



FANNIE MAE HOMESTYLE RENOVATION MORTGAGE®

PROGRAM SPECIFICATIONS	
Description	The Fannie Mae HomeStyle® Renovation is a single-close loan that enables borrowers to purchase a home that needs repairs or refinance their existing home and include the necessary funds for renovation in the loan balance. There are no required improvements or a minimum dollar amount for the repairs. Repairs or improvements, however, must be permanently affixed to the real property. A HomeStyle mortgage may not be used for complete tear-down and reconstruction of the dwelling. Repairs must be non-structural and not exceed \$100,000. Renovations greater than \$35,000 require the use of an AFR approved HUD Consultant and prior management approval.
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ○ Table Funded ○ Non-Delegated (UW) ○ Delegated (UW) <ul style="list-style-type: none"> ▪ Important: CDE clients <u>must</u> complete an interview with the AFR Renovation Department and be approved <u>prior</u> to submission on any HomeStyle transaction.
FICO	<ul style="list-style-type: none"> • 620 minimum qualifying credit score for all qualifying Borrowers.
UW Method	<ul style="list-style-type: none"> • Desktop Underwriter (DU)
AUS Recommendation	<ul style="list-style-type: none"> • Approve/Eligible
Eligible Terms	<ul style="list-style-type: none"> • 15 Year Fully Amortizing Fixed • 30 Year Fully Amortizing Fixed <p>Reminder: ARMs not permitted</p>
Eligible Transactions	<ul style="list-style-type: none"> • Purchases • Limited Cash Out Refinances
Eligible Property Types	<ul style="list-style-type: none"> • 1-2 Unit Primary Residences • 1 Unit Second Homes • FNMA Approved Condos • PUDs • Multi-wide Manufactured Homes* <p>Reminder: 3-4 Unit Primary Residences, Non-Owner-Occupied Residences, and singlewide Manufactured Homes are not permitted.</p> <p>When the property is a unit in a condo, the proposed renovation work must be permissible under the bylaws of the HOA or the HOA must have given written approval for the work. The renovation work must be limited to the interior of the unit, including the installation of fire walls in the attic.</p> <p>The renovation of manufactured homes is allowed provided the improvements do not include structural changes (such as adding a garage or other attached elements).</p>
Maximum LTV/CLTV/HCLTV	<p>See Eligibility Matrix for HomeStyle® Mortgages Singlefamily.fanniemae.com/media/20786/display</p> <p>The original principal amount of the mortgage may not exceed Fannie Mae’s maximum allowable mortgage amount for a conventional first mortgage.</p> <p>All loans must utilize the applicable Maximum Mortgage Worksheet based on the DU Version loan casefile.</p> <p>Important: The current LTV ratio requirements in place for manufactured housing will apply.</p> <p>Note: The maximum allowable LTV, CLTV, HCLTV ratios have been increased to 97% for one-unit, principal residence, purchase and limited cash-out refinance transactions underwritten through DU.</p>
Homeownership Education	<p>Framework, FNMA’s Homeownership Education course is required for loans closed on or after December 7, 2019:</p> <ul style="list-style-type: none"> • Purchase loans with LTV, CLTV, HCLTV > 95% and, • All occupying borrowers are first-time homebuyers, at least one borrower must complete the homeownership course.
Maximum DTI	Determined by DU
Maximum Cost for Renovations \$100,000.00	<ul style="list-style-type: none"> • Purchase: 75% of the lesser of the sum of the purchase price of the property plus renovation costs, or the as completed appraised value of the property. • Refinance: 75% of the as completed appraised value of the property. • Manufactured Homes: The lesser of \$50,000 or 50% of the “as completed” appraised

This information is provided for the use of mortgage professionals only and is not intended for distribution to consumers or other third parties. Guidelines, rates and fees are subject to change without notice. NMLS#2826. Corporate Headquarters – 9 Sylvan Way, Parsippany, NJ 07054.



