

FREDDIE MAC CHOICERenovation[®] MORTGAGE

PROGRAM SPECIFICATIONS	
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.
Channels	• Broker • Correspondent ◦ Non-Delegated (UW)
FICO	• 620 minimum qualifying credit score for all qualifying Borrowers.
UW Method	• Loan Product Advisor (LPA)
AUS Recommendation	• Accept/Eligible
Eligible Terms	• 15 Year Fully Amortizing Fixed • 30 Year Fully Amortizing Fixed Reminder: ARMs not permitted
Eligible Transactions	• Purchases • No Cash Out Refinances
Eligible Property Types	• 1-4 Unit Primary Residences • 1 Unit Second Homes • 1-Unit Investment • Condominiums ◦ Ineligible review: Properties that require PCS (Project Certified Submissions) ◦ Condominium Project review and general Condominium Project eligibility requirements • Multi-wide Manufactured Homes Reminder: Singlewide Manufactured Homes are not permitted. 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. The renovation of manufactured homes is allowed provided the improvements do not include structural changes (such as adding a garage or other attached elements).
Maximum LTV/TLTV/HTLTV	• 1 -unit primary, 95% ◦ 97% Home Possible or HomeOne ◦ HomeOne must be FTHB if > 95% ◦ Note: Site built only for LTV > 95% • 2 -unit primary, 95% • 3-4 unit primary, 95% • 1 -unit second home, 90% • 1-unit investment home, 85% • Multi-wide Manufactured Homes 95% Note: TLTV to 105% with eligible Affordable Seconds (only with Home Possible and HomeOne)
Homeownership Education	CreditSmart[®] Homebuyer U, Freddie Mac's Homeownership Education course is required when: • 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	• 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.
Ineligible Repairs for Limited Reno < \$35,000	Structural Work: • 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 Complex or extended Projects: • Projects requiring more than 6 months to complete

	• More than two payments per specialized contractor • No more than two specialized contractors are allowed: ○ 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 ○ Home must be habitable at the time of closing • No projects where construction has already commenced New installations: • New private wells or septic systems • Windstorm Shelters • Commercial-use conversions or refurbishments • No additions of an ADU's Luxury & Recreational Additions: • New swimming pools, hot tubs, spas, saunas • Barbecue pits, outdoor fireplaces, bath houses • Tennis courts, satellite dishes, photo murals, or gazebos Other Restrictions: • Oil tank removal or remediation • Extensive mold remediation • extensive landscaping and site improvements • Flood or fire damage repairs • 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
Ineligible Repairs for Standard Reno > \$35,000	Health, Safety and Environmental Restrictions: • Excessive Mold remediation • Old tank repair, removal, or remediation • Flood or fire damage repairs Structural and Foundation limitations: • Full teardown and rebuilds, including gut renovations • Repairing, reconstructing a structure that has been or will be demolished • Purchasing a structure from another site and moving it onto a new foundation Unit Conversions and Additions: • Converting a one-family structure to a multi-family structure (2-4 units) • Decreasing a multi-unit structure to a 1-4 family structure • Purchase Transactions ○ Addition of an ADU ○ Additions that increase the gross living area Luxury and Recreational Additions: • New swimming pools • Exterior hot tubs, spas, whirlpool baths, or saunas • Barbecue pits, outdoor fireplaces or hearts • Bath houses, tennis courts, satellite dishes • tree surgery (unless removing endangerments) • Photo murals, and gazebos Other Restrictions: • Self-help or DIY projects • One General Contractor required: ○ With exception of a well and septic contractors where outside of the general contractor's scope ○ Both the GC and specialized contractors must complete all required paperwork for approval • Mixed use properties • Projects where construction has already commenced • any repair or update that AFR Credit Committee deems out of scope or excessive Exceptions for Refinance Transactions: • Additions to increase the gross living area where permits can be obtained prior to closing ○ Example: any expansion of existing footprint, adding a level or adding a detached garage, or ○ Addition of an attached ADU.

Escrowing Initial Mortgage Payments	- If the home is identified as uninhabitable as defined by the Contractor, the mortgagee may establish an escrow account for initial mortgage payments. - 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.	
Resource Links	Links: HUD Consultants look up tool - Not required but may be used PHI Home Inspections - Resource AFR's Exclusionary List - Participants on this list are not eligible	
Appraisal Requirements	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. Note: "As Completed/after improved" Property Condition Rating as determined by the Appraiser must be C1-C4.	
Contingency Reserve	- May come from the mortgage proceeds or directly from the borrower - Minimum - Amount must be $\geq 10\%$ 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 $\geq 15\%$ of the total renovation costs. - Maximum - May not exceed 20% of the total renovation costs.	
Mortgage Ins	- 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.	
MI Companies	Arch Essent Guaranty, Inc. Enact MGIC National MI	
Ineligible Mortgages	- 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	
Geographic Restrictions	- Hawaii - 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.freddiemac.com/app/guide/ - Chapter 4607	
See FORMS in the Resource Center	Limited - Reno $\leq$ \$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
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
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 Freddie Mac Fully Amortizing and Super Conforming Program and:

- For transactions less than or equal to \$35,000 ("Limited") 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 is permitted only when the contractor is not willing or able to defer receipt of payment until completion of work, or payment represents the cost of materials incurred prior to construction.
 - AFR follows HUD requirements 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.
- For transactions with renovation greater than \$35,000 ("Standard"), funds for the renovation are released only upon satisfactory draw inspections. 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 **Contractor** (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 requests 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.
- 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 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.
- 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 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.
 - Correspondent clients that draw their own closing packages may use a document management company that will guarantee the closing package meets all county, state, federal and program requirements.
- Condominiums/PUDs
 - Ineligible review: Properties that require PCS (Project Certified Submissions)