



FHA 203(b) REPAIR ESCROW

PROGRAM SPECIFICATIONS	
Description	HUD offers its acquired properties (Real Estate Owned “REO”) for sale with FHA –insured financing provided they meet the intent of FHA’s minimum property standards (MPS). The property does not meet HUD’s MPR in it’s as-is condition, but if repairs of no more than \$10,000 are completed; the HUD REO Property would meet HUD’s MPR. HUD will determine the cost of the necessary repairs. An escrow account to complete the repairs to meet MPR after closing is required.
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ○ Table Funded ○ Non-Delegated UW ○ Delegated UW <ul style="list-style-type: none"> ▪ Important: CDE clients <u>must</u> complete an interview with the AFR Renovation Department and be approved <u>prior</u> to submission on any FHA 203(k) transaction.
FICO	Minimum Qualifying Credit Scores: <ul style="list-style-type: none"> • Broker: 620 • Correspondent <ul style="list-style-type: none"> ○ Table Funded: 620 ○ Non-Delegated UW: 620 ○ Delegated UW: 620
UW Method	<ul style="list-style-type: none"> • Desktop Underwriter (DU) • Loan Product Advisor (LPA)
AUS Recommendation	<ul style="list-style-type: none"> • Approve/Eligible – DU • Approve/Ineligible - DU • Refer/Eligible - DU • Accept/Accept – LPA • Caution/Accept – LPA • Accept/Ineligible - LPA <p>*Ineligible must be for LTV guidelines only</p>
Eligible Terms	<ul style="list-style-type: none"> • 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fixed • 5/1 Hybrid ARM
Eligible Transaction Types	<ul style="list-style-type: none"> • Purchase
Eligible Property Types	HUD Owned Properties – Owner Occupied Only <ul style="list-style-type: none"> • 1-2 Unit Primary Residence • Manufactured Housing • FHA Approved Condominiums • PUDs
Maximum LTV/CLTV/HCLTV	<ul style="list-style-type: none"> • HUD REO Purchase 96.50% + maximum of \$10,000 in repairs not to exceed county limit
Maximum DTI	<ul style="list-style-type: none"> • Approve/Eligible - Follow AUS • Refer/Eligible or Manual Underwrites - 31/43%
Maximum Escrow Amount	<ul style="list-style-type: none"> • The maximum escrow amount must be based on the sum of the repairs required to meet the intent of HUD’s MPR, plus a 10 percent contingency. The total escrow amount, including the 10 percent contingency, must not exceed \$11,000.
Geographic Restrictions	<ul style="list-style-type: none"> • Alaska • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the states of Alaska or Hawaii and does not permit loans with a subject property in Alaska or Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions.
4000.1	http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1_4000.1_II.A.8
Forms	See FORMS Section of the Resource Center
OVERLAYS	
Follow all overlays outlined in the FHA 203(b) Program Matrix and: <ul style="list-style-type: none"> • AFR will require applicable testing for utilities if the PCR report shows that the utilities were never tested. • AFR will permit Self-Help on FHA 203(b) Repair Escrow transactions when the appraisal is marked “subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed” and when the repair does not require a license. 	





The loan must adhere to all FHA guidelines and requirements. AFR will require the borrower to provide photos to prove completion of repair and an executed Borrower Completion Certification.

- 2nd level review by AFR Management on any property that is identified to have a current "As-is" property condition rating of C5 or C6. Loan is subject to additional requirements/conditions. Note: "As Completed" Property Condition Rating as determined by the Appraiser must be C1-C4.
- If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional.
- AFR does not permit the renovation or construction of an Additional Dwelling Unit (A.D.U.).

