



THE BASICS: VA RENOVATION MORTGAGE



VA RENOVATION MORTGAGE

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VA RENOVATION MORTGAGE AGENDA

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VA RENOVATION MORTGAGE OVERVIEW

- The VA Renovation Program is a single-close loan that enables borrowers to purchase a home that needs repairs or refinance their existing home and include the necessary funds for renovation in the loan balance.
- There are no required improvements or a minimum dollar amount for the repairs. Repairs or improvements, however, must be permanently affixed to the real property.
- A VA Renovation mortgage may not be used for complete tear-down and reconstruction of the dwelling. Repairs must be non-structural in nature, not exceed \$100,000 and the home must be habitable during renovation.
- **Note: Renovations greater than \$50,000 require the use of an AFR approved 203(k) HUD Consultant.**

VA RENOVATION MORTGAGE

INCREASED MARKET OPPORTUNITY

WHY A VA RENOVATION?

Purchases: Homes in need of minor renovation

- Perfect for foreclosures and short sales
- Minor improvements to outdated homes
- Homes in need of a little TLC

Refinances: Make minor / cosmetic improvements

- Improve instead of move
- Homes in need of a little TLC



VA RENOVATION MORTGAGE

PROGRAM SPECIFICATIONS

CHANNELS	TERMS	GEOGRAPHIC RESTRICTIONS
<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> • Table-Funded • Non-Delegated UW 	<ul style="list-style-type: none"> • 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fully Amortizing Fixed • Purchase • Cash Out Refinance <ul style="list-style-type: none"> • Follow VA Circular 26-19-05 for (NTB) Net Tangible Benefit Requirements • LTV calculations includes the VA funding fee • Note: Texas Renovation refinance transactions are not permitted 	<ul style="list-style-type: none"> • The following states are ineligible: <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.

VA RENOVATION MORTGAGE

CREDIT/RATIO GUIDELINES

MINIMUM QUALIFYING CREDIT SCORE

- 620 minimum qualifying credit score for all qualifying Borrower(s).
 - 620-659: A minimum of 2 qualifying credit scores are required for all qualifying Borrower(s). Use the middle score if 3 credit scores or the lower of the two if 2 credit scores.
 - 660+: A minimum of 1 qualifying credit score is required for all required Borrower(s).
 - Lowest representative score from all Borrower(s) will be used for qualification purposes.

MINIMUM QUALIFYING RATIOS

- Follow AUS Recommendation for DTI purposes:
 - Approve/Eligible – DU
 - Refer/Eligible – DU
 - Accept/Accept – LP
 - Refer/Accept– LP

Note: Refers will be further evaluated by the Underwriter for overall risks.

- Purchase, 100% LTV including renovation costs
- Refinance, 90% LTV including renovation costs

VA RENOVATION MORTGAGE

ELIGIBLE IMPROVEMENTS

The VA Renovation Program can only be used for minor alterations and cosmetic repairs that are non-structural.

All improvements to existing Structures must comply with VA's Minimum Property Requirements (MPR).



TYPES OF ELIGIBLE IMPROVEMENTS INCLUDE, BUT ARE NOT LIMITED TO:

- Eliminating health and safety hazards
- Connecting to public water and sewerage systems
- Repairing/replacing plumbing, heating, AC and electrical systems
- Making changes for improved functions and modernization
- Eliminating obsolescence
- Repairing or installing new roofing, provided the structural integrity of the dwelling will not be impacted by the work being performed
- Siding, gutters, and downspouts
- Making energy conservation improvements
- Creating accessibility for persons with disabilities
- Installing or repairing fences, walkways, and driveways
- Installing a new refrigerator, cooktop, oven, dishwasher, built-in microwave oven and washer/dryer
- Repairing or removing an in-ground swimming pool
- Installing smoke detectors
- Installing, replacing, or repairing exterior decks, patios, and porches
- Lead-based paint abatement

VA RENOVATION MORTGAGE

INELIGIBLE IMPROVEMENTS

The VA Renovation mortgage proceeds may not be used to finance major renovation or major alterations. AFR considers a repair to be “major” when any of the following are applicable:

INELIGIBLE IMPROVEMENTS

Ineligible improvements include, but are not limited to:

- Structural Modifications
- Oil Tanks (repair, removal, remediation)
- Any repair/installation for private water systems –(Wells)
- Any repair/installation private waste management system (Septic Systems, Lagoon, Cesspools, Pits, etc.)
- Mold Remediation
- Landscaping and site improvements
- Recreational or luxury improvements (see examples)
- Purchasing an existing Structure on another site and moving it onto a new foundation
- Any repair that will take more than 4 months to complete
- The repair prevents the Borrower from occupying the Property for more than 15 days during the renovation period
- Any repair that is done as Self Help

EXAMPLES

Recreational or luxury improvements, such as:

- New swimming pools
- Bath houses
- Tennis courts
- An exterior hot tub, spa, whirlpool bath or sauna
- Barbecue pits, outdoor fireplaces or hearths
- Tree surgery (except when eliminating an endangerment to existing improvements)
- Satellite dishes
- Photo murals
- Gazebos
- If the scope of work requires more than three draws per specialized contractor
- The proposed repairs/improvements require detailed plans, engineering, or architectural exhibits
- **Note: Home must be habitable at time of application**

VA RENOVATION MORTGAGE

PROPERTY TYPES

ELIGIBLE

- 1 Unit Primary Residence (Attached/Detached)
- 2 Unit Primary Residence (Attached/Detached)
- Manufactured Housing
- 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
- **Important:** Homes that have never been completed cannot be accepted into the VA Renovation program; construction must be complete. *Evidence of completion would be a Certificate of Occupancy or other similar documentation from the local jurisdiction*

INELIGIBLE

- 3-4 Unit Properties
- Demolished Homes
- Razed Homes
- Structures relocated to/from another location
- Mixed-Use Properties: Co-Ops; Condos; Investment Properties
- Mobile Homes
- Manufactured Housing Units built prior to June 15, 1976
- Manufactured Housing in a Condominium Project
- Manufactured Housing that has been traded
- Properties with commercial influence are subject to additional review.
- Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable.

