

203(k) CONSULTANT CONSTRUCTION CHECKLIST

- Consultant is hired by the Underwriter
 - Remember that the consultant is **NOT an INSPECTOR**
 - He is a **CONSTRUCTION ANALYST AND ESTIMATOR**
 - If the borrower desires a full home inspection and the consultant is a qualified home inspector, he can do both jobs
 - As a home inspector, the consultant may charge his regular inspection fee and also charge the consultant fee
 - Both fees may be charged to the rehabilitation loan

- Consultant contacts the borrower
 - Explains what he does
 - Explains his fees

- Consultant makes appointment and does a walk through with the borrower
 - Points out required repairs
 - Establishes a "wish-list" from the borrower which includes non-required rehabilitation

- Consultant creates a "work-write-up" which includes an itemization, specification and costs of the rehab needed
 - Consultant takes two copies of the work-write-up to the Underwriter:
 - one copy with specifications and prices
 - one copy with specification and no prices

- The appraiser returns the appraisal to the Underwriter
 - If the "as-is" valuation plus the repairs are equal or lower than the maximum loan value of the house, the loan can be closed.
 - If the "as-is" valuation plus the repairs exceed the maximum loan value of the house, the Underwriter calls the Consultant and tells him how much he has to cut the rehab cost in order to qualify.

- The Consultant returns to the borrower and attempts to cut the wish list until the list is amount qualifies the loan for FHA endorsement if successful, the loan can be close.

- Once the loan is closed, work must start within 30 days, my have no stoppage longer than 30 days, and have the work completed within six months (unless the contractor agreement says there is less time to complete).

- There are four draws allowed: The first one can be at closing to pay permits, etc., if available. Other than that, no draws may be made until one day after closing.
- As the contractor completes his work and wants partial payment or his sub-contractors finish their part of the work, a draw may be scheduled. This must be inspected by the Consultant who fills out the 92051 Compliance Inspection report AND the Draw Request Form.
- At the end of the project, if there are excess funds available, the borrower may specify additional work to be done (as long as it doesn't add cost to the contract). If there is no desire to do that, the excess is applied to the principal balance of the loan.
- Once the loan is closed, work must start within 30 days, may have no stoppage longer than 30 days, and have the work completed within six months (unless the contractor agreement says there is less time to complete).