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STANDARD LOAN BALANCE MATRIX					
Principal Residence					
PURPOSE	Units	Maximum LTV ¹ /CLTV ² /HCLTV	Maximum DTI	Loan Amount ³	Minimum FICO
Purchase & Limited Cash-Out Refinance ⁴	1	90.00%	Per DU	See Below	Per DU
Second / Vacation Home					
Purchase & Limited Cash-Out Refinance ⁴	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 ⁴	1	75.00%	Per DU	See Below	Per DU
Maximum Loan Limits 2022/2023					
Number of Units	Contiguous United States, District of Columbia & Puerto Rico		Alaska, Guam, Hawaii, US Virgin Islands		
	2023	2022	2023	2022	
1	\$726,200	\$647,200	\$1,089,300	\$970,800	
Standard Loan Balance Footnotes	<p>¹ LTV's ≥ 80.01% require mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score and guidelines apply. See Mortgage Insurance for details on maximum DTI ratios.</p> <p>² Maximum CLTV to 105% if mortgage is part of Community Seconds® transaction.</p> <p>³ REMN WS Minimum Loan Amount \$40,000.</p> <p>⁴ Limited Cash-Out Refinance is subject to all permits and building approvals secured prior to final approval.</p>				

HIGH BALANCE LOAN MATRIX ¹					
Principal Residence					
PURPOSE	Units	Maximum LTV/CLTV/HCLTV	Maximum DTI	Loan Amount	Minimum FICO
Purchase & Limited Cash-Out Refinance	1	90.00%	Per DU	See Below	Per DU
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 ²	1	75.00%	Per DU	See Below	Per DU
Maximum Loan Limits High Cost Areas 2022/2023					
Number of Units	Contiguous United States, District of Columbia & Puerto Rico		Alaska, Guam, Hawaii, US Virgin Islands		
	2023	2022	2023	2022	
1	\$1,089,300	\$970,800	Not Applicable		

High Balance Loan Footnotes

- ¹ All eligibility requirements for high balance loans, including maximum LTV and minimum credit scores, apply and supersede the HomeStyle eligibility requirements. Refer to FNMA [Loan Eligibility Matrix](#) for additional criteria.
- ❖ REMN 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.
 - ❖ One-Unit Residential Appraisal Field Review Report (Form 2000) Report (Form 2000A) is also required if:
 - » The property value is ≥\$1,000,000 and the LTV/CLTV/HCLTV is >75%.
 - Use the lower of the original appraised value, Field Review value or Sales Price (for purchase transactions) to calculate the LTV.
- ² Limited Cash-Out Refinance is subject to all permits and building approvals secured prior to final approval.

HOMESTYLE-HOMEReady LOAN MATRIX							
HomeReady Eligibility	❖ 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 allows Second Homes and Investment properties.						
Eligible Products	❖ 15 and 30 year Fixed Rate mortgage; no ARM's (REMN overlay)						
Loan Purpose	❖ Purchase						
Occupancy	❖ Primary Residence only; Second Homes and Investment Properties are NOT eligible						
Eligible Property Types	<ul style="list-style-type: none"> ❖ One (1) unit ❖ Warrantable Condos (Attached/Detached) ❖ Manufactured Housing (all states except for New York) – improvements cannot include structural changes 						
Manufactured Housing	<ul style="list-style-type: none"> ❖ Allowable provided the renovation work includes no structural changes ❖ Maximum renovation amount is lesser of \$50,000 or 50% of After Improved Value ❖ A HomeReady mortgage for a manufactured home must be a one-unit property that is underwritten through DU with a maximum LTV ratio of 90% (per manufactured housing), and a purchase or limited cash-out refinance of a principal residence (per HomeReady). ❖ Must be converted to real property at/or prior to closing, as well as meet all Fannie Mae eligibility criteria for manufactured homes. 						
Maximum LTV/CLTV/HCLTV	<p>HomeReady Mortgage – Principal Residence</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 33%;">Transaction Type</th> <th style="width: 33%;">Number of Units</th> <th style="width: 33%;">Maximum LTV/CLTV/HCLTV</th> </tr> </thead> <tbody> <tr> <td>Purchase</td> <td>1 unit</td> <td>97%*</td> </tr> </tbody> </table>	Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV	Purchase	1 unit	97%*
Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV					
Purchase	1 unit	97%*					
Borrower Income Limits	❖ 80% of area median income (AMI) for all other properties						
Underwriting	❖ DU Approve/Eligible recommendations only						