VA RENOVATION MORTGAGE TIME PERIOD FOR CONSTRUCTION

- The work must begin within 30-days of the execution of the Agreement.
- The work must not cease prior to completion for more than 30 consecutive days.
- The work is to be completed within the time period shown on the Agreement (not to exceed 9 months from closing).

VA RENOVATION MORTGAGE CONTRACTORS

- ❖ There can be no identity or conflict of interest between the Borrower and Contractor.
- ❖ All transactions must be arm's length.
- ❖ Family members are not eligible, nor can the borrower be employed by or be an owner in the contractor's business.

- The General Contractor ("GC")/Builder must be registered with the VA.
 - See [VA Builder Locator](#) for list of VA registered builders
 - See [VA Builder Registration](#) to become a VA registered builder
- AFR requires the use of 1 General Contractor/Builder; multiple GCs/Builders are not permitted.
 - In situations where more than one Contractor is needed, one must be named the GC. All others will become subcontractors under the GC's supervision.
- AFR must obtain a signed and dated estimate/bid between the Borrower and the GC/Builder. The GC/Builder must agree in writing to complete the work for the amount of the Cost Estimate and within the allotted time frame.
- Although obtaining more than one bid is strongly recommended, it is not required.

- The GC/Builder is responsible for disbursing all funds to the subcontractors when funds are released from escrow.
- The GC/Builder must carry sufficient insurance equal to the greater of \$100,000 or the loan amount per occurrence through a valid and current general liability insurance policy

Important: Licensing requirements vary in each state/municipality for contractors. If a repair calls for a specialized contractor, such as electrical or plumbing repair, the contractor must be licensed to do the work per state requirement.

The GC/Builder must provide a detailed estimate/bid itemizing all the repairs that are to be completed with costs broken down to material and labor and note if permits are going to be required. The estimate/bid must include the specific repair and approximate cost of the related permit, if required.

Reminder: AFR does not permit "Self-Help"



VA RENOVATION MORTGAGE CONTRACTOR'S ESTIMATE (SAMPLE)

This bid has all the required information necessary.

- Clients Name
- Bid Date
- Property Address where work is being completed
- Name of Contractor
- Name of Contractors Business and address
- Contractors Contact Info (email, Website, Phone & Fax)
- Project Start Date and Completion Date
- Details for each repair item - itemization of cost of labor versus material for each repair item
- Signatures for all borrowers and the contractor
- Statement of No Structural Work is being completed.

**Work Proposal
Sales Contract**

Howie Lend's General Contracting, Inc.
 Howie Lend - President
 1234 Business Address
 Hometown, NJ 12345
 P: 555-555-5555 / F: 555-555-5554
www.hlgc.biz / howielend@hlgc.biz

Bid Date: ← January 1, 2010

Project Address: ← 777 Lucky Lane
Hometown, NJ 12345

Client Name: ← B. A. Homeowner

Project Start Date: Start Date ... must begin within 30 days of loan closing

Completion Date: Completion Date ... must occur 4 months after loan closing or sooner

Required

The Undersigned contractor agrees to furnish the following materials, improvements, labor and/or services.

Detailed Description / Scope of Work	Material Cost	Labor Cost	Total
Oak .75" Hardwood Flooring, 1st Floor (exclude ½ bath) 1,200 sq. ft. @ 54.95 sq. (less: 10% materials discount) *Pre-fin. Bruce (Butterscotch) strip / 15lb. asphalt subfloor covering	\$5,346.00	\$4,800.00	\$10,146.00
Remove and replace stairway carpeting 5 yds carpeting and pad @ \$37.50 / yd *Med density stainmaster carpet/frothed foam 7/16" padding	\$187.50	\$375.00	\$562.50
Replace missing vanity (1/2 bath – 1st floor) Oak vanity, light marble vanity top, brushed nickel finish faucet *Includes all water inlet and discharge materials and hookup	\$499.00	\$250.00	\$749.00
Replace missing toilet (1/2 bath – 1st floor) Kohler 2-pc toilet and seat *Includes hookup, wax ring, and inlet connections	\$379.00	\$150.00	\$529.00
Repair and Refinish Kitchen Cabinets Remove, strip, recondition, stain and seal 21 cabinet doors and reveals *Includes all materials		\$2,500.00	\$2,500.00
Carpet 2nd floor foyer and 3 bedrooms 80 / yds carpeting and pad @ \$37.50 / yd *Med density stainmaster carpet/frothed foam 7/16" padding	\$3,000.00	\$500.00	\$3,500.00
Sub Totals:	\$9,411.50	\$8,575.00	\$17,986.50
Permits			\$1,000.00
Dumpster / Removal Fees			\$1,500.00
Total			\$20,486.50

*** Contractor Legal Disclaimer(s) ***

No Structural improvements are allowed .
Bids must include the statement:
"NO STRUCTURAL WORK IS BEING PERFORMED"

Dated: _____ Buyer: _____

Howie Lend's General Contracting, Inc
(State Business License Number must be included) Co-Buyer: _____

By: _____
Howie Lend's General Contracting, Inc, President

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VA RENOVATION MORTGAGE CONTRACTOR'S ESTIMATE *UNACCEPTABLE FORMAT*

- Missing the property address
- Missing the name of contractor
- Missing the name of contractors business
- Missing dates
- Missing details for each repair item
- Missing itemization of cost of labor versus material for each repair item
- Missing signatures for all Borrower(s) and the Contractor
- Missing statement that indicates proposed work is not structural in nature.

The price for follows:

Home Improvement Construction to complete this project is as

Masonry	\$2,000.00
Gutters	\$ 150.00
Fencing	\$1,000.00
Landscaping	\$ 220.00
Exit Doors	\$ 800.00
Interior Doors	\$1,000.00
Partition Walls	\$6,800.00
Plaster/Drywall	\$6,600.00
Wood Trim	\$1,200.00
Closets	\$ 400.00
Wood Floors	\$4,500.00
Ceramic Tile	\$2,000.00
Plumbing	\$4,300.00
Electrical	\$3,125.00
Heating	\$ 400.00
Cabinets	\$3,300.00
Appliances	\$2,950.00
Miscellaneous	\$2,800.00

Total Amount of Project:

\$ 43,545.00

Home Improvement Contractor



VA RENOVATION MORTGAGE

APPRAISAL

The Appraisal is ordered directly through the VA Portal. Appraisal must be ordered subject to repairs or alterations & ordered with bid.

