A GUIDE FOR FIXER-UPPER BUYERS

RENOVATION LOANS

BUY IT. RENOVATE IT.

One loan for the purchase and the makeover.

How FHA 203(k) and HomeStyle renovation loans work, how your loan amount is figured, how contractors get paid, and how to keep your project on track.



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START HERE

DON'T WALK PAST THE RIGHT HOUSE BECAUSE IT NEEDS WORK.

Some of the best homes in the Capital Region are the ones nobody else wants: the dated kitchen, the tired roof, the house with great bones and a lot of deferred maintenance. They often sell for less because most buyers can't afford the purchase **and** the repairs.

A renovation loan solves that. It rolls the **purchase price and the renovation budget into one mortgage**, based on what the home will be worth when the work is done. One loan, one closing, one monthly payment.

I've been helping families into homes since 1993, first as a Realtor and now as a mortgage lender. Read this, then call me before you make an offer on a fixer. Renovation loans reward planning.

Brian

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WHAT A RENOVATION LOAN IS

The purchase and the repairs, financed together.

A renovation loan finances the home **and** the improvements in one mortgage. The loan is based on the home's **after-improved value**, what the appraiser expects it to be worth when the work is finished.

FHA 203(K)

An FHA loan with as little as **3.5% down**. Great for buyers with smaller down payments or credit still in progress.

FANNIE MAE HOMESTYLE

A conventional renovation loan with **flexible terms**, available for primary homes, second homes and investment properties.

BUY & RENOVATE

Finance a fixer-upper and its repairs at closing.

RENOVATE WHAT YOU OWN

Refinance and fund improvements on your current home.

ONE PAYMENT

No separate construction loan or credit cards.

WHO RENOVATION LOANS FIT

Built for buyers who see what a house could be.

USUALLY A GOOD FIT

- You're buying a fixer-upper or dated home
- You want to renovate a home you already own
- You don't have cash for a big remodel
- A home won't pass a standard appraisal as-is
- You have a licensed contractor in mind
- You want to build equity through improvements

KNOW GOING IN

- Expect **more paperwork** and a longer timeline
- Contractors must be **licensed and approved**
- Detailed **written bids** are required
- A **contingency reserve** is usually built in
- Most DIY work isn't allowed
- Funds are paid out in **draws**, not all at once

REAL TALK: Renovation loans take longer than a regular purchase, often an extra few weeks. Build that into your contract from the start.

LIMITED 203(K), STANDARD 203(K) & HOMESTYLE

Three programs for different-sized projects.

	LIMITED 203(K)	STANDARD 203(K)	HOMESTYLE
LOAN TYPE	FHA	FHA	Conventional
REPAIR BUDGET	Up to $75,000	$5,000 minimum, larger projects	Based on value and program limits
STRUCTURAL WORK	Not allowed	Allowed	Allowed
HUD CONSULTANT	Not required	Required	Not required
OCCUPANCY	Primary home	Primary home	Primary, second home or investment
LUXURY ITEMS	Not allowed	Not allowed	Allowed, like a pool

WHICH ONE FITS?

Paint, flooring, a kitchen and a new roof often fit a Limited 203(k). Moving walls, additions or foundation work usually need a Standard 203(k) or HomeStyle.

GOOD TO KNOW: Program limits are current as of October 2026. HUD and Fannie Mae update them from time to time.

HOW THE LOAN AMOUNT WORKS

Based on the home's value after the work is done.

Here's how an FHA 203(k) loan might look on a $220,000 fixer with $60,000 of work. Your numbers will be different.

Purchase price	**$220,000**
Renovation budget, including contingency	**+$60,000**
Total project cost	**$280,000**
Appraiser's after-improved value	**$300,000**
Down payment (3.5% of project cost)	**($9,800)**
BASE LOAN AMOUNT	**$270,200**

EXAMPLE ONLY. NOT A RATE QUOTE OR LOAN ESTIMATE. FHA MORTGAGE INSURANCE IS ADDED TO THE LOAN.

LOWER OF TWO

Programs use the lower of total cost or a percentage of after-improved value.

INSTANT EQUITY

If the finished home is worth more than the total cost, you start with equity.

CONTINGENCY

A reserve for surprises, often 10–20%, is usually included.

THE RENOVATION PROCESS

From offer to finished project.

1. **FIND THE HOME & CONTRACTOR**
   Choose a licensed contractor and get a detailed written bid.

2. **CONSULTANT REVIEW**
   On a Standard 203(k), a HUD consultant writes up the work.

3. **APPRAISAL**
   The appraiser values the home as it will be after the work.

4. **CLOSING**
   You close on one loan. Renovation money goes into an escrow account.

5. **WORK & DRAWS**
   The contractor is paid in stages as work is inspected and completed.

6. **FINAL INSPECTION**
   Once the work is done and inspected, the last draw is released.

REAL TALK: Most delays come from contractors who aren't used to renovation loans. Bring me your contractor early, and I'll walk them through it.

CONTRACTORS & BIDS

The right contractor makes or breaks the project.

WHAT WE'LL NEED

- License and insurance
- A detailed, itemized written bid
- A signed contract with a timeline
- References and work history

WHAT MAKES A GOOD BID

- Line items for each part of the job
- Materials and labor broken out
- Permits included
- A realistic start and finish date

CAN I DO THE WORK MYSELF?