Overview	<ul style="list-style-type: none"> ❖ REMN WS follows <i>AllRegs</i> for loans being sold to FNMA; except as stated in these guidelines. ❖ Where guidelines are silent, follow <i>AllRegs</i> on efanniemae.com.
Covid_19 Temporary Flexibilities	See pages 9-14 of the REMN WS FNMA Product Description to reference temporary flexibilities as a result of Covid_19 for Verbal VOE's, Continuity of Income, etc..
	<p>Inspections/Appraisals:</p> <ul style="list-style-type: none"> ❖ <i>Completion of Construction Certification</i> indicating the planned work was completed per the schedule on renovation/installation contract will be allowed to advance renovation funds, in lieu of an inspection. ❖ Traditional appraisals are still required for HomeStyle loans during the underwriting process (Desktop and Exterior-Only options are not eligible). Form 1004D (<i>Appraisal Update and/or Completion Report</i>) must still be obtained when the work is completed. ❖ Fannie Mae will consider and determine appropriate alternatives on a case-by-case basis for projects that are having difficulty being completed within the negotiated timeframe.
	<p><u>Recourse Removal for HomeStyle Loans Subject to Forbearance:</u></p> <ul style="list-style-type: none"> ❖ Temporary flexibilities offered for recourse removal on HomeStyle Renovation loans that were subject to Covid_19 related forbearance during the renovation period. For loans to be eligible for these flexibilities, the forbearance must be resolved and the borrower must be actively making mortgage payments under the original or modified mortgage terms. ❖ As long as the loan is not delinquent at the time of the request, REMN WS may request recourse to be removed upon documentation of completion of renovation on a loan that was subject to forbearance and meets one of the following criteria: <ul style="list-style-type: none"> – The borrower continued making regularly scheduled mortgage payments during the forbearance period (no payments were missed). Recourse may be removed upon termination of the forbearance and submission of satisfactory renovation completion evidence. – The borrower did not make regularly scheduled mortgage payments during the forbearance period (one or more payments were missed or the borrower remitted less than the agreed-upon monthly payment one or more times). Recourse may be removed when the borrower has completed a repayment plan and documentation is provided that the loan remained current during the repayment period. ❖ For loans requiring a modification agreement or payment deferral due to missed payments in forbearance, existing requirements for loan modifications would apply. ❖ Loans where borrowers missed mortgage payments prior to February 1, 2020 or at any time without entering into forbearance during the renovation period continue to be subject to the existing Fannie Mae Selling Guide requirements for recourse removal on HomeStyle Renovation loans (B5-3.2-01). The timeline to allow recourse to be removed in this circumstance will be measured from the date the borrower resumed making timely payments on the original or modified mortgage terms, whichever is applicable.
<p><u>Delivery Timeframe for HomeStyle Loans When Renovation is Completed</u></p> <p>Flexibility is being offered to Fannie's temporary requirement that all loans be delivered within six (6) months of the Note date for HomeStyle Renovation loans delivered to Fannie Mae after the renovation has been completed.</p> <ul style="list-style-type: none"> ❖ Fannie will allow the standard seasoning requirement of no more than twelve (12) months after the Note date for these loans, provided the renovation has been completed according to plans and the loan is delivered with Special Feature Code 279. ❖ HomeStyle Renovation loans delivered prior to completion of renovation are subject to the temporary six (6) month delivery seasoning requirement, as described in Fannie Mae Lender Letter LL-2020-03. 	
Renovation Concierge Services	<ul style="list-style-type: none"> ❖ All correspondence with the Renovation Concierge Service Department can be made using the Renovation Concierge Service Help Desk ❖ The Renovation Construction Loan Agreement must be reviewed by the Renovation Concierge Team prior to closing to ensure it is properly completed and included in the closing package.

HomeStyle Renovation Summary	<ul style="list-style-type: none"> ❖ 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. ❖ 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. ❖ The limit on eligible renovation repair costs for a purchase transaction will be limited to the lesser of 50% of the purchase sales price OR \$200,000. ❖ The limit on eligible renovation repairs costs for a refinance will be limited to the lesser of 25% of the after/improved value or \$200,000. ❖ 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. ❖ Mortgage Insurance is required for LTV's ≥ 80.01% ❖ There are no required improvements or a minimum dollar amount for the repairs. <ul style="list-style-type: none"> » Repairs or improvements; however, must be permanently affixed to the real property. » Transaction may only cover the cost of repairs, remodeling, renovation or energy improvements. ❖ To ensure that the borrower understands all the terms of the HomeStyle Renovation mortgage, REMN WS requires the HomeStyle Renovation Consumer Tips disclosure be provided to the borrower. <ul style="list-style-type: none"> » 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.
Prepayment Penalty	❖ Not Permitted
Temporary Buydown	❖ Not Permitted
Assumptions	❖ Not Permitted
Escrow / Impounds	<ul style="list-style-type: none"> ❖ ≥ 80.01% LTV – Required. ❖ ≤ 80.00% LTV – Can be waived; see REMN Daily Rate Sheet for pricing when waiving. ❖ As of 1/1/2016, if a mortgage loan required flood insurance, Federal Law requires that the premium MUST 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 & insurance.
Subordinate Financing	<ul style="list-style-type: none"> ❖ Follow standard FNMA guidelines; see FNMA Product Description ❖ If subordinate financing is an eligible Community Seconds, the CLTV can be up to 105%. ❖ HomeStyle Renovation loans with non-Community Seconds are subject to pricing adjustment. ❖ Mortgages with CA HERO program as a subordinate/secondary financing option are not eligible for financing.
Renovation Loans with Repair Costs ≥ \$75,000	<ul style="list-style-type: none"> ❖ For renovation transactions with repair costs of \$75,000 or greater, the following apply: <ul style="list-style-type: none"> » Rental income from the subject property is not eligible for qualifying purposes for the following: <ul style="list-style-type: none"> – HomeStyle-HomeReady 1-unit with an accessory dwelling unit (ADU) » Builder Risk Policy is required unless there is a written confirmation from HOI company that the appraisal and the final scope of work has been reviewed and the company will issue the HOI policy without property-related exceptions. The Concierge group will be responsible for communication with the HOI company prior to final approval and closing. <ul style="list-style-type: none"> – 6mo Builder Risk policy for direct hard costs < \$100,000 – 12mo Builder Risk policy for direct hard costs ≥ \$100,000 – NOTE: All files that include mortgage payments in their escrow will require a Builder Risk policy, regardless of the size of the project cost. » Soft costs (cost of architectural drawings, engineering fees, permits, etc.) will only be considered as reimbursable fees when the final draw and project is complete. No payments can be drawn from the escrow account until the permit(s) is provided (included purchase transactions). » Appraisers must address, in the appraisal addendum, any repairs that must be made to meet fire, health and safety issues, as well as any other property repairs required for the subject property to meet agency minimum property standards. » All permits and building approvals are required prior to closing/funding.
Exceptions Process for 95% LTV and Renovation Repair Costs >\$200,000	<ul style="list-style-type: none"> ❖ Initial exception must include an acceptable detailed Contractor Bid or detailed Consultant Feasibility Study. ❖ Purchase transactions must include written information from the local Permitting Office referencing items required to issue a permit and estimated time for the permit to be issued. ❖ Renovation Repair Costs >\$200,000 <ul style="list-style-type: none"> » The contractor is required to notify HBFS on the major sub-contractors that the contractor plans to use. ❖ The contractor is required to advise whether they have an established relationship with major supply houses for building materials.