Reminder: The GC bid must be forwarded to the VA upon the order, for both refinance and purchase transactions.

Note: The Appraisal cannot be ordered prior to the Builder/Contractor VA ID Number being obtained.

- The appraiser must provide an “After Improved Value” and make the appraisal subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed.
- The appraiser must also provide the “AS IS” value of the property in the addendum or comments section of the report. *(This is not the scope of the appraisal and is not gridded out.)*
- The appraiser must review the Contractor’s proposal and cost estimates.
- The appraiser must notify the Mortgagee of any health and safety issues in the Property that are not addressed on the proposal.
- The appraiser must include the proposal as an exhibit to the appraisal report.
- Value must be up to 100% of the as-is value plus renovation costs
- Any additional repairs noted by the appraiser must be addressed and completed either prior to close and verified with a certificate of completion or must be included in the VA Renovation repairs.
- Any modifications and/or changes to the contractor bid must be reviewed and included in the appraisal report.
- The appraiser must review the bid that is provided in the appraisal report and certify if the property will meet VA guidelines based off the repairs on the bid or state what additional repairs are needed.
- AFR requires a 2nd level review on any property with 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.
- Final Inspection must be completed by a VA appraiser once property is 100% complete.

VA RENOVATION MORTGAGE

TOTAL RENOVATION COST

How is it determined? Total renovation cost escrowed may include all of the following and may not exceed maximum loan amount:

TOTAL RENOVATION COST

- Total Cost of renovation (contractor’s estimate)
- Contingency reserve @ 15%
- 3 inspection fees @ \$600
 - 3 (2 interim and 1 final)
 - Determined by HUD Consultant on renovations above \$50,000.
- Permits (if required)
- Title Update Fee (\$100)

EXAMPLE CALCULATION	
B. Alterations, Improvements, and Repairs	
1. Total Cost of repairs, alterations and improvements	\$40,000
2. Contingency Reserve (15%)	\$6,000
3. Permit Fee	
4. Inspection fee (includes interim inspection and final inspection)	\$600
5. Title Update Fee	\$100
6. Total Renovation Cost	\$46,700

Reminder: Borrowers may not provide additional money for the contingency.

VA RENOVATION MORTGAGE

FEES AND COSTS

ELIGIBLE

The following fees and costs **may be** financed under the VA Renovation:

- Costs of repairs/renovation
- Inspection fees
- Title update fees
- Permits

INELIGIBLE

The following fees and costs **may not be** financed under the VA Renovation:

- Mortgage Payment Reserves
- Architectural / Engineering Professional fees
- Consultants Fee
- A Feasibility Study

VA RENOVATION MORTGAGE

VA MAXIMUM MORTGAGE WORKSHEET (“MMW”)

- The VA Maximum Mortgage Worksheet (MMW) must be completed in calculating the maximum loan amount
- The calculation form will determine your highest allowable loan amount and LTV, based on your scenario
- The loan amount can exceed the [VA County Loan Limits](#)
- Conforming loan limits only.





VA RENOVATION MORTGAGE

HOW TO COMPLETE THE MMW FOR PURCHASE TRANSACTIONS

ESTIMATE/BID- EXAMPLE

- Must be fully completed including the item description with the labor and material costs listed separately.
- Must be fully executed (signed/dated) by General Contractor and all Borrower(s).

DocuSign Envelope ID: 7380D67-D749-4871-922F-AB300F887DD4

Code	Description	Quantity	Rate	Amount
Roof	Remove and replace the entire roof with architectural asphalt shingles.	1	\$5,200.00	\$5,200.00
Kitchen	-Remove and replace sink -Relocate refrigerator and reconfigure cabinet structural -Open wall between kitchen and living room.(non structural) -Remove carpet, install plywood to level floor and install laminate flooring. -Kitchen-35sf -Den-170sf	1	\$2,500.00	\$2,500.00
Electrical	Labor	1	\$3,000.00	\$3,000.00
Bathroom	-Demo and re frame wall to entry	1	\$1,200.00	\$1,200.00
Labor Subtotal			\$11,900.00	
Subtotal			\$28,700.00	
Discount (0.00%)			\$0.00	
Total			\$28,700.00	

DocuSign Envelope ID: [Redacted]

Estimate

For: [Redacted] Ship To: [Redacted]

Tracking No: [Redacted] Ship Via: [Redacted] FOB: [Redacted]

Code	Description	Quantity	Rate	Amount
Roof materials	Tar paper, shingles, tools and equipment. A total of 30 squares.	1	\$4,200.00	\$4,200.00
Kitchen	Materials-lumber, drywall compound/tape and painting	1	\$1,500.00	\$1,500.00
Electrical	-Installation of all electrical outlets and switches -New GE interior electrical panel and breakers -New exterior 200 amp GE disconnect -New main electrical service through roof -4 new recessed can lights in kitchen -4 new under cabinet lights(Zenon) -Removal of all existing lights throughout home -Install all new lights and fans -Install 110 volt smoke detectors with battery backup throughout home -New pendent lights over kitchen peninsula -Grounding of receptacles for televisions and computers -Separate and add circuitry in kitchen -Prewire for water heater in laundry area (water heater not included) New GFI receptacle in bathroom -New bath exhaust fan/light combo	1	\$2,000.00	\$2,000.00
Bathroom	Materials-tub/toilet and accessories, framing, drywall, painting and floor tiles -20sf	1	\$2,700.00	\$2,700.00
Appliances	Refrigerator, range, microwave and dishwasher	1	\$3,000.00	\$3,000.00
Countertop	Granite-includes counter top and installation	1	\$3,400.00	\$3,400.00
Parts Subtotal			\$16,800.00	





