

Mortgages for Newly Constructed Homes



Use this summary of requirements to help you process, underwrite and deliver Mortgages for Newly Constructed Homes. For complete information on Mortgages for Newly Constructed Homes, refer to Freddie Mac's *Single-Family Seller/Service Guide* Chapter K33. The information in this reference is organized into the following sections: [Eligibility](#), [Data Requirements](#), [Documentation](#), and [General Delivery Information](#).

Eligibility			
	Newly Built Home Mortgage	Construction Conversion Mortgage	Renovation Mortgage
Types of Mortgages for Newly Constructed Homes (Guide Glossary)	A Mortgage, the proceeds from which are used for the purchase of a newly constructed site-built home or newly purchased Manufactured Home when the Borrower takes title to both of the following simultaneously at closing: <ul style="list-style-type: none"> • The land, and • The completed new site-built improvements, or • A permanently affixed new Manufactured Home that has been converted to real property 	A Mortgage, the proceeds from which are used for the Permanent Financing that replaces the Interim Construction Financing obtained by the Borrower to: <ul style="list-style-type: none"> • Purchase or refinance, as applicable, the land on which the site-built home or Manufactured Home will be constructed or affixed, and • Construct a new site-built home, or • Purchase and permanently affix to the site and convert to real property, a new Manufactured Home 	A Mortgage, the proceeds from which are used for the Permanent Financing that replaces the Interim Construction Financing obtained by the Borrower to purchase or refinance the land and an existing site-built home and to repair, restore, rehabilitate or renovate the site-built home
	Note: Homes that are complete prior to the application date are not eligible to be processed as Mortgages for Newly Constructed Homes.		
Interim Construction Financing (Guide Glossary)	For Construction Conversion and Renovation Mortgages, Interim Construction Financing is the short-term financing that provides the Borrower with funds to: <ul style="list-style-type: none"> • Build a new site-built home • Purchase and permanently affix to the site and convert to real property, a new Manufactured Home • Repair, restore, rehabilitate or renovate an existing site-built home, and/or • Purchase or refinance the land on which the improvements, including the new Manufactured Home, will be situated Note: Interim Construction Financing is replaced by Permanent Financing on the Effective Date of the Permanent Financing. Freddie Mac does not purchase the Interim Construction Financing. There is no Interim Construction Financing with Newly Built Home Mortgages.		
Property Types (Guide Section K33.8(a) and (b))	<ul style="list-style-type: none"> • 1-4 unit site-built home (single-family attached/ detached and condos) • 1-unit Manufactured Home 	<ul style="list-style-type: none"> • 1-4 unit site-built home (single-family attached/ detached) • 1-unit Manufactured Home 	<ul style="list-style-type: none"> • 1-4 unit site-built home (single-family attached/ detached and condos)
	Note: Manufactured Homes must be newly purchased and never previously attached to a foundation, and meet all requirements of Guide Chapter H33, except as modified by Guide Chapter K33.		
Eligible Mortgages/ Terms (Guide Section K33.3 and K33.5)	<ul style="list-style-type: none"> • Mortgage term of 40 years or less for a fixed-rate Home Possible Mortgage secured by a Newly Built 1-unit Primary Residence • Mortgage term of 30 years or less for all other fixed-rate and adjustable-rate Mortgages • Mortgages for Newly Constructed Homes must be First Lien Mortgages and may be any product or offering eligible under the Seller/Service Guide except as stated in Section K33.3 • Home Possible[®] Mortgages are permitted with Newly Built Home Mortgages secured by site-built homes • Loan Prospector will now assess super conforming mortgages as Mortgages for Newly Constructed Homes 		

Note: Vertical revision bars " | " are used in the margin of this quick reference to highlight new requirements and significant changes

