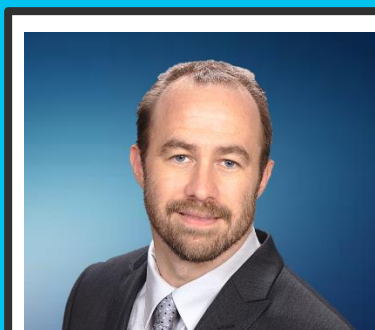


CHOICERenovation[®] Mortgages

August 2023



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Training Manager
Client Education Services

"This presentation is an overview of the Freddie Mac Single-Family Seller/Servicer Guide (Guide) requirements. The information in this presentation does not constitute an agreement between Seller/Service providers and Freddie Mac. Seller/Service providers must refer to the Freddie Mac Single-Family Seller/Servicer Guide and their other Purchase Documents for contractual requirements. This presentation is proprietary to Freddie Mac and may not be recorded or copied without Freddie Mac's prior written consent."



Our Agenda

1. CHOICERenovation® Options
2. General Requirements
3. Renovation Requirements
4. Appraisal Requirements
5. Loans Sold Before the Renovation is Completed
6. Additional Requirements



CHOICERenovation Options

CHOICERenovation[®] Offering



Single Closing

Fully amortized
payments

Pay off short-term
renovation financing¹

CHOICERenovation Offering

Option 1

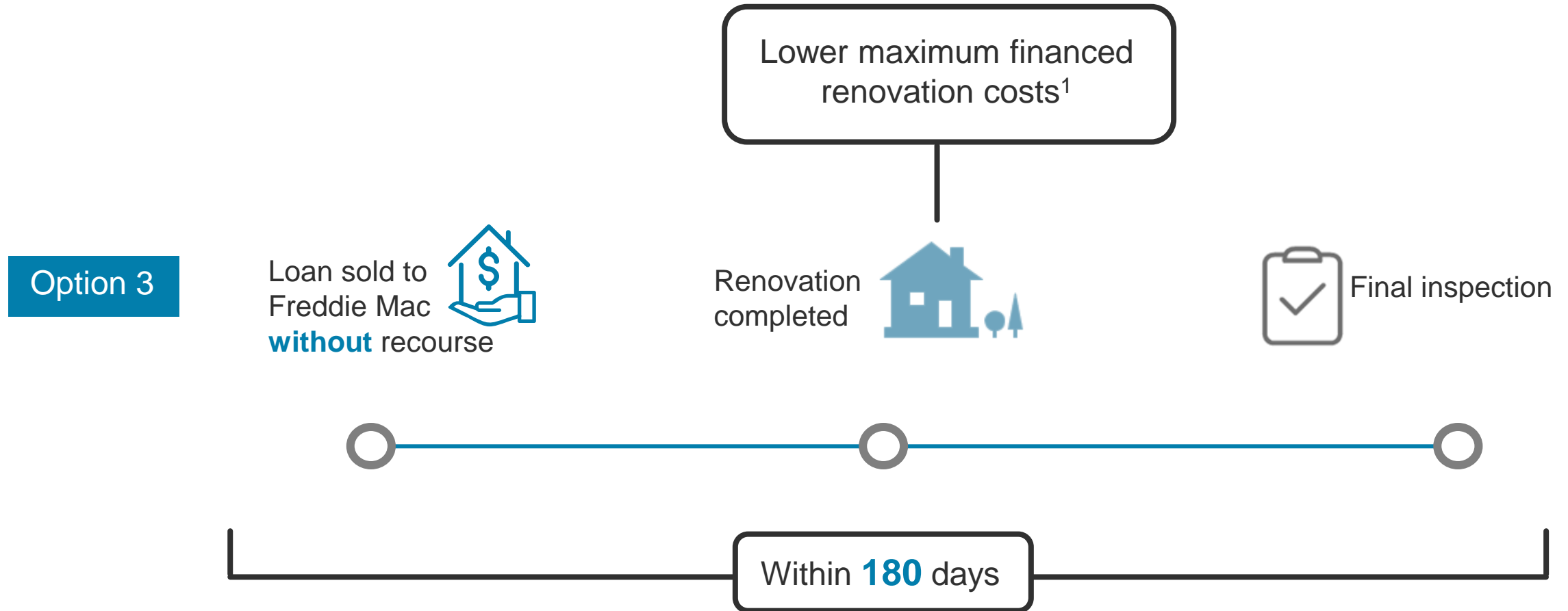


Option 2



Within **450** days

CHOICEReno eXPress[®] Option



¹The total cost of the financed renovations must not exceed 10% to 15% of the value, depending if it is located in a Duty to Serve high-needs area. See Section 4607.8 for complete details.