PROGRAM OVERVIEW

Occupancy	<ul style="list-style-type: none"> ❖ Eligible Occupancy <ul style="list-style-type: none"> » Primary Residence » Second / Vacation Home » Investment Property <p>Note: 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"> ❖ 2-4 Unit Properties ❖ Conversions from 1 unit property to 2-4 unit property ❖ Non-Traditional Credit ❖ Manual Underwrite ❖ ARMs ❖ Cash-Out Refinance transactions ❖ New construction less than 90% complete ❖ Tear Down/Rebuild ❖ See Number of Properties Financed with REM N WS below. ❖ 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. ❖ Loans with CA HERO program as a secondary/subordinate financing option. ❖ Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on Federal law. ❖ Loans where a borrower(s) has a Deferred Action for Childhood Arrivals (DACA) status ❖ Pay-off of a Property Assessed Clean Energy (PACE) loan obtained prior to July 6, 2010 ❖ Transactions to increase the number of units within a subject property and utilizing the maximum loan amount of the proposed number of units.
Eligible Properties	<ul style="list-style-type: none"> ❖ 1 Unit – Primary Residence ❖ 1 Unit – Second/Vacation Home ❖ 1 Unit – Investment Property ❖ Condo/PUD (Attached/Detached) ❖ Newly completed construction with Use & Occupancy or CO issued. ❖ Manufactured Homes (all states except for New York) ❖ Must be converted to real property at or prior to closing, as well as meet all Fannie Mae eligibility criteria for manufactured homes. ❖ Properties with an Accessory Dwelling Unit (ADU)
Ineligible Properties	<ul style="list-style-type: none"> ❖ Properties requiring zoning changes or variances ❖ Properties requiring historical property approvals
Second / Vacation Home Definition	<ul style="list-style-type: none"> ❖ 1-unit property owned and occupied by the borrower for some portion of the year. ❖ Not subject to any timesharing ownership arrangement(s). ❖ 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). ❖ Generally, no rental income should be shown on the borrowers' federal tax returns. ❖ Property must be suitable for year-round occupancy.
Lava Zone Properties	<ul style="list-style-type: none"> ❖ Properties located in Lava Zones 1 & 2 are not eligible ❖ Properties located in Lava Zones 3 and higher are eligible with no restrictions.
Number of Properties Financed with REM N WS	<ul style="list-style-type: none"> ❖ 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 the mortgages are closed, they would "mirror" one another, with each property reflecting the new mortgages on the other properties. ❖ 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. ❖ 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. <p>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.</p>
Number of Open Renovation Loans with REM N WS	<ul style="list-style-type: none"> ❖ Borrower(s) are limited to one (1) open renovation loans in process at any given time with REM N WS.
Power of Attorney	<ul style="list-style-type: none"> ❖ 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.

PROGRAM OVERVIEW

Required Documentation	Included with all other standard underwriting documentation the following Renovation forms must be included in the file and uploaded/labeled correctly.				
	Form Name	Description	When Required	Responsible Party	Required Signatures
	HomeStyle Renovation Consumer Tips (FNMA form 1024)	Information on HomeStyle Renovation program	At Application	Broker (if Broker prepares initial LE) REM N (if REM N prepares initial LE)	Borrower & LO
	Renovation Loan Acknowledgement	Acknowledges borrower’s understanding of the renovation loan process	At Application	RCS	Borrower
	HomeStyle Renovation Maximum Mortgage Worksheet*	Determines maximum loan amount	At Submission; & finalized by REM N WS UW	ALL (Broker & REM N WS UW)	Underwriter
	Contractor Profile*	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
	Homeowner/ Contractor HomeStyle Renovation Contract*	Outlines renovation work to be completed	At Submission, or with Conditions	Broker	Borrower & Contractor
	RCS Contractor Review Form	This is the final REM N RCS Validation of the Contractor Acceptance	Prior to Clear from UW	REM N RCS	REM N RCS
	Contractor Bid and/or Consultant Feasibility Study	The plans and specs should fully describe all 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). Should be marked “Final” not “Estimate”. No price expiration dates should be present.	Prior to Clear from UW	REM N RCS & REM N UW	Contractor Bid – Borrower & Contractor
					Feasibility Study – Borrower, Contractor & HUD Consultant
	Construction Loan Agreement*	Loan agreement between REM N WS & Borrower detailing renovations	At Closing	Closer	Borrower & REM N WS Closing Representative
	Completion Certificate	Acknowledges renovation parameters	Post-Closing	RCS	Borrower & Contractor
	Renovation Lien Waiver	Affidavit stating that Contractor has not put any liens on subject property	Post-Closing	RCS, Draw Department	Contractor
Renovation Change Order Request	Changes to renovations and/or costs	Post-Closing	RCS, Draw Department	Borrower & Contractor	
* Renovation Concierge Service Help Desk 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. Note: All forms as indicated above can be found on REM N Wholesale .					

UNDERWRITING	
Underwriting Method	<ul style="list-style-type: none"> ❖ Underwriting with DU required; the loan must receive Approve/Eligible Recommendation findings. ❖ Manual Underwrite is NOT permitted.
Maximum Financed Properties	<p>REMN Wholesale Overlay:</p> <ul style="list-style-type: none"> ❖ Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. Exceptions may be granted on a case-by-case basis with REMN Wholesale Executive management approval. A price adjustment may apply. FNMA’s standard eligibility and underwriting policies apply for any loans granted an exception. ❖ No multiple simultaneous loan submissions allowed if contingent to qualify ❖ REMN limits its exposure to a maximum of 4 loans per borrower. <ul style="list-style-type: none"> » Refer to FNMA Product Description on REMN Wholesale website for additional requirements associated with Multiple Properties Financed.
Prior Mortgage Fraud	<ul style="list-style-type: none"> ❖ REMN WS will not lend to any borrower(s) who has been previously convicted of mortgage fraud. ❖ For all other interested parties in the transaction, if any one of the parties has been previously convicted of mortgage fraud, REMN WS will not provide financing for the transaction. ❖ There are NO exceptions the aforementioned criteria.
DTI Ratio	<ul style="list-style-type: none"> ❖ REMN WS must base its calculation of real estate taxes for borrower qualification based on current tax value. ❖ Hazard and/or Flood insurance must be based on the maximum insurable value as per REMN WS Insurance Requirements and used in qualifying ratios. ❖ See Mortgage Insurance for maximum DTI on LTV’s ≥ 80.01%.
Insurance Coverage	<ul style="list-style-type: none"> ❖ The following Insurance Policies must be obtained: ❖ All Risk Insurance (Contractor Insurance) <ul style="list-style-type: none"> » 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. » Must cover a 6-month period to cover property during renovations, minimum coverage amount required equal to or greater than the after-improved value. » All renovation loans where the borrower has included mortgage payment escrows into the loan amount must have a Builder’s Risk policy. » For Renovation loans with repair costs ≥ \$75,000: <ul style="list-style-type: none"> ▪ Builder Risk Policy is required unless there is a written confirmation from HOI company that the appraisal and the final scope of work has been reviewed and the company will issue the HOI policy without property-related exceptions. The Concierge group will be responsible for communication with the HOI company prior to final approval and closing. ▪ 6 month Builder Risk policy for direct hard costs < \$100,000 ▪ 12 month Builder Risk policy for direct hard costs ≥ \$100,000 ❖ Hazard Insurance (must be obtained after Builders Risk is in place) <ul style="list-style-type: none"> » Follow standard REMN WS Insurance Requirements. » All refinance transactions require proof the current HOI company is aware of all renovations being completed. Provide acceptance from the HOI company stating they have reviewed the proposed scope of work and will issue the policy prior to work being completed. ❖ Flood Insurance (if applicable) <ul style="list-style-type: none"> » Follow standard REMN WS Insurance Requirements. ❖ Title Insurance <ul style="list-style-type: none"> » 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.

