy-related improvements were made*.

- **Approved for Extension** field was added. If the work is not completed within the established time frame, the borrower may request an extension of time and must submit adequate documentation to justify the extension. The lender may grant an extension at its discretion only if the mortgage payments are current. *Yes* or *No* is selected from the drop-down list in this field.

- **Revised Expected Completion Date** field was added.

- If *Yes* was selected in the **Approved for Extension** field, the revised date the repairs or improvements are expected to be completed is entered (month and year). The **Revised Expected Completion Date** cannot be more than six months later than the original **Expected Completion Date**.
- If *No* was selected in the **Approved for Extension** field, the **Revised Expected Completion Date** field is left blank.

- **Extension Justification Reason** field was added. It identifies the reason for justifying the extension of the completion date. The options are: *Dispute with Contractor*, *Discovered Health/Safety Issues*, and *Other (Provide Detailed Explanation Below)*.
  - If *Yes* was selected in the **Approved for Extension** field, a reason is selected from the drop-down list in the **Extension Justification Reason** field. If *Other (Provide Detailed Explanation Below)* is selected as the reason, an explanation must be entered in the text box labeled: **If Other, provide explanation**.
  - If *No* was selected in the **Approved for Extension** field, *Other (Provide Detailed Explanation Below)* must be selected in the **Extension Justification Reason** field and an explanation entered in the text box labeled: **If Other, provide explanation**.
- **All health/safety issues resolved?** field was added. *Yes* or *No* is selected in this field to specify whether health and safety hazards that would violate HUD's Minimum Property Requirements (MPR) were resolved.
  - If *No* is selected, an explanation of the unresolved issues must be entered in the text box labeled: **If No, list health/safety issues that are outstanding**.
  - If *Yes* is selected, the text box must be left blank.
- The certification statement explaining the requirements for a *Yes* selection in the **All escrow items have been satisfactorily completed** field was modified. It now states:

  By selecting Yes, the mortgagee certifies that the work is complete and the escrow account is closed. The following documents have been reviewed, verified for accuracy, and will be retained by the mortgage:

  Also, the list of documents now differs between a 203(k) and non-203(k) case. **Figure 48** shows the document list for a 203(k) case and **Figure 49** shows the document list for a non-203(k) case.
- The following statement was added explaining the requirements for a *No* selection in the **All escrow items have been satisfactorily completed** field:

  By selecting No, the mortgagee certifies that the Escrow account is closed out, the improvement work is incomplete, and any remaining funds have been applied to the Principal. Please select the reason below why the Escrow items are not completed.

Below this statement is a drop-down list with the reasons the repairs or improvements were not completed. If *No* was selected in the **All escrow items have been satisfactorily completed** field, one of the following options must be selected:

- *Mortgage Payment Default*
- *Bankruptcy (Not Eligible For HUD REO)*
- *Funds Insufficient Complete Project*
- *Borrower Changed Mind, Unresolved Dispute With Contractor*
- *Other (Provide Detailed Explanation Below)*

If *Other (Provide Detailed Explanation Below)* is selected, an explanation must be entered in the text box labeled: **If Other, provide explanation**.

Replacement of the 203(k) consultant and/or an extension of the project can be performed separately or together with escrow closeout.

Once escrow closeout is performed, information cannot be updated by the lender until the existing escrow closeout information is removed by authorized HOC personnel.

