



## 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.

#### > 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

- Purchase transactions.
- Cash-out and no cash-out refinance transactions.
- Loan Prospector® or non-Loan Prospector Mortgages.

#### > Borrower Benefits

- A co-borrower may be removed or a related person may be added to the permanent financing under specific circumstances.
- 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	
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>▪ Existing 1- to 4-unit site-built homes</li> <li>▪ Manufactured homes are <b>not</b> eligible</li> </ul>
<b>Eligible Property Occupancy</b>	<ul style="list-style-type: none"> <li>▪ Primary residence</li> <li>▪ Investment property</li> <li>▪ Second homes</li> </ul>
<b>Eligible Mortgages</b>	<ul style="list-style-type: none"> <li>▪ 15-, 20-, and 30-year fixed-rate mortgages</li> <li>▪ Most ARMs eligible for sale to Freddie Mac</li> <li>▪ 5- and 7-year balloon/reset mortgages</li> <li>▪ Super conforming mortgages</li> <li>▪ Purchase, no cash-out refinances and cash-out refinances</li> <li>▪ Values used to determine LTV, TLTV, and HTLTV for Renovation Mortgages are calculated according to the requirements in Guide Section K33.12.</li> </ul>
<b>Ineligible Mortgages</b>	<ul style="list-style-type: none"> <li>▪ All Streamlined Refinance Mortgages</li> <li>▪ Special purpose cash-out refinance mortgages</li> <li>▪ FHA and VA Mortgages</li> <li>▪ Section 502 Guaranteed Rural Housing Mortgages</li> <li>▪ Section 184 Native American Mortgages</li> <li>▪ Home Possible<sup>®</sup> Mortgages</li> <li>▪ Cash-out refinance mortgages for manufactured homes</li> </ul>
<b>Borrower Eligibility Requirements</b>	<ul style="list-style-type: none"> <li>▪ The borrower must not be affiliated with or related to the builder, developer or the property seller for Renovation Mortgages secured by second homes and investment properties that are purchase transactions.</li> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ The builder/developer must not be obligated to repay the Interim Construction Financing or any mortgage on the land or the improvements.</li> </ul>
<b>Special Underwriting Requirements</b>	<ul style="list-style-type: none"> <li>▪ All mortgages must meet the risk class and/or minimum Indicator Score requirements in <i>Single-Family Seller/Service Guide</i> (Guide) Exhibit 25A, where applicable.</li> <li>▪ A borrower's credit and capacity documentation must be dated no more than 120 days prior to the effective date of permanent financing.</li> <li>▪ 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</li> <li>▪ Loans submitted to Loan Prospector will be assessed by selecting the option "Construction Conversion."</li> <li>▪ Seller may underwrite the permanent financing prior to or after closing of the Interim Construction Financing.</li> <li>▪ 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"> <li>□ If it is a Non-Loan Prospector Mortgage, it must be re-underwritten</li> <li>□ 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).</li> <li>□ See Guide Section 2.2.1 (k) for requirements for exceptions to Loan Prospector resubmissions.</li> </ul> </li> <li>▪ 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.</li> <li>▪ 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).</li> </ul>
<b>Collateral Assessment</b>	<ul style="list-style-type: none"> <li>▪ 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).</li> <li>▪ 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.</li> <li>▪ 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.)</li> </ul>
<b>Documentation Requirements</b>	<ul style="list-style-type: none"> <li>▪ Conversion of interim financing to permanent financing must use the following documentation structures in Guide Section K33.4: <ul style="list-style-type: none"> <li>□ Integrated Documentation</li> <li>□ Separate Documentation</li> <li>□ Modification Documentation</li> </ul> </li> <li>▪ If the interim 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.</li> <li>▪ Freddie Mac is providing examples of Construction Conversion Modification Agreements to be used in different modification circumstances. (See the <a href="#">Freddie Mac Uniform Instrument Web site</a>.)</li> </ul>
<b>Seasoned Mortgages</b>	<ul style="list-style-type: none"> <li>▪ Renovation Mortgages are seasoned mortgages 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 are eligible for sale only under negotiated sales contracts through the bulk sales path.</li> </ul>

DELIVERY REQUIREMENTS	
<b>Eligible Executions</b>	<ul style="list-style-type: none"> <li>▪ Servicing-released Cash*</li> <li>▪ Servicing-retained Cash</li> <li>▪ Fixed-rate Guarantor</li> <li>▪ WAC ARM Guarantor</li> <li>▪ MultiLender Swap**</li> </ul> <p>*See our <a href="#">selling system availability matrix</a> 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>**Renovation Mortgages with a settlement date more than 12 months after the effective date of permanent financing are not eligible for sale under MultiLender Swap.</p>
<b>Delivery Requirements</b>	<p>See Section 17.35(b) for special delivery instructions for Renovation Mortgages. The ULDD Data Points and valid values that must be delivered are determined by both (1) the type of mortgage (i.e., Renovation Mortgage), and (2) the type of loan documentation used for the mortgage. Regardless of the type of loan documentation used, Sellers must deliver the following ULDD Data Points:</p> <ul style="list-style-type: none"> <li>▪ <i>Construction Loan Indicator</i>: "true"</li> <li>▪ <i>Construction Loan Type</i>: "Construction to Permanent"</li> <li>▪ <i>Note Rate Percent</i> (Enter the rate in effect for the permanent financing.)</li> <li>▪ <i>Loan Program Identifier</i>: "Renovation"</li> </ul>
<b>Delivery Fees</b>	<ul style="list-style-type: none"> <li>▪ See Guide Exhibit 19 at <a href="http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf">www.FreddieMac.com/singlefamily/pdf/ex19.pdf</a> for details on applicable delivery fees.</li> </ul>

**Learn more about Freddie Mac Renovation Mortgages:**

- Refer to Chapters K33 and Section 17.35 of the *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit [www.FreddieMac.com](http://www.FreddieMac.com)