

203K Information

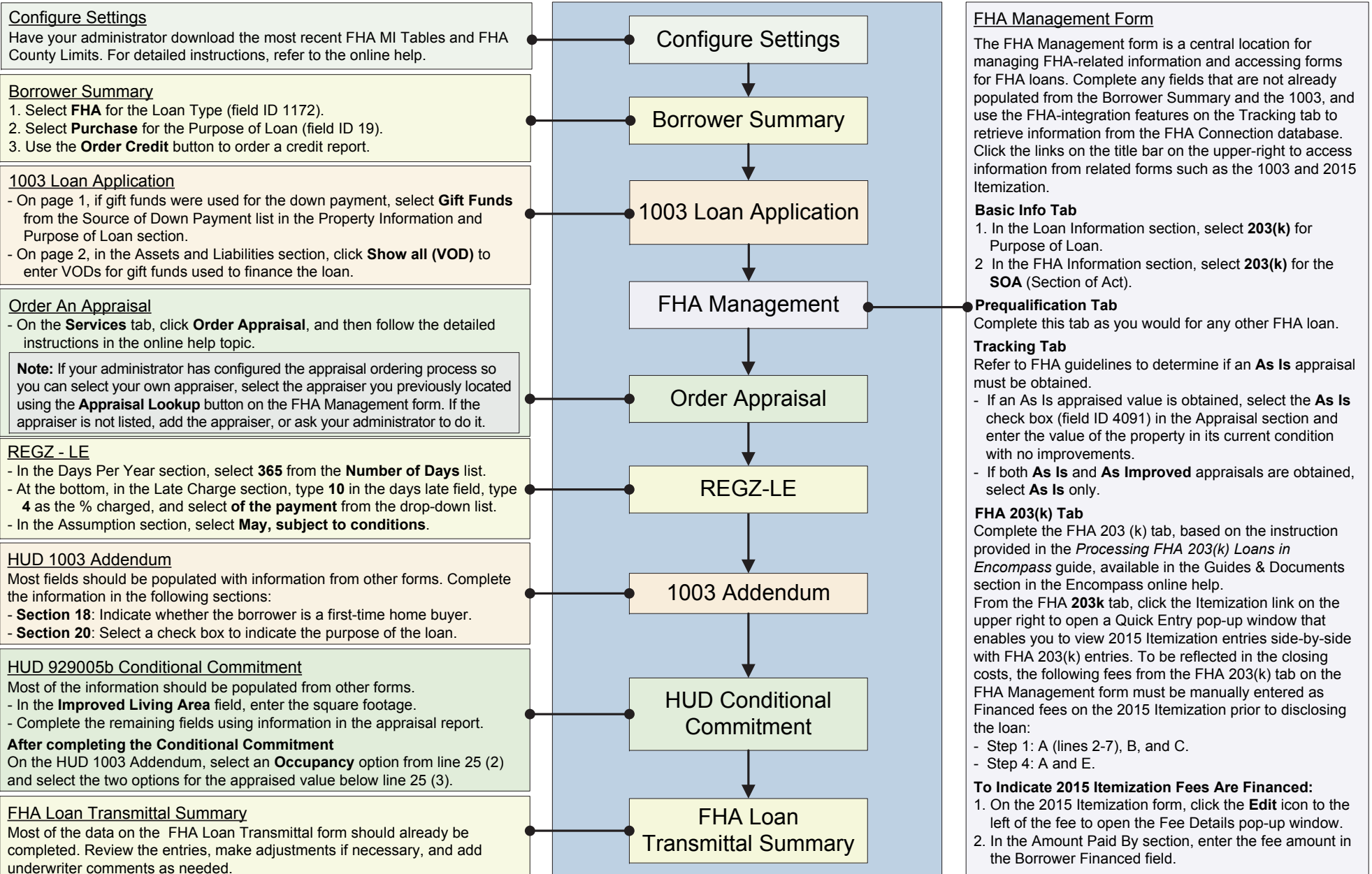


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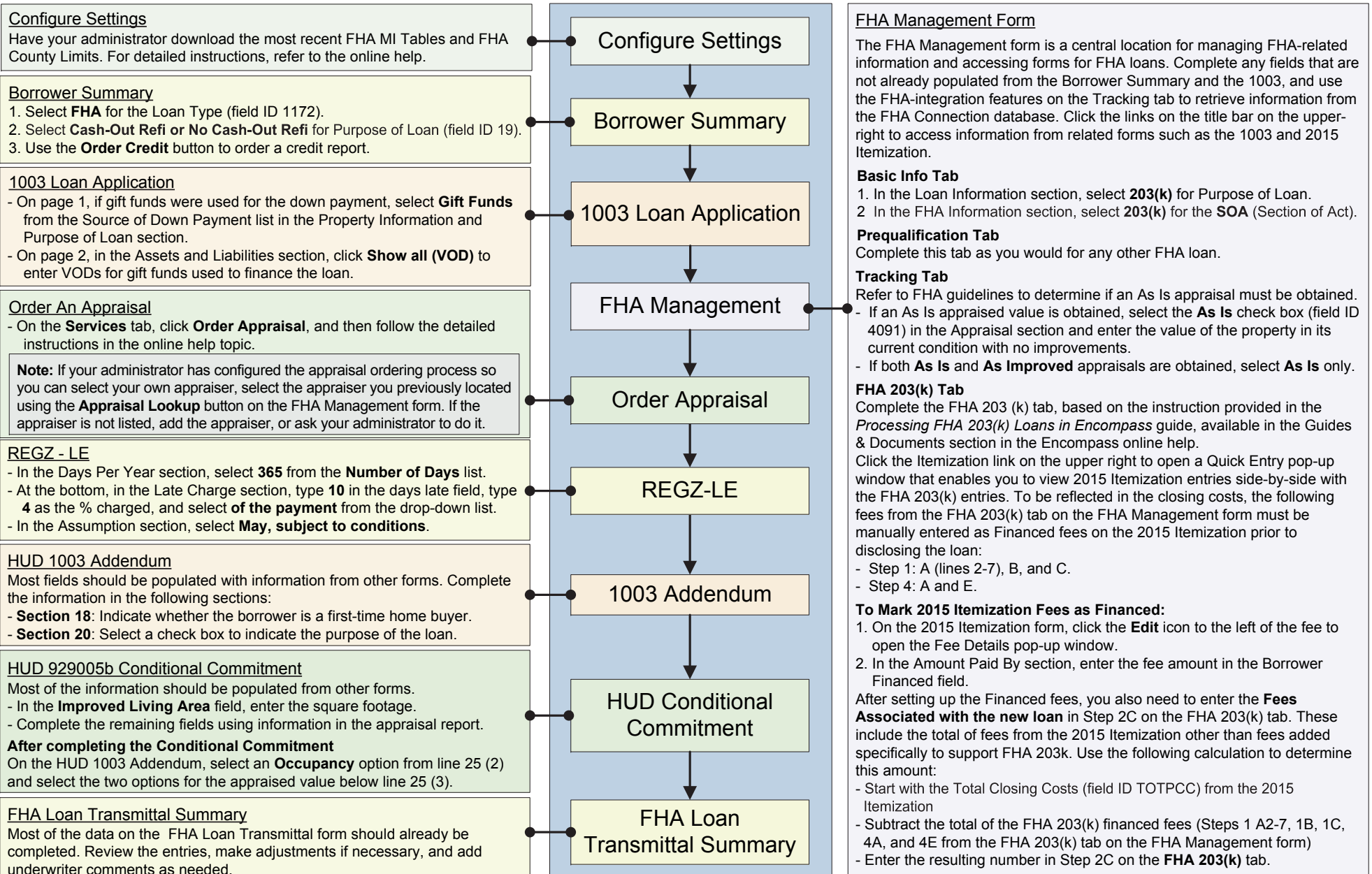
Processing FHA 203(k) Purchase Loans in Encompass

Encompass provides a comprehensive set of tools and forms for FHA 203(k) loans. Use the following workflow as a recommended starting point for processing FHA 203(k) purchase loans. Adjust the workflow to meet your business requirements. This guide describes the workflow and the entries required on each form for an FHA 203(k) purchase loan. For general instructions on completing each form, refer to the online help topic for the form. For information about creating a loan template with predefined data for FHA 203(k) loans, refer to the "Loan Templates" help topic.



Processing FHA 203(k) Refinance Loans in Encompass

Encompass provides a comprehensive set of tools and forms for FHA 203(k) loans. Use the following workflow as a recommended starting point for processing FHA 203(k) refinance loans. Adjust the workflow to meet your business requirements. This guide describes the workflow and the entries required on each form for an FHA 203(k) refinance loan. For general instructions on completing each form, refer to the online help topic for the form. For information about creating a loan template with predefined data for FHA 203(k) loans, refer to the "Loan Templates" help topic.



Complete the **FHA 203(k)** tab on the FHA management form as described below.

Step 1: Establishing Financeable Repair and Improvement Costs, Fees, and Reserves

