

Initial Conversation with New Borrower

National Association of FHA Consultants (NAFHAC)



Initial Conversation with New Borrower - NAFHAC Training

Document Overview

This document provides a detailed transcript summary of an initial consultation call between a prospective borrower and Catherine Hall, Executive Director of the National Association of FHA Consultants. The discussion walks through the 203k renovation loan process, property assessment strategy, key FHA guidelines, and practical steps for consultants working with new clients. It also highlights the importance of lender coordination, scope of work development, and feasibility analysis including septic system evaluation. This resource is ideal for training new and experienced NAFHAC members on structuring early client conversations effectively.

Transcript Summary for NAFHAC Training - NAFHAC MEMBERS ONLY HAVE ACCESS TO THE FULL AUDIO RECORDED CONVERSATION IN THE MEMBER'S VAULT.

****Introduction and Background (0:00 - 2:37)****

The conversation opens with Catherine Hall introducing herself as part of "203k Made Easy" and the National Association of FHA Consultants. Peter (client) responds warmly, mentioning that he noticed Catherine had a Pennsylvania phone number when she called previously. Catherine explains she has offices in both Pennsylvania and Florida-Doylestown and Kissimmee respectively.

Peter shares that he was born in South Philadelphia and grew up in South Jersey. He also invites his mother, Nina-who is acting as his real estate representative-into the call, establishing that she is participating in his homebuying journey.

Peter outlines the reason for the call: he is under contract for a property in Orlando. He is excited about the

Initial Conversation with New Borrower - NAFHAC Training

opportunity to use a 203k renovation loan for the property, a product he's long been interested in but rarely had the chance to implement. He believes the seller is more open to the 203k option because his offer is likely about \$30,000 higher than others, and he wants to navigate the process thoroughly. Peter explains that an inspector referred him to Catherine and asks her to introduce herself and her experience in the 203k space.

****Catherine Hall's Background and Experience (2:37 - 4:28)****

Catherine confirms that Peter was referred by former NAFHAC member, a former member of her association. She gives a concise but powerful summary of her background: for over 30 years, she owned a multi-inspector firm in Pennsylvania and developed a process and software to train people to become successful 203k consultants. Fifteen years ago, she founded the National Association of FHA Consultants, of which she is now the Executive Director.

Her organization supports professionals nationwide in the residential renovation space by providing training, software, certifications, and coaching. Catherine maintains certification in both Pennsylvania and Florida and is working on certification in Georgia. She shares an example of a current project in Philadelphia, where a house is being torn down to its foundation and rebuilt with a modular home using a 203k loan.

She concludes by stating that she is known nationally as "America's 203k Queen" and is easily found online through a Google or ChatGPT search.

Initial Conversation with New Borrower - NAFHAC Training

****Catherine Offers Consulting Services in Orlando (4:29 - 5:21)****

Peter expresses excitement upon learning of Catherine's reputation and appreciates finally finding someone deeply experienced in 203k loans. He explains that listing agents often reject 203k offers out of fear and lack of understanding. He asks whether Catherine could connect him to someone in Orlando, and she responds affirmatively-stating that she herself can be his consultant in the Orlando area.

****Clarifying Limited vs. Full 203k Loans (5:22 - 10:41)****

Peter shifts the conversation to understanding the recent updates in the 203k loan program, particularly regarding the distinction between limited and full 203k loans. Catherine explains that the limit for using the "limited 203k" loan was raised to \$75,000, but several caveats apply.

She details key disqualifiers for the limited program, including structural modifications, foundation repairs, load-bearing wall changes, and wood-destroying insect damage. Additionally, many lenders impose "overlays" requiring a consultant even when the repairs are under \$75,000, especially if the total cost exceeds \$35,000, to ensure oversight.

Catherine explains the benefits of involving a consultant even in a limited 203k scenario. Consultants can perform a preliminary work write-up, which includes a comprehensive evaluation of the property's condition and scope of repairs. Without a consultant, lenders may require three separate contractor bids. She explains how consultants simplify the process, help prepare standardized bid forms, and can stay involved through

Initial Conversation with New Borrower - NAFHAC Training

construction if the borrower chooses.

