



FHA Home Improvement Loan May Be Right for You

Have you thought about buying a fixer-upper? If you have the skills and the funds to make the repairs yourself this can be a great way to earn equity quickly. The problem for many American homebuyers is securing the funding for the repairs and updates. Fortunately the Federal Housing Administration (FHA) has come up with a home improvement loan that can be combined with your mortgage at the time you purchase the house. This is called the Streamlined-K loan, a simplified version of the 203K program.

Here's how it works: You apply for either a fixed rate loan or an adjustable rate mortgage. Your Streamlined-K loan will be added to the balance of that mortgage loan. This means that your mortgage balance may be more than selling price of the home and that is okay. Depending on your qualifications, your Streamlined-K loan can be for as much as \$35,000.

Here are some other features of the loan: This loan is basically designed to pay for simple repairs and improvements. So you will not be required to hire professional contractors, engineers, or architects in order to complete the repairs. Eligible repairs include:

- Kitchen and bathroom remodeling, including installation of built-in appliances
- Elimination of health and safety hazards (i.e. lead-based paint issues)
- New exterior siding, second story addition, attached carports
- Plumbing, heating, air conditioning, and electrical system repairs and updates
- Septic system installations
- Roofing, gutters, downspouts
- Flooring, tiling and carpeting
- Energy conservation improvements, solar systems, double-paned windows, etc.)
- Patios, decks, terraces
- Disability access improvements

If your needed repairs are not on the approved list, you may be required to hire professional contractors to complete the work. There are some repairs that are also simply not permitted in connection with this loan. These include: landscaping, moving load-bearing walls, room additions or add-ons, or basically any major home remodeling projects.

In order to be eligible for the Streamlined-K loan, you must occupy the property and you cannot leave the property vacant for more than 30 days. The terms also stipulate that you must start the work within 30 days of your mortgage closing date and you must complete the proposed improvements within six months.

If you intend to do the repairs on your own, you will have to prove to your lender that you are capable of doing so, by providing documents showing your experience with and/or education for home repairs. The work, whether completed by you or a contractor, must be of professional quality. If you do the work yourself, the loan will cover your material costs only – not your labor costs. If you are not eligible to complete the necessary repairs yourself, your lender will have to approve the licensed contractors that you hire. Also, if you receive a Streamlined-K loan for more than \$15,000, your lender will inspect the completed work or she will authorize a third party to do so.

Repairing that fixer-upper may be easy than you thought if you decide to go with a



Streamlined-K loan. Check with your local HUD representatives for more details and to find out if you qualify!