

# HomeStyle Renovation®

## March 2014



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# HomeStyle Renovation®

March 2014

## STANDARD PRODUCT MATRIX

### Principal Residence

PURPOSE	Units <sup>3</sup>	Maximum LTV <sup>1</sup> /CLTV/HCLTV	Maximum DTI	Loan Amount <sup>2</sup>	Minimum FICO
Purchase & Limited Cash-Out Refinance	1	95.00%	Per DU	See Below	Per DU
	2	85.00%			
	3 - 4	75.00%			

### Second / Vacation Home

Purchase & Limited Cash-Out Refinance	1	90.00%	Per DU	See Below	Per DU
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### Investment Property

Purchase	1	80.00%	Per DU	See Below	Per DU
Limited Cash-Out Refinance	1	75.00%			

### Maximum Loan Limits 2014

Number of Units	Contiguous United States, District of Columbia & Puerto Rico	Alaska, Guam, Hawaii, US Virgin Islands
1	\$417,000	\$625,500
2	\$533,850	\$800,775
3	\$645,300	\$967,950
4	\$801,950	\$1,202,925

<b>Footnotes</b>	<sup>1</sup> LTV's ≥ 80.01% require mortgage insurance and are subject to MI guidelines. Must follow more restrictive guidelines (REMNI or Mortgage Insurance company) <sup>2</sup> REMNI Wholesale Minimum Loan Amount \$40,000. <sup>3</sup> Condominiums- Maximum 80.00% LTV
<b>Program Overview</b>	❖ REMNI Wholesale follows <i>AllRegs</i> for loans being sold to FNMA; except as stated in these guidelines.
<b>Prepayment Penalty</b>	❖ Not Permitted
<b>Temp Buydown</b>	❖ Not Permitted
<b>Assumptions</b>	❖ Not Permitted
<b>Escrow / Impounds</b>	❖ ≥ 80.01% LTV – Required. ❖ ≤ 80.00% LTV – Can be waived; pricing hit may apply. ❖ Loans must be locked under <i>FNMA HomeStyle®</i> Loan Program in the Broker Portal
<b>Ineligible Transactions</b>	❖ Non-Traditional Credit ❖ ARM's ❖ Cash-Out Refinance transactions ❖ Manual Underwrite

# HomeStyle Renovation®

March 2014

## HIGH BALANCE PRODUCT MATRIX

### Principal Residence

PURPOSE	Units	Maximum LTV <sup>1</sup> /CLTV/HCLTV	Maximum DTI	Loan Amount	Minimum FICO
Purchase & Limited Cash-Out Refinance	1	90.00%	Per DU	See Below	Per DU
	2-4	75.00%			

### Second / Vacation Home

Purchase & Limited Cash-Out Refinance	1	65.00%	Per DU	See Below	Per DU
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### Investment Property

Purchase & Limited Cash-Out Refinance	1	65.00%	Per DU	See Below	Per DU
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### Maximum Loan Limits High Cost Areas 2014<sup>2</sup>

Number of Units	Contiguous United States, District of Columbia & Puerto Rico	Alaska, Guam, Hawaii, US Virgin Islands
1	\$625,500	\$938,250
2	\$800,775	\$1,201,150
3	\$967,950	\$1,451,925
4	\$1,202,925	\$1,804,375

<b>Footnotes</b>	<p><sup>1</sup> LTV's ≥ 80.01% require mortgage insurance and are subject to MI guidelines. Must follow more restrictive guidelines (REMNI or Mortgage Insurance company)</p> <p><sup>2</sup> All eligibility requirements for high balance loans, including maximum LTV and minimum credit scores, apply and supersede the HomeStyle eligibility requirements. Refer to FNMA <a href="#">Loan Eligibility Matrix</a> for additional criteria.</p>
<b>Program Overview</b>	❖ REMNI Wholesale follows <i>AllRegs</i> for loans being sold to FNMA; except as stated in these guidelines.
<b>Prepayment Penalty</b>	❖ Not Permitted
<b>Temp Buydown</b>	❖ Not Permitted
<b>Assumptions</b>	❖ Not Permitted
<b>Escrow / Impounds</b>	<p>❖ ≥ 80.01% LTV – Required.</p> <p>❖ ≤ 80.00% LTV – Can be waived; pricing hit may apply.</p> <p>❖ Loans must be locked under <i>FNMA HomeStyle®</i> Loan Program in the Broker Portal.</p>
<b>Ineligible Transactions</b>	<p>❖ Non-Traditional Credit</p> <p>❖ ARM's</p> <p>❖ Cash-Out Refinance transactions</p>

