



Planet Home Lending®
CORRESPONDENT DIVISION

RENOVATION REVIEW



VOLUME 17



INSIDE CONTRACTOR BIDS: WHAT RENOVATION LENDERS MUST KNOW

When a borrower chooses a renovation loan, the contractor's bid becomes one of the most important documents in the file. It guides the appraisal, governs draws, and ensures compliance. A vague bid can delay—or even derail—the loan. That's why correspondent lenders must know what to look for.

Most programs—FHA 203(k), VA, Fannie Mae HomeStyle®, and Freddie Mac CHOICERenovation®—share common requirements. In this issue of Renovation Review, we'll cover what every good bid should include, plus program-specific nuances.



WHAT EVERY CONTRACTOR BID SHOULD INCLUDE

No matter which renovation loan program you're working with, a solid contractor bid should always include these key elements:

Contractor Letterhead, Location, Borrower Info and Signatures

The bid must be on contractor letterhead with their name, business address, and contact details, plus the borrowers' names and property location. Both contractor and borrower must sign and date it.

Licensing and Insurance

Contractors must show proof of state-required licensure and current liability insurance, using the same entity name on the bid, license, and insurance to protect you, Planet, and the borrower.

Itemized Breakdown of Labor and Materials

Each line item should show both the labor and materials cost and include a total for that task. Lump-sum bids are not acceptable.

Detailed Scope of Work

The contractor must clearly describe each improvement including the quantity and quality of materials that will be used for the proposed project. Obtaining this level of detail allows the appraiser and the borrower to fully envision the project.

Allowances and Materials

Allowances, materials onsite, or borrower provided materials should be avoided.

Quantity and Quality of Material

The bid should specify the number, size, and brand of materials. For example, “appliances – \$5,000” is too vague. A good bid shows exactly what will be installed.

Completion Timeline

Bids should include an estimated completion time. Timelines can range from 120 days to 15 months depending on the loan program.

Permit and Structural Disclosures

Contractors should state which parts of the work require permits and who will be responsible for obtaining them. For 203(k) Limited, VA Alterations, and conventional repair budgets under \$75,000, the contractor must state whether or not the repairs are structural.





QUICK CHECKLIST: REVIEWING CONTRACTOR BIDS

- ✓ On contractor letterhead with full contact info
- ✓ Has borrower names and property location
- ✓ Signed and dated by borrower and contractor
- ✓ Itemized line-by-line: labor and materials separated
- ✓ Materials adequately identified (quantity/quality)
- ✓ Specific descriptions of each task
- ✓ Completion timeframe listed
- ✓ Contractor license and insurance attached (matches bid entity name)
- ✓ Permits noted (with contractor stating who will secure them)
- ✓ Allowances, materials onsite, or borrower supplied materials should be avoided.
- ✓ Bid matches consultant (if applicable)
- ✓ Meets program-specific rules



WHAT TO WATCH FOR IN EACH RENOVATION PROGRAM

While these loan programs share many commonalities, key differences can affect how bids are reviewed and approved. Next, we'll look at what sets each apart—and what to watch for with specific loan types.

PROGRAM REQUIREMENTS:

FHA 203(k)

- Bid must align with the HUD consultant's work write-up (for Standard 203(k)).
- Luxury items are not allowed. No pools, barbecue pits, or similar features.
- Each contractor must provide a separate bid. No bundling across trades unless licensed as a general contractor.
- Timeline: Within 9 months (Limited) or 12 months (Standard) from loan closing.

VA Alterations and Repairs

- Bids must reflect only eligible improvements, including updates for health, safety, or structural soundness. No luxury improvements allowed.
- Permits must be disclosed. The bid should specify what is required and show intent to secure them.
- Timeline: Planet requires renovations to be completed within 120 days of loan closing.

Fannie Mae HomeStyle®

- Luxury items are allowed. Pools, spas, and upscale finishes are eligible if permanently affixed to the property and adds value.
- Bid must match the consultants work write-up if applicable. Any discrepancies can delay approval or delivery.
- Timeline: Up to 15 months from the closing date.

Freddie Mac CHOICERenovation®

- Luxury items are allowed. Pools, spas, and upscale finishes are eligible if permanently affixed to the property and adds value.
- Bid must match the consultants work write-up if applicable. Any discrepancies can delay approval or delivery.
- Timeline: Up to 450 days from the date of closing.





WHY IT PAYS TO GET THE BID RIGHT

Knowing what makes a strong contractor bid gives you a strategic edge—reducing revisions, preventing delays, and protecting files from appraisal or agency issues. Understanding common elements and program rules lets you originate with confidence.

Have a renovation loan in the pipeline—or want to sharpen your review process? Contact your Planet Regional Sales Manager to help you close more loans, faster.

QUESTIONS?

CONTACT US

For any questions or scenarios related to renovation loans please email them to renovationscenario@planethomelending.com

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