

FANNIE MAE HOMESTYLE[®] RENOVATION MORTGAGE



The Fannie Mae HomeStyle[®] Renovation mortgage enables a borrower to obtain a purchase transaction mortgage or a rate/term refinance mortgage and receive funds to cover the cost of repairs, remodeling, or renovations to the property. Lenders must obtain special approval from Fannie Mae to deliver this type of mortgage to Fannie Mae.

		FULL DOC						
		STANDARD			JUMBO LOANS*			
		LTV/CLTV	LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI	LOAN AMOUNT	MIN CREDIT SCORE	MAX DTI
Owner-Occupied Purchase or Rate/ Term Refinance	1 Unit SFD (attached ¹ & detached, condos, ¹ & PUDs)	95/95	\$417,000	660	45	NOT ELIGIBLE		
		90/90	\$417,000	660	45	\$625,500	700	45
		85/85	\$417,000	660	45	\$625,500	700	45
	Co-ops ¹	95/95	\$417,000	660	45	NOT ELIGIBLE		
		90/90	\$417,000	660	45	\$625,500	700	45
		85/85	\$417,000	660	45	\$625,500	700	45
Second Home Purchase or Rate/ Term Refinance	1 Unit SFD (attached ¹ & detached, condos, ¹ & PUDs)	95/95	NOT ELIGIBLE			NOTE: 1. Attached Housing is not eligible in Florida * All loans must be in specific approved FHFA high-cost areas only		
		90/90	\$417,000	720	45			
		85/85	\$417,000	720	45			
	Co-ops ¹	95/95	NOT ELIGIBLE					
		90/90	\$417,000	720	45			
		85/85	\$417,000	720	45			

INELIGIBLE

- Properties in MSA/MSADs or States, located on PMI's Distressed Markets List, or identified by the appraiser who has checked the "declining box" for property values
- Attached Housing in Florida
- Energy Improvements
- Third Party Originations
- Sweat Equity
- Builder Construction
- The borrower may not be the contractor or provide repairs as a "Do it Yourself" repair
- The complete tear down and re-building of the existing property is not eligible as a "Renovation Mortgage" and must be underwritten as a Construction-Permanent transaction.
- The lender may not chose the contractor or refer the borrower to any one specific contractor.
- 40 year amortization term loans
- Freddie Mac
- Cash-out Refinance

ELIGIBILITY CRITERIA

- Lenders must receive special approval to deliver this program to Fannie Mae.
- The lender must meet all Fannie Mae guidelines.
- Renovation work must be completed no later than 12 months from the date the mortgage loan is closed.
- All renovation work must be performed by a licensed contractor.

LOAN PURPOSE

Loans may be a Purchase Rehabilitation or a Refinance Rehabilitation transaction.

LOAN-TO-VALUE CALCULATIONS

- Follow Fannie Mae Guidelines

JUMBO LOAN PROGRAM

- All loans must be in specific high-cost areas
- Minimum 700 credit score - non-distressed markets
- ARM loans must have a minimum 5 year initial fixed period

JUMBO PROGRAM (CONT.)

- Minimum 5% down payment from borrower's own funds
- Maximum allowable Interested Party Contributions
 - Properties in Non-Distressed Markets 6%
- For non-DU[®] loans, the loan must meet PMI eligibility and underwriting guidelines
- Loans approved through DU[®] may utilize the PMI DU[®] program

INCOME DOCUMENTATION REQUIREMENTS

Acceptable full documentation and documentation efficiencies are as follows:

Full/Substitute Income Documentation

Verification of the borrower's employment and income for at least two full years.

- A verbal Verification of Employment (completed prior to closing); and
 - Verification of Employment, or
 - One month's paystubs, which contains at least 30 days of year-to-date earnings, and two years' W-2s, or

(continued on next page)

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INCOME DOCUMENTATION REQUIREMENTS (CONT.)