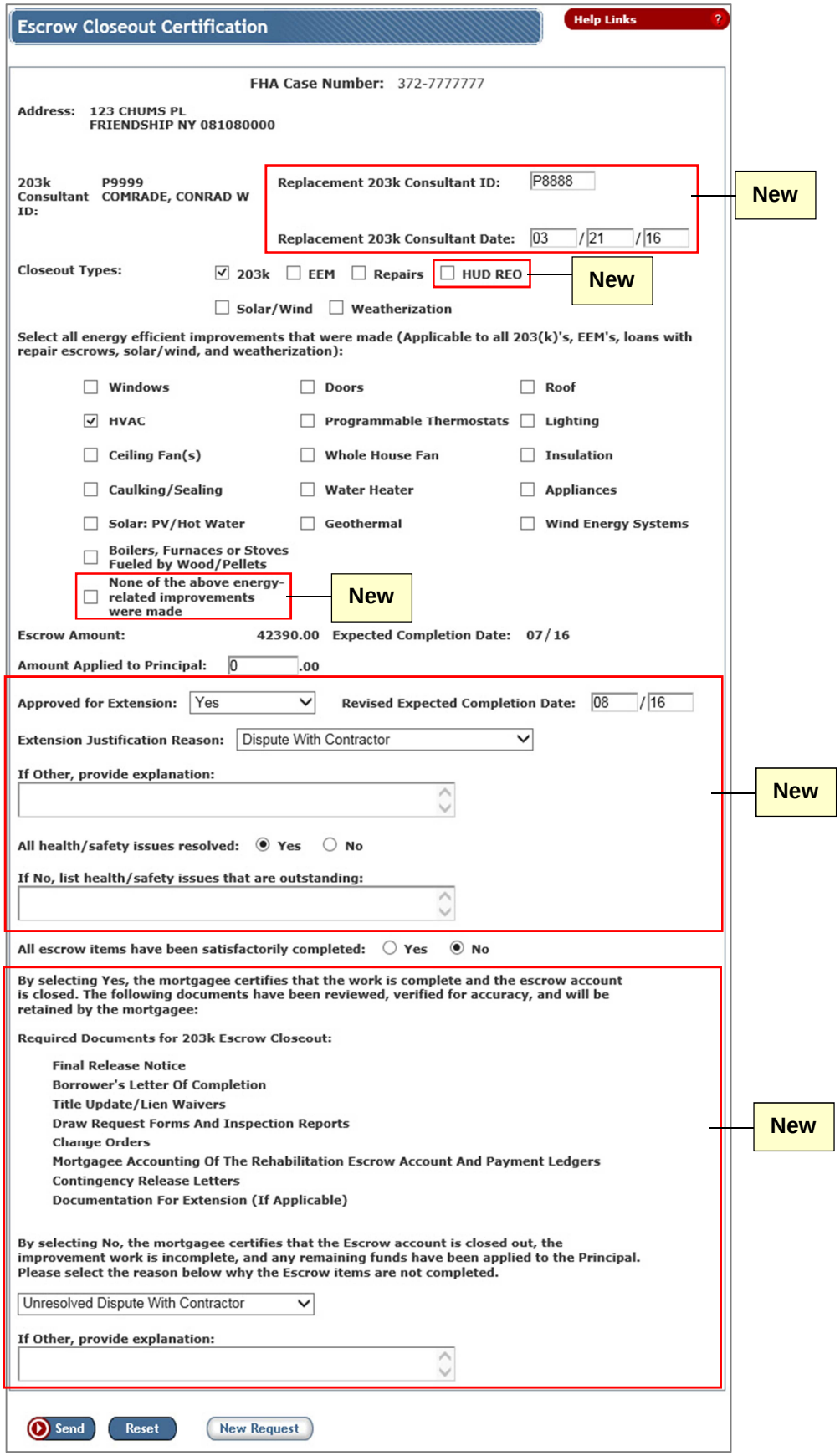


Figure 48: Escrow Closeout Certification for a 203(k) case

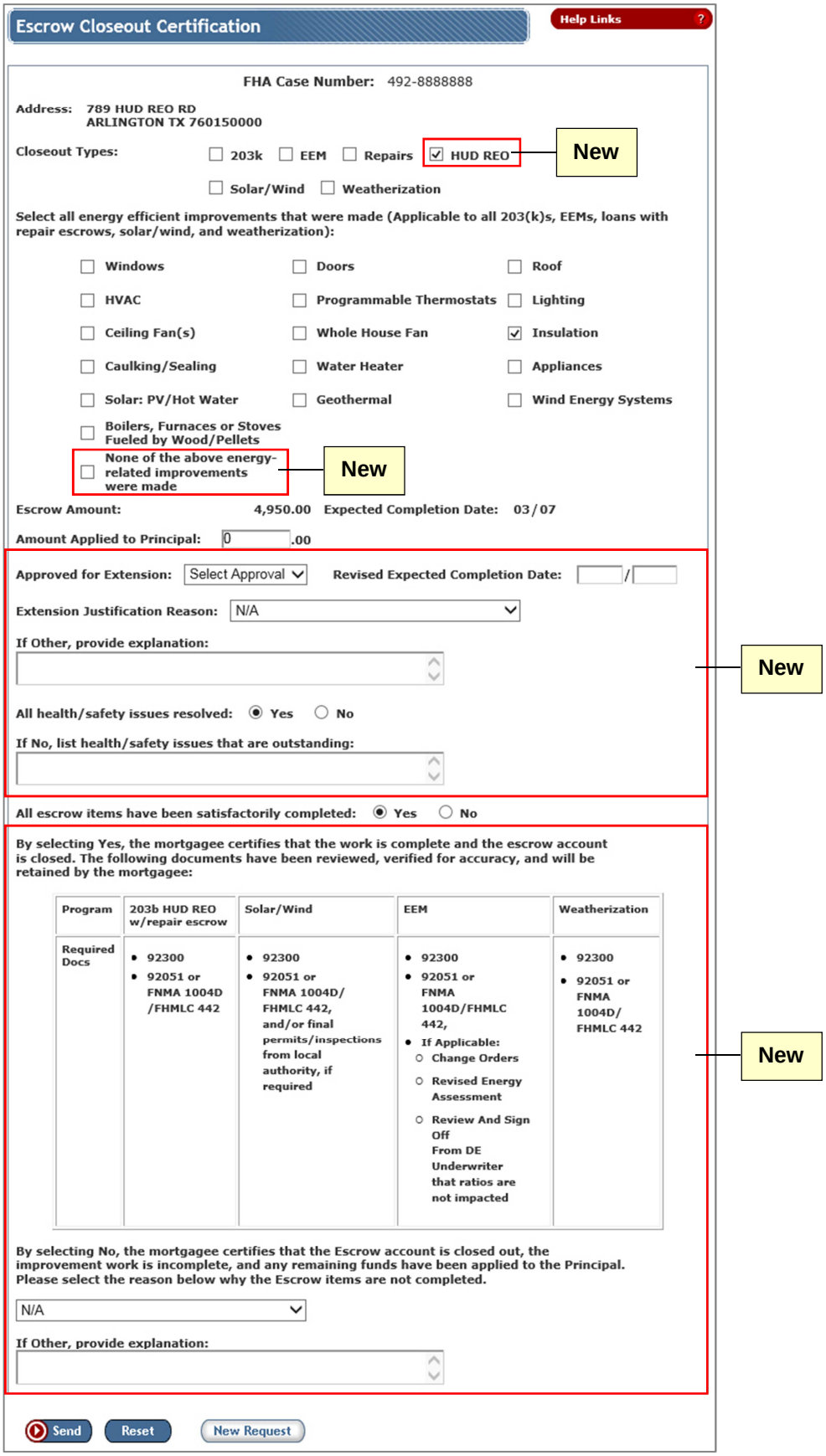


Figure 49: Escrow Closeout Certification for a non-203(k) case