



Your guide for home renovation loans

Maybe you've found the perfect location, but the house needs improving. Maybe staying in your current (but outdated) home is what's important. Either way, a renovation loan lets you make upgrades now and pay over time—so you can create a place you're proud to call home

The Perks



Just one loan

You're able to buy or refinance a home and make improvements with just one loan and one monthly mortgage payment.



Make updates to suit your style

You can make the home your own and upgrade it to fit your personal taste.



Location, location, location

Buy a property in a neighborhood you love, or stay where you are, and make it your dream home.



You'll likely benefit at tax time*

Take advantage of more tax-deductible interest since the remodeling costs are all in your first mortgage.



Borrow more

You're able to borrow more money because the loan amount is based on an appraiser's estimate of what the property will be worth once the improvements are finished.



Spread out the costs

Pay for the cost of renovations over the life of your loan instead of all right now.

* Please see a tax advisor for more information.

The Basics

A renovation loan allows you to buy or refinance a home in almost any condition, make improvements and pay for them over time.



What kinds of renovations can be made?

The sky's the limit on what types of improvements you can make, depending on the financing you choose.

Examples:

- Remodel kitchens and bathrooms
- Upgrade electrical, plumbing, heating & air conditioning
- Build second stories and room additions
- Create an accessible entry and make improvements to livability
- Repair cracked slabs or make structural improvements
- Install new flooring, windows, doors, cabinets, and appliances
- Install swimming pools, outdoor entertainment areas, and landscaping
- Rebuild an entire house on an existing foundation

The Options

What loan programs are available? We offer both purchase and refinance renovation options with just one loan and one monthly mortgage payment.

Conventional Renovation	FHA 203(k) Standard	FHA 203(k) Limited
<p>This loan offers the most flexibility in terms of which renovations are possible. With the FNMA HomeStyle Renovation loan, you can make nearly any upgrade including luxury improvements like home theatres or swimming pools.</p>	<p>The government renovation loan, or FHA 203(k), is a good option if you're planning on a larger or complex project and you need the flexibility of a low down payment.</p>	<p>The FHA 203(k) Limited is a good program if you only want to make minor repairs or cosmetic improvements like new flooring or appliance upgrades. It's designed to finance projects that can be completed quickly and easily.</p>

Refinance with a renovation loan

- You provide us with a cost breakdown for the renovation and we appraise the home as if the renovation work has already been completed, giving us the after-renovated value.
- A refinance renovation loan uses the after-renovated value to allow you to tap into future equity now.
- We provide you with one new loan that includes the renovation funds for your project.

Renovation loan program comparison chart

	Conventional	FHA 203(k) Standard	FHA 203(k) Limited
Types of improvements	<ul style="list-style-type: none"> • Health and safety • Livability • Structural repairs • Luxury items 	<ul style="list-style-type: none"> • Health and safety • Livability • Structural repairs • Luxury items 	<ul style="list-style-type: none"> • Health and safety • Livability
Min. down payment	<ul style="list-style-type: none"> • As low as 3% 	<ul style="list-style-type: none"> • As low as 3.5% 	<ul style="list-style-type: none"> • As low as 3.5%
Transaction types	<ul style="list-style-type: none"> • Purchase • Rate/term refinance 	<ul style="list-style-type: none"> • Purchase • Rate/term refinance 	<ul style="list-style-type: none"> • Purchase • Rate/term refinance
Financing payments	<ul style="list-style-type: none"> • Finance up to six months of mortgage payments 	<ul style="list-style-type: none"> • Finance up to six months of mortgage payments 	<ul style="list-style-type: none"> • Finance up to six months of mortgage payments
Occupancy types	<ul style="list-style-type: none"> • Owner-occupied • Second homes • Investment properties 	<ul style="list-style-type: none"> • Owner-occupied 	<ul style="list-style-type: none"> • Owner-occupied
Consultant requirements	<ul style="list-style-type: none"> • Consultant required when repairs are structural or exceed \$35,000 	<ul style="list-style-type: none"> • HUD consultant required 	<ul style="list-style-type: none"> • HUD not consultant required
Renovation funds disbursement schedule	<ul style="list-style-type: none"> • Funds are disbursed in draws after a third-party inspector approves each phase of the work 	<ul style="list-style-type: none"> • Funds are disbursed in draws after an HUD-approved consultant approves each phase of the work 	<ul style="list-style-type: none"> • Up to 50% of funds may be disbursed upfront for materials if requested • Remainder of funds are disbursed when the work is complete and has been inspected, if applicable