## PRODUCT OVERVIEW

### HomeStyle Renovation Summary

- ❖ The HomeStyle Renovation mortgage enables the borrower to obtain a purchase transaction 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. The mortgage may be delivered to FNMA prior to completion of the renovation, subject to limited recourse.
- ❖ There are no required improvements or restrictions on the types of repairs allowed or a minimum dollar amount for the repairs.
  - » Repairs or improvements; however, must be permanently affixed to the real property and add value to the property.
  - » When the HomeStyle Renovation mortgage is used to finance energy-related improvements, borrowers are required to obtain an energy report to identify recommended energy improvements to the property and the estimated cost savings associated with those improvements.
    - See B5-3.3-01 Mortgage Loans with Energy Improvement Features on Existing Properties, for additional requirements related to mortgage loans with energy improvement features within *FNMA Selling Guide*.
- ❖ REMN Wholesale 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 Wholesale may be required to repurchase the loan.
  - » When delivering a HomeStyle Renovation loan, REMN Wholesale 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.
  - » If the HomeStyle Renovation loan is used to finance energy-related improvements and the loan meets the requirements of the energy improvement feature (with the exception of the 10% maximum limit requirement for costs financed under the energy improvement feature – which may be exceeded for HomeStyle Renovation loans) the loan must be delivered with SFC 375.
- ❖ To ensure that the borrower understands all of the terms of the HomeStyle Renovation mortgage, REMN Wholesale requires the HomeStyle Renovation Consumer Tips disclosure be provided to the borrower.
  - » 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.

PRODUCT OVERVIEW

**Required Documentation**

Included with all other standard underwriting documentation the following HomeStyle Renovation forms must be included in the file and uploaded to BlitzDocs labeled correctly.

Form Name	Description	When Required	Responsible Party	Required Signatures
HomeStyle Renovation Consumer Tips	Information on HomeStyle Renovation program	At application; preferred to be included in loan submission by Broker	Broker	Borrower & LO
HomeStyle Renovation Maximum Mortgage Worksheet	Determines maximum loan amount	At loan submission by broker; to be updated throughout the loan process & final at time of CTC by REMN UW	Broker & REMN UW	REMN UW
HomeStyle Renovation Contractor Profile	Provides Contractor information; such as work experience, financial information and insurance	At application; preferred to be included in loan submission by Broker	Broker	Contractor
HomeStyle Renovation Construction Contract	Outlines renovation work to be completed	At application; preferred to be included in loan submission by Broker	Broker	Borrower & Contractor
Contractor Bid and/or Consultant Feasibility Study	Bid required on all loans; feasibility study required when renovation costs exceed \$15,000	Preferred to be included in loan submission by broker	Broker	Contractor Bid – Borrower & Contractor Feasibility Study – Borrower, Contractor & HUD Consultant
HomeStyle Renovation Construction Loan Agreement	Loan agreement between REMN Wholesale & Borrower detailing renovations	At Closing	REMN Closer	Borrower & REMN Closing Representative
HomeStyle Renovation Completion Certificate	Acknowledges renovation parameters	Post-Closing	RCD	Borrower & Contractor
HomeStyle Renovation Lien Waiver	Affidavit stating that Contractor has not put any liens on subject property	Post-Closing	RCD, Draw Department	Contractor
HomeStyle Renovation Change Order Request	Changes to renovations and/or costs	Post-Closing	RCD, Draw Department	Borrower & Contractor

NOTE: All forms as indicated above can be found on [www.remnwholesale.com](http://www.remnwholesale.com)

UNDERWRITING

<b>Underwriting Method</b>	<ul style="list-style-type: none"> <li>❖ Underwriting with DU required; the loan must receive Approve/Eligible Recommendation findings.</li> <li>❖ Manual Underwrite is NOT permitted.</li> </ul>
<b>Maximum Financed Properties</b>	<p>REM N Wholesale overlay: Borrowers who own more than 4 properties (regardless of financing, including the subject property) are not eligible for financing with REM N Wholesale. Management exceptions will be considered, add-ons may apply. This is regardless of the occupancy type of the subject loan; this overlay overrides any guideline of FNMA</p>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>❖ Eligible Occupancy <ul style="list-style-type: none"> <li>» Primary Residence</li> <li>» Second / Vacation Home</li> <li>» Investment Property</li> </ul> </li> <li>❖ Eligible Property <ul style="list-style-type: none"> <li>» 1-4 Unit &amp; Condo properties eligible</li> </ul> <p>Note: The above eligible occupancy and property applies to standard loan limits as well as high balance loan limits.</p> </li> </ul>
<b>DTI Ratio</b>	<ul style="list-style-type: none"> <li>❖ REM N Wholesale must base its calculation of real estate taxes for borrower qualification based on current tax value.</li> <li>❖ Hazard and/or Flood insurance must be based on the as-completed value or maximum insurable value as per REM N Wholesale insurance requirements and used in qualifying ratios.</li> <li>❖ See <a href="#">Mortgage Insurance</a> for maximum DTI on LTV's ≥ 80.01%.</li> </ul>
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>❖ Follow standard FNMA guidelines. Refer to the section titled Defining Refinance Transactions for further information.</li> </ul>
<b>Insurance Coverage</b>	<ul style="list-style-type: none"> <li>❖ Hazard Insurance</li> <li>❖ Flood Insurance <ul style="list-style-type: none"> <li>» Follow standard REM N Wholesale insurance requirements</li> </ul> </li> <li>❖ Title Insurance <ul style="list-style-type: none"> <li>» Title Policy must cover the full amount of the recorded mortgage, must be dated concurrently with the recordation of the mortgage and must be updated to the date on which the renovation work is completed.</li> </ul> </li> <li>❖ Builders Risk Insurance - 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.</li> </ul>