General Requirements

Eligible Transactions

If a CHOICERenovation Mortgage is secured by a property previously owned free and clear by the borrower, could this transaction be considered a “no cash-out” refinance?

Purchase

No Cash-Out

Eligible Property Types

1- to 4-unit primary residence

Second home

1-unit investment property

A manufactured home, including a CHOICEHome®

A condominium unit or a property located in a planned unit development (PUD), or a cooperative unit (if permitted under the Seller's purchase documents)



Note: If the borrower does not occupy the Mortgaged Premises during the course of renovations, the Mortgaged Premises will be deemed owner-occupied as of the Delivery Date so long as the borrower occupies the Mortgaged Premises as a Primary Residence within 60 days of completion of all renovations. Section 4607.1(b)

GreenCHOICE® Mortgages



CHOICERenovation Mortgages
can be combined with
GreenCHOICE Mortgages.

Additionally, CHOICERenovation Mortgages can be combined with CHOICEHome® Mortgages and may also be used with most eligible fixed rate and adjustable-rate mortgage products including Home Possible and HomeOne Mortgages.

Ineligible Mortgages

Must be first-lien mortgage and may be any mortgage product or offering eligible under *the Freddie Mac Seller/Servicer Guide* (Guide), including Home Possible®, unless specifically described as ineligible below:

Financed Permanent Buydown Mortgages

Seller-owned Modified Mortgage

Seller-owned Converted Mortgages

Mortgages with capitalized balances as described in [Chapter 4403](#)

