



Renovation Mortgages

A Permanent Financing option to meet your borrowers home renovation needs

Renovation Mortgages are for borrowers securing Permanent Financing to replace the Interim Construction Financing used 1) to purchase or refinance the land and an existing site-built home and 2) to repair, restore, rehabilitate, or renovate a site-built home. This offering provides greater 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

- Borrowers seeking to repair, restore, rehabilitate or renovate an existing site-built home
- Borrowers who want to make additions to their existing home

> 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
- Loan Prospector® or Non-Loan Prospector Mortgages

> Borrower Benefits

- 18-month Credit/Construction/Settlement period accommodates the uncertainties of renovation work
- Flexible, streamlined loan origination process whether your borrower's Renovation Mortgage is a purchase or refinance transaction
- Meets a variety of borrowers' needs when combined with other Freddie Mac products, including many 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"> ▪ Existing 1- to 4-unit site-built homes ▪ Manufactured homes are not eligible
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 ▪ Values used to determine LTV, TLTV, and HTLTV for Renovation Mortgages are calculated according to the requirements in Guide 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 mortgages, may not be the obligation of any party other than the borrower. ▪ Any other outstanding prior financing, including installation financing or outstanding prior mortgages, 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. ▪ 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 mortgaged premises prior to the start of renovation work in fee simple or 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 sale to Freddie Mac, except for mortgages 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 Renovation 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 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.)
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 ⦿ Separate Documentation ⦿ Modification Documentation ▪ If the interim construction financing was originated on a note that is not a uniform instrument or was for a different mortgage product, a new uniform note is required for the permanent financing. ▪ Freddie Mac is providing examples of Construction Conversion Modification Agreements to be used in different modification circumstances. (See the Freddie Mac Uniform Instrument Web site.)

Seasoned Mortgages	<ul style="list-style-type: none"> ▪ Renovation 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 and D69 = Renovation Mortgages - Site-built (both SCCs must be delivered) ⊗ D53 = Seasoned Mortgages for Newly Constructed Homes (bulk transactions only) ▪ Reference Code: 0013 - Delivered with Renovation 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 Freddie Mac Renovation Mortgages:

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