

# DETROIT HOME MORTGAGE RENOVATION EDUCATION





## COURSE OUTLINE

- **Ways to Renovate Using Detroit Home Mortgage**
- **Things to Consider Before You Begin Renovating**
- **Roles and Responsibilities**
- **Renovation-Related Documents**
- **The Renovation Process and Timeline**
- **Tips on Contractor Selection**  
*(courtesy of Hire It Done: [www.hireitdone.com](http://www.hireitdone.com))*



# WAYS TO RENOVATE USING DETROIT HOME MORTGAGE





## WAYS TO RENOVATE USING DETROIT HOME MORTGAGE



**Potential Homebuyers can buy a home and renovate it**



**Current homeowners can refinance their home to renovate it**



# BUYING A HOME TO RENOVATE



**PRE-QUALIFY**



**BECOME  
EDUCATED**



**FIND A  
HOME**



**CHOOSE A  
PROJECT  
MANAGER**



**FIND A  
CONTRACTOR**



**CLOSE  
ON YOUR  
NEW HOME**



**RENOVATE  
YOUR  
NEW HOME**



**MOVE IN  
TO YOUR  
NEW HOME**





# REFINANCING A HOME TO RENOVATE



**SPEAK TO  
A BANKER  
ABOUT  
QUALIFICATION**



**BECOME  
EDUCATED**



**CHOOSE A  
PROJECT  
MANAGER**



**FIND A  
CONTRACTOR**



**CLOSE  
ON YOUR  
NEW HOME**



**RENOVATE  
YOUR HOME  
AND ENJOY**



# WAYS TO RENOVATE USING DETROIT HOME MORTGAGE

We recommend printing out our easy step by step reference map to guide you through the way you plan on using the program.

The reference maps can be found at the bottom of the education page on the DHM website.

Download a copy of the step-by-step map to keep as a reminder of what step to take next.

## BUY AND RENOVATE A HOME



# WHAT TO CONSIDER BEFORE YOU BEGIN RENOVATING







## BEFORE YOU BEGIN RENOVATION

### Consider the time commitment

- Planning the actual renovations and finishes
- Interview contractors
- Meet regularly during construction period

### Consider the responsibility

- Make important decisions
- Be flexible and patient
- Plan for unexpected costs during renovation, especially with older homes



## BEFORE YOU BEGIN RENOVATION

### **Understand the financial commitment**

- Make payments on the loan during the construction period
- Pay for your current housing during the construction period



# ROLES AND RESPONSIBILITIES





## PARTICIPATING BANK

### **The Participating Bank is responsible for:**

- Providing the pre-qualification budget and explaining the program to you
- Providing the construction loan and managing the payment process
- Collecting mortgage payments

**Please take note:** The bank will have different points of contacts during each phase of your DHM. It is important for you to know who to contact at the right time. We suggest making note on the printable process map for convenience.

- Before closing: Loan Officer
- After closing: Construction Specialist



## PROJECT MANAGER

- Provides professional construction guidance for the length of the project
- Assists borrower with development of appropriate scope of work
- May review and assist borrower with selecting contractors
- Reviewing progress of project against established timeline
- May advise you on how to handle unexpected issues requiring changes to scope of work, use of contingency dollars, and minor dispute resolution
- Requires an up-front payment at the initial meeting for the creation of a scope of work. This fee is not refundable under any circumstances
- Any additional PM costs are included in the construction budget and financed into the loan



## LICENSED CONTRACTOR(S)

- Selected by borrower
- Subject to DHM requirements of licensing and insurance
- Provide bids that detail expected work and timeline for completion
- Responsible for physically completing renovations per the scope of work, within the established timeline
- Works with City to comply with local building codes and regulations
- Responsible for timely submission of sworn statements and lien waivers



## BORROWER

- Active and engaged lead on the construction project
- Reviews and approves the scope of work and any changes to scope of work (subject to input from Project Manager) on health and safety required improvements and budget constraints
- Selects general contractor and sub-contractors from licensed and insured candidates
- Utilizes the professional guidance of the Project Manager
- Review contractor progress on site at least once a month with the Project Manager
- Keep the bank informed
- Makes required mortgage payments