VA RENOVATION MORTGAGE

HOW TO COMPLETE THE MMW FOR PURCHASE TRANSACTIONS

MAXIMUM MORTGAGE CALCULATION - EXAMPLE

VA Renovation Maximum Mortgage Worksheet

This worksheet may be used to calculate the mortgage amount for a purchase or refinance transaction for the VA Renovation Mortgage.	
Borrower Name:	Enter Name of Borrower
File #:	AFR Loan Number
Date:	Date MMW Completed
Please select "Purchase" or "Refinance" from the drop down:	Purchase
A. Property Information	
1. Sales Price (Purchase Transaction Only)	\$155,000
2. First Mortgage Payoff and Eligible Liens (Refinance Transaction)	
3. Subject-to appraisal value (Appraisal completed as subject to)	\$190,500
B. Alterations, Improvements, and Repairs	
1. Total Cost of repairs, alterations and improvements	\$30,000
2. Contingency Reserve (15%)	\$4,500
3. Permit Fee	
4. Inspection fee (includes interim inspection and final inspection)	\$700
5. Title Update Fee	\$150
6. Total Renovation Cost	\$35,350
Total Renovation Cost of \$50,000 or more requires a HUD Consultant	
C. Maximum Loan Amount Determination for PURCHASES	
1. Purchase Price (A1) + Total Renovation Cost (B6)	\$190,350
Maximum Loan Amount for Purchase (Lesser of C1 or A3)	\$190,350
D. Maximum Loan Amount Determination for REFINANCES	
1. Payoff (A2)	
2. Prepaid Items	
3. Closing Costs	
4. Discount	
5. Other Credits	
6. Total Renovation Cost (B5)	
7. Total Costs and Renovation	
Maximum Loan Amount for Refinance (Lesser of A3 or D7)	





VA RENOVATION MORTGAGE

HOW TO COMPLETE THE MMW FOR PURCHASE TRANSACTIONS

1003 > DETAILS OF TRANSACTION - EXAMPLE

L4. Qualifying the Borrower - Minimum Required Funds or Cash Back	
DUE FROM BORROWER(S)	
A. Sales Contract Price	\$ 100,000.00
B. Improvements, Renovations, and Repairs	\$ 33,705.00
C. Land (if acquired separately)	\$
D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction <i>(See Table 3a. Property You Own)</i>	\$
E. Credit Cards and Other Debts Paid Off <i>(See Table 2c. Liabilities - Credit Cards, Other Debts, and Leases that You Owe)</i>	\$
F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments)	\$ 1,886.00
G. Discount Points	\$
H. TOTAL DUE FROM BORROWER(s) (Total of A thru G)	\$ 135,591.00



VA RENOVATION MORTGAGE

REQUIRED DOCUMENTATION

The following documentation is required for the VA Renovation:

Written Proposal and Cost Estimates

- The Mortgagee must obtain a written proposal and Cost Estimate from a contractor for each specialized repair or improvement. The Mortgagee must ensure that the selected contractor meets all jurisdictional licensing and bonding requirements. The Cost Estimate must state the nature and type of repair and cost for each Work Item, broken down by labor and materials.

Sales Contract

- The Mortgagee must obtain a copy of the sales contract and ensure that the sales contract includes a provision that the Borrower has applied for VA financing, and that the contract is contingent upon mortgage approval and the Borrower's acceptance of additional required improvements as determined by the Mortgagee.

VA RENOVATION MORTGAGE

STEPS

Once the file is registered and uploaded to AFR Loan Center:

1. The loan is reviewed by the AFR Underwriter
2. After approval, once the contractor profile has been received, the file is then escalated to the AFR Renovation Department for vetting of the Contractor
3. Prior to the loan being Cleared to Close, the AFR Renovation Department will contact the Contractor and Borrower to discuss the program guidelines and explain all of the post-closing steps including best practices



VA RENOVATION MORTGAGE

CLOSING / RENOVATION PERIOD

CLOSING / RENOVATION PERIOD

- Permit Fees at Closing:
 - *Reimbursement:* Mortgagees may reimburse permit fees directly to the Borrower/Contractor if they have submitted proof of payment, prior to close, for reimbursement at closing.
 - *Disbursement:* Mortgagees may disburse permit fees directly to the municipality, at closing (the permit must be obtained before work commences).
- AFR will not disburse any funds prior to work being in place.
 - No Initial Draw, subsequent draw amounts will be based on inspections and percentage of completion.

Reminders:

- The renovation period starts when the Mortgage is funded
- The renovation must begin within 30 days of closing
- Borrower(s) must make their regular mortgage payments throughout the course of construction
- Maximum renovation period is 9-months

VA RENOVATION MORTGAGE

COMPLETION

COMPLETION

- When all of the work is complete, The Borrower sends an email requesting the final inspection to renovation@afrwholesale.com
- The email should include a completed Conditional Waiver & Release from the Contractor and the Mortgagor's Letter of Completion from the Borrower
- AFR will order the VA final compliance inspection from the original appraiser or AMC if not available
- Upon the receipt of the acceptable final inspection and forms, a final disbursement will be made to the contractor for the remaining balance of the estimate
- All draws will be ACH wired directly to the general contractor with the Borrower's authorization. (Refer to the Home Renovations Portal slides for additional details.)
- All remaining funds in escrow will be made as a principal reduction to the mortgage

