



Mortgages for Newly Constructed Homes

Permanent financing options for new construction borrowers

Mortgages for Newly Constructed Homes provide options for borrowers securing permanent financing for newly built homes, construction conversions, and renovations.

> Borrower Profile

- New construction borrowers
- First-time or move-up borrowers

> Key Features

- Purchase or refinance
- Refinance transactions available with Construction Conversion and Renovation Mortgages
- Loan Prospector® or Non-Loan Prospector Mortgages

> Borrower Benefits

- Expanded permanent financing options for newly built homes, construction conversions or renovations
- For Construction Conversion and Renovation Mortgages, a co-borrower may be removed or a related person may be added to the permanent financing under specific circumstances
- Can be combined with a variety of Freddie Mac mortgages

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit site-built homes ▪ 1-unit manufactured homes (Newly Built Home Mortgages and Construction Conversion Mortgages only)
Eligible Mortgages	<ul style="list-style-type: none"> ▪ 15-, 20-, and 30-year fixed-rate mortgages ▪ Most ARMs eligible for sale to Freddie Mac ▪ Super conforming mortgages with application dates on or after June 13, 2010 ▪ 5- and 7-year balloon/reset mortgages ▪ Home Possible Mortgages (Newly Built Home Mortgages – Site-built only) ▪ Purchase transactions ▪ Cash-out refinance mortgages (Construction Conversion and Renovation Mortgages) ▪ No cash-out refinance mortgages (for Construction Conversion and Renovation Mortgages (site built only)) ▪ All Mortgages for Newly Constructed Homes are eligible for all products and all LTV, TLTV, and HTLTV per the applicable product or Guide Chapter K33, unless otherwise stated
Ineligible Mortgages	<ul style="list-style-type: none"> ▪ All Streamlined Refinance Mortgages ▪ Special purpose cash-out refinance mortgages ▪ Cash-out refinance mortgages for manufactured homes ▪ FHA and VA mortgages ▪ Section 502 Guaranteed Rural Housing Mortgages ▪ Section 184 Native American Mortgages
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ The borrower must not be affiliated with or related to the builder, developer or the property seller for Mortgages for Newly Constructed Homes secured by second homes and investment properties that are purchase transactions. ▪ For Construction Conversion and Renovation Mortgages: <ul style="list-style-type: none"> □ The borrower on the permanent financing must be the borrower on, and obligated to repay, the Interim Construction Financing, and any other outstanding prior financing, including installation financing or outstanding prior mortgages. □ A co-borrower may be deleted in the event of death or divorce, or a related person may be added, provided that all borrowers on the permanent financing are owner-occupants of the mortgaged premises. □ The builder/developer must not be obligated to repay the Interim Construction Financing or any mortgage on the land or the improvements. ▪ For Newly Built Home Mortgages: <ul style="list-style-type: none"> □ Borrower must not have owned the land prior to closing and must not have secured any Interim Construction Financing or be obligated to pay off any Interim Construction Financing with the mortgage proceeds.
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. ▪ For mortgages with application dates on or after June 13, 2010 and settlement dates on or after January 1, 2011: <ul style="list-style-type: none"> □ A borrower's credit and capacity documentation must be dated no more than 120 days prior to the effective date of permanent financing □ If the settlement date is more than 120 days after the effective date of permanent financing, the Seller must obtain a new appraisal with at least an exterior-only inspection that meets Freddie Mac's requirements ▪ Loans submitted to Loan Prospector are assessed by the options "Newly Built" or "Construction Conversion." Sellers also assess Renovation Mortgages by choosing the "Construction Conversion" option. ▪ Seller must underwrite the mortgage for the permanent financing that will be sold to Freddie Mac, prior to the effective date of permanent financing. For Construction Conversion and Renovation Mortgages, underwriting may occur 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 General Section K33.10(b). ▪ See Guide Section 2.2.1(k) for requirements for exceptions to Loan Prospector resubmissions. ▪ 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 Guide 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 Mortgage for Newly Constructed Home product 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 or renovation and if applicable, be supported by an acceptable completion certificate. (See Form 442, <i>Appraisal Update and/or Completion Report</i>, for suggested format.)
Seasoned Mortgages for Newly Constructed Homes	<ul style="list-style-type: none"> ▪ A Mortgage for Newly Constructed Homes is a seasoned mortgage if the effective date of permanent financing is more than 12 months prior to the settlement/delivery date. (For mortgages with application dates on or after June 13, 2010) ▪ 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 type of construction conversion document used – see Guide Section 17.38.1. <ul style="list-style-type: none"> □ For Newly Built Home Mortgages, the date of note equals the note date of the mortgage. □ For Construction Conversion and Renovation Mortgages, the date of the note equals the note date of the permanent financing documentation; or the original note date of the interim and/or integrated Interim Construction Financing documentation. ▪ Special Characteristic Codes (SCCs): <ul style="list-style-type: none"> □ D49 = Newly Built Home Mortgages – Site-built □ D50 = Newly Built Home Mortgages – Manufactured home □ D51 = Construction Conversion Mortgages - Site-built □ D51 and D69 = Renovation Mortgages - Site-built (both SCCs must be delivered) □ D52 = Construction Conversion Mortgages - Manufactured home □ D53 = Seasoned Mortgages for Newly Constructed Homes (bulk transactions only) ▪ Reference Code: 0013 - Delivered with Construction Conversion or Renovation Mortgages when data must be entered into the mod/conv field; depends on type of construction conversion document used – see Guide Section 17.38.1. ▪ Modification/Conversion Date: The due date of the first monthly installment of principal and interest on the permanent mortgage; depends on type of construction conversion document used – see Guide Section 17.38.1.
Delivery Fees	See Guide Exhibit 19 at www.FreddieMac.com/singlefamily/pdf/ex19.pdf for details on applicable delivery fees

Learn more about Mortgages for Newly Constructed Homes:

- Refer to Chapter K33 and Section 17.38.1 of your *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com