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 the lesser of \$200,000 OR 50% of the purchase sales price for purchase transactions (25% of the after/improved value for refinance transactions). 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), Appraisal Charges, 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.
- ❖ 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	\$3,950
Mortgage Payment Reserve (Primary Residence ONLY)	\$0
TOTAL	\$235,650
As-Completed Value	\$250,000
Maximum Loan Amount based on LTV of 90%	\$212,085

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	<ul style="list-style-type: none"> ❖ 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. ❖ The renovation / repair costs can be a maximum of the lesser of \$200K or 50% of the purchase sales price for purchase transactions (25% of the after/improved value for refinance transactions). ❖ 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). <ul style="list-style-type: none"> » 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 REMN WS and the borrower(s) must confirm their intent to occupy the subject property (for principal residence transactions). ❖ All permits and building approvals are required prior to closing/funding. ❖ 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) <ul style="list-style-type: none"> » Single Family – Owner Occupied = 90% » As-Completed Value = \$250,000 Renovation costs cannot exceed 25% of as-completed value (\$62,500) Maximum Loan Amount = \$225,500 (90% of \$250,000) <p>Ineligible Transactions</p> <ul style="list-style-type: none"> » Refer to REMN Wholesale FNMA Guidelines, Limited Cash-Out Refinance Section » Proceeds cannot be used to pay-off of a Property Assessed Clean Energy (PACE) loan or HERO loan obtained prior to July 6, 2010 - FNMA requires these transactions to be manually underwritten. REMN does not manually underwrite FNMA loans.
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Defining Refinance Transactions	Refinance Transaction includes the payoff of the first lien and...	REMN 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	NOT eligible under this loan program.
	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	NOT eligible under this loan program.

Mortgage Insurance

- ❖ REMN WS Preferred Partner Program guidelines to be followed (Monthly, Financed or LPMI available).
 - ❖ Mortgage insurance is required on all transactions ≥ 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).
 - ❖ REMN Approved PMI Companies:
 - » [ARCH MI](#)
 - » [Essent Guaranty](#)
 - » [Enact](#)
 - » [Radian](#)
 - » [MGIC](#)
- High Balance Loans**
- ❖ REMN 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	
Appraisal	<ul style="list-style-type: none"> ❖ 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"> » These estimates must be sent with the appraisal request so that the appraiser can provide the after-improved value. ❖ Appraisal report must provide as-completed value that estimates the value of the property after completion of the renovation work ❖ Appraisal must identify all Fire, Health, and Safety issues OR confirm there are none. ❖ Appraisal must contain photos of front, back and street scene of the subject as well as the front of each comparable sale used. ❖ Interior photographs, which must, at a minimum include: <ul style="list-style-type: none"> » Kitchen, » All bathrooms, » Main living area, » Examples of physical deterioration, if present, » Examples of recent updates; such as restoration, remodeling and renovation, if present. ❖ Field Review Requirements as outlined in the FNMA Product Description must be followed. ❖ FNMA requires the original appraiser to complete the final inspection. <p>High Balance Loans</p> <ul style="list-style-type: none"> ❖ One-Unit Residential Appraisal Field Review Report (Form 2000) is also required if: <ul style="list-style-type: none"> » The property value is ≥\$1,000,000 and the LTV/CLTV/HCLTV is >75%. <ul style="list-style-type: none"> ▪ Use the lower of the original appraised value, Field Review value or Sales Price (for purchase transactions) to calculate the LTV.
Condo Approval	<ul style="list-style-type: none"> ❖ For renovation loans with repair costs > \$75,000, appraisers must address, in the appraisal addendum, any repairs that must be made to meet fire, health and safety issues, as well as any other property repairs required for the subject property to meet agency minimum property standards ❖ When the subject property is a unit within a condo project; the project must be one for which the proposed renovation work is permissible as documented with the bylaws of the homeowners’ association, OR ❖ The homeowner’s association has given written approval for the renovation work ❖ 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.

RENOVATIONS

Renovations

- ❖ Must be permanently affixed 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 1-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 purchases where the subject property is substantially completed with the exception of buyer preference items (90% complete). Available for Purchase Transactions only. Seller and/or Original Builder cannot be the renovation contractor to complete the project.
- ❖ Renovations cannot consist of:
 - » Non-Kitchen appliances (e.g. washer and dryer, etc.)
 - » Tear Down/Rebuild is not eligible under HomeStyle Renovation.
 - » Accessory units that do not meet FNMA Guidelines
- ❖ Property must meet State and Local standards.
- ❖ Renovations must be started within 30 days and must be completed within 15 months of REMN WS loan closing.
- ❖ Appraisal report must provide an as-completed appraised value.
- ❖ All renovation loans where the cost of the direct renovation project is \geq \$75,000 require evidence from the HOI company that they have reviewed the bid and appraisal and determined whether a HOI policy will or will not be issued (i.e. confirmation of the scope of the work and the current condition of the subject property).