RENOVATIONS HOME PORTAL

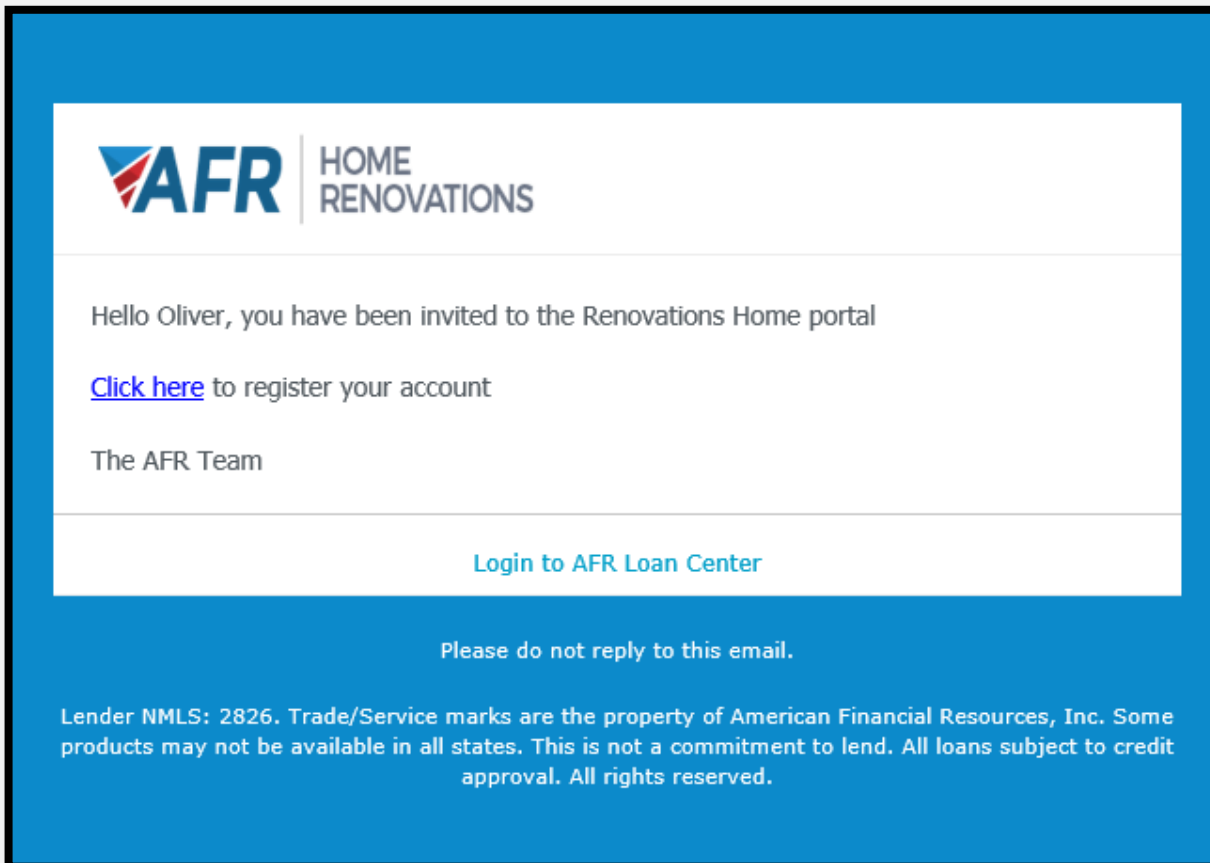
ACCOUNT SETUP

Getting paid has never been easier; AFR has streamlined the draw request process!

Our unique AFR Home Renovations Portal will provide you with an easy to use, end-to-end technology solution for processing your draw requests.

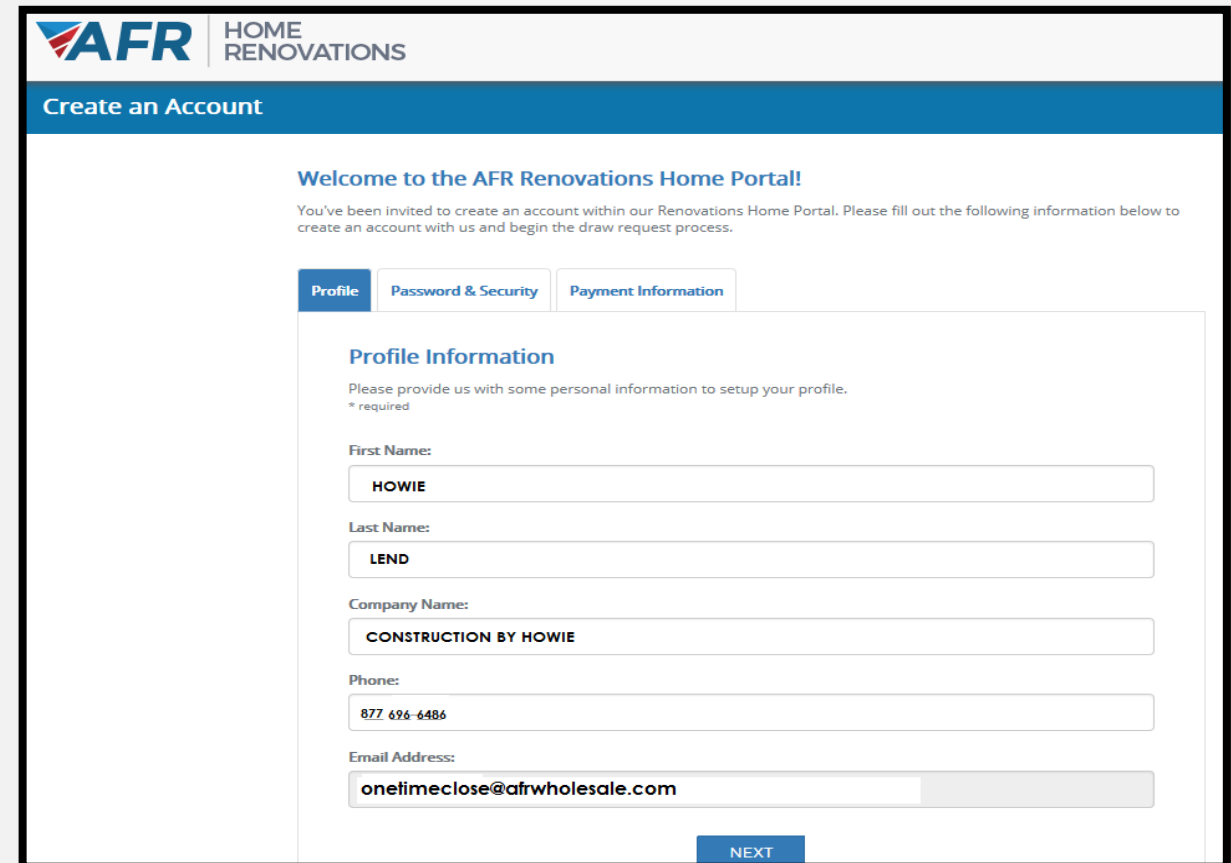
Step 1

- As a contractor, the process starts with an invitation from AFR



Step 2

- Upon clicking the link, you will be taken to our Create an Account Page.



RENOVATIONS HOME PORTAL

ACCOUNT SETUP

Step 3

- Once there, please follow the account set up instructions.

