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STANDARD LOAN BALANCE MATRIX					
Principal Residence					
PURPOSE	Units	Maximum LTV <sup>1</sup> /CLTV <sup>2</sup> /HCLTV	Maximum DTI	Loan Amount <sup>3</sup>	Minimum FICO
Purchase & Limited Cash-Out Refinance	1	95.00%	Per DU	See Below	Per DU
	2	85.00%			
	3 - 4	75.00%			
Second / Vacation Home					
Purchase & Limited Cash-Out Refinance	1	90.00%	Per DU	See Below	Per DU
Investment Property					
Purchase	1	85.00%	Per DU	See Below	Per DU
Limited Cash-Out Refinance	1	75.00%			
Maximum Loan Limits 2018					
Number of Units	Contiguous United States, District of Columbia & Puerto Rico		Alaska, Guam, Hawaii, US Virgin Islands		
	2018		2018		
1	\$453,100		\$679,650		
2	\$580,150		\$870,225		
3	\$701,250		\$1,051,875		
4	\$871,450		\$1,307,175		
Standard Loan Balance Footnotes	<sup>1</sup> LTV's ≥ 80.01% require mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score and guidelines apply. See <a href="#">Mortgage Insurance</a> for details on maximum DTI ratios.				
	<sup>2</sup> Maximum CLTV to 105% if mortgage is part of Community Seconds® transaction.				
	<sup>3</sup> REMN WS Minimum Loan Amount \$40,000.				

HIGH BALANCE LOAN MATRIX <sup>1</sup>					
Principal Residence					
PURPOSE	Units	Maximum LTV/CLTV/HCLTV	Maximum DTI	Loan Amount	Minimum FICO
Purchase & Limited Cash-Out Refinance	1	95.00%	Per DU	See Below	Per DU
	2	85.00%			
	3-4	75.00%			
Second / Vacation Home					
Purchase & Limited Cash-Out Refinance	1	90.00%	Per DU	See Below	Per DU
Investment Property					
Purchase	1	85.00%	Per DU	See Below	Per DU
Limited Cash-Out Refinance	1	75.00%	Per DU	See Below	Per DU
Maximum Loan Limits High Cost Areas 2018					
Number of Units	Contiguous United States, District of Columbia & Puerto Rico		Alaska, Guam, Hawaii, US Virgin Islands		
	2018		2018		
1	\$679,650		\$1,019,475		
2	\$870,225		\$1,305,325		
3	\$1,051,875		\$1,577,800		
4	\$1,307,175		\$1,960,750		

High Balance Loan Footnotes continued on following page

#### HIGH BALANCE LOAN MATRIX

<b>High Balance Loan Footnotes</b>	<p><sup>1</sup> All eligibility requirements for high balance loans, including maximum LTV and minimum credit scores, apply and supersede the HomeStyle eligibility requirements. Refer to FNMA <a href="#">Loan Eligibility Matrix</a> for additional criteria.</p> <ul style="list-style-type: none"> <li>❖ REM N WS Preferred MI Partners should be contacted to confirm eligibility for High Balance Loans.</li> <li>❖ Borrower Paid and Lender Paid MI options are permitted, as are monthly, single and split premium plan options.</li> <li>❖ Financed MI is permitted, but LTV may not increase above the maximum LTV that is otherwise permitted.</li> <li>❖ One-Unit Residential Appraisal Field Review Report (Form 2000) or a 2-4 Unit Residential Appraisal Field Review Report (Form 2000A) is also required if: <ul style="list-style-type: none"> <li>» The property value is ≥\$1,000,000 and the LTV/CLTV/HCLTV is &gt;75%. <ul style="list-style-type: none"> <li>▪ Use the lower of the original appraised value, Field Review value or Sales Price (for purchase transactions) to calculate the LTV.</li> </ul> </li> </ul> </li> </ul>
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#### HOMESTYLE-HOMEREADY LOAN MATRIX

<b>HomeReady Eligibility</b>	<ul style="list-style-type: none"> <li>❖ HomeReady mortgage loans are eligible in combination with HomeStyle Renovation; however, the more restrictive requirements of HomeReady or HomeStyle Renovation apply when these two products are combined on a loan. For example, a HomeReady HomeStyle Renovation mortgage must be a principal residence transaction, whereas standard HomeStyle Renovation permits Second Homes and Investment properties.</li> </ul>
<b>Eligible Products</b>	<ul style="list-style-type: none"> <li>❖ 15 year and 30 year Fixed Rate mortgage; no ARM's (REM N overlay)</li> </ul>
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>❖ Purchase or Limited Cash-Out Refinance</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>❖ Primary Residence only; Second Homes and Investment Properties are NOT eligible</li> </ul>
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>❖ One (1) unit</li> <li>❖ Two (2) unit</li> <li>❖ Three-and-Four (3-4) unit</li> <li>❖ Warrantable Condos (Attached/Detached)</li> </ul>
<b>Manufactured Housing</b>	<ul style="list-style-type: none"> <li>❖ Not eligible</li> </ul>
<b>Maximum LTV/CLTV/HCLTV</b>	<ul style="list-style-type: none"> <li>❖ One (1) unit primary residence to 95% LTV/CLTV/HCLTV</li> <li>❖ Two (2) unit primary residence to 85% LTV/CLTV/HCLTV</li> <li>❖ Three-and-Four (3-4) primary residence to 75% LTV/CLTV/HCLTV</li> </ul>
<b>Borrower Income Limits</b>	<ul style="list-style-type: none"> <li>❖ No income limits in low-income census tracts</li> <li>❖ 100% of area median income (AMI) for all other properties</li> </ul>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>❖ DU Approve/Eligible recommendations only</li> </ul>

**PROGRAM OVERVIEW**

<b>Overview</b>	<ul style="list-style-type: none"> <li>❖ REM N WS follows <i>AllRegs</i> for loans being sold to FNMA; except as stated in these guidelines.</li> <li>❖ Refer to FNMA <a href="#">Matrices &amp; Guidelines</a> on HomeBase for topics not addressed.</li> <li>❖ Where guidelines are silent, follow <i>AllRegs</i> on <a href="#">efanniemae.com</a>.</li> </ul>
<b>Renovation Concierge Services</b>	<ul style="list-style-type: none"> <li>❖ All correspondence with the Renovation Concierge Service Department can be made using the <a href="#">Renovation Concierge Service Help Desk</a></li> </ul>
<b>RCS Contractor Database</b>	<ul style="list-style-type: none"> <li>❖ The Renovation Concierge Service Department will be responsible for maintaining an accepted contractor list on <a href="#">REM NWholesale.com</a> under the “Resources” tab. In addition RCS will keep a master of previously accepted/validated contractor documentation, such as; license, insurance, contractor acknowledgement and W9. <ul style="list-style-type: none"> <li>» RCS will upload the common documents into BlitzDocs.</li> </ul> </li> <li>❖ RCS will be responsible for updating any expired licenses or insurance certificates.</li> </ul>
<b>HomeStyle Renovation Summary</b>	<ul style="list-style-type: none"> <li>❖ The HomeStyle Renovation mortgage enables the borrower to obtain a purchase mortgage or a limited cash-out refinance mortgage and receive funds to cover the costs of repairs, remodeling, renovations or energy improvements to the property.</li> <li>❖ Single loan for purchase or refinance and the renovation funds. Loan amount is based on the as-completed value of the home rather than present value.</li> <li>❖ Renovation funds are limited to a maximum of 50% of the as-completed appraised value. Self-funding of additional renovation costs above this limit is prohibited by FNMA, as it may cause the amount of renovation to become unacceptable relative to the value of the property itself. <ul style="list-style-type: none"> <li>» For example, as-completed value of \$400,000 and renovation costs of \$225,000 – not acceptable for Homestyle, as the 50% limit is exceeded (borrower cannot self-fund the additional \$25,000)</li> <li>» <b>NOTE</b> – The above does NOT impact the borrower’s ability to “self-fund” their contingency reserve.</li> </ul> </li> <li>❖ Borrower may escrow up to 6 months PITI if home is uninhabitable during the renovation period.</li> <li>❖ Mortgage Insurance is required for LTV’s <math>\geq 80.01\%</math></li> <li>❖ There are no required improvements or a minimum dollar amount for the repairs. <ul style="list-style-type: none"> <li>» Repairs or improvements; however, must be permanently affixed to the real property and add value to the property.</li> <li>» Transaction may only cover the cost of repairs, remodeling, renovation or energy improvements.</li> </ul> </li> <li>❖ To ensure that the borrower understands all of the terms of the HomeStyle Renovation mortgage, REM N WS requires the HomeStyle Renovation Consumer Tips disclosure be provided to the borrower. <ul style="list-style-type: none"> <li>» This disclosure can be used as a checklist for the key facts that need to be disclosed to the borrower, and the borrower signature will serve as an acknowledgement of his or her understanding of the facts.</li> </ul> </li> </ul>
<b>Prepayment Penalty</b>	<ul style="list-style-type: none"> <li>❖ Not Permitted</li> </ul>
<b>Temporary Buydown</b>	<ul style="list-style-type: none"> <li>❖ Not Permitted</li> </ul>
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>❖ Not Permitted</li> </ul>
<b>Escrow / Impounds</b>	<ul style="list-style-type: none"> <li>❖ <math>\geq 80.01\%</math> LTV – Required.</li> <li>❖ <math>\leq 80.00\%</math> LTV – Can be waived; see REM N Daily Rate Sheet for pricing when waiving.</li> <li>❖ As of 1/1/2016, if a mortgage loan required flood insurance, Federal Law requires that the premium <b>MUST</b> be escrowed by the servicer and a waiver of establishing an escrow account is not allowed. This applies to all States and LTV’s, regardless of whether the state has a provision for waiving taxes &amp; insurance.</li> <li>❖ Loan must be locked in Nylx/Loan Decisions.</li> </ul>
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>❖ Follow standard FNMA guidelines; see FNMA Product Description on HomeBase.</li> <li>❖ If subordinate financing is an eligible Community Seconds, the CLTV can be up to 105%.</li> <li>❖ HomeStyle Renovation loans with non-Community Seconds are subject to pricing adjustment.</li> <li>❖ Mortgages with CA HERO program as a subordinate/secondary financing option are not eligible for financing.</li> </ul>