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)
 - » Appraisal charges
 - » 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.
- ❖ For renovation loans with repair costs \geq \$75,000, soft costs (cost of architectural drawings, engineering fees, permits, etc.) will only be considered as reimbursable fees when the when the final draw or project is completed. No payments can be drawn from the escrow account until the permit(s) is provided.
- ❖ HomeStyle Renovation Maximum Mortgage Worksheet must be completed to determine the maximum loan amount and maximum funds for renovations / repairs; found on [REMN 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	
Costs & Escrow Accounts	<ul style="list-style-type: none"> ❖ The costs of the renovations will be based on the plans and specifications for the work and on the contractor’s bids for all the work requested by the borrower. Bids should be marked “Final” not “Estimate”. No price expiration dates should be present. ❖ 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.
Mortgage Payment Escrow Account	<ul style="list-style-type: none"> ❖ Mortgage Payment Escrow Accounts are no longer allowed.
Renovation Escrow Account	<ul style="list-style-type: none"> ❖ At closing, REMN WS will deposit all 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"> » All interest earned on this account, less any administrative expenses involved in maintaining the account, must be paid or credited to the borrower(s). ❖ 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. ❖ REMN 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 contractor’s bid(s). ❖ REMN 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). ❖ A maximum of five (5) draws will be allowed (the one-time Initial Material Draw is not included in this number) ❖ Should there be an increase in costs during the renovation period, the borrower(s) must fund the amount of the increase; REMN WS will not increase the mortgage amount to offset an increase in costs. REMN WS must ensure that the additional funds are obtained in a manner that will not affect the priority of FNMA’s first lien position. ❖ 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. <p>Note: REMN WS may fund a One Time Initial Material Draw up to the lesser of 10% of the total hard cost of the project, or 50% of the material cost on the work write-up. The signed invoices should be dated within 30 days from the date the draw request is submitted to REMN WS Draw Dept. The initial material draw is released in the form of a check issued to the borrower and the contractor. A portion of this draw may be used to pay for permits, architect fees, and design or planning expenses that were incurred during the initial part of the project. This One-Time option is intended to assist the Contractor/Borrower with a large material order for items such as Lumber package, Windows, Cabinets, etc. This request must be made prior to the first official draw. This One-Time option is not intended for small normal construction related expenses, finishing type hardware, and/or paying specialty type contractors.</p> <p>Should there be an increase in costs during the renovation period, the borrower, must fund the amount of the increase. REMN WS may not increase the loan amount to offset any increase in costs. REMN WS must ensure that the additional funds are obtained in a manner that will not affect the priority of Fannie Mae’s lien.</p>

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 and second home 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:
 - 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, 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 the contingency reserve funds that are to be used for additional improvements or repairs are 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 personal property.

CONTRACTOR & REHABILITATION PROCESS

Contractor Requirements	<ul style="list-style-type: none"> ❖ All renovation work must be performed by registered, licensed general contractors. <ul style="list-style-type: none"> » HomeStyle Renovation is limited to one (1) General Contractor. <ul style="list-style-type: none"> ▪ Special contractor (pool repair, well, septic, structural engineer, etc.) permitted with approval from Renovation Concierge Services. ❖ 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"> » REMN WS may not choose the contractor or refer the borrower to any one (1) specific contractor. ❖ All contractors must be licensed and insured in the State/County/City and be able to provide a minimum three (3) project references similar to the proposed subject project. ❖ Contractor may be a relative of the borrower if properly licensed and insured; must meet all other contractor criteria. ❖ Contractor can be borrower employer or a company. ❖ Contractor can be listed as an owner on title of the subject property, as long as they are not on the mortgage (i.e. a borrower or co-borrower). ❖ Completed Contractor Profile Report required for all new contractors not previously accepted by RCS. <ul style="list-style-type: none"> » 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 regarding the contractor’s qualifications. ❖ RCS will review all contractor information and do general search of public records. This process takes approximately three (3) business days. ❖ Note: No party to the transaction may operate in a dual capacity (e.g.: The seller cannot be the contractor. The consultant cannot be the seller. The consultant cannot be the contractor. Etc.)
Contractor Validation Process	<ul style="list-style-type: none"> ❖ Borrower finds home to purchase or refinances current home that needs renovation, ❖ Borrower/Broker obtain bid(s) from contractor and has Contractor Profile form completed, <ul style="list-style-type: none"> » All bids must provide detailed description of the work to be completed, » Costs of materials and labor must be separately broken down on the bid, » Material cost must be detailed to include the materials used, » REMN WS and Fannie Mae especially want all potential energy saving type material to be documented by make and model. Examples include: Heating and Cooling Systems, Hot Water Tanks, Windows, Insulation, Kitchen and Bathroom fixtures and appliances. » Bids should be marked “Final” not “Estimate”. No price expiration dates should be present. ❖ For projects with General Contractors with direct hard costs of \$15,000 to \$35,000, the Contractor must evidence that they have been licensed and insured over the most previous twelve (12) months from the application date. ❖ For projects with General Contractors with direct hard costs of \$35,001 to \$75,000, the following would apply: <ul style="list-style-type: none"> » Contractors will need to show a minimum two (2) year history of performing similar projects. » Contractors must show that they have been licensed and insured over the most previous 24mos from the application date » Contractors will need to show a minimum of 25% of the direct hard costs in available business lines of credit and/or business cash/checking accounts. ❖ For projects with General Contractors with direct hard costs of \$75,000 or higher, the following would apply: <ul style="list-style-type: none"> » Contractors will need to show a minimum three (3) year history of performing similar projects. » Contractors must show that they have been licensed and insured over the most previous 36mos from the application date » Contractors will need to show a minimum of 25% of the direct project cost in available lines of credit and/or business cash. » The Concierge Service group will run a LexisNexis Business Report on the contractor/business, which will need to reflect an acceptable business and credit profile. ❖ Note: No party to the transaction may operate in a dual capacity (e.g.: The seller cannot be the contractor. The consultant cannot be the seller. The consultant cannot be the contractor. Etc.)