Eligibility		
Purchase or Refinance (Guide Section K33.6)	If...	Then...
	A Newly Built Home Mortgage	Purchase
	A Construction Conversion Mortgage or Renovation Mortgage and the Borrower is not the owner of record of the land (or if a site-built home is on a leasehold estate, is not the lessee of the leasehold estate) prior to the closing of the Interim Construction Financing	Purchase
	A Construction Conversion Mortgage or Renovation Mortgage and the Borrower is the owner of record of the land (or if a site-built home is on a leasehold estate, is the lessee of the leasehold estate) prior to the closing of the Interim Construction Financing	Refinance
	<p>Ineligible: Special Purpose Cash-out Refinances. Cash-out Refinances are not eligible for Manufactured Homes.</p> <p>Notes:</p> <ul style="list-style-type: none"> Amount used to pay off an unsecured lien or reimburse the Borrower for construction costs paid outside of the secured Interim Construction Financing is considered cash out if it is higher than the lesser of \$2000 or 2% of the loan amount. For Purchase Mortgages secured by a second home or investment property, the Borrower may not be affiliated with or related to the builder, developer or the property seller. 	
Maximum LTV/TLTV/HTLTV	Reference individual product offerings for applicable LTV/TLTV/HTLTV and other financing terms not specifically described in Chapter K33.	
Appraisal Requirements (Guide Section K33.11)	<ul style="list-style-type: none"> The Seller must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements, regardless of any Loan Prospector[®] Minimum Assessment Feedback to the contrary The Seller must represent and warrant that the originating lender provided the appraiser with all the appraisal information required in Chapter 44, including plans and specifications The appraiser's opinion of value must provide the "as completed" value 	
Completion Status of Home at Time of Delivery (Guide Section K33.8 (c))	All improvements must be fully completed before the sale of Mortgage to Freddie Mac except for Mortgages secured by site-built homes meeting the requirements in Section 44.2(b) and for which completion escrows are established in accordance with the requirements of Section 44.2(b). The installation of a Manufactured Home must be fully completed. For both site-built homes and manufactured homes, Seller must provide evidence the property is complete (see Guide Section 44.14 requirements).	
Age of Appraisal (Guide Sections K33.11 and 44.7)	<p>The effective date of the appraisal must be prior to the Effective Date of Permanent Financing, and must meet the requirements of Guide Chapter 44, including Section 44.7:</p> <ul style="list-style-type: none"> If the effective date of the appraisal is more than 120 days before the Effective Date of the Permanent Financing, the appraisal is outdated and a new appraisal with at least an exterior-only inspection is required. See Section 44.7(e) for additional information. If the effective date of the underlying appraisal is more than 12 months before the Effective Date of Permanent Financing, the appraisal is expired. (The underlying appraisal is the appraisal being updated.) A new appraisal is required and the new appraisal must not incorporate any prior appraisal. An appraisal update is a new appraisal; an appraisal update with an exterior-only inspection is acceptable if the effective date of the underlying appraisal is no more than 12 months prior to the effective date of the new appraisal. If the appraisal provides an 'as completed' or 'as repaired' opinion of value and a new appraisal is required before the Note Date, an appraisal with an interior and exterior inspection and updated photographs is required. The new appraisal can be used to confirm value and can also be used to document that the property is complete. 	

