The Wynn Team at Cornerstone Mortgage
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203k FAQs

How much can I borrow with an FHA 203k loan?

The Wynn Team provides the contractor bids to the appraiser at the time the appraisal is ordered. The appraiser then completes the appraisal as if those repairs were already completed and provides an after-repaired value. In most cases you can borrow up to 110% of the after-repaired value of the home.
Please contact the Wynn Team about your specific situation.

Can I use down payment assistance programs with the 203k program?

Yes. Since the 203k is an FHA loan and FHA allows for down payment assistance you are able to combine 203k financing with down payment assistance in some cases.
Please contact the Wynn Team about your specific situation.

What is the difference between the Streamline 203k and Full 203k?

There are two major differences between the Streamline 203k and Full 203k. Streamline 203k financing does not allow for structural repairs and caps the amount of repairs to $35,000 (including costs associated with the 203k). Full 203k financing allows for structural repairs and has no maximum dollar amount (can not exceeded FHA county loan limits) on the repairs as long as the appraised value is sufficient to include those repairs.
Please contact the Wynn Team about your specific situation.

What types of homes can I purchase through the FHA 203k program?

You can use the program to purchase single family homes, up to four unit buildings as long as you live in one of them, and condominiums. There are certain restrictions for condominium repairs that you should consult the Wynn Team about before purchasing.
Please contact the Wynn Team about your specific situation.

Is the 203k program allowed for use by investors?

203k financing can be used only by owner occupants, local governments or eligible non-profits. However, an owner occupant can use a 203k loan to purchase and renovate up to a 4-unit building as long as the borrower will live in one of the units.
Please contact the Wynn Team about your specific situation.

Can I convert a single-family home into a multi-family home?

Yes. FHA allows you to use the rehabilitation money from the loan to convert a single-family home into up to a four-unit home. 203k financing can also be used to convert a 5+ unit property into a 4 or less unit property.
Please contact the Wynn Team about your specific situation.

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Can I use 203k financing to purchase a new build that was never completed?

No. In order for 203k financing to be used the property must have been given a certificate of occupancy at some point in the past. If the property had never been completed the property is ineligible for 203k financing.

Please contact the Wynn Team about your specific situation.

What if the home I want to purchase needs to be torn down and re-built, can I use the FHA 203k loan program for this?

Yes, under certain circumstances. If you need to tear down the existing home and re-build a new home then you can use the Full 203k loan money as long as you are able to use some of the existing foundation.

Please contact the Wynn Team about your specific situation.

Is there a minimum amount I need to borrow to make home improvements under the 203k loan program?

Yes and no. Depending upon whether you plan to use the Streamline 203k or the Full 203k there are different requirements for the minimum amount of repairs to be included. Streamline 203k has no minimum dollar amount of repairs while the Full 203k has a $5,000 minimum.

Please contact the Wynn Team about your specific situation.

Are there certain repairs that are required by the FHA?

Yes. FHA requires you to meet current building standards for energy efficiency and normal FHA property condition requirements. If you are rehabilitating a home than these standards include:

- Ventilation in crawl spaces and attics.
- There must be weather stripping on all windows and doors.
- All outward facing walls/ceilings and ventilation pipes of the home must be insulated.
- All cracks and openings from the interior to the exterior of the home must be sealed.
- Every bedroom must have a smoke detector.
- Continuing and sufficient supply of potable water under adequate pressure and appropriate quality.
- Domestic hot water.
- Sanitary facilities and a safe method of sewage disposal.
- Heating must be adequate for healthful and comfortable (≥50°) living conditions.
- Electricity must be available for lighting and for equipment used in the living unit.

Please contact the Wynn Team about your specific situation.

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How long to I have to make the necessary improvements and repairs after closing?

The types of repairs included in the 203k can vary widely from one situation to another so there is not a black and white answer to this question but there are some general guidelines. Rehabilitation work must begin within 30 days of closing. The rehabilitation must be completed within 6 months or less and any pause in work must be less than 30 days. This means that if you have different contractors working on different parts of your rehabilitation plan you need to make sure that there is not more than a 30 day stretch between the end and start of each contractor.

Please contact the Wynn Team about your specific situation.

What if the price of the repairs increases once the work begins? Can I borrow more money to cover the cost?

No. Prior to closing all bids must be finalized to ensure that the repairs can be completed within the estimated bid amount. We realize that there are often unknowns that occur once the repair work begins which is why we always set aside a contingency reserve of 10% to 20% of the estimated bids to avoid not having enough funds set aside in case of unforeseen repairs.

Please contact the Wynn Team about your specific situation.

Where do the remaining funds left in the contingency reserve go after all work is completed?

If all work has been completed, property has been inspected and all funds released and there are remaining funds left in the repair escrow account those funds will be applied towards your mortgage balance as a principal reduction.

Please contact the Wynn Team about your specific situation.

I am not going to live in my home while it is being repaired, do I still have to make the mortgage payments out-of-pocket?

The Full 203k loan does allow for up to six mortgage payments to be included in the renovation funds to cover the period when the home is uninhabitable during renovation. A Streamline 203k, however, cannot be used if the home will not be habitable at any time during the renovation.

Please contact the Wynn Team about your specific situation.