PROGRAM OVERVIEW

Occupancy	<ul style="list-style-type: none"> <li>❖ Eligible Occupancy <ul style="list-style-type: none"> <li>» Primary Residence</li> <li>» Second / Vacation Home</li> <li>» Investment Property</li> </ul> </li> </ul> <p><b>Note:</b> The above eligible occupancy applies to standard loan limits as well as high balance loan limits.</p>
Ineligible Transactions	<ul style="list-style-type: none"> <li>❖ Non-Traditional Credit</li> <li>❖ Manual Underwrite</li> <li>❖ ARMs</li> <li>❖ Cash-Out Refinance transactions</li> <li>❖ New construction less than 85% complete</li> <li>❖ Manufactured Housing</li> <li>❖ Tear Down/Rebuild</li> <li>❖ See Number of Properties Financed with REM N WS below.</li> <li>❖ Texas Refinance Section 50(a)(6) – if renovation loan funds will be paying off the balance of an existing cash-out refinance loan, the renovation is considered a Section 50(a)(6) loan and state regulations would prohibit the lender from controlling the disbursement of funds.</li> <li>❖ Loans with CA HERO program as a secondary/subordinate financing option.</li> <li>❖ Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on <b>Federal</b> law.</li> <li>❖ Loans where a borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status</li> <li>❖ Pay off of a Property Assessed Clean Energy (PACE) loan</li> </ul>
Eligible Properties	<ul style="list-style-type: none"> <li>❖ 1-4 Unit – Primary Residence</li> <li>❖ 1 Unit – Second/Vacation Home</li> <li>❖ 1 Unit – Investment Property</li> <li>❖ Condo/PUD (Attached/Detached)</li> <li>❖ Newly completed construction with Use &amp; Occupancy or CO issued.</li> </ul>
Second / Vacation Home Definition	<ul style="list-style-type: none"> <li>❖ 1 unit property owned and occupied by the borrower for some portion of the year.</li> <li>❖ Not subject to any timesharing ownership arrangement(s).</li> <li>❖ The property should be in a location where it can function reasonably as a second home (i.e. in the mountains, on a lake, near the ocean, resort area; a place for vacations and family gatherings).</li> <li>❖ Generally no rental income should be shown on the borrowers' federal tax returns.</li> <li>❖ Property must be suitable for year round occupancy.</li> </ul>
Lava Zone Properties	<ul style="list-style-type: none"> <li>❖ Properties located in Lava Zones 1 &amp; 2 are not eligible</li> <li>❖ Properties located in Lava Zones 3 and higher are eligible with no restrictions.</li> </ul>
Number of Properties Financed with REM N WS	<ul style="list-style-type: none"> <li>❖ The preferred method for processing multiple mortgages for the same borrower, but on different properties is to process, underwrite and close them at the same time. Essentially once all of the mortgages are closed, they would "mirror" one another, with each property reflecting the new mortgages on the other properties.</li> <li>❖ However, we cannot always control when a borrower can close and it might not be possible to close the loans simultaneously. In this instance, the file has to be uniquely underwritten, as we must consider the "worst case" scenario. In other words, even though the final 1003 can only show what the borrower is legally obligated for on the day of closing, there must be a memo to the file showing what the anticipated ratios, etc., will be, once the other loan(s) close.</li> <li>❖ REM N WS realizes that the other loan(s) ultimately may not close; however, since the borrower has applied for another mortgage, the terms and conditions of that proposed mortgage must be considered.</li> </ul> <p><b>REM N WS Overlay: More than 4 REM N WS Mortgages - Exception must be approved by Chief Credit Officer after review by Underwriting/Operations Manager or Retail Underwriting Helpdesk Manager.</b></p>
Number of Open Renovation Loans with REM N WS	<ul style="list-style-type: none"> <li>❖ Borrower(s) are limited to one (1) open renovation loans in process at any given time with REM N WS.</li> </ul>
Power of Attorney	<ul style="list-style-type: none"> <li>❖ A Power of Attorney may be used for loan closing documents however Borrowers must provide a valid reason that prevents them from attending the closing or performing borrower requirements.</li> </ul> <p><a href="#">Click here</a> for the Wholesale Power of Attorney policy.</p>

**PROGRAM OVERVIEW**

<b>Required Documentation</b>	Included with all other standard underwriting documentation the following Renovation forms must be included in the file and uploaded to BlitzDocs labeled correctly.				
	<b>Form Name</b>	<b>Description</b>	<b>When Required</b>	<b>Responsible Party</b>	<b>Required Signatures</b>
	<b>HomeStyle Renovation Consumer Tips (FNMA form 1024)</b>	Information on HomeStyle Renovation program	At Application	Broker (if Broker prepares initial LE) REM N (if REM N prepares initial LE)	Borrower & LO
	<b>HomeStyle Renovation Maximum Mortgage Worksheet*</b>	Determines maximum loan amount	At Submission; & finalized by REM N WS UW	ALL (Broker & REM N WS UW)	Underwriter
	<b>Contractor Profile*</b>	Provides Contractor information; such as work experience, financial information and insurance <i>(Note: If the Contractor has been accepted by RCS, this form is not required for each loan submission – RCS will advise when a new Contractor Profile is required)</i>	At Submission, or with Conditions	Broker & REM N RCS	Contractor
	<b>Homeowner/ Contractor HomeStyle Renovation Contract*</b>	Outlines renovation work to be completed	At Submission, or with Conditions	Broker	Borrower & Contractor
	<b>RCS Contractor Review Form</b>	This is the final REM N RCS Validation of the Contractor Acceptance	Prior to Clear from UW	REM N RCS	REM N RCS
	<b>Contractor Bid and/or Consultant Feasibility Study</b>	The plans and specs should fully describe all of the work to be completed and provide an indication when various jobs or stages of completion will be scheduled (including both the start and completion date).	Prior to Clear from UW	REM N RCS & REM N UW	Contractor Bid – Borrower & Contractor
					Feasibility Study – Borrower, Contractor & HUD Consultant
	<b>Construction Loan Agreement*</b>	Loan agreement between REM N WS & Borrower detailing renovations	At Closing	Closer	Borrower & REM N WS Closing Representative
	<b>Completion Certificate</b>	Acknowledges renovation parameters	Post-Closing	RCS	Borrower & Contractor
	<b>Renovation Lien Waiver</b>	Affidavit stating that Contractor has not put any liens on subject property	Post-Closing	RCS, Draw Department	Contractor
	<b>Renovation Change Order Request</b>	Changes to renovations and/or costs	Post-Closing	RCS, Draw Department	Borrower & Contractor
	<p>*<a href="#">Renovation Concierge Service Help Desk</a> should be utilized for assistance in completion of the forms. If utilizing the Renovation Concierge Department, please allow one (1) business day to respond to your request.</p> <p>Note: All forms as indicated above can be found on <a href="#">REM N Wholesale</a>.</p>				