Revised
05/04/21



	value. Note: AFR does not permit renovations that would cause the property to be uninhabitable during renovation. Renovations must be cosmetic in nature only and total renovation costs greater than \$35,000 up to \$100,000 require the use of an AFR approved HUD Consultant and prior management approval.	
Documents Required Prior to Approval when renovation costs are > \$35,000.	<ul style="list-style-type: none"> • Bid – Work Proposal • AFR approved HUD Consultant Report • Supporting Documents: <ul style="list-style-type: none"> ○ Homeowner Contractor Agreement- Standard ○ Renovation loan Agreement ○ Important Notice Regarding Contingency Funds ○ Consumer Renovation Information - Standard ○ Renovation Loan Borrowers Disclosure 	
Escrowing Initial Mortgage Payments	<ul style="list-style-type: none"> • There may be a period during renovation where the home is uninhabitable as defined by the AFR approved HUD Consultant. • A payment reserve up to six months PITIA is permitted when the borrower must vacate the property during renovation. The amount can be financed in the loan amount if the value will support such financing. The reserve is allowed only for the period in which the property is uninhabitable due to the renovations. <p>Links:</p> <ul style="list-style-type: none"> • HUD Consultants look up tool • AFR's Exclusionary List 	
Appraisal Requirements	<ul style="list-style-type: none"> • The appraisal report must provide an "as completed" appraised value that estimates the value of the property after completion of the renovation work. • 2nd level review by AFR Management on any property that is identified to have a current "As-is" property condition rating of C5 or C6. Loan is subject to additional requirements/conditions. <p>Note: "As Completed" Property Condition Rating as determined by the Appraiser must be C1-C4.</p>	
Mortgage Insurance	<ul style="list-style-type: none"> • Follow DU Findings • Mortgage Insurance, if required based on LTV, must be in place before closing, and coverage is based on the estimated value of the home after renovation. 	
Ineligible Repairs	<ul style="list-style-type: none"> • Structural Modifications • Any repair/removal/remediation of Oil Tanks • Any repair/installation for private water systems (wells) • Any repair/installation for private waste management systems (septic system, lagoons, cesspools, pits etc.) • Mold remediation 	
MI Companies	<ul style="list-style-type: none"> • Arch • Essent Guaranty, Inc. • Genworth • MGIC • National MI 	
Geographic Restrictions	<ul style="list-style-type: none"> • Alaska • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the states of Alaska or Hawaii and does not permit loans with a subject property in Alaska or Hawaii. 	
Guidelines	https://www.fanniemae.com/content/guide/selling/index.html B5-3.2	
See FORMS in the Resource Center	Limited - Reno ≤ \$35,000	Standard - Reno > \$35,000
Consumer Renovation Information Limited	X	
Consumer Renovation Information Standard		X
Conventional Homeowner/Contractor Agreement Limited	X	
Conventional Homeowner/Contractor Agreement Standard		X
Borrower's Letter of Completion Limited	X	
Borrower's Letter of Completion Standard		X
Contractor Profile	X	X
Renovation Draw Process Acknowledgement	X	X
Renovation Loan Borrowers Disclosure	X	X
Important Notice Regarding Contingency Funds	X	X
Renovation Loan Agreement	X	X
Renovation Identity of Interest	X	X
Compliance Inspection Report	X	X

This information is provided for the use of mortgage professionals only and is not intended for distribution to consumers or other third parties. Guidelines, rates and fees are subject to change without notice. NMLS#2826. Corporate Headquarters – 9 Sylvan Way, Parsippany, NJ 07054.



Revised
05/04/21



Lien Release	X	X
Texas Disclosure Statement	X	X
IRS Form W-9	X	X
Purchase MMW	X	X
Refinance MMW	X	X

OVERLAYS

Follow all overlays outlined in the Fannie Mae Fully Amortizing and High Balance Program and:

- For HomeStyle renovation transactions with renovations less than or equal to \$35,000 (“Limited”), funds for renovation are released via two (2) draws. Fifty percent (50%) of the base bid will be released at the initial funding of the loan. To ensure completion of the project, a final draw of fifty (50%) will be released within a reasonable time period after the lender’s receipt and approval of: (a) final Compliance Inspection Report from the Appraiser; (b) Borrower’s Letter of Completion; (c) Contingency Release Letter; (d) and Lien Release. All funds will be provided to the appropriate party via an ACH wire to their account. Any requests for funds/draws should be submitted to the Lender e-mail: renovation@afrwholesale.com. The Renovation Department can be contacted at 800-624-0501 or by using the department’s e-mail.
- For HomeStyle renovation transactions with renovations greater than \$35,000 up to \$100,000 (“Standard”), funds for the renovation are released only upon satisfactory draw inspections by the HUD Consultant. No funds will be released at the initial funding of the loan. All draws will be released within a reasonable amount of time after the Lender’s receipt and approval of a Draw Request from the HUD Consultant (minus a 10% holdback reserve to ensure full completion of the work), a Contractor’s signed Lien Waiver and Release, and a satisfactory inspection with photos. All funds will be provided to the appropriate party via an ACH wire to their account. All requests for funds should be submitted to the lender’s construction administrator, AFR’s Renovation Department. All request should be submitted via e-mail to: renovation@afrwholesale.com. They can be contacted at 800-624-0501 or by using the department’s e-mail.
- The Borrower must select one General Contractor to be the responsible party. Multiple General Contractors is prohibited.
- A HUD Consultant will be required if the underwriter feels it to be necessary at their discretion.
- “Do It Yourself Repair Option” and Self Help are not permitted.
- 3-4 Unit Primary and Non-Owner-Occupied Residences are not permitted.
- Razing/demolition of home down to its foundation is not permitted.
- Physical relocation of a home from another location is not permitted.
- Evidence of permit issuance prior to closing may be required.
- A contingency reserve equal to 10% up to a maximum 15% of the total costs of repairs and renovation work is required on all transactions. The AFR UW will determine the contingency required based on their discretion and scope of work.
- 2nd level review by AFR Management on any property that is identified to have a current “As-is” property condition rating of C5 or C6. Loan is subject to additional requirements/conditions.
- Stamped and sealed line drawings by a licensed engineer or architect with a statement provided that permits can be obtained when any type of addition is being done or a zoning modification is going to be needed.
- If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional.
- AFR does not permit the renovation or construction of an Additional Dwelling Unit (A.D.U.).
- Total renovation/repair costs greater than \$35,000 up to \$100,000 require a 2nd level management review and the use of an AFR approved HUD Consultant.
- AFR requires the use of AsurityDocs (or equivalent) for all closing packages:
 - AFR requires the use of AFR’s Texas counsel for all **Fannie Mae HomeStyle** closing packages: Sandler Law Group (“SLG”) c/o AsurityDocs, formerly MRG Docs, 717 North Harwood, Suite 1600 Dallas, TX 75201, email docs.support@asurity.com.
 - Correspondent clients that draw their own closing packages may use a document management company that will guaranty the closing package meets all county, state, federal and program requirements.