Data Requirements				
Determining Value for LTV/TLTV/HTLTV Ratios (Guide Section K33.12)	Purchase 1-4 unit site-built	Newly Built	Lesser of: <ul style="list-style-type: none"> • Purchase Price, or • Appraised value, as completed 	
		Construction Conversion	Lesser of: <ul style="list-style-type: none"> • Purchase price (cost of land and total construction costs), or • Appraised value, as completed 	
		Renovation	Lesser of: <ul style="list-style-type: none"> • Purchase price prior to the renovation plus the renovation costs (costs of demolition and reconstruction), or • Appraised value, as completed 	
	1-unit Manufactured Home (MH)	Newly Built and Construction Conversion	Lesser of: <ul style="list-style-type: none"> • The purchase price of the MH, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or • Appraised value of the MH and land 	
	Refinance		Land owned 12 months or more*	Land owned less than 12 months*
	1-4 unit site-built • Cash-out • “No Cash-out”	Construction Conversion and Renovation	Appraised value, as completed	Lesser of: <ul style="list-style-type: none"> • Appraised value, as completed (see Temporary Requirement) • For Construction Conversion, the cost of the land and total construction costs, or • For Renovation, the purchase price prior to the renovation and the total renovation costs, including if applicable, costs of demolition
	1-unit MH • “No Cash-out”	Construction Conversion	Lesser of: <ul style="list-style-type: none"> • Purchase price (cost of the MH and appraised value of the land), or • Appraised value, as completed (see Temporary Requirement) 	Lesser of: <ul style="list-style-type: none"> • Purchase price (cost of the MH and lowest purchase price of the land within the most recent 12-month period), or • Appraised value, as completed (see Temporary Requirement)
Temporary Requirement for Refinances (Guide Bulletin 11/20/06)	Certain enhancements to Freddie Mac's delivery systems and Loan Prospector necessary to support this offering have not been completed. Accordingly, we are allowing, on a temporary basis, and until further notice, Sellers to use the appraised value of the Mortgaged Premises to calculate value for determining the LTV/TLTV/HTLTV ratios for Construction Conversion or Renovation Mortgage refinance transactions secured by site-built homes where the land has been owned for less than 12 months at the time of the closing date of the Interim Construction Financing. For Construction Conversion Mortgage refinance transactions secured by Manufactured Homes, regardless of the length of ownership, the value must be calculated using the appraised value of the Mortgaged Premises (see Section K33.12). When the enhancements to Freddie Mac's systems supporting this new offering have been fully completed, Sellers will be notified and this temporary requirement will be rescinded.			
Loan Application (Form 65)	Under Purpose of Loan indicate either Purchase or Refinance, as applicable (not Construction or Construction-Permanent).			

* As of the date of closing on the Interim Construction Financing. For land acquired by gift or inheritance, use the current appraised value of the land, regardless of the acquisition date.