UNDERWRITING

<b>Underwriting Method</b>	<ul style="list-style-type: none"> <li>❖ Underwriting with DU required; the loan must receive Approve/Eligible Recommendation findings.</li> <li>❖ Manual Underwrite is NOT permitted.</li> </ul>
<b>Maximum Financed Properties</b>	<p><b>REM N Wholesale Overlay:</b></p> <ul style="list-style-type: none"> <li>❖ Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REM N Wholesale. Exceptions may be granted on a case-by-case basis with REM N Wholesale Executive management approval. A price adjustment may apply. FNMA's standard eligibility and underwriting policies apply for any loans granted an exception.</li> <li>❖ No multiple simultaneous loan submissions allowed if contingent to qualify</li> <li>❖ REM N limits its exposure to a maximum of 4 loans per borrower. <ul style="list-style-type: none"> <li>» Refer to FNMA Product Description on <a href="#">REM N Wholesale</a> website for additional requirements associated with Multiple Properties Financed.</li> </ul> </li> </ul>
<b>Prior Mortgage Fraud</b>	<ul style="list-style-type: none"> <li>❖ REM N WS will not lend to any borrower(s) who has been previously convicted of mortgage fraud.</li> <li>❖ For all other interested parties in the transaction, if any one of the parties has been previously convicted of mortgage fraud, REM N WS will not provide financing for the transaction.</li> <li>❖ There are NO exceptions the aforementioned criteria.</li> </ul>
<b>DTI Ratio</b>	<ul style="list-style-type: none"> <li>❖ REM N WS must base its calculation of real estate taxes for borrower qualification based on current tax value.</li> <li>❖ Hazard and/or Flood insurance must be based on the maximum insurable value as per REM N WS Insurance Requirements and used in qualifying ratios.</li> <li>❖ See <a href="#">Mortgage Insurance</a> for maximum DTI on LTV's ≥ 80.01%.</li> </ul>
<b>Insurance Coverage</b>	<ul style="list-style-type: none"> <li>❖ Hazard Insurance <ul style="list-style-type: none"> <li>» Follow standard REM N WS Insurance Requirements.</li> </ul> </li> <li>❖ All Risk Insurance (Contractor Insurance) <ul style="list-style-type: none"> <li>» With physical loss form endorsement and mortgagee's loss payable clause equal to 100% of the full replacement costs of improvements, public liability insurance, workmen's compensation insurance (as required by applicable state law) and automobile liability insurance.</li> </ul> </li> <li>❖ Flood Insurance <ul style="list-style-type: none"> <li>» Follow standard REM N WS Insurance Requirements.</li> </ul> </li> <li>❖ Title Insurance <ul style="list-style-type: none"> <li>» Title Policy must cover the full amount of the recorded mortgage, must be dated concurrently with the recordation of the mortgage and must be updated to the date on which the renovation work is completed.</li> </ul> </li> </ul>

UNDERWRITING

Transaction Types

Purchase LTV Ratio

- ❖ The LTV ratio is determined by dividing the original loan amount by the lesser of;
  - » Purchase price and cost of renovation; or
  - » As-Completed Value.
- ❖ Add up the renovation / repair costs; these can be a maximum of 50% of the as-completed value (Do It Yourself work is limited to 10%) these costs include:
  - » Labor and materials,
  - » [Renovation-Related Costs](#); Property Inspection Fees (FNMA requires the original appraiser to complete the final inspection), Title Update Fees, Architectural and Engineering Fees, Independent (HUD) Consultant Fees, Permit Fees.
  - » Contingency reserve of 10% (15% when utilities are not on and functioning),
    - Contingency Reserve can be used for any permanent improvement that adds value that was not part of the original scope of work.
      - When financed, this amount must be included in the total renovation costs.
  - » Monthly PITIA payments for up to six (6) months.
    - Monthly PITIA payments cover the living expenses if the borrower has to vacate the home during the rehabilitation.
      - Independent (HUD) Consultant will determine the number of months that can be escrowed.
- Note:** An amount for sweat equity may not be factored into the renovation costs.
- ❖ HomeStyle Renovation Maximum Mortgage Worksheet must be completed to determine the maximum loan amount and maximum funds for renovations / repairs, this form can be found on [REMN Wholesale](#) website.

Sales Price	\$190,000
Labor/Materials	\$39,500
Renovation-Related (Soft) Costs	\$2,200
Contingency Reserve	\$4,170
Mortgage Payment Reserve (Primary Residence ONLY)	\$0
<b>TOTAL</b>	<b>\$235,870</b>
As-Completed Value	\$250,000
Maximum Loan Amount based on LTV of 95%	\$224,076.50

Total cost is \$235,650. The as-completed value for the home is \$250,000. The LTV calculation for purchase transaction is the lesser of the purchase price plus costs or the as-completed value, therefore we use the purchase plus renovation costs in our calculation.



UNDERWRITING

**Limited Cash-Out  
Refinance LTV Ratio**

- ❖ LTV ratio is determined by dividing the original loan amount by the as-complete appraised value of the property rather than its current appraised value.
  - ❖ Borrower may not receive cash back at closing in any amount (FNMA standard limited cash-out refinance of 2% or \$2,000, whichever is less, is NOT PERMITTED for this product).
    - » Excess funds, if any after the renovations / repairs are completed, will be applied to the loan balance as a curtailment or may be reimbursed to the borrower for the cost of actual supplies or additional renovations for which the receipts are provided; or if the borrower funded the contingency reserve.
  - ❖ The subject property must not be currently listed for sale, it must be taken off the market on or before application date with REM N WS and the borrower(s) must confirm their intent to occupy the subject property (for principal residence transactions).
  - ❖ HomeStyle Renovation Maximum Mortgage Worksheet must be completed to determine the maximum loan amount and maximum funds for renovations / repairs.
  - ❖ Example Limited Cash-Out Refinance (determine maximum LTV based on property type and occupancy)
    - » Single Family – Owner Occupied = 95%
    - » As-Completed Value = \$250,000
    - Renovation costs cannot exceed 50% of as-completed value (\$125,000).
    - Maximum Loan Amount = \$237,500 (95% of \$250,000)
- Ineligible Transactions**
- » Refer to [REM N Wholesale](#) FNMA Guidelines, Limited Cash-Out Refinance Section
  - » Proceeds cannot used to pay off of a Property Assessed Clean Energy (PACE) loan or HERO loan obtained prior to July 6, 2010, as FNMA requires these transactions to be manually underwritten. REM N does not manually underwrite FNMA loans.

**Defining Refinance  
Transactions**

Refinance Transaction includes the payoff of the first lien and...	REM N WS must underwrite the transaction as a...	Comments
Properties owned free & clear	Limited Cash-Out Refinance	Loan amount limited to financing just the renovation.
The payoff of purchase money second with no cash-out.	Limited Cash-Out Refinance	N/A
The payoff of a non-purchase money second, regardless of whether additional cash-out is taken.	Cash-Out Refinance	<b>NOT eligible under this loan program.</b>
Subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property, and the borrower is not taking cash-out except to the extent permitted for a limited cash-out refinance transaction under this loan program.	Limited Cash-Out Refinance	The subordinate lien must be re-subordinated to the new first mortgage loan.
The subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property and the borrower is taking cash-out.	Cash-Out Refinance	<b>NOT eligible under this loan program.</b>

#### Mortgage Insurance

- ❖ REM N WS Preferred Partner Program guidelines to be followed (Monthly, Financed or LPMI available).
- ❖ Mortgage insurance is required on all transactions  $\geq 80.01\%$  LTV.
  - » Purchase: LTV based on lesser of as-completed value or Purchase Price + Renovation Cost.
  - » Limited Cash-Out: LTV based on as-completed value.
- ❖ Must cover as-completed value.
- ❖ Must be in effect at closing.
- ❖ As mandated by NY State Statute, all purchase or refinance transactions within the state will base the determination of when to require mortgage insurance solely on the “appraised value” of the property (instead of the lower of the sales price or current appraised value). This calculation only applies to when determining the need for mortgage insurance. Apply the standard LTV calculation to determine product eligibility.
- ❖ Standard MI required, reduced coverage not allowed (MI must be in effect at time of loan closing).