CONTRACTOR & REHABILITATION PROCESS	
Construction Contract	<ul style="list-style-type: none"> ❖ The construction contract must; <ul style="list-style-type: none"> » Identify all subcontractors and suppliers, » Itemize the specific work that the contractor agrees to perform for the borrower(s), » State the agreed upon cost of the renovations, » 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. ❖ 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"> » Be duly licensed (if required by state law), » Obtain all required insurance coverage's; such as all-risk, public liability, workmen's compensation and automobile liability, » Complete the work in compliance with the contract and all applicable government regulations; such as building codes and zoning restrictions, » Obtain the necessary building permits; including a certificate of occupancy, if required. <ul style="list-style-type: none"> ▪ Renovation Refinances where the scope of work includes major additions to the current structure and/or building additional detached structures such as ADUs or garages require: <ul style="list-style-type: none"> • all permits to be obtained prior to Funding. • evidence that no zoning or property variance approval is required ❖ 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.
Plans & Specifications	<ul style="list-style-type: none"> ❖ The plans and specifications must be prepared by a registered, licensed or certified general contractor or architect. ❖ The plans and specs should fully describe all 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). ❖ REMN 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. ❖ The plans and specs also must be used by the appraiser in development of his/her opinion of as-completed value of the property. ❖ Before approving any change a borrower wants to make the original plans and specs, REMN 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.

Do It Yourself Repairs

- ❖ **REM N WS only allows “Do It Yourself” by exception basis, from Executive Management, prior to loan submission.**
- ❖ **In the event an exception is approved, the below applies:**
- ❖ Under the Do It Yourself repair option, the borrower may complete the renovations.
 - » Borrower must be able to provide sufficient evidence of qualification to complete the renovations.
- ❖ A borrower may request reimbursement for his or her payments for the cost of materials or for the cost of properly documented costs from licensed and insured contractors validated by RCS – not for the cost of his/her sweat equity.
 - » 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 licensed and insured contractor (per state requirements) can be hired to finish any of the Do It Yourself repairs.
- ❖ Do It Yourself Repairs
 - » Financing available for Do It Yourself work is limited to 10% of the as-completed value of the home as opposed to the lesser of \$200,000 OR 50% of the purchase price for purchase transactions (25% of the after/improved value for refinance transactions) when the work is done by a licensed third-party contractor.
 - » Do It Yourself is only available for 1 Unit primary residence transactions.
 - » Material costs are reimbursed, labor costs are not.
 - » DIY’s must provide itemized bills or receipts to be reimbursed.
 - If these are not available prior to loan closing; the borrower(s) must document the planned renovations and provide cost estimates.
 - » 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).
 - » 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.
 - » 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.
 - » 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.
 - » Properties located in Texas do not allow reimbursement made directly to the borrower(s) for any Do It Yourself repairs.
- ❖ Do It Yourself repairs are not eligible for [Mortgage Insurance](#) with United Guaranty.
- ❖ 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.
 - » If the borrower owns the contracting company, it would still be considered Do It Yourself.
- ❖ A borrower may request reimbursement for his or her payments for the cost of materials or for the cost of properly documented costs from licensed and insured contractors validated by RCS – not for the cost of his/her sweat equity. 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 licensed and insured contractor can be hired to finish any of the Do It Yourself repairs.

Independent (HUD) Consultant	<ul style="list-style-type: none"> ❖ Independent (HUD) Consultant (not required on transactions that meet the HomeStyle Streamline option; Consultant Fees are based on the cost of the proposed renovation). ❖ 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"> » Consultants work for REMN WS » Performs a detailed inspection of the property to determine what needs to be done and the costs and materials associated with it. » Provides a detailed Work Write-Up done in a 35 category format which match the section so the Draw Request » 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"> ▪ 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"> • 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 • 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 REMN WS believes the Contractor Bid is unreasonable (too low), the maximum mortgage will be based on the Consultant’s estimates. » The Consultant’s pricing should be based on current market costs or materials and labor » The Consultant’s Work Write-Up is supplied to the Appraiser for the after-improved appraisal. ❖ Work Write-Up <ul style="list-style-type: none"> » Original plan and specifications for the project done by Consultant prior to Contractor » Describes quantity and quality of materials to be installed » Breaks out the materials, labor and incorporates overhead and profit » The Consultant’s Write Up must be signed by the Consultant, Borrower and Contractor <ul style="list-style-type: none"> ▪ Contractor must also initial all pages of Consultant’s report as indication of acceptance to perform work for amounts disclosed. » The Contractor Bid is to be signed by the Borrower and Contractor ❖ FNMA requires the original appraiser to complete the final inspection. ❖ The Independent (HUD) Consultant will recommend the number of months the principal residence will be uninhabitable (up to 6 months) after review of the plans and specifications. REMN WS will make the final determination. ❖ Granite Property Management may only be used in place of the Independent (HUD) Consultant when the following apply: <ul style="list-style-type: none"> » Property is located in an area of the country where the Renovation Concierge Service does not have adequate working relationships with local HUD Consultants. » Exception to be granted on a case-by-case basis by the Concierge Services Manager.
Streamline Option	<ul style="list-style-type: none"> ❖ REMN requires loans with repairs exceeding \$15,000 to use a HUD consultant. ❖ When the repairs for the scope of work are between \$15,000 and \$35,000, exceptions may be granted on a case by case basis with REMN Wholesale Executive Management approval to use a “streamline option” without use of a consultant. ❖ Exceptions for the streamline option will only be considered if all of the following is met: <ul style="list-style-type: none"> » Available on 1 unit O/O Primary Residence and Second Homes » Scope of work is between \$15,000 and \$35,000 » Very detailed contractor(s) bid outlining the scope-of-work and cost-of-work is required. Bids should be marked “Final” not “Estimate”. No price expiration dates should be present. » Scope of work is limited to non-structural and minor repairs » All Streamlines must include at least one (1) Fannie Mae Energy Efficient/Energy Star improvement, which can be in addition to the aforementioned \$35,000 limit – see HomeStyle Energy Mortgages section for more details. <p>If exception is granted to use the streamline option, the following applies:</p> <ul style="list-style-type: none"> ❖ 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"> » When not using a GC, borrower is limited to a maximum of three (3) independent contractors ❖ REMN WS must have evidence that a qualified third party inspection company or the original appraiser is willing to conduct any draw-request inspections ❖ Limit of three (3) draw inspections, including the final when a GC is utilized <ul style="list-style-type: none"> » When using smaller, independent licensed contractors (non-GC), they are limited to two (2) draws each.
Materials Draw	<ul style="list-style-type: none"> ❖ REMN WS may fund a One Time Initial Material Draw up to the lessor of 10% of the total hard cost of the project, or 50% of the material cost on the work write-up. The material draw is released in the form of a check issued to the borrower and the contractor. A portion of this draw may be used to pay for permits, architect fees, and design or planning expenses that were incurred during the initial part of the project. This One-Time option is intended to assist the Contractor/Borrower with a large material order for items such as Lumber packages, Windows, Cabinets, etc. This request must be made prior to the first official draw. This One-Time Option is not intended for small normal construction related expenses, finishing type hardware, and/or paying specialty contractors.
Structural/Engineer Report	<ul style="list-style-type: none"> ❖ For transactions where the scope of the renovation work includes major additions to the existing structure, a Structural/Engineer’s report will be required prior to closing. Examples of “major additions” include, but are not limited to: <ul style="list-style-type: none"> » Addition of new level on the existing structure

