

FACT SHEET: STREAMLINED (k) FINANCING

What is a Streamlined (k) loan?

A Streamlined (k) is a limited repair program offered by FHA. Repairs may be no less than \$5000 and total funds required, including contingency fund and required fees associated with the program, may not exceed \$35,000. The program allows you to finance the cost of repairs into your mortgage before construction begins.

What type of repairs can I make to my home?

Generally, repairs that are non-structural in nature, such as roofing, HVAC systems, flooring, painting, and window and door replacements may be financed with a Streamlined (k).

How much time do I have to complete repairs?

Repairs must start within 30 days of closing and be completed within 6 months.

What do I have to do to start the process?

Envoy requires that you obtain bids from your preferred contractors using the Contractor's Estimate form given to you by your loan officer at application. Your contractor, in turn, must complete and sign the estimate and return it to you along with client references and a "resume" of their work experience. Forward these documents to your loan processor.

Your loan processor will review the contractor's work history and verify references. Assuming that the contractor is acceptable to Envoy, we will obtain a IRS Form W-9 from your contractor and ask you to sign the bid, indicating your acceptance of the amount and the work to be performed.

Can I do the work myself? **

You may complete work for which you can demonstrate expertise and experience. Any work requiring a construction permit requires that you have a license in that field. You must complete a bid estimate, just a contractor would, and maintain records and receipts to document the progress and cost of the work.

**If you live in Texas, you must use third party contractors for all work.

What happens at closing?

Your closing package will contain several documents related to the rehabilitation work you plan to complete. In addition, if you live in a state where liens are typically filed by contractors against your property, the closing agent will provide you with a package from Envoy that contains the required Release of Lien forms, along with instructions on how to complete those forms and where they must be filed.

How do I obtain funds to start construction?

After closing, Envoy turns these loans over to a lender who specializes in rehabilitation lending. Once the lender purchases your loan, a process that may take as long as two weeks, you'll receive a Welcome Package within 7 – 10 days. 50% of the construction funds will be sent separately at that time. This means that you will typically receive funds to begin construction within three to four weeks of loan closing.

How are the funds sent to me?

Funds are sent to you by mail and cannot be transferred into your personal bank account. If you are using an outside contractor, the check will be issued jointly to you and your contractor. If you are completing a portion of the work yourself, the check will be issued directly to you for that portion.

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How many times can I request funds during the course of construction?

There are only two payments made during construction. 50% of the funds are sent to you prior to the beginning of construction, and the balance is sent once construction is complete.

What should I do when construction is complete?

You will complete a form provided to you by the rehabilitation lender called "Mortgagor's Assurance of Completion" and fax it, along with receipts and invoices, to document that the work is complete. The lender will conduct a title search to verify that there are no outstanding liens for construction and, if your rehabilitation cost was more than \$15,000, will coordinate with you to order a final inspection. Once these items are complete, final funds will be mailed.

If you live in state where the contractor typically files liens against the property, you will also need to file a completed Release of Lien in your county of residence and provide proof of that release to the rehabilitation lender. Envoy will provide you with forms and instructions at closing.

Your Welcome Package will explain, in detail, what you must do to close the rehabilitation period and receive the final check.

What happens if there are not enough funds to complete the construction?

Your contingency fund can be used to cover some or all of the shortage, but any additional funds must be paid by you out of pocket. This is why it's so important to obtain the most accurate estimates possible during the loan process.

What happens if there are funds left over after construction is complete?

Any remaining funds will be applied to the principal balance of your mortgage.

What should I do if there are delays that require me to exceed the six month construction period?

Notify the rehabilitation lender immediately! At their discretion, they may be able to work with you to extend the construction period.

THE MOST IMPORTANT THING YOU CAN DO IS READ THE WELCOME PACKAGE YOU RECEIVE FROM YOUR REHAIBLITATION LENDER CAREFULLY. IT CONTAINS ALL OF THE INFORMATION YOU WILL NEED TO COMPLETE YOUR LOAN PROGRAM. IT WILL ALSO CONTAIN CONTACTS YOU'LL NEED TO GET QUESTIONS ANSWERS OR DOCUEMNTS FORWARDED.

Acknowledgement of receipt:

Borrower

Date

Borrower

Date