



## Buying a House That Needs Rehabilitation or Renovating Your Home?

If you want to finance the purchase of a home that needs rehabilitation or finance improvements to your current home, the Federal Housing Administration's (FHA) Section 203(k) Rehabilitation Mortgage Insurance Program (203(k) Program) may be the right choice for you. This program is available through FHA-approved lenders. It allows homebuyers to finance the purchase of a home or homeowners to refinance a current mortgage, combining the cost of renovations, repairs, or remodeling into a single loan. The 203(k) Program is available to homebuyers and homeowners, HUD-approved non-profit organizations and government agencies.

## Examples of Eligible Improvements

- Repair or replace plumbing, heating, air conditioning, and electrical systems
- Complete kitchen and bathroom remodeling
- Repair or install new roofing, siding and gutters
- Create accessibility for persons with disabilities
- Build an eligible accessory dwelling unit (ADU)
- Convert one-family unit to two- to four-family units
- Create additions, finish attics and basements
- Renovate or construct a garage
- Replace windows or flooring
- Make energy efficient upgrades
- Repair structural damage

## Why Choose the 203(k) Program?

Homebuyers may face a complicated and costly process or be excluded from certain loan programs to rehabilitate or make improvements. The 203(k) Program may also be a great option for a homeowner who wants to stay in their current home and wants or needs to make improvements.



Borrowers **can obtain funds needed** to purchase or refinance, and renovate based on the appraised value once the proposed improvement is completed. Home improvement loans often have high interest rates, short repayment terms, or balloon payments. However, the 203(k) Program offers a solution that helps borrowers by insuring a single, long-term, fixed or adjustable rate loan that covers both the acquisition and rehabilitation of a property.



**Saves time** by combining both the purchase or refinance, and rehabilitation of a property into a single loan instead of typical construction lending with two loans. The program saves money with its low down payment, like all FHA-insured mortgages. Also, the rates may be lower than other forms of financing, such as a home equity line of credit or credit cards.



An **FHA-approved 203(k) Consultant is required** for all Standard 203(k) Mortgages\* and may be used for Limited 203(k) Mortgages\*. The 203(k) Program **requires all building permits be obtained** prior to commencement of work and posted onsite for the work being performed.

\*See Page 2

## Resources

For more on FHA's 203(k) program, visit [https://hud.gov/program\\_offices/housing/sfh/203k/203k--df](https://hud.gov/program_offices/housing/sfh/203k/203k--df).

To find an FHA-approved 203(k) Lender, visit [https://www.hud.gov/program\\_offices/housing/sfh/lender/lenderlist](https://www.hud.gov/program_offices/housing/sfh/lender/lenderlist) and check the box for 203(k) Rehabilitation Mortgage Insurance Program at the bottom of the page.

For more information, contact a HUD-approved housing counseling agency. Visit <http://www.hud.gov/findacounselor> or call (800) 569-4287.

## FHA RESOURCE CENTER

Online FAQ: [www.hud.gov/answers](http://www.hud.gov/answers)

Email: [answers@hud.gov](mailto:answers@hud.gov)

Phone: (800) CALL FHA (225-5342)

The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

## Types of 203(k) Program Loans

### Standard 203(k)

- Major rehabilitation or repairs
- No maximum amount of renovation costs
- Minimum repair cost of \$5,000
- FHA approved 203(k) Consultant is required

Can be used for a home that requires structural repairs or major remodeling, including improvements to increase energy efficiency or help protect your home from natural disasters.



### Limited 203(k)

- Non-structural work up to \$35,000
- No minimum amount for repair costs
- FHA-approved 203(k) Consultant is optional

Can be used for less extensive repairs that are non-structural in nature like minor remodeling, home improvements, energy efficient improvements, new appliances, or replacing dated carpeting.



## Eligible Property Types

- Single family homes
- Single family homes with eligible ADUs
- Two- to four-family units
- Townhomes
- Manufactured homes titled as real estate, where the rehabilitation does not affect the structural components
- Eligible condominium units and site condo units (improvements are limited to the unit's interior)
- HUD Homes/Real-Estate Owned properties
- Mixed use properties that are primarily residential (at least 51%)

## Benefits of Combining the 203(k) Loan with FHA Energy and Disaster Programs

- **Energy Efficient Mortgages (EEM)**, which offers financing of energy efficient improvements with an FHA-insured mortgage. Benefits include cost-effective energy efficient improvements that may lower utility bills and help homeowners save money. Improvements may qualify for Federal, state and local tax credits.
- **Solar and Wind Technologies**, which offers financing of a new solar energy system with an FHA-insured mortgage at the time of purchase or refinance. Benefits include reduction in the amount of electricity you buy from your utility provider and payment on the energy system is spread out over the mortgage term. Improvements may qualify for federal, state and local tax credits.
- **203(h) Mortgage Insurance for Disaster Victims**, which offers financing for the purchase or reconstruction of a single family property to victims of a Presidentially-Declared Major Disaster Area (PMDMA). One of the benefits is that the borrower is not required to make a Minimum Required Investment (MRI), that equates to 100 percent financing.

**Contact an FHA-approved lender, HUD-certified housing counselor or real estate professional for details.**