The screenshot shows the 'Password & Security' step of the account setup process. At the top, there are three tabs: 'Profile', 'Password & Security' (which is active), and 'Payment Information'. Below the tabs is a 'Go Back' link. The main heading is 'Password & Security' with a sub-heading 'Please create password to setup your account with us.' and a note '* required'. A box titled 'Password Requirements:' lists four criteria: 'Upper case letter(s)', 'Lower case letter(s)', 'Number(s)', and 'Special Character(s)', each with a green checkmark. Below this are two input fields: 'Password: *' and 'Confirm Password: *', both containing masked characters. At the bottom right is a blue 'NEXT' button.

Step 4

- In order to process your payments promptly, we request your ACH information. All payment information entered into our portal is confidential and protected.

The screenshot shows the 'Payment Information' step of the account setup process. At the top, there are three tabs: 'Profile', 'Password & Security', and 'Payment Information' (which is active). Below the tabs is a 'Go Back' link. The main heading is 'Payment Information' with a sub-heading 'Please provide us with some ACH information so we can route your funds to you when the draw has been completed. You can complete registration without payment information and edit this later by editing your account information.' and a note '* required'. The form contains several fields: 'Name on Bank Account' (text input), 'Account Type: (Checking or savings)' (dropdown menu), 'Bank Name' (text input), 'Account Number' (text input), 'Confirm Account Number' (text input), 'Routing Number' (text input with a link 'Where do I find this?'), and 'Confirm Routing Number' (text input). At the bottom right are two buttons: 'COMPLETE REGISTRATION' and 'SKIP PAYMENT INFO'.

RENOVATIONS HOME PORTAL

REQUESTING A DRAW

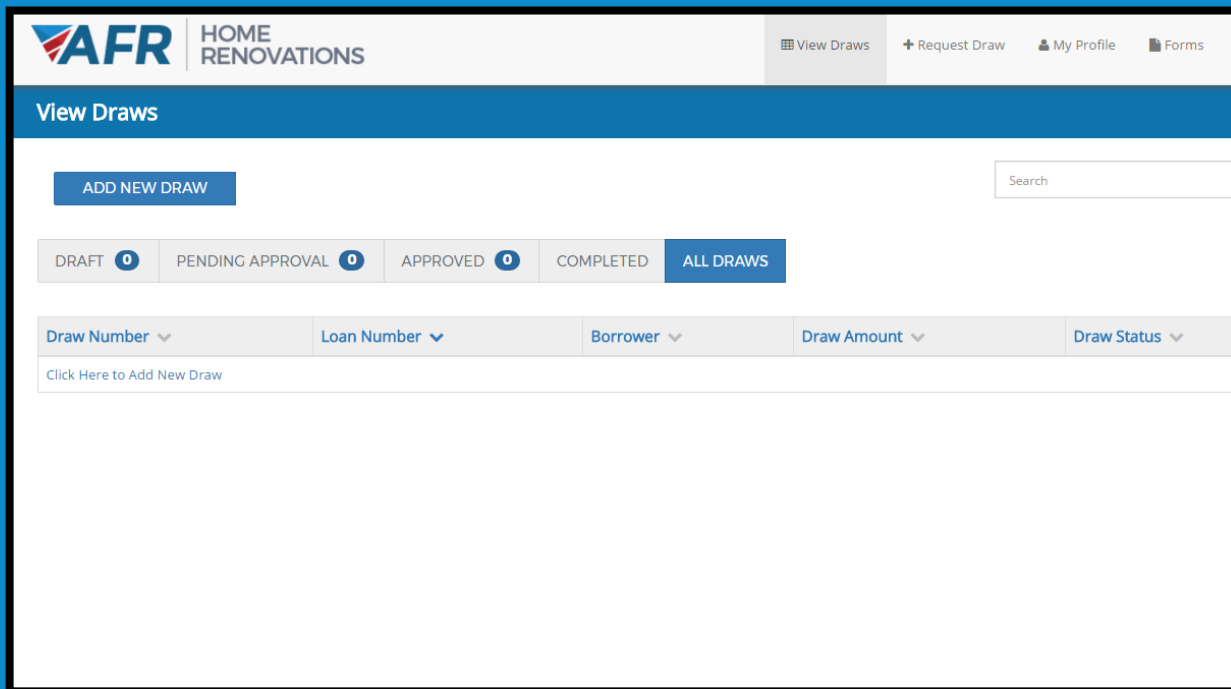
Once your account is set up, you will be taken to the default view.

Here, you'll be able to view the status of your Draws and have a visual representation of your Draw's processing state.

For newly invited Contractors, this screen will be more or less empty.

