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203k Rehabilitation Mortgages

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General

The Section 203(k) program is the Department's primary program for the rehabilitation and repair of single-family properties. The program allows the borrower to get just one mortgage loan, at a long-term fixed or adjustable rate, to finance or refinance both the acquisition and the rehabilitation.

Please see: HUD Handbook 4240.4 rev-2 and 4150.2 Appendix B-1 for additional information. See Mortgagee Letter 5-50 for information on the Streamline 203(k) process. (Cooperatives are not eligible for 203(k) mortgage insurance). Also see: HUD Form 92700 203(k) Maximum Mortgage Worksheet (2/06).

Appraisals

- If the appraiser identifies repair conditions that were not noted in the work write-up, the appraiser should notify the lender.
- An appraiser may not perform a dual role on the same 203(k) property. To prevent apparent conflict of interest an appraiser may not be a 203(k) consultant, or have a direct or indirect involvement on any property they appraise.
- The appraisal will contain a statement on the report by the final value that the appraisal being performed is a 203(k) as improved per plans & specifications. A copy of the plans, specifications, work write-up and other conditions upon which the value was based must be part of the appraisal package.
- In mixed use properties, commercial space is to be appraised as if it were residential. The lot value assigned should be for the residential use, not the commercial use.

List of 203(k) Consultants

203(k) Consultants can be found on HUD's website by using the 203(k) Consultant Search Tool.

Additional information on matters relating to consultants may be obtained from HUD Mortgage Letters 1995-40 and 2000-25.

U.S. Department of Housing and Urban Development

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)