Line A1. Enter construction and rehab costs, other than fees.
 - Click **Copy to Alterations** to copy the value to the Alterations field in the Details of Transaction. This amount is exclusive of any borrower-paid fees associated with the current transaction that will be disclosed in **closing costs** per CFPB guidelines.
 Lines A 2-7. For each fee, enter the total amount to be included in the rehabilitation escrow account for the project. The fee amounts must also be manually entered on the 2015 Itemization to be reflected in closing costs.
 Line B. Enter the amount allowed to cover contingency reserves for the project. Refer to the FHA handbook for guidance.
 Line C. Enter the amount allowed to cover mortgage payment reserves. Refer to the FHA handbook for guidance.
 Line D1. Click the **Edit** icon to edit the amount.
 Line D2. Enter Discount points to be charged against repair and improvement costs to generate calculated total.
Note: Encompass does not automatically synchronize fees from D1 and D2 to the 2015 Itemization. Work with your administration and compliance teams to define your fee mapping and rules.

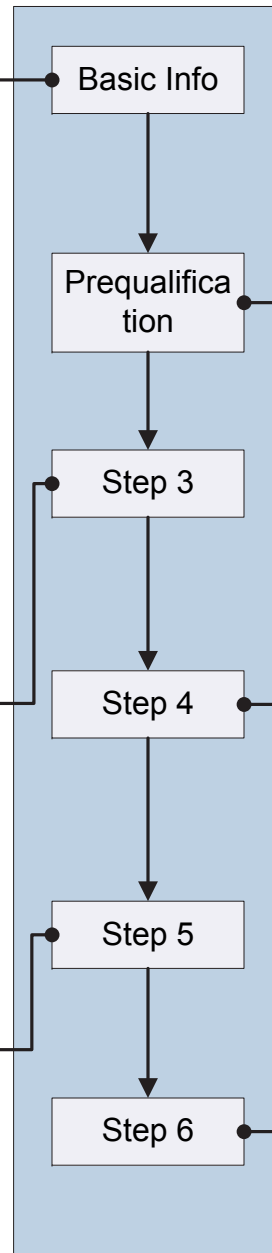
Step 3: Calculating Maximum Mortgage

Line C. Enter any credits for removing lead-based paint. Credits entered in this field reduce the calculated maximum mortgage amount (Step 3D) by the amount of the credit.
 Line E. Enter applicable nationwide limit. Refer to the HUD website for current values.
 Click the **Edit** icon for lines A, B, and D to adjust the amounts.