- Two years' personal or business tax returns (if self-employed) and a year-to-date P&L for the business

Document Efficiencies (DU[®] only)

One of the following documentation sets will be required (employment gaps explained when required by the findings):

- A verbal Verification of Employment (completed prior to closing); and
 - Verification of Employment, or
 - A paystub which contains at least 30 days of year-to-date earnings, and a verbal Verification of Employment; or
 - One paystub and the most recent year's W-2s and a verbal Verification of Employment, or
 - One year's personal federal tax returns, or
 - Two years' personal federal tax returns, or
 - Two years' personal and two years' business federal tax returns (if self-employed)
- A Documentation Efficiency of only a Verbal Verification of Employment is not acceptable
- Assets required to close the transaction must be verified for all loans, regardless of any documentation efficiencies provided

OTHER DOCUMENTATION REQUIREMENTS

- Standard appraisal with an interior and exterior review
- The appraised report must provide an "as completed" appraised value that estimates the value of the property after completion.
- **Ineligible:**
 - 2055 exterior review only
 - Drive-by inspections
 - Property Inspection Waivers (PIW)/Alternatives (PIA)
- A final inspection must be provided by the appraiser to indicate renovation is complete
- Appraisals more than 120 days old up to 12 months old must be recertified.
- A copy of the original HUD-1 from the original purchase transaction is required for the refinance transaction when the property has been owned for less than 12 months.
- A copy of the contract for cost of improvements must be provided.

ESCROW ACCOUNTS

- At closing, the lender must deposit all of the renovation costs, including the contingency reserve and, if applicable, any escrowed mortgage payments 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.

ESCROW ACCOUNTS (CONT.)

- Unused contingency funds and/or escrow funds, unless they are received directly from the borrower, must be used to reduce the outstanding balance of the renovation mortgage after all of the renovation work has been completed and certification has been obtained. Reimbursement of any excess funds to the borrower is considered cashout and is not permitted.

AUTOMATED UNDERWRITING SYSTEMS

- Loans may be approved DU[®]
- All other automated underwriting systems decisions require underwriting to PMI's current eligibility and guidelines
- **Ineligible:**
 - DU[®] Refer, Refer with Caution IV, Out of Scope, and EA Recommendation from version 5.7 or earlier

MINIMUM DOWN PAYMENT

- Borrower must contribute a minimum equity or downpayment from their own funds as follows:
 - Conforming 3%
 - Jumbo or Second 5%

MAXIMUM INTERESTED PARTY/SELLER CONTRIBUTIONS

- Maximum 3% of the lesser of the property's sales price or appraiser value on:
 - LTVs greater than 90%
- Maximum 6% of the lesser of the property's sales price or appraised value on:
 - LTVs of 90% or less

CASH RESERVES

- Minimum reserves
 - Minimum 2 months' PITI

For conversion of primary residences, 6 months reserves are required per property

EMPLOYMENT HISTORY

- 2 years' income verification may be required

QUALIFYING RATE

- 3 & 5 year ARMs (5 years or less fixed-rate period) qualify using the greater of the note rate +2% or the Fully Indexed Accrual Rate (FIAR)
- 7/1 and 10/1 ARMs qualify at the note rate

QUALIFYING RATIOS

- Maximum 45% DTI

VALID CREDIT SCORE

Although a credit score can be generated with one trade line, PMI does not consider the credit score valid unless at least three trade lines are evaluated for at minimum of 12 months, regardless of AUS decision. (Trade lines can be open or closed).

Authorized user accounts generally do not belong to the borrower, therefore cannot be used to validate the credit score.

CREDIT HISTORY

- Minimum 660 credit score
- Judgments, liens, collections, voluntary or involuntary repossessions, and charge-offs should generally be paid in full at loan closing
- If the credit report does not contain a mortgage rating, a separate VOM should be obtained
- The borrower's credit history must reflect:
 - 0x30 mortgage late payments in the last 12 months (non DU[®] loans)
 - 0x60 mortgage late payments in the last 12 months (DU[®] loans)
 - 0x60 installment or revolving account late payments in the last 12 months
- Minimum 4 years' reestablished traditional credit after discharge of a bankruptcy; 2 years with documented extenuating circumstances
- Borrower with a prior foreclosure/short-sale/deed-in-lieu is generally not acceptable
 - For credit score-based programs and pricing, the qualifying credit score will be determined using the lower-middle method; the lowest borrower credit score will be used
- Comparable credit characteristics may be used in lieu of credit score to determine eligibility for NY properties or if the credit score is unusable due to invalid credit information on the credit report
 - Refer to PMI's Comparable Credit Criteria for a summary of attributes equivalent to PMI's credit score tiers at www.pmi-us.com

MORTGAGE INSURANCE INFO

- The insurance may be activated prior to the completion of the renovations.
- If the subject loan defaults prior to completion of renovations, PMI may choose to acquire the property minus any costs of renovations not completed or the lender may choose to complete the renovations prior to submitting a claim to PMI.
- Condition of approval - no claims will be paid until the repairs/renovations are completed per the plans and specs and a final inspection by the appraiser has been completed and the value recertified.

