



# THE 203K LOAN: AN AFFORDABLE LOAN TO BUY AND IMPROVE PROPERTY

## What is a 203K loan?

A residential home loan similar to a standard Federal Housing Administration (FHA) loan except that it can be used to buy and renovate a fixer-upper.

## What are the benefits of a 203K Loan?

One loan that can be used for both the purchase and renovation of a home.

One lender is used throughout the entire lending process.

It is easier to qualify for than construction loans.

The first six payments may be financed while renovations are completed, in some instances.

## Who is eligible for a 203K loan?

Homebuyers purchasing a primary residence.

Current homeowners who plan to refinance and make repairs and improvements.

Nonprofit organizations renovating foreclosed homes.

## What are the steps to purchase and renovate a home through a 203K loan?

1. Contact an FHA-approved lender to get pre-approved.
2. Select a home to purchase.
3. Estimate the value of the property both before and after repairs.
4. Make an offer.
5. Purchase home and make repairs.

## 203K LOAN OPTIONS

### Standard Loan for major repairs over \$35,000

*Typical repairs include:*

- Replacing roofing, frame and siding
- Renovating the kitchen, bathroom and interiors
- Updating plumbing, HVAC and electrical systems
- Building an addition

### Streamlined Loan for minor repairs under \$35,000

*Typical repairs include:*

- Removing safety hazards such as lead-based paint
- Replacing old windows with energy-efficient windows
- Modifying the home to be handicapped accessible



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## 203K Loan Borrower Guidelines

- ✓ Individual borrowers should purchase home for primary residence
- ✓ Individual borrowers may purchase, renovate and convert residences
- ✓ Borrowers should make a down payment of at least 3.5% of the total loan amount
- ✓ Borrowers should meet minimum credit qualifications
- ✓ Repairs must be done by FHA-approved contractors
- ✓ Repairs must comply with all local building codes and FHA requirements
- ✓ Nonprofit organizations can use the 203K loan to renovate foreclosed homes

**To find out more about 203k Loans, please visit:**

[www.hud.gov](http://www.hud.gov)

**To find an FHA-approved lender, please visit:**

[www.hud.gov/ll/code/llslcrit.cfm](http://www.hud.gov/ll/code/llslcrit.cfm)

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