

RENOVATION LOAN: THE STEP-BY-STEP PROCESS

1. Get Preapproved	The home buying journey should always start with the financing side of things. This is where we look at all your info and scenario and figure out what the best financing options are.
2. Find A Home	Once preapproved, its best to solicit the help of a good Realtor. They will be instrumental in helping find the right home
3. Accepted Offer	After the home is selected, things will get negotiated with the seller. The accepted offer comes when both the buyer and seller come to an agreement.
4. Obtain Bids	This can be the longest part of the process, so it's important to start immediately after the offer is accepted. With this step buyers meet with a contractor and come up with a bid for all the work they want to do on the home.
5. Appraisal Ordered	Once we have the bids, we order the appraisal. It typically takes 2 weeks for the appraisal to come back.
6. Bids Adjusted	Many times, once the appraisal is back, there is some tweaking that needs to happen with the bids. For example, if the appraiser sees some peeling paint that needs to be addressed, they will require it on the appraisal report. We will then go back to the contractor and have those missing items added to the bid.
7. HUD Consultant Assigned	A necessary step only if the renovation projects exceed \$35,000 or there is structural work being done. In those cases, a 3rd party consultant is brought in to review and oversee the project.
8. Loan Closes	This is where the Seller gets their funds, Realtors get paid, and the Buyer gets the keys to their new home! At this point the buyer is more than welcome to move into their new home.
9. Initial Funding	This does vary by loan program but, generally speaking, shortly after closing the contractor will receive payment for half of the project. This gets the contractor the money they need to get started on everything.
10. Work Begins	At this point the loan is closed and the contractor has some initial money. They can now get in there and start pounding some nails! With most of the programs, the contractor has 6 months to complete the project.
11. Draws	If there wasn't initial funding, the contractor will be able to take draws. What that means is that after they complete part of the project, they can request payment for that portion of the bid. An inspector is sent out to verify that work is done and then the contractor is paid out for that portion of the work
12. Final Inspection	Once everything is done, we do a final inspection to verify the project is complete.
13. Final Payments	The last payment is made to the contractor. In many cases there is often some money left over in the loan that wasn't used. Any leftover funds are applied back on the mortgage reducing the principal balance owed.

At the end of the day, there are certainly a few more steps involved when it comes to buying a home with a renovation loan. However, it's not that bad. Our average close time for a "normal" mortgage is 27 days. Our average close time for a "renovation" mortgage is 44 days. They do take a bit longer but only a few weeks. In many cases the benefits far out way the extra time. For questions about renovation financing don't hesitate to reach out to us.



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