#### Essent

- ❖ Debt-to-Income Ratio: FICO  $\geq 700$ ; Maximum 45.00%.
- ❖ Debt-to-Income Ratio: FICO  $< 700$ ; Maximum 41.00%.

#### United Guaranty

- ❖ Do It Yourself repairs are not eligible for Mortgage Insurance with United Guaranty.
- ❖ 1 Unit Primary Residence ONLY.
- ❖ Copy of HUD1 from original purchase price required when property owned  $< 12$  months for limited cash-out refinance transactions.
- ❖ Do It Yourself Repairs are not eligible.
- ❖ Borrower may not act as General Contractor.
- ❖ Property owned  $< 12$  months; use lesser of the original purchase price + documented costs of improvements or as-completed value.

#### High Balance Loans

- ❖ REM N WS Preferred MI Partners should be contacted to confirm eligibility for High Balance Loans.
- ❖ Borrower Paid and Lender Paid MI options are permitted, as are monthly, single and split premium plan options.
- ❖ Financed MI is permitted, but LTV may not increase above the maximum LTV that is otherwise permitted.

PROPERTY	
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>❖ All appraisal orders must be placed through REMN Wholesale’s approved appraisal management companies for the state which the subject property is located. Please refer to the “Order an Appraisal” page of the Broker Portal for further information.               <ul style="list-style-type: none"> <li>» These estimates must be sent with the appraisal request so that the appraiser can provide the after-improved value.</li> </ul> </li> <li>❖ Appraisal report must provide and as-completed value that estimates the value of the property after completion of the renovation work.</li> <li>❖ Appraisal must contain photos of front, back and street scene of the subject as well as the front of each comparable sale used.</li> <li>❖ Interior photographs, which must, at a minimum include:               <ul style="list-style-type: none"> <li>» Kitchen,</li> <li>» All bathrooms,</li> <li>» Main living area,</li> <li>» Examples of physical deterioration, if present,</li> <li>» Examples of recent updates; such as restoration, remodeling and renovation, if present.</li> </ul> </li> <li>❖ Field Review Requirements as outlined in the FNMA Product Description must be followed.</li> <li>❖ FNMA requires the original appraiser to complete the final inspection.</li> </ul> <p><b>High Balance Loans</b></p> <ul style="list-style-type: none"> <li>❖ One-Unit Residential Appraisal Field Review Report (Form 2000) is also required if:               <ul style="list-style-type: none"> <li>» The property value is ≥\$1,000,000 and the LTV/CLTV/HCLTV is &gt;75%.                   <ul style="list-style-type: none"> <li>▪ Use the lower of the original appraised value, Field Review value or Sales Price (for purchase transactions) to calculate the LTV.</li> </ul> </li> </ul> </li> </ul>
<b>Condo Approval</b>	<ul style="list-style-type: none"> <li>❖ When the subject property is a condo project; the project must be one for which the proposed renovation work is permissible under the bylaws of the homeowners’ association.               <ul style="list-style-type: none"> <li>» REMN WS will require the homeowners’ association to provide written approval for the renovation work.</li> </ul> </li> <li>❖ The renovation work for a condo unit must be limited to the interior of the unit, including the installation of fire walls in the attic.</li> </ul>

RENOVATIONS

Renovations

- ❖ Must be permanently affixed to the property and add value to the property.
- ❖ Renovations can include interior and exterior repairs and cosmetic improvements.
  - » Roof repair or replacement
  - » Updated finishes and flooring
  - » Electrical or plumbing repair or replacement
  - » Paint
  - » Fences, decks, landscaping
  - » Kitchen appliances
  - » In-ground swimming pools
  - » Accessory Units
    - Improvements are considered permanent and affixed to the land, as well as adding value to the property
    - Examples include living area over a garage and/or basement units
    - State-specific issues may apply for these transactions – must adhere to any state or local requirements that may apply
    - Subject property must comply with zoning requirements for a one unit property (cannot be a renovation to a 2 unit property), as referenced in the Fannie Selling Guide.
    - All other Fannie Mae policies around accessory units, comparable selection (at least one comp with ADU), HomeStyle Renovation, unpermitted additions, etc. would still apply.
- ❖ HomeStyle can be used to complete partially-built new construction where the seller is not the original builder and the subject property is substantially complete with the exception of buyer preference items (about 85% complete)
- ❖ Renovations cannot consist of;
  - » Construction of new guest house
  - » Non-Kitchen appliances (e.g. washer and dryer, etc.)
  - » Tear Down/Rebuild is not eligible under HomeStyle Renovation.
- ❖ Property must meet State and Local standards.
- ❖ Renovations must be started within 30 days and must be completed within 180 days of REM N WS loan closing.
- ❖ Appraisal report must provide an as-completed appraised value.

Renovation Related Costs

- ❖ Renovation-related costs that may be considered as part of the total renovation costs include;
  - » Labor and materials
  - » Contingency Reserve (if financed)
  - » Property Inspection Fees,
    - FNMA requires the original appraiser complete the final inspection.
  - » Title Update Fees
  - » Architectural and Engineering Fees (soft cost)
  - » Independent (HUD) Consultant Fees (not required on transactions that meet the [HomeStyle Streamline option](#); Consultant Fees are based on the cost of the proposed renovations), see below for estimated consultant fee table
  - » Permit Fees (soft cost)
  - » Other documented charges, such as fees for energy reports, review of renovation plans and fees charged for processing renovation draws.

**Note:** An amount for sweat equity may not be factored into the renovation costs.
- ❖ HomeStyle Renovation Maximum Mortgage Worksheet must be completed to determine the maximum loan amount and maximum funds for renovations / repairs; found on [REM N Wholesale](#) website.

Consultant Fees

\$0.00 - \$7,500 = \$400	\$7,501 - \$15,000 = \$500	\$15,001 - \$30,000 = \$600
\$30,001* - \$50,000 = \$700	\$50,001 - \$75,000 = \$800	\$75,001 - \$100,000 = \$900
\$100,001 and Up = \$1,000	+ %25 for each additional unit (as applicable)	

RESERVES & ESCROW ACCOUNTS	
<b>Costs &amp; Escrow Accounts</b>	<ul style="list-style-type: none"> <li>❖ The costs of the renovations will be based on the plans and specifications for the work and on the contractor's bids for all of the work requested by the borrower.</li> <li>❖ The renovation costs may include a contingency reserve (if financed), renovation-related costs and an escrow account for mortgage payments that come due during the renovation period, if the borrower is unable to occupy the property during the renovation.</li> </ul>
<b>Mortgage Payment Escrow Account</b>	<ul style="list-style-type: none"> <li>❖ An escrow for mortgage payments (PITI) that will become due during the renovation period generally may be included as part of the total renovation costs for a <u>principal residence</u> if the property cannot be occupied during the renovation period. <ul style="list-style-type: none"> <li>» To make PITI payments while the home is unable to be occupied during rehabilitation. <ul style="list-style-type: none"> <li>▪ Cannot be financed on Second or Investment transactions.</li> </ul> </li> <li>» The mortgage payment escrow must represent only those payments that come due during the period in which the property cannot be occupied.</li> <li>» The Independent (HUD) Consultant will determine the number of months the home will be uninhabitable after review of the plans and specifications.</li> <li>» The maximum amount that may be escrowed is six (6) full payments PITI.</li> </ul> </li> <li>❖ REM N WS HomeStyle Mortgage Payment Disclosure must be executed by the Borrower and Loan Officer.</li> </ul>
<b>Renovation Escrow Account</b>	<ul style="list-style-type: none"> <li>❖ At closing, REM N WS will deposit all of the renovation costs, including the contingency reserve, and any escrowed mortgage payments (PITI) or funds that the borrower provides from his or her own funds, into an interest-bearing renovation escrow account for the benefit of the borrower(s). <ul style="list-style-type: none"> <li>» All interest earned on this account, less any administrative expenses involved in maintaining the account, must be paid or credited to the borrower(s).</li> </ul> </li> <li>❖ The funds in the renovation escrow account must be used to complete the renovation work and, if applicable, to make any mortgage payments that come due during the renovation period.</li> <li>❖ REM N WS, or our agent, will be responsible for administering this account and ensuring that the renovations are completed in a timely manner and in accordance with the plans and specifications and the contractors bid(s).</li> <li>❖ REM N WS will release funds to the contractor and borrower(s) only when any given renovation work has been completed, and then only in accordance with the agreed-upon schedule and after receipt of a specific request (checks will be made payable to both the borrower and the contractor).</li> <li>❖ A maximum of five (5) draws will be allowed; no funds will be disbursed at closing.</li> <li>❖ Should there be an increase in costs during the renovation period, the borrower(s) must fund the amount of the increase; REM N WS will not increase the mortgage amount to offset an increase in costs. REM N WS must ensure that the additional funds are obtained in a manner that will not affect the priority of FNMA's first lien position.</li> <li>❖ Once the renovation has been completed, all funds remaining in the renovation escrow account including any mortgage payments reserves, may be used to either reduce the unpaid principal balance of the mortgage, unless they represent funds deposited separately by the borrower(s), or to make additional improvements or repairs to the property that are permanently affixed and add value to the property.</li> </ul>

