

## Appraiser Nail You With Repairs?

So the appraisal is back and there are some repair items listed. Don't worry; there are still plenty of options. It all depends on the type of loan, the seller, buyer qualifications, extent of repairs, etc. . . Below is a outline of those options:

### Conventional, FHA 203(k), VA & Rural Development Repair Options

1. **Seller Completes the repairs** – this is the best option, typically costs little to no money, repairs are done prior to closing and the property is re-inspected prior to closing. Simply the best option. For bank owned homes (foreclosures) often the bank will not do any work to the property. It can't hurt to ask and I would encourage that, however if the bank will not complete the repairs there are other options.
2. **Repair Escrow** – with this option repairs are done after closing. Here's how it works:
  - a. Obtain a bid from a licensed and insured contractor for only the required repairs (2 bids required for FHA & VA). Buyers are not allowed to complete ANY repairs themselves.
  - b. AmeriFirst reviews and approves repair escrow accordingly
  - c. Closing on the home occurs and escrow is funded. The key is *"where does the money for the repair escrow come from?"*
    - i. Seller could fund the escrow account out of their closing proceeds
    - ii. Buyer could fund the escrow account by bringing additional funds to the closing.
    - iii. Rural Development Only – if the home appraises for more repairs can be financed into the loan up to the appraised value.
  - d. Repairs are completed by the contractor. Now that we closed and ownership transferred the clock is ticking and the contractor has 2 weeks to get the repairs completed.
  - e. Property is re-inspected by the appraiser and given a clean bill of health.
  - f. Checks are cut to the contractor.
3. **Switch it to a Streamlined FHA 203k Renovation Loan**
  - a. Typically the most costly option: Higher APR/Interest Rate & Higher Closing Costs
  - b. 3.5% down required
  - c. Obtain a bid from a licensed and insured contractor for the required repairs and any other repairs the buyer wishes to complete
  - d. AmeriFirst reviews bids & validates the contractors
  - e. Closing occurs and repairs are financed into the loan.
  - f. Contractor receives half the money upfront
  - g. Work completed and property is re-inspected
  - h. Check for remaining balance cut to the contractor.

