

Distribution Date: May 3, 2012

Proper completion of the FHA Insuring Screen for 203(k) transactions in FHA Connection

Proper completion of the FHA Insuring Application Screen for 203(k) transactions in FHA Connection

This message reminds lenders and servicers to use the figure presented on line B14, "Total Rehabilitation Costs" from the 203(k) and Streamlined K Maximum Mortgage Worksheet - HUD Form 92700, to complete FHA Connections, Insurance Application screen, field entitled, "Escrow Amount" for all 203(k) transactions.

Comparing Work Write-up to Contractor Bids:

As detailed in Mortgagee Letter 95-40, the Consultant must be able to prepare the Work Write-up and cost estimate without using contractor bids. It is important for the Consultant to use cost estimates that are reasonable for the area where the property is located. If contractor bids come in higher than the cost estimates, the Consultant will need to discuss this situation with the Borrower and the lender to reconcile the differences and determine if the proposed repair escrow account may be too low to complete the job. At that point, if the Consultant agrees with the higher costs, an adjusted Work Write-up with supporting documentation is required to be submitted to the lender for consideration.

The Work Write-up and cost estimate are not required to match the contractor bids dollar-for-dollar. However, the Work Write-up and cost estimate *are* to be compared to confirm that all improvements/repairs have been addressed and to confirm the current market costs of materials and labor for the project.

For additional information pertaining to the 203(k) loan program, please consult the following on-line reference at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/203kmenu

For technical support on these, or any other FHA issues, please email: answers@hud.gov phone (800) CALL FHA, or visit <http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>

You can view all FHA Mortgagee Letters on-line at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee