

Exhibit B: Guide Chapter K33
Mortgages for Newly Constructed Homes

K33.1: Overview

This chapter details the requirements for the three types of Mortgages for Newly Constructed Homes:

- Newly Built Home Mortgages
- Construction Conversion Mortgages
- Renovation Mortgages

K33.2: Defined terms

Sellers should be familiar with the following Freddie Mac definitions provided in Exhibit A: Glossary Definitions – Mortgages for Newly Constructed Homes:

- Mortgages for Newly Constructed Homes
- Newly Built Home Mortgage
- Construction Conversion Mortgage
- Renovation Mortgage
- Interim Construction Financing
- Permanent Financing
- Effective Date of Permanent Financing
- Integrated Construction Conversion Documentation (Integrated Documentation)
- Separate Construction Conversion Documentation (Separate Documentation)
- Modification Construction Conversion Documentation (Modification Documentation)
- Construction Conversion Modification Agreement
- Credit/Construction/Settlement Period
- Seasoned Mortgage for a Newly Constructed Home

K33.3: Eligible and ineligible Mortgages

Mortgages for Newly Constructed Homes that are eligible for purchase must be First Lien Mortgages and may be any Mortgage Product or offering eligible under this Guide unless specifically described as ineligible in this Chapter.

Type Product or Offering	Newly Built Home Mortgages	Construction Conversion Mortgages	Renovation Mortgages
FHA and VA Mortgages	Ineligible	Ineligible	Ineligible
Section 502 GRH Mortgages	Ineligible	Ineligible	Ineligible
Section 184 Native American Mortgages	Ineligible	Ineligible	Ineligible
Initial Interest™ Mortgages	Eligible	Ineligible	Ineligible
Home Possible® Mortgages	Ineligible if secured by a Manufactured Home	Ineligible	Ineligible

Certain types of refinance Mortgages and certain property types may also be ineligible with a Mortgage for a Newly Constructed Home. See Sections K33.6(b) and K33.8 for additional restrictions on the eligible Mortgage purpose and property types.

K33.4: Documentation of Permanent Financing

For a Newly Built Home Mortgage, there is no Interim Construction Financing to be replaced by or converted to Permanent Financing; the documentation is for the Permanent Financing.

With a Construction Conversion Mortgage or a Renovation Mortgage, conversion of the Interim Construction Financing to Permanent Financing may be accomplished using one of the following structures:

- Integrated Construction Conversion Documentation (not permitted with a Construction Conversion Mortgage secured by a Manufactured Home)
- Separate Construction Conversion Documentation
- Modification Construction Conversion Documentation (not permitted with a Construction Conversion Mortgage secured by a Manufactured Home)

(a) Required Uniform Instruments; Uniform Security Instrument

The Permanent Financing of Mortgages for Newly Constructed Homes must be closed on the Uniform Instruments permitted under this Guide to be used with the applicable Mortgage Product being used for the Permanent Financing.

The Seller must use the most current version of the State-specific Fannie Mae/Freddie Mac Single-Family Security Instrument prepared for use in the jurisdiction in which the Mortgaged Premises are located and the most current version of any applicable property type riders. The most current version of the Uniform Instruments is the version in effect as of the date the Security Instrument for the Permanent Financing is executed. See Exhibit 4, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments. See Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for authorized changes to the Uniform Instruments.

(b) Types of Documentation of Permanent Financing

The Interim Construction Financing and Permanent Financing of Mortgages for Newly Constructed Homes must be documented as follows:

Type Mortgage	Documentation Structure	Closings	Required Documentation
Newly Built Home Mortgages	Single set of Mortgage loan instruments	Single closing to execute the Mortgage loan instruments	<ul style="list-style-type: none">• Uniform Security Instrument• Uniform Note applicable to the Mortgage Product

Type Mortgage	Documentation Structure	Closings	Required Documentation
<p>Construction Conversion and Renovation Mortgages: Integrated Documentation</p>	<p>Single set of Mortgage loan instruments with construction financing terms incorporated into the Note for the Permanent Financing</p> <p>No change to the Note at conversion of Interim Construction Financing except to reduce the principal balance</p> <p>No modification agreement</p>	<p>Single closing at time of Interim Construction Financing to execute the Mortgage loan instruments</p>	<ul style="list-style-type: none"> • Uniform Security Instrument • Uniform Note applicable to the Permanent Financing Mortgage Product with changes needed for terms of the Interim Construction Financing. Interim Construction Financing terms should be in an addendum to the Note
<p>Construction Conversion and Renovation Mortgages: Separate Documentation</p>	<p>Two sets of Mortgage loan instruments: one set for the Interim Construction Financing and a second set for the Permanent Financing</p> <p>No modification agreement</p>	<p>Two closings: (i) to execute the Interim Construction Financing loan instruments, and (ii) to execute the Permanent Financing loan instruments</p>	<ul style="list-style-type: none"> • Interim Construction Financing may be nonUniform Instruments • Uniform Security Instrument for Permanent Financing • Uniform Note applicable to the Mortgage Product for Permanent Financing

Type Mortgage	Documentation Structure	Closings	Required Documentation
<p>Construction Conversion and Renovation Mortgages:</p> <p>Modification Documentation</p>	<p>(i) One Security Instrument for both Interim Construction and Permanent Financing, (ii) The Note for Interim Construction Financing, and (iii) A 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 was for a different Mortgage Product</p> <p>Construction Conversion Modification Agreement used at time of conversion of Interim Construction Financing to Permanent Financing</p>	<p>Two closings: (i) at the time of the Interim Construction Financing, to execute the Mortgage loan instruments, and (ii) at the time of Permanent Financing, to execute the Construction Conversion Modification Agreement and if necessary, a new Note</p>	<ul style="list-style-type: none"> • Uniform Security Instrument • Uniform Note applicable to Mortgage Product for Interim Construction Financing; nonUniform Note may be used but must execute new Uniform Note with modification agreement • Construction Conversion Modification Agreement (see subsection (c) below for version of Construction Conversion Modification Agreement to be used) • New Uniform Note applicable to Mortgage Product for Permanent Financing if the Note used for the Interim Construction Financing was a nonUniform Note or was for a different Mortgage Product • Additional riders to the Security Instrument if needed for the Permanent Financing Mortgage Product (for example, an ARM Rider may be needed)

(c) Construction Conversion Modification Agreements to be used under special circumstances

The following requirements apply in these circumstances when using Modification Documentation:

<p>Interim Construction Financing is on Uniform Note for same Mortgage Product as the Permanent Financing</p>	<p>Borrower must execute Construction Conversion Modification Agreement applicable to the Mortgage Product; new Uniform Note not required.</p> <p>As examples, see Freddie Mac Multistate Construction Conversion Modification Agreement – Fixed-Interest Rate (Modification of Note) (Form 5162), or</p> <p>Freddie Mac Construction Conversion Modification Agreement – Adjustable Interest Rate (Modification of Note) (Form 5163)</p>
<p>Interim Construction Financing is on Uniform Note for different Mortgage Product from that used for Permanent Financing</p>	<p>Borrower must execute Construction Conversion Modification Agreement <u>and</u> new Uniform Note and any necessary Riders appropriate for the Mortgage Product being used for the Permanent Financing</p> <p>As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement (New Note) (Form 5164)</p> <p>-----</p> <p>As an alternative, if the Interim Construction Financing was on a Uniform Note for a Mortgage Product other than a fixed-rate Mortgage and the Permanent Financing is fixed-rate financing, the Borrower may execute a Construction Conversion Modification Agreement with fixed-rate terms incorporated into the modification.</p> <p>As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement – Fixed Interest Rate (Embedded Fixed-rate Financing Terms for use with modification into a Fixed Interest Rate) (Form 5165)</p>
<p>Interim Construction Financing is not on a Uniform Note</p>	<p>Borrower must execute Construction Conversion Modification Agreement <u>and</u> new Uniform Note and any necessary Riders appropriate for the Mortgage Product being used for the Permanent Financing.</p> <p>As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement (New Note) (Form 5164)</p>

The Seller may use the applicable Freddie Mac Construction Conversion Modification Agreement(s) described in the chart above or develop its own modification agreement using Freddie Mac’s examples. However, the Seller’s modification agreement must not incorporate the terms of the Note for the Permanent Financing in those situations where Freddie Mac requires that a new Uniform Note be used.

If the Seller uses a different Construction Conversion Modification Agreement than those described above to evidence the terms of the Permanent Mortgage, Seller represents and warrants that the instrument, when completed:

- Contains substantially identical provisions to the comparable Freddie Mac Construction Conversion Modification Agreement form, and
- Is appropriate for use to evidence the conversion of Interim Construction Financing to Permanent Financing.

K33.5: Mortgage Term

Mortgages for Newly Constructed Homes secured by a 1- to 4-unit dwelling other than a Manufactured Home must have an original maturity not greater than 40 years for fixed-rate Mortgages and not greater than 30 years for adjustable-rate Mortgages (ARMs).

Newly Built Home Mortgages and Construction Conversion Mortgages secured by Manufactured Homes must have a maximum original maturity not greater than that specified in Section H33.3(d).

Newly Built Home Mortgages that are Home Possible Mortgages® with Rural Housing Service Leveraged Seconds must have a maximum original maturity not greater than that specified in the first bullet in Section 35.3(b).

For Construction Conversion Mortgages and Renovation Mortgages, the term of the Permanent Financing begins on the Effective Date of Permanent Financing.

K33.6: Mortgage Purpose

(a) Purchase or Refinance

Newly Built Home Mortgages must be for purchase transactions.

Construction Conversion Mortgages and Renovation Mortgages may be for purchase transactions, “no cash-out” or cash-out refinance transactions as shown in the chart below. A Construction Conversion Mortgage or a Renovation Mortgage may not be used for the purpose of making a single disbursement of funds to a builder or contractor or for the assumption of an existing Mortgage.

If, prior to the closing of the Interim Construction Financing, the Borrower is . . .	Then the transaction is a . . .	And proceeds from the Interim Construction Financing may be used to . . .
Not the owner of record of the land, <u>or</u> If the site-built home is on a leasehold estate, not the lessee of the leasehold estate	Purchase transaction	Purchase the land, or for a site-built home, acquire a leasehold interest in the land For Renovation Mortgages, purchase the site-built home Pay construction or renovation costs of the site-built home For a Manufactured Home, acquire the Manufactured Home and pay construction costs, including costs to install and anchor the Manufactured Home on a permanent foundation system

If, prior to the closing of the Interim Construction Financing, the Borrower is. . .	Then the transaction is a. . .	And proceeds from the Interim Construction Financing may be used to . . .
The owner of record of the land, or If the site-built home is on a leasehold estate, the lessee of the leasehold estate	Refinance transaction	Pay off any existing liens on the land and on the improvements, if a Renovation Mortgage Pay all transaction costs, such as Closing Costs, Financing Costs and/or Prepaids/Escrows Pay construction or renovation costs of the site-built home For a Manufactured Home, acquire the Manufactured Home and pay construction costs, including costs to install and anchor the Manufactured Home on a permanent foundation system on land owned by the Borrower

(b) Special Considerations for Refinance Mortgages

The following special considerations apply to Construction Conversion Mortgages and Renovation Mortgages that are refinance Mortgages:

Type refinance	Eligibility; Property Type Limits
“No cash-out” refinance as described in Section 24.5	Eligible; property may be either site-built or Manufactured Home
Cash-out refinance as described in Section 24.6	Eligible; property must be site-built home
Streamlined refinance Mortgages as described in Sections 24.3 and 24.4	Ineligible
Special purpose cash-out refinance Mortgages as described in Section 24.7	Ineligible

Construction Conversion and Renovation Mortgages are “no cash-out” refinance transactions if the requirements in Section 24.5 are met. For purposes of Section 24.5, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage as described in Section 24.5 second paragraph, first bullet. However, paying off unsecured liens or construction costs paid by the Borrower outside of the secured Interim Construction Financing is considered cash out to the Borrower, if above the \$2000 or 2% percent of loan amount limit.

K33.7: Eligible Borrowers for Construction Conversion and Renovation Mortgages

The Borrower on a Construction Conversion Mortgage or a Renovation Mortgage must satisfy the following requirements:

- 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, and
- At least one Borrower on the Permanent Financing 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 other party other than the Borrower.

K33.8: Eligible Property

(a) Newly Built Home Mortgages

A Newly Built Home Mortgage must be secured by:

- A new 1- to 4-unit site-built home that is proposed construction or under construction at the time of the loan application; or
- A new 1-unit Manufactured Home that has been proposed to be purchased or purchased at the time of the loan application but not yet permanently affixed to the site and converted to real property.

Mortgages secured by existing site-built homes or existing Manufactured Homes (including resale, repossessed, relocated, or refurbished Manufactured Homes) are not eligible to be Newly Built Home Mortgages.

The 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.

(b) Construction Conversion Mortgages and Renovation Mortgages

Construction Conversion Mortgages and Renovation Mortgages must be secured by Mortgaged Premises that satisfy the following requirements:

- The Mortgaged Premises must be:

Construction Conversion Mortgage	<ul style="list-style-type: none">• A newly built or constructed 1- to 4-unit site-built home, or• A newly purchased Manufactured Home that has never been attached to a foundation
Renovation Mortgage	<ul style="list-style-type: none">• An existing 1- to 4-unit site-built home

- Prior to the start of construction or renovation work, the Borrower must own the land in fee simple or, for a site-built home, have a leasehold estate meeting the requirements of Chapter 41. The Borrower may have acquired the land through a purchase, inheritance, gift or divorce settlement.

K33.9: Loan origination process and age of credit, capacity and collateral documentation.

(a) Completion Status as of sale of the Mortgage to Freddie Mac

All improvements must be fully completed before the sale of the Mortgage to Freddie Mac except for Mortgages secured by site-built homes meeting the requirements in Section 44.2(b) and for which Escrows are established in accordance with the requirements of Section 44.2(b).

For a Manufactured Home, the installation must be fully complete, including permanent utility connections and construction of any site-built improvements such as garages, decks, or porches, before the Mortgage can be sold to Freddie Mac as evidenced by a satisfactory completion report.

For both site-built homes and Manufactured Homes, Sellers must provide a completion report as required by Section 44.14.

(b) Loan process and age of documentation

Verification of credit, employment, income, sources of funds and payment history must be completed and dated, and the effective date of the appraisal report must be prior to the Effective Date of Permanent Financing and must be within 18 months of the Settlement Date, for sales through the Freddie Mac Selling System (Selling System), or the Delivery Date for sales through MIDANET®.

(c) Sale to Freddie Mac

Unless the Mortgage meets the requirements for a Seasoned Mortgage for a Newly Constructed Home, the Settlement Date, for sales through the Selling System, or the Delivery Date, for sales through MIDANET must be on or before the last day of the 18-month Credit/Construction/Settlement Period.

K33.10: Underwriting

(a) Original and Subsequent Underwriting

The Seller is required to underwrite the Mortgage for the Permanent Financing that will be sold to Freddie Mac prior to the Effective Date of the Permanent Financing. For Construction Conversion Mortgages 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:

- If a Non-Loan Prospector Mortgage, it must be re-underwritten, or
- If a Loan Prospector Mortgage, it may require resubmission of the Mortgage to Loan Prospector as described in Section K33.10(b).

(b) Resubmission of Loan Prospector Mortgages

For Loan Prospector Mortgages, the final Risk Class and Documentation Level must be based on the submission of accurate data for the Permanent Financing to Loan Prospector prior to the Effective Date of the Permanent Financing.

- (i) Resubmission of a Mortgage to Loan Prospector prior to the Effective Date of the Permanent Financing is required if:
- Information on the previous submission was not true, complete or accurate
 - The most recent submission (including the date of the Loan Prospector credit report(s)) will be older than 18 months as of the Delivery Date or Settlement Date, as applicable
 - Any information used by Loan Prospector changes, except when the change from the previous submission involves one of the exceptions in Section 2.2.1(k) that does not require resubmission to Loan Prospector
- (ii) Resubmission of a Mortgage to Loan Prospector prior to the Effective Date of the Permanent Financing is not required for:
- 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 complies with the following conditions:
 - When there is an increase in the down payment, all funds used to reduce the loan amount must meet the requirements of 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. For example if the property value is \$120,000 and the loan amount is \$114,000 (which equals a 95% LTV), the loan amount may decrease to \$109,200 (91% LTV). However, if the loan amount decreases to \$108,000 (90% LTV) the loan must be resubmitted.
 - A change from an ARM to a fixed-rate Mortgage, provided the Permanent Financing complies with the following conditions:
 - 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.

K33.11: Appraisal requirements

Regardless of any Loan Prospector Minimum Assessment Feedback to the contrary, the Seller must obtain a written appraisal report with an interior and exterior inspection that meets the requirements of Chapter 44. Loan Prospector's Form 2070, Condition and Marketability Report and Property Inspection Alternative (PIA), may not be used to evidence the property is acceptable for the transaction.

The appraisal report must state the estimated market value of the property after completion of the construction or renovation of the improvements, and if applicable, be supported by an acceptable completion report. (See Form 442, Appraisal Update and/or Completion Report, for suggested format.)

In addition to the appraisal information requirements in Chapter 44.5, the Borrower must provide all available plans and specification to the lender and appraiser.

K33.12: Calculation of Value

Value used to determine the loan-to-value (LTV), total LTV (TLTV) and home equity line of credit TLTV (HTLTV) ratios must be determined as follows:

Purchase Transaction			
Newly Built Home Mortgages, Construction Conversion Mortgages and Renovation Mortgages			
Property Type	Value		
	Newly Built Home Mortgages	Construction Conversion Mortgages	Renovation Mortgages
1- to 4-unit site-built home	Value is the lesser of: <ul style="list-style-type: none">• The purchase price of the Mortgaged Premises, or• Appraised value of the Mortgaged Premises, as completed	Value is the lesser of: <ul style="list-style-type: none">• The purchase price of the Mortgaged Premises (cost of land and total construction costs), or• Appraised value of the Mortgaged Premises, as completed	Value is the lesser of: <ul style="list-style-type: none">• The purchase price of the Mortgaged Premises prior to the renovation plus the renovation costs (costs of demolition and reconstruction), or• Appraised value of the Mortgaged Premises, as completed

Purchase Transaction			
Newly Built Home Mortgages, Construction Conversion Mortgages and Renovation Mortgages			
Property Type	Value		
	Newly Built Home Mortgages	Construction Conversion Mortgages	Renovation Mortgages
1-unit Manufactured Home	Value is the lesser of: <ul style="list-style-type: none"> • The purchase price of the Manufactured Home, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or • The appraised value of the Manufactured Home and land 	Value is the lesser of: <ul style="list-style-type: none"> • The purchase price of the Manufactured Home, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or • Appraised value of the Manufactured Home and land 	Not eligible

No Cash-out Refinance Transactions		
Construction Conversion Mortgages and Renovation Mortgages		
Property Type	Value	
	Land owned 12 months or more	Land owned less than 12 months
1- 4-unit site-built home	When the land has been owned by the Borrower for 12 or more months at the time of the closing date of the Interim Construction Financing, the value is: <ul style="list-style-type: none"> • Appraised value of the Mortgaged Premises, as completed 	When the land has been owned by the Borrower for less than 12 months at the time of the closing date of the Interim Construction Financing, the value is the lesser of: <ul style="list-style-type: none"> • Appraised value of the Mortgaged Premises, as completed (see note below), or • For Construction Conversion Mortgages, the cost of the land and total construction costs, <u>or</u> • For Renovation Mortgages, the purchase price of the Mortgaged Premises prior to the renovation and the total renovation costs, including, if applicable, costs of demolition

No Cash-out Refinance Transactions		
Construction Conversion Mortgages and Renovation Mortgages		
	Value	
1-unit Manufactured Home	<p>When the land has been owned by the Borrower 12 or more months at the time of the closing date of the Interim Construction Financing, the value is the lesser of:</p> <ul style="list-style-type: none"> • The purchase price of the Mortgaged Premises (cost of the Manufactured Home and appraised value of the land), or • Appraised value of the Mortgaged Premises, as completed (see note below) 	<p>When the land has been owned by the Borrower for less than 12 months at the time of the closing date of the Interim Construction Financing, the value is the lesser of:</p> <ul style="list-style-type: none"> • The purchase price of the Mortgaged Premises (cost of the Manufactured Home and the lowest purchase price of the land within the most recent 12-month period, <u>or</u> • Appraised value of the Mortgaged Premises, as completed (see note below)

Cash-out Refinance Transactions		
Property Type	Value	
	Land owned 12 months of more	Land owned less than 12 months
1- 4-unit site-built home	<p>When the land has been owned by the Borrower for 12 or more months at the time of the closing date of the Interim Construction Financing, the value is:</p> <ul style="list-style-type: none"> • Appraised value of the Mortgaged Premises, as completed 	<p>When the land has been owned by the Borrower for less than 12 months at the time of the closing date of the Interim Construction Financing, the value is the lesser of:</p> <ul style="list-style-type: none"> • Appraised value of the Mortgaged Premises, as completed (see note below), or • For Construction Conversion Mortgages, the cost of the land and total construction costs, <u>or</u> • For Renovation Mortgages, the purchase price of the Mortgaged Premises prior to the renovation and the total renovation costs, including, if applicable costs of demolition

Note: See the “Temporary Requirements” section of the November 20, 2006 Guide Bulletin for instructions on how to determine value on a temporary basis.

If the Borrower acquired the land as a gift or by inheritance, the value of the land (regardless of the date of acquisition) will be the current appraised value of the land as reported on the appraisal.

Any item that is 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. The cost to construct must not include items such as furniture, electronic and home entertainment equipment or other personal items.

K33.13: Seasoned Mortgages for Newly Constructed Homes; Seller-Owned Modified and Seller-Owned Converted Mortgages; Seasoned Mortgages

(a) Seasoned Mortgages for Newly Constructed Homes; special underwriting and other terms applicable to Seasoned Mortgages for Newly Constructed Homes

A Seasoned Mortgage for a Newly Constructed Home, as further defined in the Glossary, is a Mortgage that has not been modified since the Effective Date of the Permanent Financing and that is sold to Freddie Mac after the 18-month Credit/Construction/Settlement Period.

Seasoned Mortgages for Newly Constructed Homes that are originated using the following Mortgage Products or offerings are not eligible for sale:

- Balloon/Reset Mortgages
- A-minus Mortgages
- Initial InterestSM Mortgages
- Home Possible[®] Mortgages
- Mortgages secured by Manufactured Homes

In addition to the underwriting requirements in Section 36.8(a), Seasoned Mortgages for Newly Constructed Homes must comply with the following additional underwriting requirements:

- The Borrower must not have been 30 days or more delinquent on the subject Mortgage or the Interim Construction Financing in the 12 months prior to the Settlement Date for Mortgages sold through the Freddie Mac Selling System (Selling System) or the Delivery Date, for Mortgages delivered through MIDANET[®].
- The Mortgage file must include the payment history for the most recent 12 months or the length of the payment history if less than 12 months. For a Construction Conversion Mortgage or a Renovation Mortgage, when the payment history is less than 12 months, the Seller must verify the payment history of the Interim Construction Financing.

Seasoned Mortgages for Newly Constructed Homes are subject to the delivery limitation set forth in Section 36.6.

Seasoned Mortgages for Newly Constructed Homes must be delivered in accordance with Section 17.38.1 including delivery of special characteristic code (SCC) D53.

(b) Seller recycling activity

Whether or not the Mortgage is a Seasoned Mortgage for a Newly Constructed Home, the Seller must make the special representations and warranties with respect to its ongoing affordable lending activities described in Section 36.8(b):

- For Mortgages using Separate Documentation, if the Effective Date of Permanent Financing is more than 12 months prior to the Settlement Date, for Mortgages sold through the Selling System, or the Delivery Date, for Mortgages delivered through MIDANET; or
- For Mortgages using Integrated or Modification Documentation, if the Note Date for the Interim Construction Financing is more than 12 months prior to the Settlement Date, for Mortgages sold through the Selling System, or the Delivery Date, for Mortgages delivered through MIDANET.

(c) Seller-Owned Modified and Seller-Owned Converted Mortgages and Seasoned Mortgages

The Seller-Owned Modified and Seller-Owned Converted Mortgage offering described in Chapter 32 may not be used to convert or modify the Interim Construction Financing to Permanent Financing.

Mortgages for Newly Constructed Homes where the terms of the Permanent Financing have been modified or the Mortgage Product has changed, or if an ARM, has been converted to a fixed rate after the Effective Date of Permanent Financing, are not eligible to be Seasoned Mortgages for Newly Constructed Homes.

After the Effective Date of Permanent Financing, if the terms of the Permanent Financing have been modified or if an ARM, converted to a fixed-rate Mortgage, the resulting Mortgage may be either:

- A Seasoned Mortgage if it meets the requirements of Chapter 36, or
- A Seller-Owned Modified or Seller-Owned Converted Mortgage if it meets the requirements of Chapter 32 and other provisions related to these Mortgages, including requirements excluding the Home Possible Mortgages and Mortgages secured by Manufactured Homes from eligibility as Seller-Owned Modified or Seller-Owned Converted Mortgages.

The seasoning status and underwriting and delivery requirements for these Mortgages are as follows:

Settlement Date or Delivery Date, as applicable	Type Mortgage	Origination and Underwriting	Delivery
Within 12 months after the date of the change in terms (which may be before or after the end of the 18 month Credit/Construction/Settlement Period)	Seller-Owned Modified or Seller-Owned Converted Mortgage	In accordance with Chapter 32	In accordance with Section 17.37 or 17.21, as applicable
More than 12 months after the date of the change in terms (which may be before or after the end of the 18 month Credit/Construction/Settlement Period)	Seasoned Mortgage	In accordance with Chapter 36	In accordance with Section 17.28

K33.14: Mortgage file documentation

(a) Mortgage file documentation for all Mortgages for Newly Constructed Homes

The Mortgage file for Mortgages for Newly Constructed Homes must contain:

- Documentation that the Mortgage is a Mortgage for a Newly Constructed Home and evidence supporting its classification as a Newly Built Home Mortgage, a Construction Conversion Mortgage or a Renovation Mortgage
- Sufficient documentation (for example: purchase contracts, receipts, invoices, lien waivers etc.) on which to validate the purchase price calculated for Newly Built Home Mortgages or to calculate the actual cost to construct or renovate the home for Construction Conversion Mortgages and Renovation Mortgages, and
- A document that clearly shows the Seller's calculation of the purchase price and/or cost to construct, and
- For a Manufactured Home, the Manufacturer's invoice and the Manufactured Home Purchase Agreement
- Appropriate documentation to verify the acquisition and transfer of ownership of the land if the Borrower acquired the land as a gift or by inheritance.

(b) Mortgage file documentation for Construction Conversion and Renovation Mortgages

In addition to the requirements in Section K33.14(a), the Mortgage file for Construction Conversion Mortgages and Renovation Mortgages must contain:

- All HUD-1 forms or other Mortgage closing statements for the Construction Conversion Mortgage and the Renovation Mortgage signed by all parties to the transaction and evidencing all costs (including Closing Costs) to homebuyer and property seller at closing of the Interim Construction Financing and the closing of the Permanent Financing, and
- If the land or Mortgaged Premises has been owned for less than 12 months as of the closing of the Interim Construction Financing, the complete and fully executed purchase contract for the land or Mortgaged Premises, as applicable, or other documentation to establish acquisition, or
- If the land or Mortgaged Premises has been owned for 12 months or more as of the closing of the Interim Construction Financing, evidence that the Borrower has been the owner of record for at least 12 months

K33.15: Residential loan application and uniform underwriting and transmittal summary forms

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary as either Purchase, Cash-out Refinance or No Cash-Out Refinance (as applicable) and not as Home Improvement or Construction to Permanent. The Seller must indicate in the Underwriter Comments if the Mortgage is a Newly Built Home Mortgage, Construction Conversion Mortgage or Renovation Mortgage.

K33.16: Delivery requirements

See Section 17.38.1 for conversion, delivery and pooling requirements for Mortgages for Newly Constructed Homes.

K33.17: Postsettlement delivery fees

A special Seasoned Mortgage delivery fee rate applies to a Seasoned Mortgage for a Newly Constructed Home.

The Seller must refer to Exhibit 19, Postsettlement Delivery Fees, for information on Mortgages for Newly Constructed Home delivery fees and on other delivery fees.

Delivery fees are paid in accordance with the delivery fee provisions stated in Section 17.2.

K33.18: Related provisions

In addition to the requirements in this chapter, other requirements related to Mortgages for a Newly Constructed Home are described in the following locations:

<u>Topic</u>	<u>Section</u>
MultiLender Swap	Chapter 11
Delivery Requirements	Section 17.38.1
Seller-Owned Modified and Seller-Owned Converted Mortgages	Chapter 32
Manufactured Homes	Chapter H33
Seasoned Mortgages	Chapter 36
Postsettlement Delivery Fees	Exhibit 19