Step 5: Calculating the LTV for Application of Annual MIP

Encompass automatically calculates the MIP LTV and the Case LTV ratios.

NOTE: The LTV in the Encompass header uses the value from the first field listed in the calculation portion of 3D (field ID MAX23K.X86) for property valuation.



Step 2: Establishing Value

Line B. Capture total inducements to purchase. Refer to FHA guidelines for how this is calculated on a 203(k) vs standard 203(b).
 Line D. Enter the value of the property in its current condition with no improvements. Refer to FHA guidelines to determine if an As Is appraisal must be obtained.
Note: If an As Is appraised value is obtained, enter information in the Appraisal section on the **Tracking** tab and select the **As Is** check box (field ID 4091). If both As Is and As Improved are obtained, select **As Is** only.
 Line E. The calculation is based on the selection for the **As Is** check box (field ID 4091) on the **Tracking** tab. If the check box is selected, the As-Is Property Value from 2D is populated. If not, the field is populated with the Purchase Price Less Inducements to Purchase from 2C.
 Line F. Enter the estimate value of the property after improvements.

Step 4: Additions to Base mortgage Amount

Line A. Enter the amount of Energy Efficient Improvements for the project that will be included in the base loan amount prior to MIP.
 Line C. Enter the total amount for a financed solar energy system.
Note: This amount is included in the rehabilitation escrow calculation.
 Line G. Click the **Edit** icon to adjust the amount. To accurately render the Details of Transaction, and calculate the loan LTV, click **Copy to Base Loan Amount** when the tab is completed or modified.

Step 6: Establishing the Rehabilitation Escrow Account

- Line B is populated with the Energy Efficient Improvement Amount from line 4A, but can be edited as needed.
- In line D, enter the funds that the borrower is providing to the rehabilitation escrow account for contingency funds.
- In section F, enter the amounts related to the initial draw at close.

Processing FHA 203(k) Loans in Encompass

This guide describes how to enter data for FHA 203(k) purchase and refinance loans on the **FHA 203(k)** tab on the FHA Management form in Encompass version 17.3 and later. The tab was previously used to populate FHA 203(k) worksheet documents, which were discontinued by HUD in 2016. HUD now requires data to be entered on the 203(k) Calculator on the FHA Connection website. To simplify data entry for the FHA Connection website, enter loan information on the **FHA 203(k)** tab in Encompass first, and then populate the resulting data to the FHA Connection 203(k) Calculator.

Background

In March 2016 an update to the FHA *Single Family Housing Policy Handbook* mandated the use of the 203(k) Calculator on the FHA Connection website. HUD has since retired the 203(k) worksheet documents previously used in the insurance case binder and is no longer publishing guidance for maintaining and generating the worksheets. However, you can complete the worksheet information on the **FHA 203(k)** tab in Encompass to assist with data entry in the FHA Connection 203(k) Calculator. Please refer to the FHA *Single Family Housing Policy Handbook* 4000.1 for full guidance on how to capture and manage data for 203(k) case submission to the FHA.

- HUD's [203\(k\) Guidance page](#)
- Publicly available [calculator page](#) for use in estimating

The 203(k) guidelines described in this document apply to Encompass versions 17.3 and later, which include the following updates to assist with the processing of 203(k) loans:

- Consolidated view of Standard and Limited versions for 203(k) purchase and refinance loans
- Both the Standard and Limited versions have the same questions and calculations, but selecting the Limited version produces a different version of the output form
- A new pop-up window for calculating existing debt is accessible on Step 2A
- New fields for 203(k) Rehabilitation Escrow initial draw
- Update to maximum mortgage calculation to include lead-based paint credit
- Inclusion of Case LTV Calculation
- Update of 203(k) output forms for lender use
- Update to the LTV used to determine the percentage for retrieving FHA MI factors when using the **Get MI** button in Encompass

FHA 203(k) Purchase Loans

Step 1: Establish Financeable Repair and Improvement Costs, Fees and Reserves

Basic Info	Prequalification	FHA 203k	Tracking
<input type="checkbox"/> 203(k) Limited Program			
Step 1: Establishing Financeable Repair and Improvement Costs, Fees and Reserves			
A. Repair and Improvement Costs and Fees Total (sum of A1 thru A7)			\$ 21,995.00
1. Costs of construction, repairs and rehabilitation	\$ 16,145.00	<input type="button" value="Copy to Alterations"/>	
2. Architectural or Engineering Professional Fees	\$ 5,000.00		
3. 203(k) Consultant Fees	\$ 500.00		
4. Draw Inspection Fees during Construction Period	\$ 125.00		
5. Title Update Fees	\$ 75.00		
6. Permit Fees	\$ 150.00		
7. Feasibility Study when necessary	\$		
B. Financeable Contingency Reserves		\$ 1,614.00	
C. Financeable Mortgage Payments Reserves		\$	
D. Financeable Mortgage Fees Total (Sum of D1 and D2)		\$ 590.23	
1. Financeable Origination Fee	<input type="button" value="lock"/> \$ 354.14		
2. Discount Points on Repair Costs and Fees	<input type="text" value="1.000"/> % \$ 236.09		
E. Total Rehabilitation Cost (Step 1 total) (Sum of Steps 1A, 1B, 1C and 1D)		\$ 24,199.23	

Field	Notes
A. Repair and Improvement Costs and Fees Total	Sum of A1–A7
1. Costs of construction, repairs and rehabilitation	<ul style="list-style-type: none"> Enter construction and rehab costs, other than fees. Click Copy to Alterations to copy the value to the Alterations field in the Details of Transaction. This amount is exclusive of any borrower-paid fees associated with the current transaction that will be disclosed in closing costs per CFPB guidelines.
2. Architectural Fees 3. 203(k) Consultant Fees 4. Inspection Fees 5. Title Update Fees 6. Permit Fees 7. Feasibility Study when necessary	<ul style="list-style-type: none"> For each fee, enter the total amount to be included in the rehabilitation escrow account for the project. The fee amounts must also be manually entered on the 2015 Itemization to be reflected in closing costs. <p>Note: When you select the 203(k) Limited Program check box, lines A2, A3, and A7 are cleared and are not editable.</p>
B. Financeable Contingency Reserves	Enter the amount allowed to cover contingency reserves for the project. Refer to the FHA handbook for guidance.
C. Financeable Mortgage Payments Reserves	Enter the amount allowed to cover mortgage payment reserves. Refer to the FHA handbook for guidance.