Special Purpose Cash-out Refinance Mortgages

FHA and VA Mortgages

Section 502 GRH Mortgages

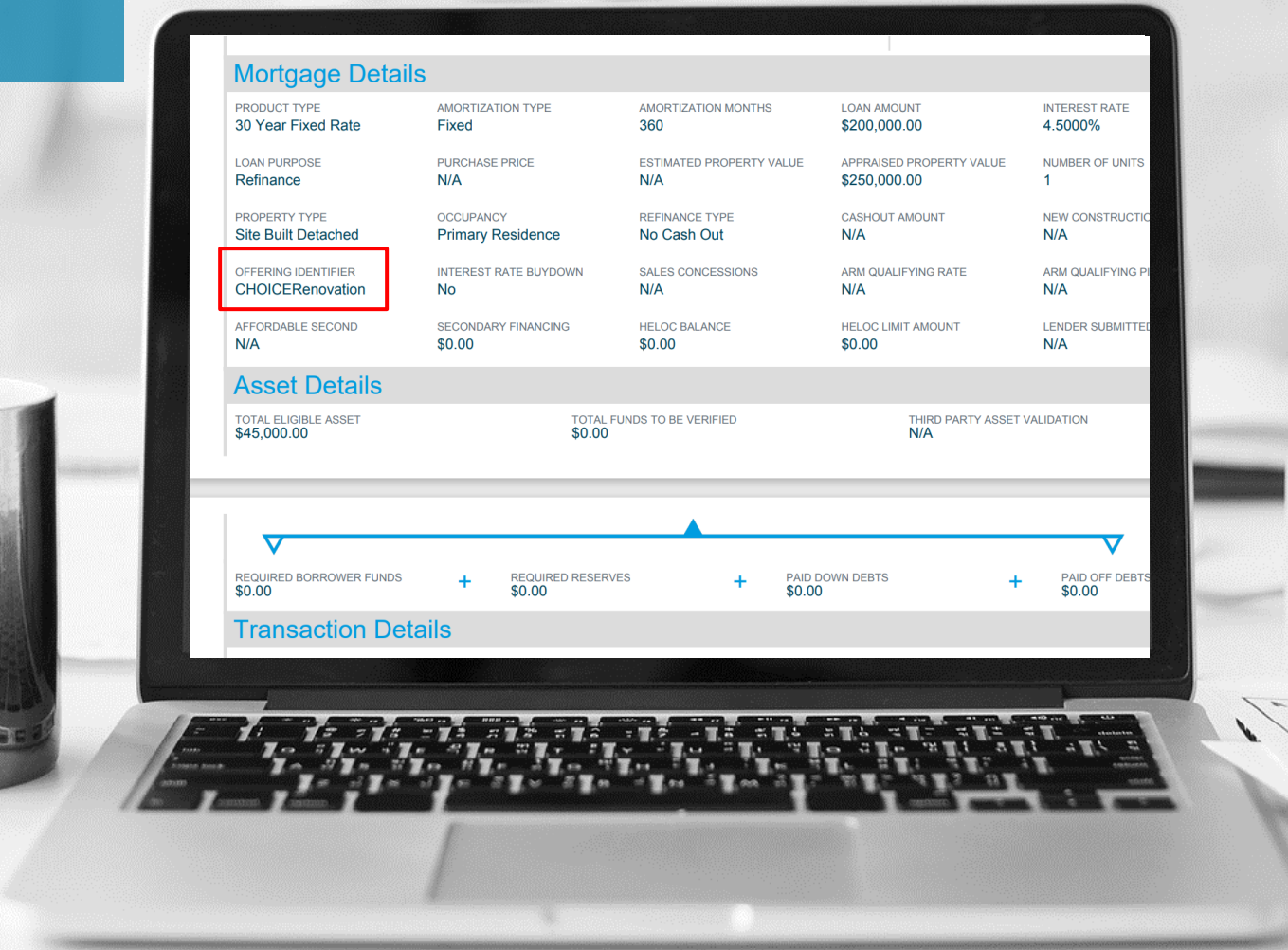
Section 184 Native American Mortgages

Freddie Mac Enhanced Relief Refinance® Mortgages

Freddie Mac Refi Possible® Mortgages

Community Land Trust Mortgages

Must receive a Risk Class of Accept



Maximum LTV/TLTV/HTLTV ratios must:

Comply with Section 4203.4 requirements and any other applicable LTV/TLTV/HTLTV ratio requirement for the specific Mortgage Product or offering

The screenshot displays the Freddie Mac Loan Product Advisor Feedback Certificate. The 'Loan-to-Value Ratios' section is highlighted with a red border and shows the following values:

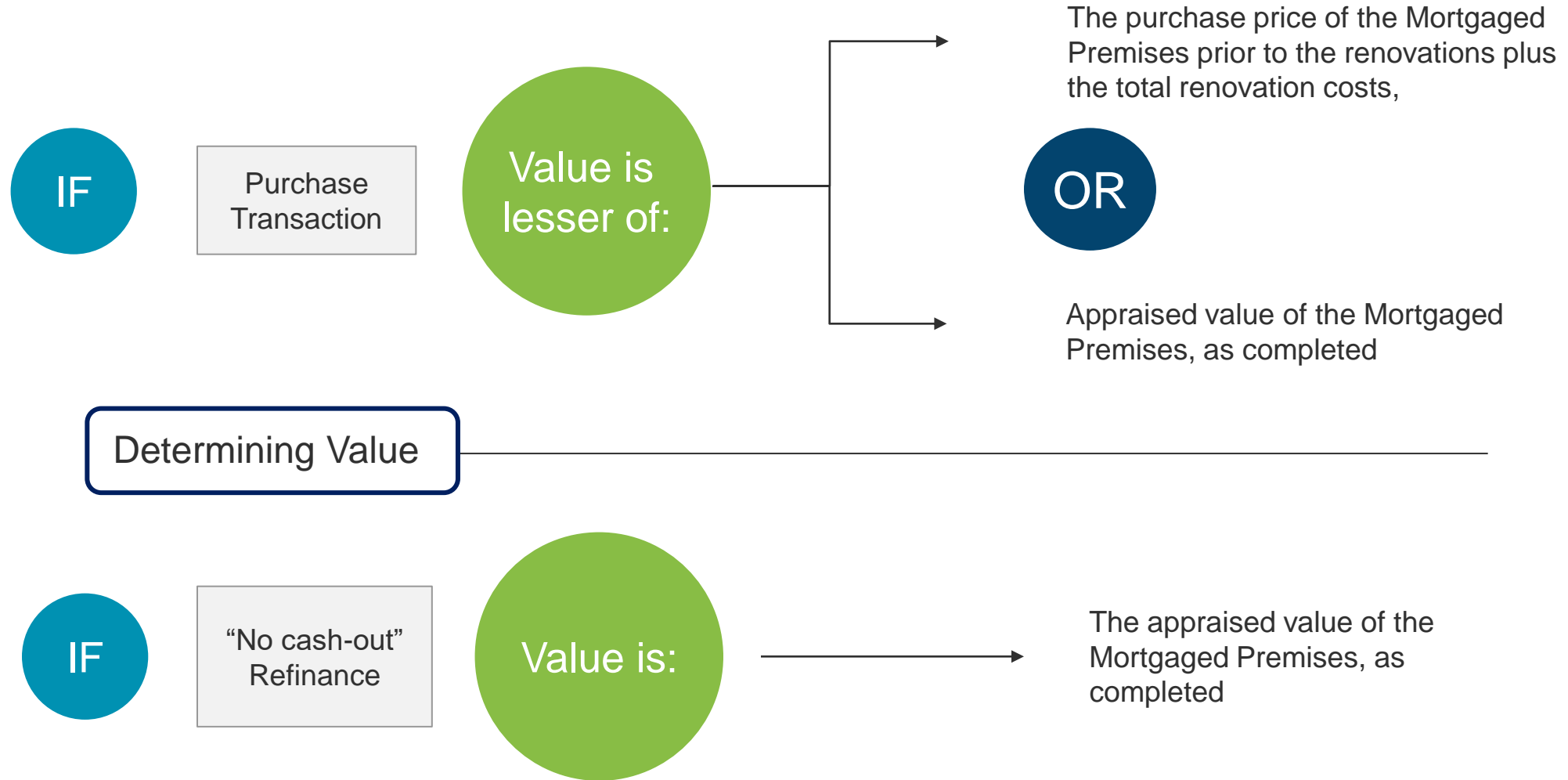
Ratio Type	Value
LTV	89.88%
TLTV	89.88%
HTLTV	89.88%