RESERVES & ESCROW ACCOUNTS

Contingency Reserve

- ❖ A contingency reserve equal to 10% of the total costs of the renovation work must be established and funded to cover unforeseen renovations or deficiencies that are discovered during the renovation.
  - » A contingency reserve equal to 15% must be established for utilities if unable to be verified to be in working order (or are not being done as part of the renovation) with the final amount to be determined by the Renovation Concierge Department.
  - » If the loan requires Mortgage Insurance, verify MI provider selected allows 15% contingency reserve.
- ❖ **NOTE:** for Single Family primary residence transactions, the contingency reserve can be waived if:
  - » The underwriter determines that the borrower has sufficient post-closing reserves that are equal to or greater than the amount normally required from a contingency reserve (see above).
  - » **Example** – If the amount of funds normally required for a contingency reserve equated to \$20,000, then the borrower must have at least \$20,000 in post-closing reserves to qualify for the waiver.
  - » Transactions that are not eligible for contingency reserve waiver:
    - 2-4 unit primary residence transactions
    - Second Home transactions
    - Investment property transactions
- ❖ The contingency reserve must be considered as part of the total renovation costs when financed, if borrower funded, the contingency reserve is not included in the total renovation costs.
- ❖ Borrower funded contingency reserve should be input on the 2010 Itemization on lines 1310-1315.
- ❖ The contingency reserve may be released only once it is determined that all fire, health, safety issues have been corrected and that there appears to be no additional necessary or unforeseen repairs that would/could require the use of those funds.
- ❖ Unused contingency funds, unless they were received directly from the borrower(s), must be used to reduce the outstanding principal balance of the renovation mortgage after all the renovation work has been completed and the certification of completion has been obtained.
- ❖ A borrower may use the remaining contingency reserve funds for making improvements or repairs that are permanently affixed to the real property and add value to the property, not to purchase personal property; if REMN WS;
  - » Warrants that the work scheduled and described in the plans and specifications were completed and the contingency reserve funds have already been reduced by cost overruns; and,
  - » Ensures that the contingency reserve funds that are to be used for additional improvements or repairs are actually used to improve the real property and documented with paid receipts from the borrower's own funds; and,
  - » Inspections of the additional work or installations are completed by the appraiser who prepared the as-complete value appraisal report.
  - » A HomeStyle Renovation Change Order Request must be completed by the borrower(s) and approved by REMN WS.
- ❖ Contingency reserve may NEVER be used to purchase free standing appliances.
- ❖ Contingency reserve may NEVER be used to purchase personal property.

CONTRACTOR & REHABILITATION PROCESS	
<b>Contractor Requirements</b>	<ul style="list-style-type: none"> <li>❖ All renovation work must be performed by registered, licensed general contractors.               <ul style="list-style-type: none"> <li>» HomeStyle Renovation is limited to one (1) General Contractor.                   <ul style="list-style-type: none"> <li>▪ Special contractor (pool repair, well, septic, structural engineer, etc.) permitted with approval from Renovation Concierge Services.</li> </ul> </li> </ul> </li> <li>❖ Borrower(s) must choose his/her own contractor to perform the needed renovations, subject to REMN WS's determination that the contractor is qualified and experienced, has all appropriate credentials required by the state, and agrees to indemnify the borrower(s) for all property losses or damages caused by its employees or subcontractors.               <ul style="list-style-type: none"> <li>» REMN WS may not choose the contractor or refer the borrower to any one (1) specific contractor.</li> </ul> </li> <li>❖ Contractor may be a relative of the borrower if properly licensed and insured; must meet all other contractor criteria.</li> <li>❖ Contractor can be borrower employer or a company.</li> <li>❖ Completed Contractor Profile Report required for all new contractors not previously accepted by RCD.               <ul style="list-style-type: none"> <li>» REMN WS will require the borrower(s) obtain a completed Contractor Profile Report to ensure that we have sufficient information available to make a determination about the contractor's qualifications.</li> </ul> </li> <li>❖ RCS will review all contractor information and do general search of public records. This process takes approximately three (3) business days.</li> <li>❖ A borrower may request reimbursement for his or her payments for the cost of materials or for the cost of properly documented contract labor, but not for his or her sweat equity.</li> <li>❖ When a borrower chooses this repair option, REMN WS must fully budget for the cost of labor and materials related to the repairs so that, should the borrower be unable to complete the work, a contractor can be hired to finish any of the Do It Yourself repairs.</li> </ul>
<b>Contractor Validation Process</b>	<ul style="list-style-type: none"> <li>❖ Borrower finds home to purchase or refinances current home that needs renovation,</li> <li>❖ Borrower/Broker obtain bid(s) from contractor and has Contractor Profile form completed,               <ul style="list-style-type: none"> <li>» All bids must provide detailed description of the work to be completed,</li> <li>» Costs of materials and labor must be separately broken down on the bid,</li> <li>» Material cost must be detailed to include the materials used,</li> </ul> </li> <li>❖ Completed Contractor Profile Report and bid(s) can be submit with new loan submission, or uploaded with approval conditions.</li> </ul>

CONTRACTOR & REHABILITATION PROCESS	
Construction Contract	<ul style="list-style-type: none"> <li>❖ The construction contract must;               <ul style="list-style-type: none"> <li>» Identify all subcontractors and suppliers,</li> <li>» Itemize the specific work that the contractor agrees to perform for the borrower(s),</li> <li>» State the agreed upon cost of the renovations,</li> <li>» Include an itemized description that establishes the schedule for completing each state of the renovation work and the corresponding payments to be made to the contractor.</li> </ul> </li> <li>❖ This contract, which must be executed by both the borrower(s) and contractor(s) should also require the contractor to;               <ul style="list-style-type: none"> <li>» Be duly licensed (if required by state law),</li> <li>» Obtain all required insurance coverage's; such as all-risk, public liability, workmen's compensation and automobile liability,</li> <li>» Complete the work in compliance with the contract and all applicable government regulations; such as building codes and zoning restrictions,</li> <li>» Obtain the necessary building permits; including a certificate of occupancy, if required,</li> </ul> </li> <li>❖ Provide for appropriate remedies for resolving disputes; including an agreement to indemnify the borrower(s) for all property losses or damages caused by the contractor's employees or subcontractor's employees.</li> </ul>
Plans & Specifications	<ul style="list-style-type: none"> <li>❖ The plans and specifications must be prepared by a registered, licensed or certified general contractor or architect.</li> <li>❖ The plans and specs should fully describe all of the work to be completed and provide an indication when various jobs or stages of completion will be scheduled (including both the start and the completion date).</li> <li>❖ REM N WS must use the plans and specs to document and evaluate the quantity, quality and cost of renovation work that is to be completed and determine the amount of financing that will be available.</li> <li>❖ The plans and specs also must be used by the appraiser in development of his/her opinion of as-completed value of the property.</li> <li>❖ Before approving any change a borrower wants to make the original plans and specs, REM N WS will require the borrower(s) to submit a Renovation Change Order Request to provide a detailed description of the change(s), the cost of the change(s) and the estimated completion date.</li> </ul>