CONTRACTOR & REHABILITATION PROCESS

Construction Loan Agreement

- ❖ Construction Loan Agreement an agreement between the borrower(s) and REMN WS:
 - » 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 REMN 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.
 - » Renovation Refinances where the scope of work includes major additions to the current structure and/or building additional detached structures such as ADUs or garages require:
 - all permits to be obtained prior to **Funding**.
 - evidence that no zoning or property variance approval is required
- ❖ Requires that the borrower(s)
 - » Submit to REMN WS a title policy, an appraisal (if applicable) and a survey
 - » Permit REMN 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 REMN 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 REMN 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 REMN 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.
- ❖ **NOTE** – The Renovation Construction Loan Agreement must be reviewed by the Renovation Concierge Team prior to closing to ensure it is properly completed and included in the closing package.

CONTRACTOR & REHABILITATION PROCESS

Post-Closing Draw Request	<ul style="list-style-type: none"> ❖ All post-closing communication must be directed to the assigned Concierge. <ul style="list-style-type: none"> » It is important that we recognize the Concierge is managing the transaction from start to finish. ❖ REMN WS Draw Team operates as part of the Renovation Concierge Services <ul style="list-style-type: none"> » 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"> ▪ At approximately the 15-day point, Concierge will “hand-off” the management of the file to the Draw Team. » Files will be set up with one (1) to five (5) draws <ul style="list-style-type: none"> ▪ Draws are determined by the HUD Consultant. » 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. ❖ Renovation Concierge Department is to be notified by either the Borrower or the Contractor using the following email; Renovation@HomeBridge.com
Concierge Hand-off to Draw Specialist Process	<ul style="list-style-type: none"> ❖ The following workflow applies to the Concierge Services’ hand-off to an REMN WS Draw Specialist: <ul style="list-style-type: none"> » <u>STEP 1</u> – Concierge Dept performs the closing call with the borrower and other applicable parties. » <u>STEP 2</u> – Concierge Dept sends an e-mail to Renovation Draw email box to alert of file. NJ: Renodraw@homebridge.com » <u>STEP 3</u> – Supervisor/Team Lead assigns the renovation loan file to an REMN WS Draw Specialist within 24 hours of receipt of the e-mail. » <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. » <u>STEP 5</u> – The Concierge Specialist performs a 15-day follow-up call from closing, and introduces the borrower to the REMN WS Draw Specialist. » <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 - (renodraw@homebridge.com) » <u>STEP 7</u> – From there, the Draw Specialist takes over and continues managing the renovation loan file with follow-up calls.
Renovation Completion	<ul style="list-style-type: none"> ❖ Following completion of the renovation work, REMN 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"> » Final inspection to be completed by original appraiser evidencing rehabilitation completion. ❖ Final draw is released to Borrower and Contractor. ❖ Concurrent with the last disbursement of funds, REMN 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. ❖ When the property is located in a state in which contractors’, subcontractors’ or materialmen’s liens have priority over mortgage liens, REMN 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. ❖ REMN 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"> » This certificate must confirm that the coverage has been increased, if necessary, to comply with FNMA’s standard hazard and flood insurance requirements. ❖ 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.

CONTRACTOR & REHABILITATION PROCESS	
Lien Waiver	<ul style="list-style-type: none"> ❖ 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. ❖ To receive proceeds from an advance, REMN WS must receive lien waivers from the contractor, all subcontractors and suppliers upon completion of each stage.
Delivery to FNMA	<ul style="list-style-type: none"> ❖ 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. ❖ 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.

HOMESTYLE ENERGY MORTGAGES									
HomeStyle Energy Financing Overview	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. HomeStyle Energy may also be used to create home resiliency for environmental disasters such as floods, storms, and earthquakes, or to repair damage from these types of disasters.								
Amount of Energy-Related Items	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:								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e6f2ff; text-align: center;">HomeStyle Energy Activity</th> <th style="background-color: #e6f2ff; text-align: center;">Maximum Amount to Finance Energy Related Items</th> </tr> </thead> <tbody> <tr> <td>Renovation of an existing property to make energy-related improvements</td> <td>For Purchases or Limited Cash-Out Refinances, up to 15% of the “as completed” appraised value of the property.</td> </tr> <tr> <td>Payoff of non-PACE secured or unsecured debt that financed energy-related improvements</td> <td>For Limited Cash-Out Refinances, up to 15% of the appraised value of the property. Note: If a HomeStyle Energy loan includes both new energy-related improvements and payoff of previously acquired energy-related debt, the total of both cannot exceed 15%.</td> </tr> <tr> <td>Payoff of existing PACE loan that was originated on or after July 6, 2010</td> <td>For Purchases or Limited Cash-Out Refinances, all outstanding PACE debt may be paid off up to the maximum allowable LTV for the transaction and occupancy type.</td> </tr> </tbody> </table>	HomeStyle Energy Activity	Maximum Amount to Finance Energy Related Items	Renovation of an existing property to make energy-related improvements	For Purchases or Limited Cash-Out Refinances, up to 15% of the “as completed” appraised value of the property.	Payoff of non-PACE secured or unsecured debt that financed energy-related improvements	For Limited Cash-Out Refinances, up to 15% of the appraised value of the property. Note: If a HomeStyle Energy loan includes both new energy-related improvements and payoff of previously acquired energy-related debt, the total of both cannot exceed 15%.	Payoff of existing PACE loan that was originated on or after July 6, 2010	For Purchases or Limited Cash-Out Refinances, all outstanding PACE debt may be paid off up to the maximum allowable LTV for the transaction and occupancy type.
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	NOTE: REMN WS may use HomeStyle Energy financing in conjunction with HomeStyle Renovation to finance energy-related improvements that exceed the amounts in the table above. See Fannie Mae Selling Guide B5-3.2 HomeStyle Renovation Mortgage for the requirements.								