Other sections visible include:

- Assessment Summary:** Borrower Name: JOHN FREDDIE, Number of Submissions: 3, LP Key Number: [REDACTED]. Eligibility: PURCHASE ELIGIBILITY (ELIGIBLE), RISK CLASS (ACCEPT), Representation & Warranty Relief (COLLATERAL R&W RELIEF: NOT ELIGIBLE, INCOME R&W RELIEF: N/A, ASSET R&W RELIEF: NOT ELIGIBLE).
- Loan Details:** Borrower Name: JOHN FREDDIE (990-10-0001), Additional Borrower: MARY FREDDIE (990-20-0002), Appraisal Identifier: N/A, Lender Loan Number: F403816_Employed, Mortgage Type: Conventional, Documentation Level: Streamlined Accept.
- Qualifying Ratios:** Proposed Housing (PITI): \$1,135.00, Present Housing Expense: \$3,000.00, Total Monthly Income: \$7,735.00, Total Monthly Debt: \$2,102.00, Max Mortgage Limit: N/A.

If required, mortgage insurance must be in place before closing.

Value to Determine LTV/TLTV/HTLTV Ratios





Renovation Requirements

Eligible Renovations

- 1) Proceeds must **only** be used to finance renovations that are made to a property with an existing dwelling.
- 2) Proceeds may **not** be used to raze an existing structure and build a new primary dwelling unit.
- 3) Proceeds may **not** be used for personal property with the exception of new appliances.










All renovations must comply with all applicable state and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained.

Eligible Renovations¹

Can CHOICERenovation be used for

Yes

No

Building a detached garage?			
Building an accessory unit?			
Properties in C5/C6 and/or Q6 on the appraisal report?			
Property damaged in a disaster?			
Building an inground pool?			
Building an above-ground pool?			
Energy and/or water efficiency improvements?			

¹The final property must meet all Freddie Mac's Seller/Servicer requirements. Renovations must comply with all applicable state and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained.

CHOICERenovation Mortgage Proceeds

Fees related to the: plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection.

An amount up to but no more than 6 monthly payments of principal, interest, taxes and insurance (PITI).

Contingency reserve funds pursuant to Section 4607.12(b).



Short-Term Renovation Financing

Payoff of short-term financing that provided the borrower with funds to repair, restore, rehabilitate or renovate an existing home is eligible provided the following requirements are met:

“No cash-out” refinance¹

Not a CHOICEReno eXPress

Same borrower obligated to repay short-term financing

Financed renovations completed by the Note Date

Relevant documentation



Renovation Funds

On the Note date, funds sufficient to cover the total cost of the renovations must be deposited into a completion escrow account.

If the CHOICERenovation Mortgage proceeds are insufficient to cover the contracted cost of the renovations, the borrower must deposit sufficient funds to pay the remaining amount into the completion escrow account or Custodial Account for Renovation Funds, as applicable.



Advancing the Costs of Materials: Contractors

Up to **50%** of the cost of materials may be advanced to contractor(s) and/or tradespersons chosen by the borrower to complete the renovations in accordance with Section 4607.10(b)(3)

Up to **100%** of the cost of materials may be advanced to the home improvement store for renovations purchased from a home improvement store in accordance with Section 4607.11(b)



Renovations Purchased From a Home Improvement Store at Closing

Up to 100% of the renovation costs identified in the renovation contract (including labor costs) may be paid to a home improvement store at closing

If the borrower chooses a home improvement store to have the renovation work completed and the home improvement store's renovation program requires payment-in-full at the point of purchase, the renovations may be purchased from the home improvement store, provided the following requirements are met:

- “No cash-out” Refinance Mortgage
- Borrower may not be chosen to complete the renovations
- The home improvement store must have entered into an executed, binding renovation contract with the borrower

Home Improvement Stores' Renovation Program



Financially able to perform the duties necessary to have the renovation work completed in a timely manner and pay the contractor(s) and/or tradespersons.

