



Construction Conversion Mortgages

Enhanced opportunities to meet your borrowers construction conversion financing needs

Construction Conversion Mortgages are for borrowers securing Permanent Financing to replace the Interim Construction Financing for a new site-built home, or new manufactured home that will be permanently affixed to land. This offering provides flexibility for you, your borrowers, and your builders – permitting 18 months between the date of the earliest credit, capacity or collateral document and the settlement date (the date the loan is sold to Freddie Mac).

Borrower Profile

- Construction conversion borrowers

Key Features

- 18 months to process, underwrite, document, allow for construction, and sell to Freddie Mac
- Purchase transactions
- Cash-out and no cash-out refinance transactions
- Available with new site-built homes, and new manufactured homes that will be permanently affixed to land
- Loan Prospector® or Non-Loan Prospector mortgages

Borrower Benefits

- 18-month Credit/Construction/Settlement Period accommodates the uncertainties of new construction
- Flexible, streamlined loan origination process whether your borrower's Construction Conversion Mortgage is a purchase or refinance transaction
- Expanded mortgage options to meet your borrowers needs when combined with other Freddie Mac products, including low down payment mortgages
- Obtain Permanent Financing from the same lender used to secure Interim Construction Financing

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ Newly built or constructed 1- to 4-unit site-built homes ▪ Newly purchased one-unit manufactured homes that have never been attached to a foundation
Eligible Property Occupancy	<ul style="list-style-type: none"> ▪ Primary residence ▪ Investment property ▪ Second homes
Eligible Mortgages	<ul style="list-style-type: none"> ▪ 15-, 20-, and 30-year fixed-rate mortgages ▪ Most ARMs eligible for sale to Freddie Mac ▪ 5- and 7-year balloon/reset mortgages ▪ Purchase; no cash-out refinances; and cash-out refinances (Site built only) ▪ Values used to determine LTV, TLTV, and HTLTV for Construction Conversion Mortgages are calculated according to the requirements in Section K33.12 <ul style="list-style-type: none"> ⌚ For temporary requirements for calculating appraised value, also see Guide Section K33.12
Ineligible Mortgages	<ul style="list-style-type: none"> ▪ All Streamlined Refinance Mortgages ▪ Special purpose Cash-out Refinance Mortgages ▪ FHA and VA Mortgages ▪ Section 502 Guaranteed Rural Housing Mortgages ▪ Section 184 Native American Mortgages ▪ Home Possible[®] Mortgages ▪ Initial Interest[®] Mortgages ▪ Super conforming mortgages
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ The borrower on the Permanent Financing must be the borrower on the Interim Construction Financing. A borrower may not be added or removed when the Interim Construction Financing is paid off, modified or converted to, or replaced by Permanent Financing. ▪ At least one borrower on the mortgage is obligated to repay the Interim Construction Financing and repayment of the Interim Construction Financing; and any other outstanding prior financing, including installation financing or outstanding prior mortgage loans, may not be the obligation of any party other than the borrower.
Special Underwriting Requirements	<ul style="list-style-type: none"> ▪ Minimum Indicator Score of 620 unless otherwise specified in the Guide. (Loan Prospector A-minus Mortgages exempt.) ▪ All mortgages must meet the risk class and/or minimum Indicator Score requirements in Exhibit 25A, where applicable. ▪ Maximum debt-to-income ratio of 45 percent for manually underwritten mortgages except for Streamlined Refinance Mortgages. ▪ A borrower's credit, capacity, and collateral documentation must be dated within 18 months of the settlement date for sales through the selling system. ▪ Loans submitted to Loan Prospector will be assessed by selecting the option "Construction Conversion." ▪ Seller may underwrite the Permanent Financing prior to or after closing of the Interim Construction Financing. ▪ Changes in the terms of the financing or in the mortgage product are permitted prior to the effective date of the Permanent Financing. If there are changes in the terms of the Permanent Financing after the mortgage has been underwritten then: <ul style="list-style-type: none"> ⌚ If it is a Non-Loan Prospector Mortgage, it must be re-underwritten ⌚ If it is a Loan Prospector Mortgage, it may require resubmission of the mortgage to Loan Prospector as described in Guide Section K33.10(b). ⌚ See Guide Section 2.2.1(k) for requirements for exceptions to Loan Prospector resubmissions. ▪ Borrower must own the land prior to the start of construction work in fee simple or for a site-built home, have a leasehold estate meeting the requirements of Guide Chapter 41. The borrower may have acquired the land through a purchase, inheritance, gift or divorce settlement. ▪ All improvements must be fully completed before the sale to Freddie Mac, except for mortgages secured by site-built homes meeting the requirements in Guide Section 44.2(b) and unless escrows are established in accordance with the requirements of Section 44.2(b).
Collateral Assessment	<ul style="list-style-type: none"> ▪ An appraisal update is required within 120 days prior to the effective date of the Permanent Financing. If the property value has declined, the Construction Conversion Mortgage must be resubmitted to Loan Prospector or re underwritten (if manually underwritten). ▪ Seller must obtain a written appraisal report with an interior and exterior inspection that meets the requirements of Guide Chapter 44. Loan Prospector's Condition and Marketability Report and Property Inspection Alternative (PIA) may not be used to evidence if the property is acceptable for the transaction. ▪ Appraisal report must state the estimated market value of the property after completion of the construction, and if applicable, be supported by an acceptable completion certificate. (See Form 442, <i>Appraisal Update and/or Completion Report</i>, for suggested format.)
Documentation Requirements	<ul style="list-style-type: none"> ▪ Conversion of interim financing to Permanent Financing must use the following documentation structures in Guide Section K33.4: <ul style="list-style-type: none"> ⌚ Integrated Documentation (not permitted with manufactured homes) ⌚ Separate Documentation ⌚ Modification Documentation (not permitted with manufactured homes)
Seasoned Mortgages	<ul style="list-style-type: none"> ▪ Construction Conversion Mortgages are Seasoned Mortgages for Newly Constructed Homes if the settlement date (the date the loan is sold to Freddie Mac under the selling system) is more than 18 months after the date of a borrower's oldest credit, capacity, or collateral documentation. ▪ Seasoned Mortgages for Newly Constructed Homes are eligible for sale only under negotiated sales contracts through the bulk sales path.

