

FREDDIE MAC CHOICEReno eXPressSM MORTGAGE

PROGRAM SPECIFICATIONS	
Description	The Freddie Mac CHOICEReno eXPress SM mortgage is an expansion of the Freddie Mac CHOICERenovation mortgage and is a single-close loan that enables borrowers to purchase a home that needs smaller-scale repairs or refinance their existing home and include the necessary funds for small-scale cosmetic repairs 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. Repairs must be non-structural and not exceed \$35,000.00.
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ◦ Non-Delegated (UW)
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 including CHOICEHome <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/HTLTV	<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, 95% • 3 and 4 -unit primary, 95% • 1 -unit second home, 90% • 1-unit investment home, 85% • Multi-wide Manufactured Homes 95% • CHOICEHome <p>Note: Max 97% LTV, TLTV to 105% with eligible Affordable Seconds (only with Home Possible and HomeOne)</p>
Maximum DTI	<ul style="list-style-type: none"> • Determined by LPA
Maximum Renovation time	<ul style="list-style-type: none"> • 6 months or 180 days
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, TLTV, HTLTV > 95% and, • All occupying borrowers are first-time homebuyers, at least one borrower must complete the homeownership course.
Maximum Cost for Renovations \$35,000.00	<ul style="list-style-type: none"> • Purchase: <ul style="list-style-type: none"> ◦ Located in a designated Duty to Serve high-needs area (Exhibit 40), 15% 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. ◦ Not located in a designated Duty to Serve high-needs area, 10% 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: <ul style="list-style-type: none"> ◦ Located in a designated Duty to Serve high-needs area (Exhibit 40), 15% of the "as completed" appraised value of the property.

	<ul style="list-style-type: none"> ○ Not located in a designated Duty to Serve high-needs area, 10% of the “as completed” appraised value of the property. • Manufactured Homes: <ul style="list-style-type: none"> ○ Located in a designated Duty to Serve high-needs area (Exhibit 40), the lesser of \$35,000 or 15% of the “as completed” appraised value. ○ Not located in a designated Duty to Serve high-needs area, the lesser of \$35,000 or 10% of the “as completed” appraised value. <p>Note: AFR does not permit renovations that would cause the property to be uninhabitable during renovation.</p>
Appraisal Requirements	<ul style="list-style-type: none"> • The appraisal report must provide an “as completed/after improved” appraised value that estimates the value of the property after completion of the renovation work. • The Bid or Work proposal along with any supporting documentation must be supplied to the appraiser at time of order. <p>Note: “As Completed/after improved” 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 of 15% and up to 20% at Underwriters discretion of the total renovation costs
Renovations purchased from a Home Improvement Store	<ul style="list-style-type: none"> • Borrower may not be the contractor • Must be a no cash-out refinance • AFR must review and approve the home improvement store’s renovation program • Bid / work proposal must be submitted to AFR for approval • Home improvement store’s renovation programs that requires payment-in-full at the point of purchase may fund: <ul style="list-style-type: none"> ○ Up to 100% of the cost of materials may be advanced, and ○ Up to 100% of the renovation costs identified in the contract (including labor costs) at closing. ○ Home Improvement stores accepted (Home Depot and Lowe’s) <ul style="list-style-type: none"> ▪ Other Home Improvement stores maybe accepted on an exception bases.
Mortgage Insurance	<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	<p>Structural Work:</p> <ul style="list-style-type: none"> • Any structure repairs or alterations • Foundation reconstruction or elevation • Room additions or new construction • Converting or reducing multi-unit structures • Moving structures to new foundations <p>Complex or extended Projects:</p> <ul style="list-style-type: none"> • Projects requiring more than 6 months to complete • More than two payments per specialized contractor • No more than two specialized contractors are allowed: <ul style="list-style-type: none"> ○ Both the GC and specialized contractors must complete all required paperwork for approval ○ Two final inspections must be collected ○ Additional contractors would require a General Contractor • Repairs requiring architectural plans or consultant work write-up • Projects that prevent occupancy <ul style="list-style-type: none"> ○ Home must be habitable at the time of closing • No projects where construction has already commenced <p>New installations:</p> <ul style="list-style-type: none"> • New private wells or septic systems • Windstorm Shelters • Commercial-use conversions or refurbishments • No additions of an ADU's <p>Luxury & Recreational Additions:</p> <ul style="list-style-type: none"> • New swimming pools, hot tubs, spas, saunas • Barbecue pits, outdoor fireplaces, bath houses • Tennis courts, satellite dishes, photo murals, or gazebos <p>Other Restrictions:</p> <ul style="list-style-type: none"> • Oil tank removal or remediation • Extensive mold remediation • extensive landscaping and site improvements • Flood or fire damage repairs

	<ul style="list-style-type: none"> • Self-help or DIY projects • Renovations in historic areas designated by state, county, federal, or third-party authorities • Any properties zoned for mixed use or have commercial spaces • Any repair or update that AFR Credit Committee deems out of scope or excessive
Resource Links	Links: <ul style="list-style-type: none"> • HUD Consultants look up tool <ul style="list-style-type: none"> ◦ Not required but may be used • PHI Home Inspections <ul style="list-style-type: none"> ◦ Resource • AFR's Exclusionary List <ul style="list-style-type: none"> ◦ Participants on this list are not eligible
MI Companies	<ul style="list-style-type: none"> • Arch • Essent Guaranty, Inc. • Genworth • MGIC • National MI
Ineligible Mortgages	<ul style="list-style-type: none"> • Adjustable-Rate Mortgages • Affordable Merit Rate Mortgage • 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
Eligible Uses of Mortgage Proceeds	<ul style="list-style-type: none"> • May not include the payoff of short-term financing that was used to finance prior renovations.
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. 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.mac.com/app/guide/ - Chapter 4607
See FORMS in the Resource Center	Limited – Reno ≤ \$35,000
Consumer Renovation Information Limited	X
Conventional Homeowner/Contractor Agreement Limited	X
Borrower's Letter of Completion Limited	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	
Follow all overlays outlined in the Freddie Mac Fully Amortizing and Super Conforming Program <u>and</u> : <ul style="list-style-type: none"> • For CHOICEReno eXPress transactions AFR will permit a 50% initial advancement in relation to estimated materials and labor costs before beginning construction to the Contractor (which includes but is not limited to materials labor and permits) at the time of closing only when the 	

contractor is not willing or able to defer receipt of payment until completion of work, of payment represents the cost of materials incurred prior to construction.

- AFR follows HUD requirements with permitting a maximum of 2 draws after closing **not to include the initial advance as noted above** and requires all draw requests to be performed in writing and executed by the Contractor and Borrower.
- AFR permits for only 1 General Contractor; multiple General Contractors are not permitted with exception to well and septic contractors where outside the general contractor's scope.
- 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.
- Evidence of permit issuance prior to closing may be required.
- A contingency reserve equal to 15% 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.
- Change Order are not permitted
- 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 requires the use of AsurityDocs (or equivalent) for all closing packages:
 - AFR requires the use of AFR's Texas counsel for **all Freddie Mac CHOICEReno eXPress** 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.