D. Financeable Mortgage Fee Totals	Sum of lines D1-D2.
1. Financeable Origination Fee	<ul style="list-style-type: none"> Calculated (greater of \$350 or 1.5% of Sum of 1A-1C). Click the Edit icon to edit the amount. <p>Important: Encompass does not automatically synchronize fees from this field to the 2015 Itemization. Work with your administration and compliance teams to define your fee mapping and rules.</p>
2. Discount Points on Repair Costs and Fees	<ul style="list-style-type: none"> Enter Discount points to be charged against repair and improvement costs to generate calculated total. <p>Important: Encompass does not automatically synchronize fees from this field to the 2015 Itemization. Work with your administration and compliance teams to define your fee mapping and rules.</p>
E. Total Rehabilitation Costs	Sum of 1A, 1B, 1C and 1D.

Step 2: Establish Value

Step 2: Establishing Value	
Adjusted As-Is Value	
A. Purchase Price	\$ 192,000.00
B. Inducement(s) to Purchase	\$
C. Purchase Price Minus Inducement(s) to Purchase	\$ 192,000.00
D. As-Is Property Value (When an As-Is Appraisal is performed)	\$ 192,000.00
E. Adjusted As-Is value	\$ 192,000.00
After-Improved Value	
F. Appraised Value (subject to repairs and improvements)	\$ 205,000.00

Field	Notes
A. Purchase Price	Populated from the Purchase Price (field ID 136).
B. Inducement(s) to Purchase	Capture total inducements to purchase. Refer to FHA guidelines for how this is calculated on a 203(k) vs standard 203(b).
C. Purchase Price Less Inducement to Purchase	Total of Line A minus Line B.
D. As- Is Property Value	<p>Enter the value of the property in its current condition with no improvements. Refer to FHA guidelines to determine if an As Is appraisal must be obtained.</p> <p>Note: If an As Is appraised value is obtained, enter information in the Appraisal section on the Tracking tab and select the As Is check box (field ID 4091). If both As Is and As Improved are obtained, select As Is only.</p>

Field	Notes
E. Adjusted As-Is Value	The calculation is based on the selection for the As Is check box (field ID 4091) on the Tracking tab. If the check box is selected, the As-Is Property Value from 2D is populated. If not, the field is populated with the Purchase Price Less Inducements to Purchase from 2C.
F. Appraised Value (subject to repairs and improvements)	Enter the estimate value of the property after improvements.

Step 3: Calculate Maximum Mortgage

Calculate the maximum mortgage amount for purchase loans as described below.


Step 3: Calculating Maximum Mortgage																	
A. Sum of Step 2E + Step 1D (i.e. Adjusted As-Is Value + Step 1 Total)		\$ 216,199.23															
B. Step 2F (i.e. After-Improved Value) X 110% (or 100% for Condominiums)		\$ 225,500.00															
C. Less Lead-Based Paint Credit		\$ 500.00															
D. Lesser of Step 3A or Step 3B (\$ 216,199.23) x 3G 96.50 % (Appropriate LTV Factor) Minus Step 3C \$ 500.00		\$ 208,132.26															
E. Nationwide Mortgage Limit		\$ 275,665.00															
F. Initial Base Mortgage Amount = Lesser of Step 3D or Step 3E		\$ 208,132.26															
G. Determining Loan-To-Value Factor for Maximum Mortgage Eligibility		96.50 %															
<table border="1"> <thead> <tr> <th>Basis</th> <th>Criteria</th> <th>Maximum LTV Factor</th> </tr> </thead> <tbody> <tr> <td>Minimum Decision Credit Score</td> <td>At or above 580</td> <td><input checked="" type="checkbox"/> 96.5%</td> </tr> <tr> <td>Minimum Decision Credit Score</td> <td>Between 500 and 579</td> <td><input type="checkbox"/> 90%</td> </tr> <tr> <td>Secondary Residence</td> <td>With HOC Approval</td> <td><input type="checkbox"/> 85%</td> </tr> <tr> <td>No Credit Score</td> <td>Manual Underwriting Required</td> <td><input type="checkbox"/> 96.5%</td> </tr> </tbody> </table>			Basis	Criteria	Maximum LTV Factor	Minimum Decision Credit Score	At or above 580	<input checked="" type="checkbox"/> 96.5%	Minimum Decision Credit Score	Between 500 and 579	<input type="checkbox"/> 90%	Secondary Residence	With HOC Approval	<input type="checkbox"/> 85%	No Credit Score	Manual Underwriting Required	<input type="checkbox"/> 96.5%
Basis	Criteria	Maximum LTV Factor															
Minimum Decision Credit Score	At or above 580	<input checked="" type="checkbox"/> 96.5%															
Minimum Decision Credit Score	Between 500 and 579	<input type="checkbox"/> 90%															
Secondary Residence	With HOC Approval	<input type="checkbox"/> 85%															
No Credit Score	Manual Underwriting Required	<input type="checkbox"/> 96.5%															

Field	Notes
A. Step 2E + Step 1D (i.e. Adjusted As Is Value + Step 1 Total)	Calculated field. Click the Edit icon to adjust the amount as needed.
B. Step 2F (After-Improved Value) X 110% (or 100% for Condominiums)	Calculated field. Click the Edit icon to adjust the amount as needed.
C. Less Lead-Based Paint Credit	Enter any credits for removing lead-based paint. Credits entered in this field reduce the calculated maximum mortgage amount (Step 3D) by the amount of the credit.
D. Lesser of 3A or 3B X Maximum LTV Factor	Calculated field. Click the Edit icon to adjust the amount as needed.

