

# renovation loans

## Step By Step



### 1. Get Pre-Approved

This is single handedly the most important step in your home buying journey. This is where we look into your financial situation and figure out how much buying power you have and what loan program best fits your needs.

### 2. Find A Home

Once pre-approved, find a reputable local Realtor. They will be instrumental in helping you find the right home and then placing a winning offer.

### 3. Offer Accepted

The accepted offer comes when both the buyer and seller come to an agreement on the terms of purchase.

### 4. Obtain Bids

This can be the longest part of the process, so it's important to start immediately after the offer is accepted. The buyer must meet with a contractor and come up with a bid for all of the work they want to do on the home.

### 5. Order Appraisal

Once we have the bids, we order the appraisal. It typically takes 2 weeks for the appraisal to come back.

### 6. Adjust Bids

Many times, once the appraisal is back, there is some tweaking that needs to happen with the bids. For example, if the appraiser sees some peeling paint that needs to be addressed, they will require it on the appraisal report. We will then go back to the contractor and have those missing items added to the bid.

### 7. Consultant Assigned

A necessary step only if the renovation projects exceed \$35,000 or there is structural work being done. In those cases, a 3rd party consultant is brought in to review and oversee the project.

### 8. Loan Closes

The seller gets their funds, the Realtors get paid, and the buyer gets the keys to their new home! At this point, the buyer is more than welcome to move into their new home.

### 9. Initial Funding

This varies from loan to loan, but generally speaking, shortly after closing the contractor will receive payment for half of the project. This gets the contractor the money they need to start the renovation.

### 10. Work Begins

The contractor starts pounding some nails! With most of the programs, the contractor has 6 months to complete the project.

### 11. Draws

If there wasn't initial funding, the contractor will be able to take draws. What that means is, after the contractor completes part of the project, they can request payment for that portion of the bid. An inspector is sent out to verify that work has been done and then the contractor is paid out for that portion of the work.

### 12. Final Inspection

Once everything is done, we do a final inspection to verify the project is complete.

### 13. Final Payments

The last payment is made to the contractor. In many cases there is often some money left over in the loan that wasn't used. Any leftover funds are applied back to the mortgage, reducing the principal balance owed.

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