



FREDDIE MAC CHOICERenovation[®] MORTGAGE

| PROGRAM SPECIFICATIONS | |
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| Description | The Freddie Mac CHOICERenovation [®] 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 CHOICERenovation mortgage may not be used for complete tear-down and reconstruction of the dwelling. Repairs exceeding \$200,000 require a second level project review. Renovations greater than \$35,000 require the use of an AFR approved HUD Consultant. |
| Channels | <ul style="list-style-type: none"> • Consumer Direct (Retail) • 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"> • Loan Product Advisor (LPA) |
| AUS Recommendation | <ul style="list-style-type: none"> • Accept/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 • No Cash Out Refinances |
| Eligible Property Types | <ul style="list-style-type: none"> • 1-4 Unit Primary Residences • 1 Unit Second Homes • 1-Unit Investment • PUDs • Approved Condominiums • Multi-wide Manufactured Homes <p>Reminder: 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/TLTV/HCLTV | <ul style="list-style-type: none"> • 1 -unit primary, 95% <ul style="list-style-type: none"> ○ 97% Home Possible or HomeOne ○ HomeOne must be FTHB if > 95% ○ Note: Site built only for LTV > 95% • 2 -unit primary, 85% • 3-4 unit primary, 80% • 1 -unit second home, 90% • 1-unit investment home, 85% • Multi-wide Manufactured Homes 95% <p>Note: TLTV to 105% with eligible Affordable Seconds (only with Home Possible and HomeOne)</p> |
| Homeownership Education | <p>CreditSmart[®] Homebuyer U, Freddie Mac's Homeownership Education course is required when:</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 LPA |
| Maximum Cost for Renovations | <ul style="list-style-type: none"> • Total renovation costs exceeding \$200,000 require a second level project review prior to approval • 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 value. |





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| | <p>Note: AFR permits renovations that would cause the property to be uninhabitable during renovation. Total renovation costs greater than \$35,000, require the use of an AFR approved HUD consultant and prior management approval.</p> |
| Eligible Alterations: | <p>Examples or eligible structural alterations:</p> <ul style="list-style-type: none"> • Removing an interior load bearing wall • Repairing some structural components of the roof: <ul style="list-style-type: none"> ◦ Adding a second story or changing the elevation is not permitted • Attached additions: <ul style="list-style-type: none"> ◦ Attached additions expanding the footprint of the home require second level project review prior to approval • Repair or instillation of Well and Septic: <ul style="list-style-type: none"> ◦ Requires a 15% contingency held in the construction escrow until final funding • Manufactured Home: <ul style="list-style-type: none"> ◦ Detached garage or car ports are permitted |
| 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> |
| Contingency Reserve | <ul style="list-style-type: none"> • May come from the mortgage proceeds or directly from the borrower • Minimum <ul style="list-style-type: none"> ◦ Amount must be ≥ 10% of the total renovation costs, except that if the property utilities are not operable as referenced in the construction contract and/or plans and specifications, then the minimum contingency reserve must be ≥ 15% of the total renovation costs. • Maximum <ul style="list-style-type: none"> ◦ May not exceed 20% of the total renovation costs. |
| Mortgage Ins | <ul style="list-style-type: none"> • Follow LPA 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"> • Any repair/removal/remediation of Oil Tanks • Any repair/installation for private waste management systems (lagoons, cesspools, pits etc.) • Mold remediation |
| MI Companies | <ul style="list-style-type: none"> • Arch • Essent Guaranty, Inc. • Enact • MGIC • National MI |
| Ineligible Mortgages | <ul style="list-style-type: none"> • Adjustable Rate Mortgages • Affordable Merit Rate Mortgage |





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| | <ul style="list-style-type: none"> • A-minus mortgages • Seasoned mortgages • Financed Permanent Buydown mortgages • Seller-owned Modified mortgage and Seller-owned Converted mortgages • Enhanced Relief Refinance mortgage • Community Land Trust mortgage • Special Purpose Cash-out refinance mortgages • FHA and VA mortgages • Section 502 GRH mortgages • Section 184 Native American mortgages • Freddie Mac Relief Refinance Mortgages – Same Servicers and Freddie Mac Relief Refinance Mortgages – Open Access |
| Geographic Restrictions | <ul style="list-style-type: none"> • Hawaii <ul style="list-style-type: none"> ◦ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. • AFR requires the use of AFR’s Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3rd party for document preparation and require 48 hours for both title review and to generate a closing package. |
| Guidelines | https://guide.freddie.com/app/guide/ - Chapter 4607 |
| 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 |
| Renovation Draw Process Acknowledgement | X |
| Renovation Loan Borrowers Disclosure | X |
| Important Notice Regarding Contingency Funds | X |
| Renovation Loan Agreement | X |
| Renovation Identity of Interest | X |
| Compliance Inspection Report | X |
| Lien Release | X |
| Texas Disclosure Statement | X |
| IRS Form W-9 | X |
| Purchase MMW | X |
| Refinance MMW | X |
| OVERLAYS | |
| <p>Follow all overlays outlined in the Freddie Mac Fully Amortizing and Super Conforming Program and:</p> <ul style="list-style-type: none"> • For CHOICERenovation 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 CHOICERenovation transactions with renovation greater than \$35,000 (“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. • AFR does not permit identities/conflicts of interest between the borrower and contractor. The borrower and contractor may not be related nor, can there be any employee/employer relationship. • 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 20% 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 construction of a new detached Accessory Dwelling Unit (A.D.U.).**
- Total renovation/repair costs greater than \$35,000 up to \$200,000 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:
 - o AFR requires the use of AFR's Texas counsel for all **Freddie Mac CHOICERenovation** 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.
 - o 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.