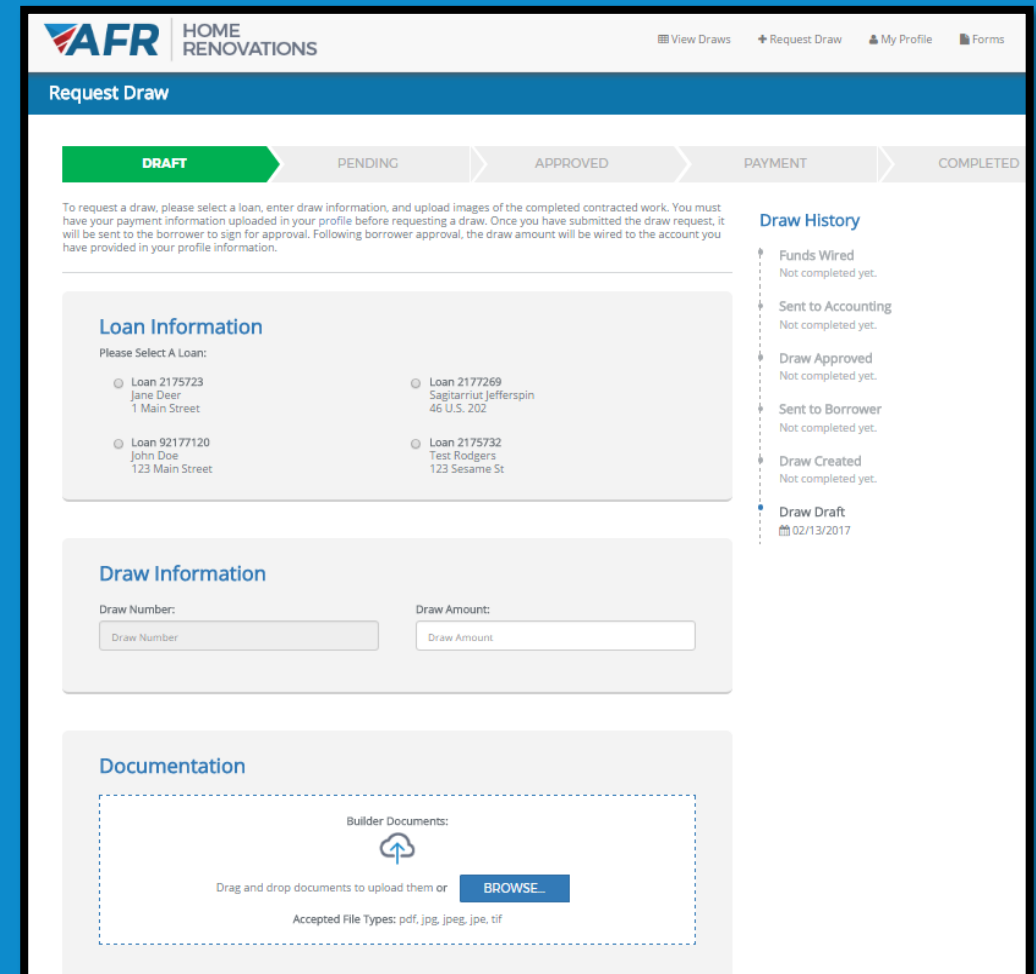
Step 1

- To request a new draw, either click the message in the main view (Click Here to Add New Draw) or Click the Request Draw link on the border.



Step 2

- Once clicked, you will be taken to the Draft Page



RENOVATIONS HOME PORTAL

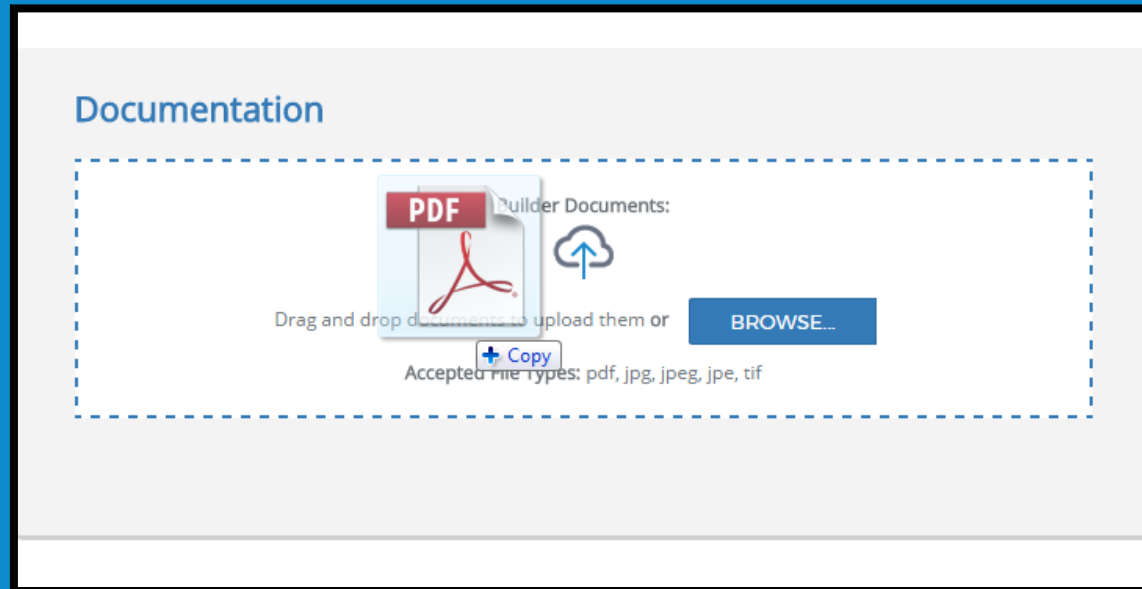
REMINDERS

If you are associated with more than one AFR loan, then you will be asked to specify which loan you would like to create a Draw in. If you are only associated with one loan, then simply choose the only displayed loan.

Once a loan is selected, please supply a draw number and the draw amount depicted in the documentation.

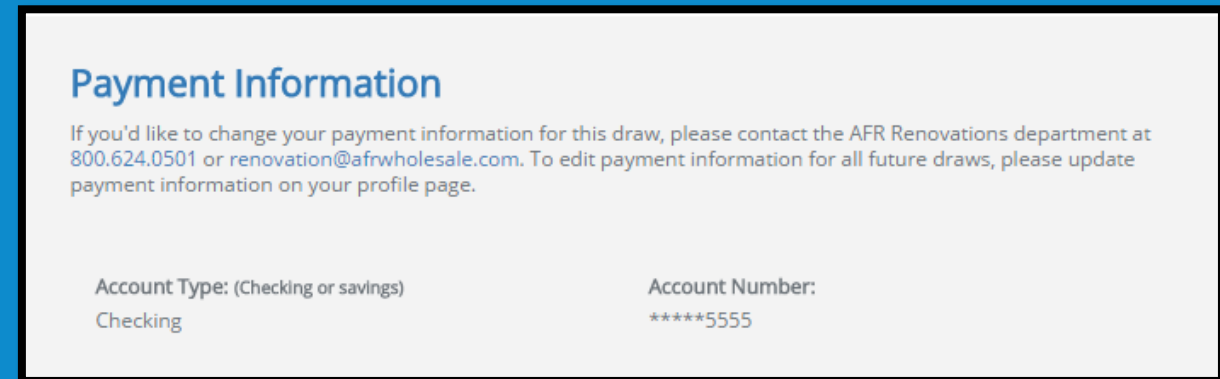
Documentation

- You will also be required to upload the draw documentation. Simply drag and drop the files into the box labelled 'Documentation' and they will be uploaded.



Payment Information

- Your payment information will automatically be applied to the draw



- Once all the data entry has been done, please double check the information. Once you are sure of the accuracy of the data, click the Submit button and the Draw request will be sent to us.
- Then we will inform the Borrower, apply and send payments, and process the draw in its entirety.