Eligible Energy-Related Improvements	<p>In addition to energy and water efficiency improvements, HomeStyle Energy can be used to repair homes damaged in a natural disaster or by an environmental hazard and to install resiliency or preventative improvements, including the following:</p> <ul style="list-style-type: none"> » Storm surge barriers; » Foundation retrofitting for earthquakes; » Hazardous brush and tree removal in fire zones; » Retaining walls to address mud or water flows; and » Other items specifically needed to either repair environmental hazard damage or improve the home’s ability to withstand environmental hazards such as hurricanes, tornadoes or wind storms, earthquakes, flooding, landslides, and wildfires. <p>Installation of radon remediation systems is also an eligible improvement under HomeStyle Energy.</p> <ul style="list-style-type: none"> » Note: The term “energy-related improvements” is used this section and includes all eligible improvements described above.
Eligible Property & Occupancy Types	<ul style="list-style-type: none"> » All 1 unit existing properties are eligible for HomeStyle Energy. All property types are eligible. Manufactured homes are eligible provided the improvements do not include structural changes. » All occupancy types are permitted – Primary Residence, Second Home, Investment Property
Energy Report Requirements	<ul style="list-style-type: none"> » 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. » The energy report must be reviewed by REMN WS and must: <ul style="list-style-type: none"> ▪ Identify the recommended energy improvements and expected costs of the completed improvements; ▪ Specify the monthly energy savings to the borrower; and ▪ 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). » The report must meet at least one (1) of the following standards: <ul style="list-style-type: none"> ▪ 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. ▪ 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. ▪ 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. » The energy report must be dated: <ul style="list-style-type: none"> ▪ No earlier than 120 days prior to the note date; or, ▪ If related to expenses previously incurred and being paid off with a refinance transaction, within 120 days of the energy-related expenses. » 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.

Exceptions to Energy Report Requirements	<ul style="list-style-type: none"> » Alternative documentation (other than an energy report) is acceptable in the following circumstances. <ul style="list-style-type: none"> ▪ <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. ▪ <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. ▪ <u>Payoff of non-PACE energy-related debt</u> – Documentation must show the funds were used solely for the purchase and installation of eligible energy-related improvements on the subject property. ▪ <u>Energy improvements related to the installation of renewable energy sources including water efficiency devices, solar panels, wind power devices, and geothermal systems</u> – Acceptable documentation includes, but is not limited to a copy of invoices or receipts for installing the systems or devices. ▪ <u>Improvements to install a radon remediation device</u> – Documentation for the cost of the system and its expected impact on the radon levels in the home must be obtained ▪ <u>Environmental hazard damage repairs or resiliency improvements</u> – Acceptable documentation includes, but is not limited to a copy of invoices or receipts for the expense or copies of contractor invoices for completing the repairs or improvements.
Product Eligibility	<ul style="list-style-type: none"> » 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"> ▪ High-Balance loans ▪ Community Seconds ▪ Loans with deed restrictions (including programs that allow below market rate mortgages) ▪ Down Payment Assistance programs (DPA's) ▪ HomeReady loans, and ▪ Community Land Trusts. » Energy improvements are NOT eligible for High LTV Refinance loans » 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. <ul style="list-style-type: none"> ▪ Note: Energy-related improvements are permitted on a cash-out refinance; however, the transaction is not considered a HomeStyle Energy loan. All standard cash-out refinance policies apply.
Purchases	<ul style="list-style-type: none"> » In a purchase transaction, the proceeds can be used to finance the acquisition of the property and the energy-related improvements » LTV ratio is determined by dividing the original loan amount by the lesser of: <ul style="list-style-type: none"> ▪ the “as-completed” appraised value of the property; ▪ the sum of the purchase price of the property plus the cost of energy-related improvements, or ▪ the sum of the purchase price plus the total amount of PACE debt to be paid off
Limited Cash-Out Refinances	<ul style="list-style-type: none"> » 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, B2-1.2-02, Limited Cash-Out Refinance Transactions). » 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. » 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.
Underwriting (DU)	<ul style="list-style-type: none"> » HomeStyle Energy mortgages can be underwritten through DU » For loans underwritten in DU, specific information must be provided in the following DU fields: <ul style="list-style-type: none"> ▪ <u>Energy Improvement Amount</u> – the amount of new energy improvements included in the purchase or limited cash-out refinance transaction, and any non-PACE energy debt being paid-off with the limited cash-out transaction. Non-PACE energy debt included in this field should not be included in line d. of the Details of Transaction. ▪ <u>PACE Loan Payoff Amount</u> – the payoff amount of existing PACE loans originated on or after July 6, 2010. PACE energy debt should not be included in line d. of the Details of Transaction.
Appraisal Requirements	<ul style="list-style-type: none"> » 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. » 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. » 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, B4-1.2-03, Requirements for Postponed Improvements.
Special Feature Code	<ul style="list-style-type: none"> » When delivering a loan with financed energy improvements, REMN WS must include Special Feature Code (SFC) 375 as part of the delivery information