Has a robust contractor approval process that is managed, maintained and updated regularly.

The contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations is licensed and insured as required by local and/or state requirements, and they must be approved under the home improvement store's contractor approval process during the course of the renovations.

Can the borrower act as the general contractor for the project?



Maximum Financed Renovation Cost for CHOICERenovation Purchase Transactions¹

The total cost of the financed renovations must not exceed:

CHOICEReno eXPress Mortgage

CHOICERenovation Mortgage

75%

Located in designated Duty to Serve high-needs area

15%

Not in Duty to Serve high-needs area

10%

...of the lesser of:

The sum of the purchase price of the property plus the estimated costs of the renovations

OR

The “as-completed” value of the property as determined in Section 4607.9

Maximum Financed Renovation Cost for CHOICERenovation “No Cash-Out” Refinance Transactions¹

The total cost of the financed renovations must not exceed:

CHOICEReno eXPRESS Mortgage

CHOICERenovation
Mortgage

75%

Located in designated
Duty to Serve high-needs
area

15%

Not in Duty to Serve
high-needs area

10%

...of the “as-completed” value of the property as determined in Section 4607.9

Maximum Financed Renovation Cost for CHOICERenovation Manufactured Homes - Purchase and “No Cash-Out” Refinance

The total cost of the financed renovations must not exceed the **lesser of \$50,000** or:

CHOICEReno eXPress Mortgage

CHOICERenovation
Mortgage

50%

Located in designated Duty
to Serve high-needs area

15%

Not in Duty to Serve
high-needs area

10%

...of the “as-completed” value of the property as determined in Section 4607.9



Appraisal Requirements

Appraisal Requirements

- Appraisal report must include an “as-completed” value of the subject property subject to completion of the proposed renovations
- and***
- The Seller must provide the appraiser with:
 - Cost estimates
 - Plans
 - Specifications

FPA0150

Loan is not eligible for an appraisal waiver because it is a CHOICERenovation Mortgage.

Appraisal Requirements After Completion of All Renovations



Interior kitchen



Interior kitchen



Interior Living Room



Appraiser must perform a final inspection of the property

Completion report must document that all renovations were completed and include photographs of the completed renovations



Loans Sold Before the Renovation is Completed

(Option 2 & Option 3 Requirements)

Delivering Mortgages with Freddie Mac Settlement Dates Prior to Completion of the Renovations

Sellers must:


- Be pre-approved
- Be eligible to deliver loans with recourse
- Have a minimum of 2 years originating, closing and administering renovation loans

Contact your
Freddie Mac
Account Representative
or 1-800-FREDDIE for
specific details



Note: Only applies to CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b)

During the renovation period, the Seller is responsible for managing changes that are made to the plans and specifications.



Any changes to the plans and specifications the borrower has requested during the renovation process must be documented

- Detailed description of the changes
- Updated itemized renovation costs
- Updated total cost of the renovations
- Any changes to the estimated completion date

During the renovation period, the Seller is responsible for managing changes that are made to the plans and specifications. *(continued)*

Prohibited changes include any changes that impact the loan-to-value (LTV)/total LTV (TLTV)/home equity line of credit (HELOC) TLTV (HTLTV) ratio or the property such that either:

The mortgage would not have been eligible for sale under the terms of the Seller's purchase documents in effect on the Settlement Date.

or

The mortgage would have been eligible for sale but under different terms.

During the renovation period, the Seller is responsible for compliance with following requirements:

The Mortgage file must contain all relevant documentation

The Seller must notify Freddie Mac if there are any concerns that the renovations will not be completed by the required completion date, or if there are any changes that impact the “as-completed” value of the property as determined by the appraiser

The Seller must obtain title updates as necessary to ensure that the CHOICERenovation Mortgage meets all title insurance requirements in Chapter 4702

After all renovations are complete, there must be no outstanding liens related to the renovations and the CHOICERenovation Mortgage must remain a valid first-lien in accordance with Section 4201.2

All contractor(s) and/or tradespersons chosen by the borrower to complete the renovations must:

- 1 Have entered into an executed, binding renovation contract with the borrower to complete the renovations within a reasonable time period after the Note Date, not to exceed 180 days or 450 days, as applicable.
- 2 Be licensed and insured as required by local and/or state requirements.
- 3 Be financially able to perform the duties necessary to complete the renovation work in a timely manner.

Except if the borrower is the general contractor and performs all the work or if the renovations are purchased from a home improvement store in accordance with Section 4607.11(b).