Field	Notes
E. Nationwide Mortgage Limit	Enter applicable nationwide limit. Refer to the HUD website for current values.
F. Initial Base Mortgage Amount	Calculated field. Lesser of 3D or 3E.
G. Determining Loan-to-Value Factor for Maximum Mortgage Eligibility	Encompass calculates the appropriate factor based on loan occupancy (primary or secondary) and credit score status.

Step 4: Additions to Base Mortgage Amount

Step 4: Additions to Base Mortgage Amount	
A. Energy Efficient Improvements Amount	\$ 10,000.00
B. Intermediate Base Mortgage Amount = Step 3F + Step 4A	\$ 218,132.26
C. Solar Energy System Cost and Installation	\$ 20,000.00
D. Step 2F x 20% (i.e. After Improved Value x 20%)	\$ 41,000.00
E. Solar Energy Amount to Be Added to Base Mortgage Amount = Lesser of 4C or 4D	\$ 20,000.00
F. Step 3E x 120% (i.e. Nationwide Mortgage Limit x 120%)	\$ 330,798.00
G. FINAL Base Mortgage Amount = Lesser of (sum of 4B + 4E) or 4F	\$ 238,132.26

 [Copy to Base Loan Amount](#)

Field	Notes
A. Energy Efficient Improvements Amount	Enter the amount of Energy Efficient Improvements for the project that will be included in the base loan amount prior to MIP.
B. Intermediate Base Mortgage = Step 3F + Step 4A	Calculated field.
C. Solar Energy System Actual Cost	Enter the total amount for a financed solar energy system. Note: This amount is included in the rehabilitation escrow calculation.
D. Step 2F X 20%	Calculated field.
E. Solar Energy Amount to Be Added to Base mortgage Amount = Lesser of 4C or 4D	Calculated field.
F. Step 3E X 120% (Nationwide Mortgage Limit X 120%)	Calculated field.
G. Final Base Mortgage Amount = Lesser of (sum of 4B + 4E) or 4F	Calculated field. Click the Edit icon to adjust the amount. To accurately render the Details of Transaction, and calculate the loan LTV, click Copy to Base Loan Amount when the tab is completed or modified.



Step 5: Calculating the LTV for Application of Annual MIP

Step 5. Calculating the LTV for Application of Annual MIP	
A. MIP LTV = Step 4G divided by Step 2F (i.e. Final Base Mortgage Amount divided by After Improved Value)	116.16 %
B. Case LTV = Step 4G Divided by Lesser of Step 3A or Step 3B	110.14 %

Encompass automatically calculates the MIP LTV and the Case LTV ratios.

NOTE: The LTV in the Encompass header uses the value from the first field listed in the calculation portion of 3D (field ID MAX23K.X86) for property valuation.

Step 6: Establish the Rehabilitation Escrow Account

Step 6: Establishing the Rehabilitation Escrow Account	
A. Total Rehabilitation Cost (Step 1 total)	\$ 24,199.23
B. Cost of Energy Efficient Improvement Amount (Step 4A)	\$ 10,000.00
C. Cost of Financed Solar Energy Systems Improvement (Step 4E)	\$ 20,000.00
D. Borrower's Own Funds for Contingency Reserves	\$
E. Rehabilitation Escrow Account Total (sum of Steps 6A, 6B, 6C and 6D)	 \$ 54,199.23
F. Initial Draw at Closing Total (sum of F1 thru F7)	 \$ 20,190.23
1. 203K Consultant Fees	\$ 250.00
2. Architectural or Engineering Fees	\$ 1,000.00
3. Permit Fees	\$ 100.00
4. Origination Fees (Step 1: D1)	\$ 354.14
5. Discount Points (Step 1: D2)	1.000 % \$ 236.09
6. Material costs for items ordered & prepaid by Borrower/or contractor (under contract for delivery)	\$ 3,250.00
7. Up to 50% of materials costs for items ordered but not yet paid for (under contract for delivery)	\$ 15,000.00
G. Rehabilitation Escrow Amount Balance (for Future Draws) = 6E minus 6F	\$ 34,009.00

Field	Notes
A. Total Rehabilitation Cost (Step 1 total)	Calculated field.
B. Cost of Energy Efficient Improvement Amount (Step 4A)	Populated from 4A.
C. Cost of Financed Solar Energy Systems Improvement (Step 4E)	Copied from 4E.
D. Borrower's Own Funds for Contingency Reserves	Enter the funds the borrower is providing for contingency reserves.
E. Rehabilitation Escrow Account Total (sum of Steps 6A, 6B, 6C and 6D)	Calculated field. Click the Edit icon to adjust the amount.

