

# THE ULTIMATE RENOVATION LOAN CHECKLIST

The Walkthrough Guide & Program Cheat Sheet for Smart Buyers & Elite Agents

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## Phase 1: The 60-Second "Program Selection" Matrix

Before executing an offer, use this framework to align the property's structural baseline, buyer profile, and overarching project goals with the ideal financing vehicle.

FHA 203(k)	VA Renovation	Fannie HomeStyle	Freddie CHOICE
<ul style="list-style-type: none"><li><b>Best For:</b> Flexible underwriting down to 580 FICO; flat 3.5% down payment baseline.</li><li><b>Property:</b> Limited strictly to 1-4 unit owner-occupied primary residences.</li><li><b>Scope:</b> No luxury items. FHA monthly MIP remains for the life of the loan.</li></ul>	<ul style="list-style-type: none"><li><b>Best For:</b> Active Duty, Veterans, and surviving spouses; 100% financing (0% down).</li><li><b>Property:</b> Primary residences only. Often restricted to single-family detached homes.</li><li><b>Scope:</b> No luxury upgrades. VA-approved builders required. Strict 120-day completion window.</li></ul>	<ul style="list-style-type: none"><li><b>Best For:</b> 620+ FICO seeking cancellable PMI. First-time buyers hit 3% down via HomeReady.</li><li><b>Property:</b> 1-4 unit primary, 1-unit second homes, and 1-unit investment properties.</li><li><b>Scope:</b> Capped at 75% of ARV. Fully allows extensions, landscaping, and brand-new pools.</li></ul>	<ul style="list-style-type: none"><li><b>Best For:</b> Conventional profiles with 3% down path via HomePossible.</li><li><b>Property:</b> 1-4 unit primary, second homes, and 1-unit investment properties.</li><li><b>Scope:</b> Prioritizes natural disaster resilience, mudslide buffers, and wind/seismic updates.</li></ul>

## Phase 2: On-Site Structural Forensics Checklist

Conduct a diligent walkthrough of physical infrastructure. Flag structural, mechanical, and safety hazards before finalizing purchase agreements.

### 1. HEALTH, SAFETY & FOUNDATIONS (MANDATORY ALLOCATIONS)

- Foundation Integrity:** Check for horizontal wall fractures, localized step-cracking, or bowing masonry columns. *Note: VA Renovation guidelines typically bar major structural revisions or additions.*
- Roof & Enclosure:** Verify remaining useful lifespan. FHA/VA demand a verified 2-to-3-year minimum deck and shingle remaining durability. Check gutters, rafter health, and fascia boards.
- Mechanical Infrastructure:** Identify hazardous active knob-and-tube wiring, leaking or corroded galvanized plumbing lines, or obsolete/red-tagged HVAC systems. These must be entirely brought up to local municipal codes before cosmetic or design elements can draw funds.

### 2. SPECIALIZED PROPERTY FRAMEWORKS

- Manufactured Housing Criteria:** Confirm HUD label compliance. Both Fannie Mae and Freddie Mac cap manufactured home renovation funds at the lesser of \$50,000 or 50% of the verified As-Completed valuation.
- Accessory Dwelling Units (ADUs):** Evaluate potential for conversion or standalone additions. Conventional parameters fully authorize funding detached/attached ADU creation to instantly engineer property rental cash flow.

## Phase 3: The Contractor & Capital Flow Checklist

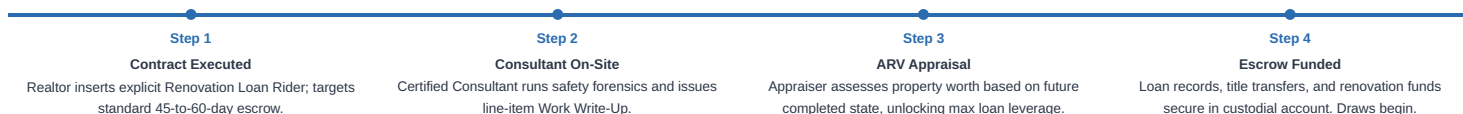
Protect construction timelines by verifying how milestones, material draws, and escrow allocations operate across programs.

- The Advanced Material Draw:** Confirm the underwriting engine permits an upfront draw at closing of up to 50% of planned material costs under HomeStyle or CHOICERenovation to fund structural deposits, permitting, and initial delivery.
- The VA Draw Barrier:** Verify builder stability. VA renovation frameworks prohibit upfront material draws at the closing table. The initial draw allocation is \$0; contractors must maintain independent working lines to commence project phases.
- Contingency Reserve Calibration:** Ensure appropriate safety margins are established behind the walls. FHA and Conventional demand a 10% to 15% reserve. VA dictates a firm 15% threshold if utilities are inactive during initial site feasibility.
- The Escrow Verification Model:** Factor in a standardized **\$375 draw inspection fee** per milestone. The HUD Consultant physically reviews completed tasks on site, verifies building code execution, and gathers unconditional lien waivers before authorizing the mortgage company to release capital to the builder.

**Consultant Pro-Tip:** Never let a contractor dictate the structural scope of work on their own terms. Lenders require a certified, independent, line-item itemization (Specification of Repairs) to run parallel with appraiser analysis and build an air-tight, un-manipulated appraisal baseline.

## Phase 4: The Master Transaction Timeline

Keep agents, underwriting pipelines, and general contractors tightly synchronized across the typical 45-to-60-day closing cycle.



### Warning: The Flaw of Automated Digital Dashboards

Volume-based tech platforms attempt to manage site inspections and underwriting feasibility through zip-code desktop metadata and remote digital estimations. Algorithms cannot assess shifting foundations, verify structural load headers, nor validate localized municipality code updates on the ground. Relying on remote dashboards leaves buyers heavily exposed to severe budget shortfalls and developer fraud. Air-tight asset verification requires an on-site, boots-on-the-ground Certified HUD Consultant acting as an independent consumer advocate.