Data Requirements	
Loan Prospector Data Fields	<p>Enter the following in the Loan Prospector data fields:</p> <ul style="list-style-type: none"> • Mortgage Type – Select Conventional • Purpose of Loan – Select Purchase or Refinance, as applicable. Purchase or refinance depends on whether the Borrower owned the land (or the land and improvements) at the time of the closing on the Interim Construction Financing (see Purchase or Refinance, page 2) • Appraised Value – Enter the determined value (see Determining Value for LTV/TLTV/HTLTV Ratios, page 3) • Building Status – As applicable, select Proposed or Under Construction for Newly Built Home Mortgages and Construction Conversion Mortgages; select Substantially Rehabilitated or Alteration, Improvements, Repair for Renovation Mortgages • New Construction – If a Newly Built Home Mortgage, select Newly Built. If Construction Conversion Mortgage or Renovation Mortgage, select Construction Conversion • Purpose of Refinance: <ul style="list-style-type: none"> ○ No Cash-Out Freddie Mac Owned Refi – No longer valid. If selected, Loan Prospector returns an ineligible message upon submission. However, no cash-out Freddie Mac-owned streamlined refinance mortgages may be manually underwritten. Refer to Guide Section 24.4 for details. ○ No Cash-Out Streamlined Refi – No longer valid. If selected, Loan Prospector returns an ineligible message upon submission
Credit Options	<p>Use either infiles or merged credit (including Reference Numbers from previously ordered merged credit).</p> <ul style="list-style-type: none"> • Infiles are automatically obtained through Loan Prospector with an assessment • Merged Credit is obtained if merged credit is requested with AUS, or infiles if Reference Numbers are entered to access previously ordered merged credit data. If you need to resubmit, keep the same CRC (and if applicable, technical affiliate), critical data, and submitting entity up to 120 days. After 120 days, you will not be able to rescore and use the existing credit on file. You may receive a new credit file if you resubmit after certain conditions change. For a list of these conditions, see Additional Tips, under Resubmission, in either of these documents: <ul style="list-style-type: none"> ○ Using Loan Prospector® Merged Credit Report Options (LoanProspector.com Browser Access Method), or ○ Ordering Merged Credit (LoanProspector.com System-to-System Access Method) <p>For more information on using Loan Prospector's merged credit options, refer to the resources available on our Freddie Mac Learning Center at http://www.FreddieMac.com/learn/uw/functionality.html</p>
Loan Prospector Resubmission Requirements (Guide Section K33.10 (b))	<p>Resubmission prior to the Effective Date of the Permanent Financing is required if:</p> <ul style="list-style-type: none"> • Information on previous submission was not true, complete or accurate • For Mortgages with application dates prior to June 13, 2010 and Settlement Dates no later than December 31, 2010, the most recent submission (including credit data) will be older than 18 months as of the Effective Date of Permanent Financing • For Mortgages with applications dated on or after June 13, 2010, and Settlement Dates on or after January 1, 2011, the most recent submission (including credit data) will be older than 120 days as of the Effective Date of Permanent Financing • Information used by Loan Prospector changed, unless the change meets the exceptions of Guide Section 2.2.1(k) <p>Resubmission prior to the Effective Date of the Permanent Financing is not required for:</p> <ul style="list-style-type: none"> • A change from the previous submission if the change involves one of the exceptions in Section 2.2.1(k) • A decrease in the loan amount, provided the Permanent Financing meets the following conditions: <ul style="list-style-type: none"> ○ When there is an increase in the down payment, all funds used to reduce the loan amount must meet the requirements of Guide Chapter 26 ○ Any reduction in the verified reserve amount is no more than 10%, or the Borrower has verified liquid reserves (i.e., funds in checking, savings and money market accounts) equal to or greater than 12 monthly payments of principal, interest, taxes and insurance (PITI) ○ The decrease in the loan amount does not change the level of mortgage insurance coverage