Field	Notes
F. Initial Draw at Closing Total (sum of F1 thru F7)	Sum of F1–F7. Click the Edit icon to adjust the amount.
1. 203K Consultant Fees	Enter the 203(k) Consultant fees included in the initial draw.
2. Architectural or Engineering Fees	Enter the Architectural or Engineering fees included in the initial draw.
3. Permit Fees	Enter the Permit fees included in the initial draw.
4. Origination Fees	Copied from 1D, line 1.
5. Discount Points	Enter the percentage value used to determine the cost of the discount points included in the initial draw. The percentage is multiplied by the sum of 1A and 1B for limited program loans. It is multiplied by the sum of 1A, 1B, and 1C for standard programs.
6. Material costs for items ordered and prepaid by Borrower/or contractor (under contract for delivery)	Enter the amount to be drawn from the rehabilitation escrow account in the initial draw to cover allowed prepaid material costs.
7. Up to 50% of materials costs for items ordered but not yet paid for (under contract for delivery)	Enter the amount to be drawn from the rehabilitation escrow account in the initial draw to cover allowed material costs.
G. Rehabilitation Escrow Account Balance (for Future Draws)	Calculated field. Rehabilitation Account (6E) Minus the Initial Draw at Closing (6F).

Copy to Alterations and Base Loan Amount

After completing all the calculations on the FHA Management input form, click the **Copy to Alterations** button in the Step 1 section. This will synchronize the Cost of Construction, Repairs and Rehabilitation with the Alterations amount on the 1003. Add all other fee items in Step 1 to the 2015 itemization per your organization’s guidelines in order to accurately capture cash to close.

When the FHA Management input form is complete, select **Copy to Base Loan Amount** button in the Step 4 section. This will update the Base Loan Amount (field 1109) in the Details of Transaction with the final calculated base loan amount after all 203(k) additions have been calculated. The user can then order mortgage insurance by clicking **Edit** icon on line n in the Details of Transaction and then clicking the **Get MI** button to calculate the final loan amount, including UFMIP.

Completing FHA 203(k) Information for Refinance Loans



Step 1: Establish Financeable Repair and Improvement Costs, Fees and Reserves

Basic Info	Prequalification	FHA 203k	Tracking
<input type="checkbox"/> 203(k) Limited Program			
Step 1: Establishing Financeable Repair and Improvement Costs, Fees and Reserves			
A. Repair and Improvement Costs and Fees Total (sum of A1 thru A7)			\$ 21,995.00
1. Costs of construction, repairs and rehabilitation	\$ 16,145.00	<input type="button" value="Copy to Alterations"/>	
2. Architectural or Engineering Professional Fees	\$ 5,000.00		
3. 203(k) Consultant Fees	\$ 500.00		
4. Draw Inspection Fees during Construction Period	\$ 125.00		
5. Title Update Fees	\$ 75.00		
6. Permit Fees	\$ 150.00		
7. Feasibility Study when necessary	\$		
B. Financeable Contingency Reserves		\$ 1,614.00	
C. Financeable Mortgage Payments Reserves		\$	
D. Financeable Mortgage Fees Total (Sum of D1 and D2)		\$ 590.23	
1. Financeable Origination Fee	<input type="button" value="lock"/> \$ 354.14		
2. Discount Points on Repair Costs and Fees	<input type="text" value="1.000"/> % \$ 236.09		
E. Total Rehabilitation Cost (Step 1 total) (Sum of Steps 1A, 1B, 1C and 1D)		\$ 24,199.23	

Field	Notes
A. Repair and Improvement Costs and Fees Total	Sum of A1–A7
1. Costs of construction, repairs and rehabilitation	<ul style="list-style-type: none"> Enter construction and rehab costs, other than fees. Click Copy to Alterations to copy the value to the Alterations field in the Details of Transaction. This amount is exclusive of any borrower-paid fees associated with the current transaction that will be disclosed in closing costs per CFPB guidelines.
2. Architectural Fees 3. 203(k) Consultant Fees 4. Inspection Fees 5. Title Update Fees 6. Permit Fees 7. Feasibility Study when necessary	<ul style="list-style-type: none"> For each fee, enter the total amount to be included in the rehabilitation escrow account for the project. The fee amounts must also be manually entered on the 2015 Itemization to be reflected in closing costs. <p>Note: When you select the 203(k) Limited Program check box, lines A2, A3, and A7 are cleared and are not editable.</p>
B. Financeable Contingency Reserves	Enter the amount allowed to cover contingency reserves for the project. Refer to the FHA handbook for guidance.
C. Financeable Mortgage Payments Reserves	Enter the amount allowed to cover mortgage payment reserves. Refer to the FHA handbook for guidance.

Field	Notes
D. Financeable Mortgage Fee Totals	Sum of lines D1-D2.
1. Financeable Origination Fee	<ul style="list-style-type: none"> Calculated (greater of \$350 or 1.5% of Sum of 1A–1C). Click the Edit icon to edit the amount. <p>Important: Encompass does not automatically synchronize fees from this field to the 2015 Itemization. Work with your administration and compliance teams to define your fee mapping and rules.</p>
2. Discount Points on Repair Costs and Fees	<ul style="list-style-type: none"> Enter Discount points to be charged against repair and improvement costs to generate calculated total. <p>Important: Encompass does not automatically synchronize fees from this field to the 2015 Itemization. Work with your administration and compliance teams to define your fee mapping and rules.</p>
E. Total Rehabilitation Costs	Sum of 1A, 1B, 1C and 1D.

Step 2: Establish Value

Step 2: Establishing Value	
Adjusted As-Is Value	
A. Existing Debt on property being refinanced	 \$ <input type="text"/>
B. Total Rehabilitation Costs, Fees and Reserves (Step 1 Total)	\$ 24,199.23
C. Fees Associated with the new loan	\$ <input type="text"/>
D. Sum of 2A + 2B + 2C	 \$ 24,199.23
E. As-Is Property Value (when an As-Is Appraisal is performed)	\$ 192,000.00
F. Adjusted As-Is Value (If As-is appraisal is obtained, then the As-is property value (Step 2E) = Adjusted As-Is Value, OR if As-is appraisal is not obtained, then Step 2A + 2C = Adjusted As-is Value)	\$ 192,000.00
After-Improved Value	
G. Appraised Value (subject to repairs and improvements)	\$ 205,000.00


Field	Notes
A. Existing Debt on property being refinanced	Click the Edit icon to enter the amounts needed to calculate the existing debt. For detailed information, refer to the <i>Existing Debt</i> section that displays after this table.
B. Total Rehabilitation Costs, Fees and Reserves (Step 1 Total)	Populated from 1E.
C. Fees Associated with the new loan	Enter the projected mortgage closing costs and prepaid items (e.g., flood and hazard insurance premiums, MIP, real estate taxes, and per diem interest).