DELIVERY REQUIREMENTS

Eligible Executions	<ul style="list-style-type: none">▪ Servicing-released cash*▪ Servicing-retained cash▪ Fixed-rate Guarantor▪ WAC ARM Guarantor▪ MultiLender Swap** <p>*See our selling system availability matrix for a list of specific mortgages eligible for sale through cash under mandatory contracts, servicing-released, and best efforts contracts servicing-released or servicing-retained.</p> <p>**Mortgages for Newly Constructed Homes with a settlement date more than 12 months after the effective date of Permanent Financing are not eligible for sale under MultiLender Swap.</p>
Delivery Requirements	<p>The following special data must be delivered on Form 11 or 13SF as applicable:</p> <ul style="list-style-type: none">▪ Date of Note: Depends on the type of construction conversion documentation used; see Guide Section 17.38.1.▪ Special Characteristic Codes (SCCs):<ul style="list-style-type: none">⌚ D51 = Construction Conversion Mortgages – Site-built⌚ D52 = Construction Conversion Mortgages – Manufactured home⌚ D53 = Seasoned Mortgages f or Newly Constructed Homes (bulk transactions)▪ Reference Code: 0013 - Delivered with Construction Conversion Mortgages when data must be entered into the mod/conv field; depends on type of construction conversion documentation used.▪ Modification/Conversion Date: Depends on type of construction conversion documentation used - See Guide Section 17.38.1.
Delivery Fees	<ul style="list-style-type: none">▪ See Guide Exhibit 19 at www.FreddieMac.com/singlefamily/pdf/ex19.pdf for details on applicable delivery fees.

Learn more about Construction Conversion Mortgages

- Refer to Chapter K33 and Section 17.38.1 of your *Single-Family Seller/Servicer Guide*
- Contact your Freddie Mac representative or call (800) FREDDIE
- Visit our Website: www.FreddieMac.com