Data Requirements	
Loan Prospector Resubmission Requirements (Guide Section K33.10 (b)) <i>continued</i>	<ul style="list-style-type: none"> • A change from an ARM to a fixed-rate Mortgage, provided the Permanent Financing complies with the following conditions: <ul style="list-style-type: none"> ○ The Permanent Financing may not be subject to a temporary subsidy buydown plan ○ In the prior submission, the Borrower was qualified with an ARM monthly housing expense payment equal to or greater than the fixed-rate monthly housing expense ○ The Mortgage term of the fixed-rate Mortgage is the same as the Mortgage term for the ARM ○ Neither the ARM nor the fixed-rate Mortgage is an Initial Interest Mortgage* • A decrease in the asset/reserve amount, provided the amount of verified reserves decreases by no more than 10%, or the Borrower has verified liquid reserves (i.e., funds in checking, savings and money market accounts) equal to or greater than 12 monthly payments of PITI <p>* Initial Interest Mortgages and other interest only Mortgages with applications dated on or after June 13, 2010, and/or Settlement Dates on or after September 1, 2010 are ineligible for delivery.</p>
Documentation	
Documentation Types for Permanent Financing (Guide Section K33.4)	<p>For Newly Built Home Mortgages, a single set of Mortgage loan instruments is executed at a single closing. For Construction Conversion Mortgages and Renovation Mortgages, convert the Interim Construction Financing to Permanent Financing with one of the following structures:</p> <ul style="list-style-type: none"> • Integrated Documentation <ul style="list-style-type: none"> ○ Single set of loan instruments with the terms of the Interim Construction Financing provided in an addendum or otherwise incorporated into the Note for the Permanent Financing ○ No change to the Note or Security Instrument at conversion of Interim Construction Financing except to reduce the principal balance ○ Single Closing at time of Interim Construction Financing to execute the Mortgage loan instruments ○ No modification agreement is executed • Separate Documentation <ul style="list-style-type: none"> ○ Separate sets of loan instruments (Note and Security Instrument) for Interim Construction Financing and Permanent Financing ○ Two closings: first, to execute the Interim Construction Financing; and second, to execute the Permanent Financing loan instruments ○ No modification agreement is executed • Modification Documentation <ul style="list-style-type: none"> ○ One Security Instrument for both Interim Construction Financing and Permanent Financing, a Note for the Interim Construction Financing, and a construction conversion modification agreement (which may include a new Note for Permanent Financing if different from the Interim Construction Financing, the Note used for the Interim Construction Financing was a nonUniform Instrument or the Note used was for a different Mortgage product) ○ Two closings: first, at the time of the Interim Construction Financing to execute the Mortgage loan instruments; and second, at the time of Permanent Financing to execute the Construction Conversion Modification Agreement and, if necessary, a new note <p>Manufactured Home Requirement: Must always use Separate Documentation</p>
Required Uniform Instruments (Guide Section K33.4(a))	<p>The Permanent Financing must be closed on the most current version of the applicable Uniform Instruments as permitted in the Guide. Refer to Guide Exhibit 4, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments; and Guide Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for authorized changes to the Uniform Instruments.</p>