Field	Notes
D. Sum of 2A + 2B + 2C	Click the Edit icon to adjust the amount.
E. As-Is Property Value	For an As-Is appraisal, enter the value of the property in its current condition with no improvements. Refer to FHA guidelines to determine if an As Is appraisal must be obtained. Note: If an As Is appraised value is obtained, enter information in the Appraisal section on the Tracking tab and select the As Is check box (field ID 4091). If both As Is and As Improved are obtained, select As Is only.
F. Adjusted As-Is Value	The calculation is based on the selection for the As Is check box (field ID 4091) on the Tracking tab. If the check box is selected, the As-Is Property Value from 2E is populated. If not, the field is populated with the Existing Debt plus fees associated with the new loan (2A + 2C).
G. Appraised Value (subject to repairs and improvements)	Enter the estimate value of the property after improvements.

Existing Debt

In Encompass version 17.2 and earlier, the **Existing Debt on property being refinanced** (field ID 3052) in Step 2A for FHA 203(k) refinance loans was automatically calculated. This amount included the borrower-paid closing costs. Beginning with Encompass 17.3, a new data entry field (field ID MAX23K.X132) with an **Edit** icon is being used to record the **Existing Debt on property being refinanced**. Click the **Edit** icon to open the 203(k) Existing Debt pop-up window where itemized debt amounts can be entered. The total for the itemized entries is populated in the Total Existing Debt for 203(K) field at the bottom of the window and is then copied to the **Existing Debt on property being refinanced** field.

Note: The new existing debt field (field ID MAX23K.X132) will be used to calculate fields that previously used field 3052 in their calculations (lines 2D, 2F, and 3A).

Step 2: Establishing Value	
Adjusted As-Is Value	
A. Existing Debt on property being refinanced	 \$ <input type="text"/>

Quick Entry - 203k Existing Debt

203(k) Existing Debt

Unpaid Principal Balance (First Lien)	<input type="text"/>
Unpaid Principal Balance (Purchase Junior Lien)	<input type="text"/>
Unpaid Principal Balance of any junior liens > 12 months	<input type="text"/>
Interest due on the existing mortgage(s)	<input type="text"/>
Mortgage Insurance Premium (MIP) due on existing mortgage(s)	<input type="text"/>
Prepayment penalties assessed	<input type="text"/>
Late charges	<input type="text"/>
Escrow shortages	<input type="text"/>
Total Existing Debt for 203(k)	<input type="text"/>

FHA_Existing203kDebt

[Learn more...](#) Close

Step 3: Calculate Maximum Mortgage


Step 3: Calculating Maximum Mortgage		
A. Step 2D total (Sum of 2A + 2B + 2C)		\$ 24,199.23
B. Sum of Step 2F + Step 1E (Adjusted As-Is Value + Step 1 total)		\$ 216,199.23
C. Step 2G (i.e. After-Improved Value) X 110% (or 100% for Condominiums)		\$ 225,500.00
D. Lesser of 3B or 3C (\$ 216,199.23) x Step 3G 97.75 % (Maximum LTV Factor)		\$ 211,334.75
E. Nationwide Mortgage Limit		\$ 275,665.00
F. Initial Base Mortgage Amount (lesser of Steps 3A, 3D or 3E)		\$ 24,199.23
G. Determining Loan-To-Value Factor for Maximum Mortgage Eligibility		97.75 %

Basis	Criteria	Maximum LTV Factor
Minimum Decision Credit Score	At or above 580	<input checked="" type="checkbox"/> 97.75%
Minimum Decision Credit Score	Between 500 and 579	<input type="checkbox"/> 90%
Secondary Residence	With HOC Approval	<input type="checkbox"/> 85%
No Credit Score	Manual Underwriting Required	<input type="checkbox"/> 97.75%

Field	Notes
A. Step 2D total (Sum of 2A + 2B + 2C)	Calculated field. Click the Edit icon to adjust the amount as needed.
B. Sum of Step 2F + Step 1E (Adjusted As-Is Value + Step 1 total)	Calculated field. Click the Edit icon to adjust the amount as needed.
C. Step 2G (i.e. After-Improved Value) X 110% (or 100% for Condominiums)	Calculated field. Click the Edit icon to adjust the amount as needed.
D. Lesser of 3B or 3C x Step 3G	Calculated field. Click the Edit icon to adjust the amount as needed.
E. Nationwide Mortgage Limit	Enter applicable nationwide limit. Refer to the HUD website for current values.
F. Initial Base Mortgage Amount	Calculated field. Lesser of Steps 3A, 3D, or 3E.
G. Determining Loan-to-Value Factor for Maximum Mortgage Eligibility	Encompass calculates the appropriate factor based on loan occupancy (primary or secondary) and credit score status.