<p><b>Do It Yourself Repairs</b></p>	<ul style="list-style-type: none"> <li>❖ REM N WS only allows “Do It Yourself” by <i>exception basis, from Executive Management, prior to loan submission.</i></li> <li>❖ In the event an exception is approved, the below applies:</li> <li>❖ Under the Do It Yourself repair option, the borrower may complete the renovations. <ul style="list-style-type: none"> <li>» Borrower must be able to provide sufficient evidence of qualification to complete the renovations.</li> </ul> </li> <li>❖ A borrower may request reimbursement for his or her payments for the cost of materials or for the cost of properly documented contract labor, but not for the cost of his/her sweat equity. <ul style="list-style-type: none"> <li>» When the borrower chooses this repair option, REM N WS must fully budget for the cost of labor and material related to the repairs, so that; should the borrower(s) be unable to complete the work, a contractor can be hired to finish any of the Do It Yourself repairs.</li> </ul> </li> <li>❖ Do It Yourself Repairs <ul style="list-style-type: none"> <li>» Financing available for Do It Yourself work is limited to 10% of the as-completed value of the home as opposed to 50% when the work is done by a licensed third-party contractor.</li> <li>» Do It Yourself is only available for 1 Unit primary residence transactions.</li> <li>» Material costs are reimbursed, labor costs are not.</li> <li>» DIY’s must provide itemized bills or receipts to be reimbursed. <ul style="list-style-type: none"> <li>▪ If these are not available prior to loan closing; the borrower(s) must document the planned renovations and provide cost estimates.</li> </ul> </li> <li>» The plans and specs should fully describe all of the work to be completed and provide an indication when various jobs or stages of completion will be scheduled (including both the start and the completion date).</li> <li>» REM N WS must use the plans and specs to document and evaluate the quantity, quality and cost of renovation work that is to be done and determine the amount of financing that will be available.</li> <li>» The plans and specs also must be used by the appraiser in the development of his or her opinion of the as-completed value of the property.</li> <li>» Before approving any change a borrower wants to make to the original plans and specs, REM N WS will require the borrower(s) to submit a HomeStyle Renovation Change Order Request to provide a detailed description of the change(s), the cost of the change(s) and the estimated completion date.</li> <li>» Properties located in Texas do not allow reimbursement made directly to the borrower(s) for any Do It Yourself repairs.</li> </ul> </li> <li>❖ Do It Yourself repairs are not eligible for <a href="#">Mortgage Insurance</a> with United Guaranty.</li> <li>❖ A borrower who is employed by a licensed and insured contracting company can allow their employer to be the contractor and it is NOT considered Do It Yourself Repairs. <ul style="list-style-type: none"> <li>» If the borrower owns the contracting company, it would still be considered Do It Yourself.</li> </ul> </li> <li>❖ A borrower may request reimbursement for his or her payments for the cost of materials or for the cost of properly documented contract labor, but not for his or her sweat equity.</li> <li>❖ When a borrower chooses this repair option, REM N WS must fully budget for the cost of labor and materials related to the repairs so that, should the borrower be unable to complete the work, a contractor can be hired to finish any of the Do It Yourself repairs.</li> </ul>
<p><b>Independent (HUD) Consultant</b></p>	<ul style="list-style-type: none"> <li>❖ Independent (HUD) Consultant (not required on transactions that meet the <a href="#">HomeStyle Streamline option</a>; Consultant Fees are based on the cost of the proposed renovation).</li> <li>❖ The Consultant can do the inspections during the construction stage. The Consultant cannot be the Contractor on the job, because it is considered a conflict-of-interest. <ul style="list-style-type: none"> <li>» Consultants work for REM N WS</li> <li>» Performs a detailed inspection of the property to determine what needs to be done and the costs and materials associated with it.</li> <li>» Provides a detailed Work Write-Up done in a 35 category format which match the section so the Draw Request</li> <li>» Gives a Work Write-Up copy to the Borrower so their Contractor can put his prices on the plan <ul style="list-style-type: none"> <li>▪ Generally the Consultant Write Up and the Contractor Write Up match. However, in the event they do not match the following process must be followed: <ul style="list-style-type: none"> <li>• If Contractor Bid is more than the Consultant Write Up, the maximum mortgage will be determined by the Consultant Write Up which might cause the Borrower to need more cash at closing</li> <li>• If Contractor Bid is less than the Consultant Write Up, Consultant must comment on why this is occurring and if the Contractor Bid is reasonable. If Consultant or REM N WS believes the Contractor Bid is unreasonable (too low), the maximum mortgage will be based on the Consultant’s estimates.</li> </ul> </li> </ul> </li> <li>» The Consultant’s pricing should be based on current market costs or materials and labor</li> <li>» The Consultant’s Work Write-Up is supplied to the Appraiser for the after-improved appraisal.</li> </ul> </li> <li>❖ Work Write-Up <ul style="list-style-type: none"> <li>» Original plan and specifications for the project done by Consultant prior to Contractor</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>» Describes quantity and quality of materials to be installed</li> <li>» Breaks out the materials, labor and incorporates overhead and profit</li> <li>» The Consultant's Write Up must be signed by the Consultant, Borrower and Contractor               <ul style="list-style-type: none"> <li>▪ Contractor must also initial all pages of Consultant's report as indication of acceptance to perform work for amounts disclosed.</li> </ul> </li> <li>» The Contractor Bid is to be signed by the Borrower and Contractor</li> </ul> <ul style="list-style-type: none"> <li>❖ FNMA requires the original appraiser to complete the final inspection.</li> <li>❖ The Independent (HUD) Consultant will determine the number of months the <u>principal residence</u> will be uninhabitable (up to 6 months) after review of the plans and specifications.</li> </ul>
<b>Streamline Option</b>	<ul style="list-style-type: none"> <li>❖ Available on 1 unit O/O Primary Residence and Second Homes               <ul style="list-style-type: none"> <li>» 2-4 unit Primary Residence and 1 unit Investment Properties are not eligible</li> </ul> </li> <li>❖ Scope of work is \$35,000 or less</li> <li>❖ Independent HUD Consultant is not required</li> <li>❖ Very detailed contractor(s) bid outlining the scope-of-work and cost-of-work is required</li> <li>❖ Borrower does not need to use a General Contractor (GC), providing other contractors used have all the proper licensed and insurance coverages               <ul style="list-style-type: none"> <li>» When not using a GC, borrower is limited to a maximum of three (3) independent contractors</li> </ul> </li> <li>❖ REMN WS must have evidence that a qualified third party inspection company or the original appraiser is willing to conduct any draw-request inspections</li> <li>❖ Limit of three (3) draw inspections, including the final when a GC is utilized               <ul style="list-style-type: none"> <li>» When using smaller, independent licensed contractors (non-GC), they are limited to two (2) draws each.</li> </ul> </li> <li>❖ Unique to REMN Wholesale – An at-closing, one-time disbursement to a supplier for 50% of the cost of materials is allowed.               <ul style="list-style-type: none"> <li>» Must be paid directly to supplier - cannot pass through borrower or contractor hands.</li> <li>» One disbursement to only one supplier allowed at time of closing.</li> <li>» Must NOT be a 2 party check.</li> <li>» Enter the Special Feature Code - when delivering a loan with an at-closing, one-time disbursement to a supplier for 50% of the cost of materials, REMN must include Special Feature Code (SFC) 368, as part of the delivery information</li> </ul> </li> </ul> <p>Note: The allowable one-time disbursement at closing does not affect the post-closing disbursement process.</p>