Documentation											
Mortgage File Documentation (Guide Section K33.14)	<p>Mortgage file must contain:</p> <ul style="list-style-type: none"> Evidence to support type of Mortgage for Newly Constructed Home (Newly Built, Construction Conversion or Renovation) Documentation to validate the purchase price, or to calculate the actual cost to construct or renovate (e.g., contracts, receipts, invoices, lien waivers, etc.) Document showing your calculation of the purchase price and/or cost to construct For Manufactured Home, the Manufacturer’s invoice and Manufactured Home Purchase Agreement For land acquired by gift or inheritance, documentation to verify acquisition and transfer of the land ownership <p>Additional requirements for Construction Conversion Mortgages and Renovation Mortgages:</p> <ul style="list-style-type: none"> All HUD-1 forms or other Mortgage closing statements for Interim Construction Financing and Permanent Financing <i>If land has been owned less than 12 months</i> prior to the closing of the Interim Construction Financing, provide the executed purchase contract for land or Mortgaged Premises, or other evidence of acquisition <i>If land has been owned for 12 months or more</i> prior to the closing of the Interim Construction Financing, provide evidence that the Borrower has been the owner of record for at least 12 months 										
Calculating Construction Costs	<p>Items included in the calculation of cost to construct or renovate the home must be commonly and customarily included in the cost to construct other homes in the area where the Mortgaged Premises is located.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="background-color: #d9ead3;">Examples of costs that <i>may</i> or <i>may not</i> be included</th> </tr> <tr> <th style="background-color: #d9ead3;">May be included:</th> <th style="background-color: #d9ead3;">May be included if common to area:</th> <th style="background-color: #d9ead3;">May not be included:</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Materials, cost of labor associated with construction Energy-efficient components, systems and installation Grading, seed/sod, and other site improvements such as decks, porches, landscaping, etc. Demolition expenses (Renovation Mortgages only) Architectural, engineering, survey and legal fees Water and sewer tap fees Access fees to other utilities (gas, electric, telephone, and cable) Utilities during construction Permits, inspection and recording fees Costs associated with construction loan including interest and points If a refinance, closing costs associated with the permanent Mortgage </td> <td> <ul style="list-style-type: none"> Kitchen appliances Intercom system Wiring for media system, computers, cable or satellite that is hard-wired and made part of the premise Security system Water treatment system that is a part of the property's plumbing system </td> <td> <ul style="list-style-type: none"> If purchase, any financing costs for permanent Mortgage Furniture Electronics and home entertainment equipment that are not hard-wired and part of the premise (televisions, monitors, stereos, speakers, computers, satellite dishes, etc.) Monthly maintenance fees Other personal items </td> </tr> </tbody> </table>		Examples of costs that <i>may</i> or <i>may not</i> be included			May be included:	May be included if common to area:	May not be included:	<ul style="list-style-type: none"> Materials, cost of labor associated with construction Energy-efficient components, systems and installation Grading, seed/sod, and other site improvements such as decks, porches, landscaping, etc. Demolition expenses (Renovation Mortgages only) Architectural, engineering, survey and legal fees Water and sewer tap fees Access fees to other utilities (gas, electric, telephone, and cable) Utilities during construction Permits, inspection and recording fees Costs associated with construction loan including interest and points If a refinance, closing costs associated with the permanent Mortgage 	<ul style="list-style-type: none"> Kitchen appliances Intercom system Wiring for media system, computers, cable or satellite that is hard-wired and made part of the premise Security system Water treatment system that is a part of the property's plumbing system 	<ul style="list-style-type: none"> If purchase, any financing costs for permanent Mortgage Furniture Electronics and home entertainment equipment that are not hard-wired and part of the premise (televisions, monitors, stereos, speakers, computers, satellite dishes, etc.) Monthly maintenance fees Other personal items
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General Delivery Information											
Seller-Owned Modified/Seller-Owned Converted Mortgages (Guide Section K33.13)	Seller-Owned Modified and Seller-Owned Converted Mortgages may not be used to convert or modify the Interim Construction Financing to Permanent Financing. The mortgage is a Seller-Owned Modified/Seller-Owned Converted Mortgage if after the Effective Date of Permanent Financing, the terms of the Permanent Financing have been modified, or an adjustable-rate Mortgage (ARM) converted to a fixed-rate Mortgage.										
Delivery SCCs (Guide Section 17.38.1)	Deliver with applicable SCC on Form 11 or Form 13SF: <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Newly Built Home Mortgages – Site-built</td> <td>D49</td> </tr> <tr> <td>Newly Built Home Mortgages – Manufactured Home</td> <td>D50</td> </tr> <tr> <td>Construction Conversion Mortgages – Site-built</td> <td>D51</td> </tr> <tr> <td>Construction Conversion Mortgages – Manufactured Home</td> <td>D52</td> </tr> <tr> <td>Renovation Mortgages – Site-built</td> <td>D51 and D69</td> </tr> </tbody> </table>	Newly Built Home Mortgages – Site-built	D49	Newly Built Home Mortgages – Manufactured Home	D50	Construction Conversion Mortgages – Site-built	D51	Construction Conversion Mortgages – Manufactured Home	D52	Renovation Mortgages – Site-built	D51 and D69
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Renovation Mortgages – Site-built	D51 and D69										
Delivery Reference Code (Guide 17.38.1)	Deliver with Reference Code 0013 on Form 11 or Form 13SF if: <ul style="list-style-type: none"> • Construction Conversion and Renovation Mortgages – Site-built (SCC D51), and • Integrated Construction Conversion Documentation or Modification Construction Conversion Documentation 										
Date of Note and Mod/Conv Date (Guide 17.38.1)	Special delivery instructions for Mortgages for Newly Constructed Homes for the Date of the Note. See Guide Section 17.38.1. Effective Date of Permanent Financing must be entered in the Mod/Conv Date field for: <ul style="list-style-type: none"> • Construction Conversion and Renovation Mortgages – Site-built (SCC D51), and • Integrated Documentation or Modification Documentation 										
Uniform Underwriting and Transmittal Summary (Form 1077)	Under Loan Purpose indicate Purchase, Cash-Out Refinance or “No Cash-out” Refinance, as applicable, and not Home Improvement or Construction to Permanent. Under Underwriter Comments indicate if the Mortgage is a Newly Built Home Mortgage, Construction Conversion Mortgage or Renovation Mortgage										
Delivery Fees	Refer to Exhibit 19, Postsettlement Delivery Fees, for any applicable fees										

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