Accessory Dwelling Unit (ADU)

An accessory dwelling unit (ADU) is a smaller, independent residential dwelling unit located on the same lot as a stand-alone (detached) single-family home. ADUs go by many different names throughout the U.S., including accessory apartments, secondary suites, in-law suites, and granny flats. ADUs can be converted portions of existing homes (internal ADUs), additions to new or existing homes (attached ADUs), or new stand-alone accessory structures or converted portions of existing stand-alone accessory structures (detached ADUs).

Internal, attached, and detached ADUs all have the potential to increase housing affordability (both for homeowners and tenants), create a wider range of housing options within the community, enable seniors to stay near family as they age, and facilitate better use of the existing housing fabric in established neighborhoods. Consequently, many cities and counties have signaled support for ADUs in their plans and adopted zoning regulations that permit ADUs in low-density residential areas.



The Basics

Can I get a renovation loan if I already own a home? Yes, current homeowners can refinance and include renovation costs into their new loan.

Repair Guidelines

- Work must begin within 30 days of closing, cannot stop for more than 30 consecutive calendar days, and must be completed within six to nine months depending on the product.
- Regular updates on the progress of the work are required every 30 days

Property Guidelines

- Most owner-occupied properties are eligible, depending on the loan program:
 - » 1-4 unit properties, in some cases, mixed-use
 - » Second homes
 - » Investment properties
 - » Condos
- Newly constructed additions must be attached to an existing dwelling - Accessory Dwelling Unit (ADU), additions and conversions allowed
- The number of units on the site must comply with the local zoning requirements



The Process



Getting started

Our experienced loan officer will help you:

1. Get pre-approved so you know how much you can spend and can make an offer if you find the right home
2. Understand your renovation loan options and apply for financing
3. Start your search for a licensed general contractor
4. Find an FHA 203(k) Consultant



Pre-approval & planning

At your initial consultation you provide:

1. Information about your income, assets, liabilities, and any owned real estate
2. Written consent(s) for us to pull a copy of your credit report(s)

Your loan officer provides:

1. Information on the loan options that fit your needs and financial situation
2. A pre-approval letter so you can start house hunting



Preparing your loan for review

Once you've chosen a property, your renovation loan specialist will help:

1. Ensure you have selected a licensed general contractor
2. Finalize the cost breakdown for your desired renovations



Loan processing

1. Your renovation loan specialist orders an appraisal of what the property value will be once the improvements are made
2. General contractor approval process is completed
3. The loan processing team reviews your file and submits your application to the underwriter
4. The underwriter reviews your loan application and issues the credit decision



Closing your loan

Once the credit and property have been approved, your loan will move to closing.

1. Ask your renovation loan specialist for clarification on anything you don't fully understand
2. Attend your closing meeting and get the key!



Getting the funds to do the work

1. Obtain all building permits
2. After your loan closes, the balance of your loan will be held in a Construction Holdback Account
2. You will be assigned a Construction Loan Administrator (CLA)
3. The CLA makes "draw requests" to obtain funds to pay for the work as improvements are made

The Decision



Ready to get started?

We know there's a lot to consider when buying or refinancing a home. Adding renovations to the mix can seem complicated, but we handle the details so you don't have to.

Our experienced team of renovation loan specialists will help you make a decision that best fits your life. We'll be here every step of the way.

[Reach Out Today.](#)



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