During the renovation period, the Seller is also responsible for managing the Custodial Account for Renovation Funds (as described in Section 4607.13) and corresponding draws.

Each Seller/Service number associated with one or more CHOICERenovation Mortgage(s)



Separate Custodial Account



Note: Does not apply to CHOICERenovation Mortgages with Settlement Dates after the completion of renovations and CHOICEReno eXPRESS mortgages.

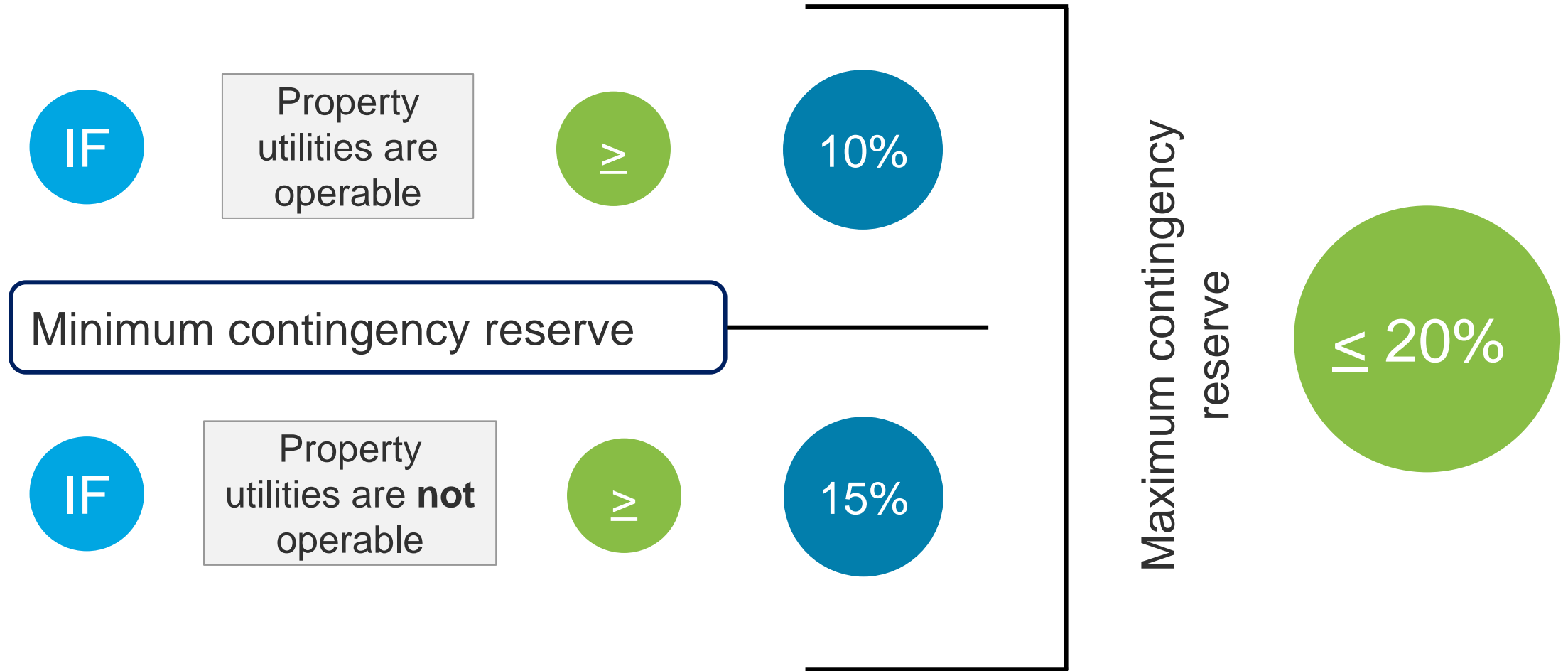
A third party may:

Perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and other requirements described as responsibilities or obligations of the Seller

The Seller is responsible for the accuracy and integrity of the information



Contingency Reserve



Note: CHOICEReno eXpress doesn't require a contingency reserve. If the Seller chooses to establish a contingency reserve, the same maximum contingency reserve would apply.

Unused Renovation Funds

If the CHOICERenovation Mortgage is **current**, any funds remaining after the costs of all renovations have been paid to the appropriate parties must be used to reduce the UPB or used for additional renovations as described below.

If the transaction is a “no cash-out” refinance transaction



Remaining proceeds may be disbursed to the borrower provided the total amount disbursed to the borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4.

If the borrower funded the contingency reserve with their own funds



They may receive those unused funds back.

If the remaining funds are used for additional renovations, the Seller must:



Document that additional renovations were paid for from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and verify the funds are being used to further improve the Mortgaged Premises, and verify the additional renovation work has been completed by obtaining a certification of completion pursuant to Section 4607.9.