# RENOVATION-RELATED DOCUMENTS







## RENOVATION-RELATED DOCUMENTS

### Key Documents before Closing:

- Project Manager Contract and Disclosures
- Scope of Work Form
- Construction Timeline and Schedule
- Contractor Information (builder's license, insurance, W-9)
- Contractor Bid
- Contractor Final Work Plan (optional)
- Contractor's Contract for work (optional)





## RENOVATION-RELATED DOCUMENTS

### Key Documents After Closing:

- Draw Request Form
- Sworn Statement Form
- Lien Waiver Form
- Draw Inspection Report
- Project Manager On-site Visit Form
- Change Orders (optional)
- Punch list (optional)
- Certificate of Occupancy or Certificate of Approval



# THE RENOVATION PROCESS AND TIMELINE





## THE RENOVATION PROCESS AND TIMELINE

- Borrower gets prequalified by the lender to understand budget. Gets contact information for DHM Project Managers (PM).
- Borrower interviews and selects project manager and notifies bank and project manager (Note: PM pricing for services is the same at all DHM banks).
- Borrower contracts with PM to create scope of work, which covers health and safety issues and borrower's property requests, subject to budget. The upfront cost is paid to the project manager at this time and is non-refundable.



## THE RENOVATION PROCESS AND TIMELINE

- If the borrower determines that they wish to move forward with the home purchase and notify the bank.
- Contactor information is collected and reviewed by the borrower. Contractors are selected and bids are collected.
- The final work plan is created and the bank will order a property appraisal. Your appraisal will be based on the work plan to come up with an “as completed” value.
- Contractor bids and contracts are signed. All information is submitted to the bank. The timeline for work is established and a site visit timeline is established for review of progress with project manager.
- The borrower and bank close on the mortgage and the construction period begins.



## THE RENOVATION PROCESS AND TIMELINE

- Periodic site visits are completed by the project manager and borrower to review work and adhere to the established timeline.
- The bank manages periodic construction inspections and collection of contractor invoices, sworn statements, and lien waivers.
- The borrower makes monthly payments on the construction loan.
- Upon construction completion, required documentation is submitted to the lender for final payments. The construction period is limited to six months.
- The Certificate of Occupancy or Certificate of Acceptance is provided by City.
- The borrower continues making payments and moves into the newly renovated home!

# TIPS ON CONTRACTOR SELECTION

*(COMPLIMENTS OF HIRE IT DONE)*



Hire It Done.



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HOME  
MORTGAGE



## TIPS ON CONTRACTOR SELECTION

### Legal Disclosure:

- The following slides are presented as tips to help you understand contractor selection but are not absolute or required.
- Hire it Done is experienced in construction and contributed to the creation of the Detroit Home Mortgage program.
- Hire It Done is a separate entity from Detroit Home Mortgage and the program's participating banks. It is your responsibility as the active and engaged lead to research and select contractors who will get the job done properly and on time.
- DHM & participating banks are not responsible for any contractor recommendations made by Hire it Done. For more information on Hire It Done, visit [hireitdone.com](http://hireitdone.com)





## TIPS ON CONTRACTOR SELECTION

### Stability

You need to make sure that any contractor you do business with has proven themselves in the past and will be there if you need them in the future.

**Don't just ASK the contractor if they are stable!**

Look for tangible proof of longevity and financial stability by asking for these items.

### What To Look For:

- **Proof of Establishment**
- **Licensing**
- **Insurance**



# TIPS ON CONTRACTOR SELECTION

## Reputation

You can tell a great deal about a contract based on what others are saying about them—particularly their customers. The old advice of “ask for 3 references” is just too easy to fake. You’ll need to get a little tougher with your contractor to protect yourself. Insist that any contractor you’re considering can produce the things listed below to PROVE that their reputation is rock solid.

### What To Look For:

- **Memberships**
- **Accolades and Awards**
- **Customer References**



## TIPS ON CONTRACTOR SELECTION

### Professionalism

A good contractor doesn't just do good work. They also understand that when dealing with customers, it's often the little things that make a big difference. You should find a contractor that shows you respect by the way they treat you, the way they look, the way they treat your property, and how they pay attention to details. Check any contractor you're considering against these standards of professionalism.

### What To Look For:

- **Detailed Proposal and Design**

# CONGRATULATIONS!



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HOME  
MORTGAGE**