CONTRACTOR & REHABILITATION PROCESS

Construction Loan Agreement

- ❖ Construction Loan Agreement an agreement between the borrower(s) and REM N WS that;
  - » States the terms and conditions of the loan prior to the completion of the renovations.
  - » States the events that constitutes a borrower(s) default and indicates the remedies available to REM N WS if the borrower(s) default under the terms of either the construction contract or other loan documents.
  - » Requires the contractor to have all license(s) required by any government regulations and to obtain and keep in force an all-risk insurance policy (with a physical loss form endorsement and mortgagee's loss payable clause) equal to 100% of the full replacement costs of improvements, public liability insurance, workmen's compensation insurance (as required by applicable state law) and automobile liability insurance.
  - » Requires that either the borrower(s) or the contractor(s) obtain (and keep in force) all work permits required by any government agency and comply with all applicable laws or government regulations.
- ❖ Requires that the borrower(s)
  - » Submit to REM N WS a title policy, an appraisal (if applicable) and a survey
  - » Permit REM N WS to make property inspections,
  - » Pay all costs and expenses required to satisfy any conditions of the agreement (including cost overruns, the cost of change orders and the cost of enforcement of the agreement in the event of default)
- ❖ Includes provision related to
  - » The time, manner and method by which REM N WS disbursed advances of the loan proceeds,
  - » Conditions on how the advance may be used,
  - » Procedures on how to request an advance (including the proper format, information and required signatories),
  - » Documentation required to support each request for disbursement of an advance (such as the title policy, any required lien waivers from all contractors, subcontractors and suppliers) and any required inspection reports; and,
  - » The number and amount of payments that REM N WS is to make to the borrower(s) and/or contractor(s).
- ❖ Obligates the borrower(s) and the contractor(s) to enter into a construction agreement for all labor and materials to renovate the improvements and provide REM N WS with a copy of;
  - » Contract,
  - » Applicable plans and specifications that fully describe the work to be performed,
  - » The construction budget (which provides a timetable for stages of completion and the schedule for advances for payment of amounts due),
  - » A schedule of advances for payment of the renovation costs; and,
  - » The requirements for requesting (and obtaining approval of) change orders.

CONTRACTOR & REHABILITATION PROCESS	
<b>Post-Closing Draw Request</b>	<ul style="list-style-type: none"> <li>❖ All post-closing communication must be directed to the assigned Concierge. <ul style="list-style-type: none"> <li>» It is important that we recognize the Concierge is managing the transaction from start to finish.</li> </ul> </li> <li>❖ REM N WS Draw Team operates as part of the Renovation Concierge Services <ul style="list-style-type: none"> <li>» Act as our internal quality control unit, managing the process and delivery of all checks and complete all internal reconciliation and reporting functions. <ul style="list-style-type: none"> <li>▪ At approximately the 21 day point, Concierge will “hand-off” the management of the file to the Draw Team.</li> </ul> </li> <li>» Files will be set up with one (1) to five (5) draws <ul style="list-style-type: none"> <li>▪ Draws are determined by the HUD Consultant.</li> </ul> </li> <li>» A 10% holdback is required on each release from the Rehabilitation Escrow Account. The total of all holdbacks may be released only after the final inspection of the rehabilitation and issuance of the Final Release Notice.</li> </ul> </li> <li>❖ Renovation Concierge Department is to be notified by either the Borrower or the Contractor using the following email; <a href="mailto:Renovation@HomeBridge.com">Renovation@HomeBridge.com</a></li> </ul>
<b>Concierge Hand-off to Draw Specialist Process</b>	<ul style="list-style-type: none"> <li>❖ The following workflow applies to the Concierge Services’ hand-off to an REM N WS Draw Specialist: <ul style="list-style-type: none"> <li>» <u>STEP 1</u> – Concierge Dept performs the closing call with the borrower and other applicable parties.</li> <li>» <u>STEP 2</u> – Concierge Dept sends an e-mail to Renovation Draw email box to alert of file. NJ: <a href="mailto:Renodraw@homebridge.com">Renodraw@homebridge.com</a> TX: <a href="mailto:203KDrawAdmin@HomeBridge.com">203KDrawAdmin@HomeBridge.com</a></li> <li>» <u>STEP 3</u> – Supervisor/Team Lead assigns the renovation loan file to an REM N WS Draw Specialist within 24 hours of receipt of the e-mail.</li> <li>» <u>STEP 4</u> – Supervisor/Team Lead sends an e-mail to the assigned Draw Specialist and the assigned Concierge Specialist, so they are aware that the file has been assigned to them.</li> <li>» <u>STEP 5</u> – The Concierge Specialist performs a 15 day follow-up call from closing, and introduces the borrower to the REM N WS Draw Specialist.</li> <li>» <u>STEP 6</u> – The Concierge Specialist follows-up with an e-mail to the borrower and CCs the Draw Specialist and appropriate RenoDraw mailbox - (<a href="mailto:renodraw@homebridge.com">renodraw@homebridge.com</a>)</li> <li>» <u>STEP 7</u> – From there, the Draw Specialist takes over and continues managing the renovation loan file with follow-up calls.</li> </ul> </li> </ul>
<b>Renovation Completion</b>	<ul style="list-style-type: none"> <li>❖ Following completion of the renovation work, REM N WS must obtain a certification of completion from the original appraiser stating that the renovation was completed in accordance with the submitted plans and specifications. <ul style="list-style-type: none"> <li>» Final inspection to be completed by original appraiser evidencing rehabilitation completion.</li> </ul> </li> <li>❖ Final draw is released to Borrower and Contractor.</li> <li>❖ Concurrent with the last disbursement of funds, REM N WS must obtain a title update through the date the renovation was completed, thus ensuring the continuance of FNMA’s first lien priority and the absence of any mechanic’s or materialmen’s liens.</li> <li>❖ When the property is located in a state in which contractors’, subcontractors’ or materialmen’s liens have priority over mortgage liens, REM N WS must obtain all necessary releases or take any other action that may be required to ensure that the title to the property is clear of all encumbrances.</li> <li>❖ REM N WS must also obtain for retention in the individual mortgage loan file a certification regarding the adequacy of the property insurance following completion of the renovation(s). <ul style="list-style-type: none"> <li>» This certificate must confirm that the coverage has been increased, if necessary, to comply with FNMA’s standard hazard and flood insurance requirements.</li> </ul> </li> <li>❖ RCS will forward the Loan Officer a copy of the UPS tracking information the final draw check disbursement, giving the Loan Officer a follow up sales opportunity to Realtor and the Homeowner.</li> </ul>

CONTRACTOR & REHABILITATION PROCESS		
Lien Waiver	<ul style="list-style-type: none"><li>❖ Before REMN WS makes any disbursements during the renovation period, we must obtain a lien waiver and a clear title report that releases all contractor, subcontractor and supplier liens.</li><li>❖ To receive proceeds from an advance, REMN WS must receive lien waivers from the contractor, all subcontractors and suppliers upon completion of each stage.</li></ul>	
Delivery to FNMA	<ul style="list-style-type: none"><li>❖ REMN WS may deliver a HomeStyle Renovation Mortgage as soon as it is closed; the renovation, repair or rehabilitation does not need to have been completed when the mortgage is delivered. If the borrower defaults under the terms of the mortgage loan before the work is complete and that default continues for at least 120 days, REMN WS may be required to repurchase the loan.</li><li>❖ When delivering a HomeStyle Renovation loan, REMN WS must include Special Feature Code (SFC) 215 and SFC 001 as part of the delivery information. These codes indicate that the loan is a HomeStyle Renovation mortgage and that FNMA has recourse.</li></ul>	
HOMESTYLE ENERGY MORTGAGES		
HomeStyle Energy Financing Options	<p>There is a number of HomeStyle Energy financing options available to a borrower who wishes to improve the energy efficiency of an existing property and decrease its related utility costs. These options include:</p> <ul style="list-style-type: none"><li>» Paying off a PACE loan that was originated on or after July 6, 2010 OR other debt incurred for energy-related improvements in a limited cash-out refinance (described in Fannie Mae Selling Guide <a href="#">B2-1.2-02 Limited Cash-Out Refinance Transactions</a>); or</li><li>» Financing energy-related renovations up to 15% of the “as-completed” value of the property in a purchase or limited cash-out refinance transaction.</li></ul>	
Amount of Energy-Related Items	<p>There is no minimum dollar amount for the energy improvements; maximum dollar amount depends on the type of HomeStyle Energy Activity and the transaction, as described in the table below:</p>	
	HomeStyle Energy Activity	Maximum Amount to Finance Energy Related Items
	Payoff of existing PACE loan	<p>For Limited Cash-Out Refinances of:</p> <ul style="list-style-type: none"><li>• A PACE loan originated on or after July 6, 2010, or other debt used for energy improvements, limited to 15% of the appraised value of the property. See Fannie Mae Selling Guide <a href="#">B5-3.4-01, Property Assessed Clean Energy Loans</a>.</li></ul>
	Payoff of other secured or unsecured debt that financed energy-related improvements	<p>For Limited Cash-Out Refinances:</p> <ul style="list-style-type: none"><li>• Up to 15% of the appraised value of the property.</li></ul>
	Renovation of an existing property to improve its energy efficiency	<p>For Purchases or Limited Cash-Out Refinances:</p> <ul style="list-style-type: none"><li>• Up to 15% of the “as completed” appraised value of the property.</li></ul>
	<p><b>NOTE:</b> REMN WS may use HomeStyle Energy financing in conjunction with HomeStyle Renovation to finance energy related and other renovations totaling up to 50% of the as-completed value of the property. See Fannie Mae Selling Guide <a href="#">B5-3.2 HomeStyle Renovation Mortgage</a> for the requirements.</p>	