Step 4: Additions to Base Mortgage Amount

Step 4: Additions to Base Mortgage Amount	
A. Energy Efficient Improvements Amount	\$ 10,000.00
B. Intermediate Base Mortgage Amount = Step 3F + Step 4A	\$ 34,199.23
C. Solar Energy System Cost and Installation	\$ 20,000.00
D. Step 2G x 20% (i.e. After Improved Value x 20%)	\$ 41,000.00
E. Solar Energy Amount to be Added to Base Mortgage Amount = Lesser of 4C or 4D	\$ 20,000.00
F. Step 3E x 120% (i.e. Nationwide Mortgage Limit x 120%)	\$ 330,798.00
G. FINAL Base Mortgage Amount = Lesser of (sum of 4B + 4E) or 4F	\$ 54,199.23

 [Copy to Base Loan Amount](#)

Field	Notes
A. Energy Efficient Improvements Amount	Enter the amount of Energy Efficient Improvements for the project that will be included in the base loan amount prior to MIP.
B. Intermediate Base Mortgage = Step 3F + Step 4A	Calculated field.
C. Solar Energy System Cost and Installation	Enter the total amount for a financed solar energy system. Note: This amount is included in the rehabilitation escrow calculation.
D. Step 2F X 20%	Calculated field.
E. Solar Energy Amount to Be Added to Base mortgage Amount = Lesser of 4C or 4D	Calculated field.
F. Step 3E X 120% (Nationwide Mortgage Limit X 120%)	Calculated field.
G. Final Base Mortgage Amount = Lesser of (sum of 4B + 4E) or 4F	Calculated field. Click the Edit icon to adjust the amount. To accurately render the Details of Transaction, and calculate the loan LTV, click Copy to Base Loan Amount when the tab is completed or modified.

Step 5: Calculating the LTV for Application of Annual MIP

Step 5. Calculating the LTV for Application of Annual MIP	
A. MIP LTV = Step 4G divided by Step 2G (i.e. Final Base Mortgage Amount divided by After-Improved Value)	26.44 %
B. Case LTV = Step 4G Divided by Lesser of Step 3B or Step 3C	25.07 %

Encompass automatically calculates the MIP LTV and the Case LTV ratios.

NOTE: The LTV in the Encompass header uses the value from the first field listed in the calculation portion of 3D (field ID MAX23K.X86) for property valuation.

Step 6: Establish the Rehabilitation Escrow Account

Step 6: Establishing the Rehabilitation Escrow Account		
A. Total Rehabilitation Cost (Step 1 total)		\$ 24,199.23
B. Cost of Energy Efficient Improvement Amount (Step 4A)		\$ 10,000.00
C. Cost of Financed Solar Energy Systems Improvement (Step 4E)		\$ 20,000.00
D. Borrower's Own Funds for Contingency Reserves		\$
E. Rehabilitation Escrow Account Total (sum of Steps 6A, 6B, 6C and 6D)		\$ 54,199.23
F. Initial Draw at Closing Total (sum of F1 thru F7)		\$ 20,190.23
1. 203K Consultant Fees	\$ 250.00	
2. Architectural or Engineering Fees	\$ 1,000.00	
3. Permit Fees	\$ 100.00	
4. Origination Fees (Step 1: D1)	\$ 354.14	
5. Discount Points (Step 1: D2)	1.000 % \$ 236.09	
6. Material costs for items ordered & prepaid by Borrower/or contractor (under contract for delivery)	\$ 3,250.00	
7. Up to 50% of materials costs for items ordered but not yet paid for (under contract for delivery)	\$ 15,000.00	
G. Rehabilitation Escrow Amount Balance (for Future Draws) = 6E minus 6F		\$ 34,009.00

Field	Notes
A. Total Rehabilitation Cost (Step 1 total)	Calculated field.
B. Cost of Energy Efficient Improvement Amount (Step 4A)	Populated from Step 4A.
C. Cost of Financed Solar Energy Systems Improvement (Step 4E)	Calculated field. Populated from 4E.
D. Borrower's Own Funds for Contingency Reserves	Enter the funds the borrower is providing for contingency reserves.
E. Rehabilitation Escrow Account Total (sum of Steps 6A, 6B, 6C and 6D)	Calculated field. Click the Edit icon to adjust the amount.
F. Initial Draw at Closing Total (sum of F1 thru F7)	Sum of F1–F7. Click the Edit icon to adjust the amount.
1. 203K Consultant Fees	Enter the 203(k) Consultant fees included in the initial draw.
2. Architectural or Engineering Fees	Enter the Architectural or Engineering fees included in the initial draw.
3. Permit Fees	Enter the Permit fees included in the initial draw.
4. Origination Fees	Copied from Step 1, D1.

5. Discount Points	Enter the percentage value used to determine the cost of the discount points included in the initial draw. The percentage is multiplied by the sum of 1A and 1B for limited program loans. It is multiplied by the sum of 1A, 1B, and 1C for standard programs.
6. Material costs for items ordered and prepaid by Borrower/or contractor (under contract for delivery)	Enter the amount to be drawn from the rehabilitation escrow account in the initial draw to cover allowed prepaid material costs.
7. Up to 50% of materials costs for items ordered but not yet paid for (under contract for delivery)	Enter the amount to be drawn from the rehabilitation escrow account in the initial draw to cover allowed material costs.
G. Rehabilitation Escrow Account Balance (for Future Draws)	Calculated field. Rehabilitation Account (6E) Minus the Initial Draw at Closing (6F).

Copy to Alterations and Base Loan Amount

After completing all the calculations on the FHA Management input form, click the **Copy to Alterations** button in the Step 1 section. This will synchronize the Cost of Construction, Repairs and Rehabilitation with the Alterations amount on the 1003. Add all other fee items in Step 1 to the 2015 itemization per your organization’s guidelines in order to accurately capture cash to close.

When the FHA Management input form is complete, select **Copy to Base Loan Amount** button in the Step 4 section. This will update the Base Loan Amount (field 1109) in the Details of Transaction with the final calculated base loan amount after all 203(k) additions have been calculated. The user can then order mortgage insurance by clicking **Edit** icon on line n in the Details of Transaction and then clicking the **Get MI** button to calculate the final loan amount, including UFMIP.