****Septic System Conversion Requirements (11:30 - 13:02)****

Peter shares that he believes the surrounding homes are not all on septic, indicating a potential for public sewage access. Catherine responds with a key regulatory detail: if it is feasible to convert from septic to public sewage-meaning the cost of conversion is less than or equal to 5% of the ARV-then FHA Minimum Property Standards require that conversion to occur.

Catherine explains that FHA and lenders prefer public systems due to the resale complications of homes with septic tanks. If the 5% threshold is met, conversion will not be optional.

****Integrating Inspections and Consultant Findings (13:03 - 13:16)****

Peter articulates his understanding that the consultant's report will include all the critical elements necessary to bring the property into FHA compliance-considerations like septic and termite issues. Catherine acknowledges this and transitions into outlining the process she follows when preparing to schedule an appointment for a client under contract.

Initial Conversation with New Borrower - NAFHAC Training

****Urgency, Contractor Involvement, and Initial Assessments (13:17 - 15:35)****

Catherine expresses concern about the tight closing timeline and emphasizes honesty in setting expectations. She confirms with Peter that a contractor is visiting the property soon and offers referrals to experienced contractors. She outlines her process: first creating a scope of work, then producing a standardized contractor bid package.

She also lists inspections that are likely required, but stresses the septic inspection should come first. If it fails, the deal might need to be renegotiated or canceled before other costs are incurred.

****Property Condition, Seller Disclosures, and Motivation (15:36 - 17:18)****

Peter confirms that the home is vacant and has active utilities. He mentions a 13-year-old roof and a relatively new septic system, though both he and Nina are skeptical given the property's history. Catherine confirms that the seller appears motivated as it is part of a probate estate.

****Zillow Research and Market Context (17:19 - 19:22)****

Catherine examines the listing and notes the property's features and its listing history. She discusses Orlando's softening real estate market and emphasizes the opportunity for negotiation. Catherine explains her FHA consultant report can be used to justify a price renegotiation.

Initial Conversation with New Borrower - NAFHAC Training

****Visual Property Assessment and Concerns (19:23 - 20:30)****

Using listing photos, Catherine identifies outdated elements and potential problem areas. She notes signs of water damage, HVAC issues, old finishes, and fencing concerns. Despite the issues, she highlights the property's charm and long-term potential.

****After Repair Value (ARV) and Financial Qualifications (20:31 - 22:07)****

Peter and Nina estimate the property's ARV to be between \$460,000 and \$500,000. Peter shares that he earns \$85,000 annually and believes he can qualify for a \$375,000 loan. Catherine suggests confirming this with a lender and offers to provide a trusted referral.

****Lender Referral and Importance of Education (22:07 - 22:51)****

Catherine recommends Todd Fogle from Guaranteed Rate as a reliable lender for 203k loans. She explains her own role as an educator and trainer, noting that she records all consultations for accuracy and training purposes.

Initial Conversation with New Borrower - NAFHAC Training

****Personal Interruption and Family Health Update (22:52 - 24:59)****

Catherine momentarily pauses the meeting to handle a personal call regarding her granddaughter's medical emergency. She shares the context of her family situation and quickly returns to focus on the case at hand.

****Septic Costs and Qualification Strategy (25:00 - 26:42)****

Catherine outlines that if Peter qualifies for a \$450,000 mortgage and the purchase price is \$312,000, he could have \$138,000 for repairs. She factors in the required 10% contingency reserve and explains that septic conversion could consume \$12,000 to \$20,000 of the budget.

****Initial Renovation Scope (27:43 - 28:40)****

Peter outlines his renovation priorities, including kitchen and bathroom remodeling, repainting, and minimal flooring replacement. Catherine confirms his cost-conscious approach and readiness to phase renovations over time.

Initial Conversation with New Borrower - NAFHAC Training

****Cost Estimates for Bathrooms and Strategy Forward (28:41 - 29:59)****

Catherine estimates \$8,000 for a major bathroom and \$6,000 for a smaller one, emphasizing the importance of balancing immediate livability with long-term plans. She reinforces a conservative, budget-friendly approach to secure the property now and renovate more later if needed.