Unused Renovation Funds

If the CHOICERenovation Mortgage is **delinquent**, any unused funds (including contingency reserve funds provided by the borrower, if applicable) must be applied in accordance with the application of payment requirements in the Note and Security Instrument



Recourse will remain in full force and effect until all renovations are complete

The Seller must request removal of the recourse in writing indicating:

- the Freddie Mac loan number
- certification of completion
(including photographs of the renovations)

The Seller represents and warrants that, as of the date Freddie Mac approves the Seller's request for removal of recourse, all requirements in Chapter 4607 have been met.



Additional Requirements

Underwriting and File Documentation

Uniform Residential Loan Application

Purpose of Loan on Form 65 (Uniform Residential Loan Application), indicate: Purchase or Refinance

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount \$ _____

Property Address Street _____ City _____ State _____ ZIP _____ County _____

Number of Units _____ Property Value \$ _____

Occupancy Primary Residence Second Home Investment Property FHA Secondary Residence

1. **Mixed-Use Property.** If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop) NO YES

2. **Manufactured Home.** Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis) NO YES

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing Does not apply

Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$ _____	\$ _____	\$ _____
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$ _____	\$ _____	\$ _____

4c. Rental Income on the Property You Want to Purchase For Purchase Only Does not apply

Complete if the property is a 2-4 Unit Primary Residence or an Investment Property

	Amount
Expected Monthly Rental Income	\$ _____
For LENDER to calculate: Expected Net Monthly Rental Income	\$ _____

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan Does not apply

Underwriting and File Documentation

Transmittal Summary

Uniform Underwriting and Transmittal Summary

I. Borrower and Property Information

Borrower Name _____
 Total # of Borrowers _____
 Property Address _____

Occupancy Status
 Primary Residence
 Second Home
 Investment Property

Sales Price \$ _____
 Appraised Value \$ _____

Property Type
 1 unit
 2 units
 3 units
 4 units
 Condominium
 PUD Co-op
 Manufactured Housing
 Single Wide Multiwide

Project Classification
 Freddie Mac
 Streamlined Review
 Established Project
 New Project
 Detached Project
 2- to 4-unit Project
 Exempt from Review
 Reciprocal Review

Fannie Mae
 E Established PUD Project
 F New PUD Project
 P Limited Review - New Condo Project
 Q Limited Review - Established Condo Project
 R Full Review - New Condo Project
 S Full Review - Established Condo Project
 T Fannie Mae Review through PERS - Condo Project
 U FHA-approved Condo Project
 V Condo Project Review Waived
 1 Full Review - Co-op Project
 2 Fannie Mae Review through PERS - Co-op Project

Property Rights
 Fee Simple
 Leasehold

Project Name _____ Fannie Mae Condo Project Manager _____ Project ID# (if any) _____

II. Mortgage Information

Loan Type
 Conventional
 FHA
 VA
 USDA/RD

Amortization Type
 Fixed-Rate—Monthly Payments
 Fixed-Rate—Biweekly Payments
 Balloon
 ARM (type) _____
 Other (specify) _____

Loan Purpose
 Purchase
 Cash-Out Refinance
 Limited Cash-Out Refinance (Fannie)
 No Cash-Out Refinance (Freddie)
 Home Improvement
 Construction Conversion/Construction to Permanent

Lien Position
 First Mortgage
 Amount of Subordinate Financing \$ _____
 (If HELOC, include balance and credit limit)
 Second Mortgage

Note Information
 Loan Amount \$ _____
 Note Rate _____ %
 Loan Term (in months) _____

Mortgage Originator
 Seller
 Broker
 Correspondent

Temporary Buydown
 Yes
 No
 Terms _____

Loan Purpose on Form 1077 (Uniform Underwriting and Transmittal Summary) indicate: Purchase or No Cash-Out Refinance

III. Underwriting Information

Underwriter's Name _____ Appraiser's Name/License # _____ Appraisal Company Name _____

Stable Monthly Income
 Borrower 1 \$ _____
 Borrower 2 \$ _____
 Borrower 3 \$ _____
 Borrower 4 \$ _____
 Other Borrowers (5+) \$ _____
 Rental Income - subject property \$ _____
 Net Rental Income - other properties \$ _____
 Total Borrower Income \$ _____
 At least one borrower is self-employed