Usually not. Most renovation programs require licensed contractors. Some allow limited self-help work with approval, but it's the exception.

GOOD TO KNOW: Contractors must be approved as part of the loan. I'll share the requirements with yours up front.

WHAT YOU CAN AND CAN'T DO

Most improvements qualify. A few don't.

USUALLY ELIGIBLE

- Kitchens and bathrooms
- Roofs, siding and windows
- Heating, plumbing and electrical
- Flooring and paint
- Energy-efficiency upgrades
- Accessibility improvements
- Additions, on Standard 203(k) and HomeStyle

USUALLY NOT ON 203(K)

- Pools and hot tubs
- Outdoor kitchens and fire pits
- Tennis courts or similar luxury items
- Work that's mostly cosmetic luxury

WANT AN IN-LAW SUITE?

HomeStyle may allow you to add an accessory dwelling unit, like a garage apartment or in-law suite, subject to local zoning.

COMMON MISTAKES THAT DELAY APPROVAL

Most of these are easy to fix ahead of time.

1 A VAGUE CONTRACTOR BID
Underwriters need line-by-line detail.

2 A CONTRACTOR WHO WON'T WAIT
Draws take time. Pick someone who understands the process.

3 TOO SHORT A CLOSING DATE
Renovation loans need extra time. Plan for it.

4 NO CONTINGENCY
Old houses hide surprises. Budget for them.

5 CHANGING THE SCOPE
Adding work after closing requires approval.

6 SKIPPING PERMITS
Unpermitted work can hold up the final draw.

7 OVER-IMPROVING
Spending more than the neighborhood supports hurts value.

8 NEW CREDIT DURING THE LOAN
Hold off on new cards or financing.

REAL TALK: Almost every one of these is avoidable with a 15-minute conversation before you apply. That's the cheapest time to fix a problem.

OLDER HOMES IN THE CAPITAL REGION

Great bones, and a few common surprises.

Much of the housing in Albany, Troy, Schenectady and the surrounding towns was built **before 1950**. These homes have character, and they often come with predictable issues that renovation loans are designed to fix.

LEAD PAINT

Homes built before 1978 may have lead paint. Peeling paint must be addressed safely.

OLD WIRING

Knob-and-tube wiring and undersized panels are common upgrades.

OIL TANKS

Old buried or basement oil tanks may need removal.

ROOFS & CHIMNEYS

Older roofs and chimneys often need repair or replacement.

REAL TALK: Get a thorough home inspection on any older house. It helps your contractor build an accurate bid, and fewer surprises mean fewer delays.

12 · GET ORGANIZED

DOCUMENT CHECKLIST

Have these ready, and the process moves a lot faster.

- [ ] Purchase contract, once you have one
- [ ] Detailed, itemized contractor bid
- [ ] Pay stubs covering the last 30 days
- [ ] Bank statements, last 2 months, all pages
- [ ] Government-issued photo ID
- [ ] Contractor's license and insurance
- [ ] Signed contractor agreement
- [ ] W-2s and tax returns, last 2 years
- [ ] Home inspection report, if available
- [ ] Gift letter, if family is helping

Every situation is a little different. I'll give you the exact list for your scenario before you gather anything.



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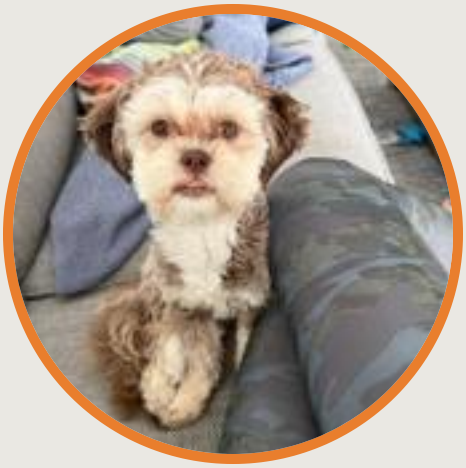
BOOK 15 MINUTES

EQUAL HOUSING OPPORTUNITY

This guide is for educational purposes only and is not a loan commitment or guarantee of approval. All loans are subject to credit, income, asset, property and appraisal approval; not all applicants will qualify. Renovation loan amounts are based on program limits and the lesser of total acquisition cost or as-completed appraised value as defined by each program. FHA 203(k) guidelines, including the Limited 203(k) repair cap and consultant requirements, are set by HUD; Fannie Mae HomeStyle guidelines are set by Fannie Mae; both are current as of October 2026 and subject to change. Contractors must meet lender approval requirements. Contingency reserves may be required. Renovation timelines are estimates and can be affected by contractor availability, permits and inspections. Examples are illustrations only and are not a rate quote or Loan Estimate. Program availability and guidelines are subject to change without notice. © 2026 New American Funding, LLC. NMLS #6606 (nmlsconsumeraccess.org). 1 MacArthur Place, Suite 800, Santa Ana, CA 92707 · newamericanfunding.com · (800) 450-2010. Licensed Mortgage Banker, NYS Department of Financial Services. Equal Housing Lender. October 2026.

PENNY'S CORNER

A few words from our Chief Belly-Rub Officer.



PENNY SAYS

CHIEF BELLY-RUB OFFICER

Dad loves an old house with great bones. I love bones of any kind.

A renovation loan rolls the fixes into one mortgage. Bring Dad your contractor early, and make sure the plans include a spot for my bed.

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Tips, updates and plenty of Penny.

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