<b>Eligible Property &amp; Occupancy Types</b>	<ul style="list-style-type: none"> <li>» All 1 – 4 unit existing properties are eligible for the energy improvement feature, with the exception of manufactured homes (not allowed).</li> <li>» All occupancy types are permitted – Primary Residence, Second Home, Investment Property</li> </ul>
<b>Energy Report Requirements</b>	<ul style="list-style-type: none"> <li>» Borrowers are required to obtain a residential or home energy report to identify the recommended energy improvements to the property and the estimated cost savings associated with those improvements.</li> <li>» The energy report must be reviewed by REMN WS and must:               <ul style="list-style-type: none"> <li>▪ Identify the recommended energy improvements and expected costs of the completed improvements;</li> <li>▪ Specify the monthly energy savings to the borrower; and</li> <li>▪ Verify that the recommended energy improvements are cost-effective. Energy improvements are determined to be cost-effective when the cost of the improvements, including maintenance, is less than the present value of the energy saved over the useful life of the improvements. (The cost-effectiveness of the improvements may be assessed in the aggregate and are not required to be assessed separately for each energy improvement).</li> </ul> </li> <li>» The report must meet at least one (1) of the following standards:               <ul style="list-style-type: none"> <li>▪ A Home Energy Rating Systems (HERS) report completed by a HERS rater who is accredited under the Mortgage Industry National Home Energy Rating Standards (HERS Standards), as adopted by the Residential Energy Services Network (RESNET). A list of accredited HERS raters by state can be located at RESNET's website.</li> <li>▪ A Department of Energy (DOE) Home Energy Score Report completed by an independent third-party energy assessor with credentials obtained through one of more of the organizations listed as eligible under the DOE program. A list of acceptable organizations can be found on the DOE website.</li> <li>▪ A rating report completed by an independent and certified home energy consultant or auditor, comparable in rating methods and scope to the HERS or Home Energy Score evaluation, and that is permitted under a local or state level home energy certification or audit program.</li> </ul> </li> <li>» The energy report must be dated:               <ul style="list-style-type: none"> <li>▪ No earlier than 120 days prior to the note date; or,</li> <li>▪ If related to expenses previously incurred and being paid off with a refinance transaction, within 120 days of the energy-related expenses.</li> </ul> </li> <li>» If the cost of the energy report is paid for by the borrower, the cost may be financed as part of the mortgage by including it in the cost of the energy improvements. The cost must be included on the settlement statement if it is financed in the mortgage loan.</li> </ul>

Exceptions to Energy Report Requirements	<ul style="list-style-type: none"> <li>» Alternative documentation (other than an energy report) is acceptable in the following circumstances. <ul style="list-style-type: none"> <li>▪ <u>Weatherization items</u> – If the mortgage transaction only involves financing the purchase of basic weatherization items (such as programmable thermostats and insulation) or water efficiency devices (such as low-flow showerheads) totaling less than \$3,500.00, a residential energy report is not required. Acceptable documentation includes, but is not limited to, a copy of invoices or receipts for energy-related expenses or copies of contractor invoices for completing the basic weatherization items.</li> <li>▪ <u>Payoff of PACE Loans originated on or after July 6, 2010</u> – Documentation must show that the funds are used solely to pay off the PACE loan obtained for energy improvements on the subject property.</li> </ul> </li> </ul>
Product Eligibility	<ul style="list-style-type: none"> <li>» Energy-related improvements are permitted on existing properties in conjunction with all standard products and features including, but not limited to: <ul style="list-style-type: none"> <li>▪ High-Balance loans</li> <li>▪ Community Seconds</li> <li>▪ Loans with deed restrictions (including programs that allow below market rate mortgages)</li> <li>▪ Down Payment Assistance programs (DPA's)</li> <li>▪ HomeReady loans, and</li> <li>▪ Community Land Trusts.</li> </ul> </li> <li>» Energy improvements are <b>NOT</b> eligible for DU Refi Plus loans</li> <li>» Loans with energy improvements are subject to the applicable Fannie Mae LTV/CLTV/HCLTV ratios, with the exception of HomeReady loans which are limited to max 95% LTV ratio.</li> </ul>
Purchases	<ul style="list-style-type: none"> <li>» In a purchase transaction, the proceeds can be used to finance the acquisition of the property and the energy improvements</li> <li>» LTV ratio is determined by dividing the original loan amount (including the cost of the energy improvements) by the lesser of the “as-completed” appraised value of the property or the sum of the purchase price of the property and the cost of energy improvements.</li> </ul>
Limited Cash-Out Refinances	<ul style="list-style-type: none"> <li>» For Limited Cash-Out Refinances, all of the standard Fannie Mae requirements for Limited Cash-Out Refinances must be met (as described in Fannie Mae Selling Guide, <a href="#">B2-1.2-02, Limited Cash-Out Refinance Transactions</a>).</li> <li>» Energy-related improvements may be financed in the loan amount. Proceeds may also be used to pay off an existing PACE loan originated on or after July 6, 2010 OR other debt (secured or unsecured) that financed an energy-related improvement. The standard cash back allowance of the lesser of 2% of the loan amount or \$2,000.00 is permitted on these loans.</li> <li>» For Limited Cash-Out Refinance transactions, the LTV ratio is determined by dividing the original loan amount (including the cost of the energy improvements) by the “as completed” appraised value of the property when the mortgage is being delivered prior to the completion of the improvements. If the appraisal was completed after the completion of the improvements, then the LTV ratio is determined by dividing the original loan amount (including the cost of energy improvement debt to be included in the loan amount) by the appraised value of the property.</li> </ul>
Underwriting (DU)	<ul style="list-style-type: none"> <li>» HomeStyle Energy mortgages can be underwritten through DU <ul style="list-style-type: none"> <li>▪ However, DU is not able to identify the transaction as having an energy improvement feature and as such, will not issue any specific verification messages.</li> <li>▪ REMN WS must confirm outside of DU that all requirements of the energy improvement feature described here are met.</li> </ul> </li> <li>» For Purchases, REMN WS must include the cost of the energy improvements in the sales price in the online loan application in order for the cash to close and LTV ratio to be accurately determined.</li> <li>» For Limited Cash-Out Refinances, the inclusion of the cost of the energy improvements in the loan amount may make it appear that the borrower is receiving more than the allowable cash back at closing. <ul style="list-style-type: none"> <li>▪ Because DU will be applying the standard limited cash-out refinance cash back policy, the loan casefile may receive an Approve/Ineligible recommendation when it appears the borrower is receiving more than 2%/\$2,000.00 cash back.</li> <li>▪ REMN WS may deliver the loan with the Approve/Ineligible recommendation and retain the DU limited waiver of underwriting reps and warranties provided the mortgage loan meets the requirements in this section (e.g. max cash back at closing).</li> </ul> </li> </ul>
Appraisal Requirements	<ul style="list-style-type: none"> <li>» All mortgage loans with energy improvement features require an appraisal based on an interior and exterior property inspection and must be completed on the appropriate form, depending on the property type.</li> <li>» When the mortgage is being delivered prior to the completion of the energy improvements, appraisers must determine the “as completed” value of the property subject to the energy improvements being completed.</li> <li>» A certification of completion is required when the mortgage is delivered prior to the completion of the improvements. For certification of completion requirements, see Fannie Mae Selling Guide, <a href="#">B4-1.2-03, Requirements for Postponed Improvements</a>.</li> </ul>
Special Feature Code	<ul style="list-style-type: none"> <li>» When delivering a loan with financed energy improvements, REMN WS must include Special Feature Code (SFC) 375 as part of the delivery information</li> <li>» When delivering a loan with an at-closing, one-time disbursement to a supplier for 50% of the cost of materials, REMN WS must include Special Feature Code (SFC) 368 as part of the delivery information</li> </ul>