Loan-to-Value Ratios
 LTV _____ %
 CLTV/TLTV _____ %
 HCLTV/HTLTV _____ %

Proposed Monthly Payment for the Property
 First Mortgage P&I \$ _____
 Subordinate Lien (s) P&I \$ _____
 Homeowner's Insurance \$ _____
 Supplemental Property Insurance \$ _____
 Property Taxes \$ _____
 Mortgage Insurance \$ _____
 Association/Project Dues (Condo, Co-Op, PUD) \$ _____
 Other \$ _____
 Total \$ _____

Qualifying Ratios
 Primary Housing Expense/Income _____ %
 Total Obligations/Income(DTI) _____ %

Level of Property Review
 Exterior/Interior
 Exterior Only
 No Appraisal

Form Number _____

Escrow (T&I) Yes No

Qualifying Rate
 Rate Used for Qualifying _____ %
 Initial Bought-Down Rate _____ %
 Other _____ %

All Other Monthly Payments Used in Qualifying \$ _____

Borrower Funds to Close
 Required \$ _____
 Verified Assets \$ _____

Risk Assessment
 Manual Underwriting
 AUS
 DU LPA Other
 AUS Recommendation _____
 DU Case ID/LP AUS Key# _____
 LPA Doc Class (Freddie) _____
 Representative Credit/Indicator Score _____

Affordable Housing Initiative
 Yes No

Homeownership Education Certificate in File
 Yes No

No. of Months Reserves _____

Interested Party Contributions _____ %

Underwriter Comments

IV. Seller and Contact Information

Seller Name _____ Contact Name _____ Contact Phone Number _____
 Seller Address _____ Contact Title _____
 Seller No. _____ Investor Loan No. _____
 Seller Loan No. _____

Freddie Mac Form 1077 12/18 Page 1 of 1 Fannie Mae Form 1008 12/18

Underwriting Comments on Form 1077 (Uniform Underwriting and Transmittal Summary) indicate CHOICERenovation

Transfers of Servicing



Concurrent Transfers of Servicing¹ involving CHOICE Renovation Mortgages delivered pursuant to Section 4607.1(b) are permitted, provided the special requirements in Section 4607.18(a) are met.

¹The Seller must have obtained Freddie Mac's prior written approval.

Prohibited Transfers of Servicing



Subsequent Transfers of Servicing involving CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b) are prohibited until all renovations have been completed, the Seller has obtained a completion report pursuant to Section 4607.9 and Freddie Mac has approved removal of recourse pursuant to Section 4607.15.

Transfers of Servicing involving CHOICEReno eXPRESS Mortgages are prohibited until all renovations have been completed and the Seller has obtained a completion report pursuant to Section 4607.9.

Note: CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b) and CHOICEReno eXPRESS Mortgages may not be sold through Cash Released Xchange®. Additionally, CHOICEReno eXPRESS Mortgages may not be involved in any other Concurrent Transfers of Servicing.



- Three options
- Single closing with one Note Date
- Combined with several programs and offerings

Thank you for attending this training experience with Freddie Mac's Client Education Services. If your learning journey isn't complete, we have a list of resources below that can help you continue to learn about what Freddie Mac has to offer. Click these links and don't forget to bookmark them for future use.

[Freddie Mac Learning Course Catalog](#)

[Freddie Mac Learning Demo/Tour](#)

[Freddie Mac Learning Training Calendar](#)

If you have any technical difficulties or issues with registration, please email us at freddiemaclearning@freddiemac.com

Thank you and we look forward to continuing to work with you!

Customer Support Contact Center (CSCC)

800-FREDDIE

Our Role

800-FREDDIE provides front-line support for Sellers, Servicers and Third-Party Originators who have questions about Freddie Mac products and services. CSCC is open 8AM-7PM ET Monday-Friday.

Our Team

Functional Areas

Loan Product Advisor[®]

- Accept vs Caution problem solving
- Feedback message interpretation
- Integration issues related to vendors

LPCS_requests@FreddieMac.com

Underwriting

- Underwriting scenarios
- Appraisal
- Income
- Assets
- Acceptable Documentation
- Affordable Lending

UWSupport@FreddieMac.com

Loan Delivery

- Loan Selling Advisor[®]
- Pricing
- Contract extensions
- Mandatory, Best Efforts, MBS
- ULDD
- Seller billing
- Loan Closing Advisor[®]
- Loan Collateral Advisor[®]
- Loan Quality Advisor[®]
- Loan Coverage Advisor[®]

Delivery_Support@FreddieMac.com

Loan Servicing

- Modifications
- Foreclosure / Deed in Lieu
- Application support for all servicing tools
- Workout Prospector

Servicer_Customer_Support@FreddieMac.com



Jim Peronto



Patti Howard



Brian Scholz



Chris Cho



Carrie Cooper

Check out our upcoming instructor-lead learning offerings:

[Freddie Mac Learning Training Calendar](#)