VA RENOVATION MORTGAGE

PROGRAM SUMMARY

REMINDER: AT MINIMUM, ALL VA GUIDELINES MUST BE MET	
STRUCTURAL CHANGES	NOT PERMITTED
MINIMUM REPAIR AMOUNT	NO MINIMUM
MAXIMUM REPAIR AMOUNT	INCLUDES RENOVATION COST, CONTINGENCY AND INSPECTION FEES (NOT TO EXCEED 50K)
MORTGAGE PAYMENTS FINANCED	NOT PERMITTED
DRAWS	3(2 INTERIM AND 1 FINAL)
INITIAL DRAW TO CONTRACTOR	NOT PERMITTED
MAXIMUM COMPLETION TIME	120 DAYS (4-MONTHS)

VA RENOVATION MORTGAGE

REMINDERS

AFR OVERLAYS

- The total amount of repairs permitted is Maximum Loan Amount (Includes Renovation Cost, Contingency and Inspection Fees). The maximum timeframe for construction is 9-months.
- Any unused contingency must be applied to the principal balance of the loan; AFR does not permit monies to be refunded to the borrower.
- AFR does not permit borrowers paying cash for the contingency.
- Jumbo loan amounts are not permitted.
- The Appraisal cannot be ordered prior to the Builder/Contractor VA ID Number being obtained.
- Renovations greater than \$50,000 require the use of an AFR approved 203(k) HUD Consultant



VA RENOVATION MORTGAGE REQUIRED FORMS

All required forms can be found on the AFR Resource Center:

1. <https://resources.afrloancenter.com/>
2. Forms
3. VA Renovation Loan

— VA Renovation

-  Authorization To Wire Funds
-  Borrowers Acknowledgment - VA Renovation
-  Consumer Renovation Information - VA Renovation
-  Homeowner Contractor Agreement - VA Renovation
-  Identity of Interest - VA Renovation
-  Important Notice Regarding Contingency Funds
-  IRS W-9
-  Lien Release
-  Mortgagors Letter of Completion
-  Renovation Contractor Profile
-  Rehabilitation Loan Agreement - VA Renovation
-  Renovation Loan Borrowers Disclosure
-  Request for Acceptance of Changes in Approved Drawings and Specifications
-  Texas Disclosure Statement
-  Maximum Mortgage Worksheet - VA Renovation
-  Submission Checklist - VA Renovation



VA RENOVATION MORTGAGE

COMMON FAQ

- **What if the “As Is” value comes in under the contract price?**
 - In a purchase transaction if the As-is value is lower than the purchase price, AFR will use standard practice to require the borrower to bring the remaining funds to closing. As-is value listed on the appraisal does not effect the renovation piece of the transaction.
- **Is this Wholesale only or available through the correspondent channel?**
 - The VA renovation program is available in all channels except CDE (Correspondent delegated).
- **Can you use this to buy a HUD property?**
 - Yes, you can purchase a HUD owned property, however cannot use in conjunction with any HUD programs. This is a VA program and VA benefit/program must be utilized.
- **Are the draw inspections done by the VA inspector or can we use a HUD inspector?**
 - Interim Inspections can be done by a HUD inspector, however the final inspection must be completed by VA inspector.

VA RENOVATION MORTGAGE

COMMON FAQ

- **Can you use the program for roof repair or roof replacement?**
 - Yes, you can repair or replace roof.
- **Can you replace a septic?**
 - No, you cannot utilize this program for a septic replacement.
- **Do permit fees need to be listed separately? Or can they be included in the cost within the quote?**
 - Permit fees should be included in the cost listed on the Contractors Bid.
- **How will a VA Appraiser know to add the “As-Is” value to the Appraisal as there is no “grid” for it in the Appraisal Report? I’m trying to avoid sending a request for the Appraiser to input the “As-Is” value and wasting a week to get that done.**
 - When submitting the request for the appraisal in the VA portal, the notes should specify that contractor bid is attached and this is a VA renovation loan and an As-Is value should be in the body of the report.
 - It can be on an addendum or listed anywhere in the report, does not have to be on a grid anywhere
- **Why is this program not offered in all states?**
 - The program is restricted in some states due to the length of time it takes to get permits in that state, if the contractor is able to obtain permits prior to closing, AFR will consider an exception.

ABOUT US

AMERICAN FINANCIAL RESOURCES, INC.

American Financial Resources, Inc. (AFR) www.afrwholesale.com, is a national residential mortgage lender dedicated to helping homeowners, home buyers, and mortgage professionals achieve their financing goals by delivering innovative mortgage solutions and an unparalleled customer experience.

Based in Parsippany, NJ and established in 1997, we are a Ginnie Mae, Fannie Mae and Freddie Mac Seller/Servicer, FHA Mortgagee, USDA National Lender and VA Automatic Lender. We provide Wholesale and Correspondent mortgage solutions by offering an extensive product catalog with competitive pricing, unique partnership opportunities, and flexible business relationships.

We strive to exceed the expectations of our lending partners and nurture healthy, profitable relationships, ultimately providing a simplified mortgage process with the highest levels of customer service.

COMPANY HIGHLIGHTS

- **FULL SERVICE MORTGAGE LENDER IN 50 STATES**
- **SERVICING WHOLESALE AND CORRESPONDENT CHANNELS**
- **DIVERSE DELIVERY OPTIONS INCLUDING FHA, VA, USDA, FANNIE MAE AND FREDDIE MAC**
- **RANKED #1 IN 203(k) LENDING FOR SPONSORED ORIGINATIONS**
- **NATIONS LEADING RENOVATION AND MANUFACTURED HOME LENDERS**
- **DEDICATED SALES AND OPERATIONS SUPPORT**

CONNECT WITH US

AMERICAN FINANCIAL RESOURCES, INC.

If you are a mortgage professional new to American Financial Resources, Inc. Wholesale Division (AFR Wholesale), we welcome the opportunity to discuss our programs with you. For our current Lending Partners, we want to hear from you. Please contact us directly with your comments, questions, and feedback.



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THE FULL DEPARTMENT LIST**

THANK YOU

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