UNDERWRITING

<p><b>Eligible Properties</b></p>	<ul style="list-style-type: none"> <li>❖ 1-4 Unit primary residence</li> <li>❖ 1 Unit Second / Vacation Home</li> <li>❖ 1 Unit Investment</li> <li>❖ Condominium – Written approval from Homeowners’ Association required for renovations. Renovation work must be permissible under bylaws of the homeowners’ association.</li> <li>❖ PUD (Attached/Detached)</li> <li>❖ Unfinished model home or unfinished new construction must be reviewed and approved on a case-by-case basis.                             <ul style="list-style-type: none"> <li>» Contract Renovation Concierge Services via the <a href="#">Zendesk</a> ticket system.</li> </ul> </li> </ul>
<p><b>Property Requirements</b></p>	<ul style="list-style-type: none"> <li>❖ The security property for the HomeStyle Renovation Mortgage must be;                             <ul style="list-style-type: none"> <li>» 1-4 Unit Principal Residence,</li> <li>» 1 Unit Second / Vacation Home; or</li> <li>» 1 Unit Investment</li> </ul> </li> <li>❖ The security property for a HomeStyle Renovation mortgage may be a unit in an eligible PUD or Condo.</li> <li>❖ When the subject property is a condo project; the project must be one for which the proposed renovation work is permissible under the bylaws of the homeowners’ association.                             <ul style="list-style-type: none"> <li>» REMN Wholesale will require the homeowners’ association to provide written approval for the renovation work.</li> </ul> </li> <li>❖ The renovation work for a condo unit must be limited to the interior of the unit, including the installation of fire walls in the attic.</li> </ul>
<p><b>Second / Vacation Home Definition</b></p>	<ul style="list-style-type: none"> <li>❖ 1 unit property owned and occupied by the borrower for some portion of the year.</li> <li>❖ Not subject to any timesharing ownership arrangement(s).</li> <li>❖ The property must be in a location where it can function reasonably as a second home (i.e. in the mountains, on a lake, near the ocean, resort area; a place for vacations and family gatherings).</li> <li>❖ Generally no rental income should be shown on the borrowers’ federal tax returns.</li> <li>❖ Property must be suitable for year round occupancy.</li> </ul>

UNDERWRITING

Transaction  
Types

Purchase LTV Ratio

- ❖ The LTV ratio is determined by dividing the original loan amount by the lesser of the as-completed appraised value of the property or the sum of the purchase price of the property and the total rehabilitation costs.
- ❖ Add up the renovation / repair costs; these can be a maximum of 50% of the as-completed value these costs include:
  - » Labor and materials,
  - » Renovation-Related Costs; Property Inspection Fees (FNMA requires the original appraiser to complete the final inspection), Title Update Fees, Architectural and Engineering Fees, Independent (HUD) Consultant Fees, Permit Fees.
  - » Contingency reserve of 10% (15% when utilities are not on and functioning),
    - Contingency Reserve is used to cover unplanned expenses occurring during the rehabilitation and can be financed in the loan amount or borrower funded.
      - Whether financed or borrower funded, this amount must be included in the total renovation costs.
  - » Monthly PITIA payments for up to six (6) months.
    - Monthly PITIA payments cover the living expenses if the borrower has to vacate the home during the rehabilitation.
      - Independent (HUD) Consultant will determine the number of months that can be escrowed.

Note: An amount for sweat equity may not be factored into the renovation costs.

- ❖ HomeStyle Renovation Maximum Mortgage Worksheet must be completed to determine the maximum loan amount and maximum funds for renovations / repairs, this form can be found on [www.remnwholesale.com](http://www.remnwholesale.com)

Sales Price	\$190,000
Labor/Materials	\$34,500
Renovation-Related (Soft) Costs	\$2,200
Contingency Reserve	\$4,170
Mortgage Payment Reserve	\$5,000
<b>TOTAL</b>	<b>\$235,870</b>
As-Completed Value	\$250,000
Maximum Loan Amount based on LTV of 95%	\$224,076

The total of the renovation costs is \$45,870; which is less than 50% of the as-completed appraised value.

The sum of the sales price and the renovation costs is \$235,870. The as-completed appraised value of the home is \$250,000; therefore we use the purchase price + renovation costs in our calculation.



UNDERWRITING

Limited Cash-Out Refinance  
LTV Ratio

- ❖ LTV ratio is determined by dividing the loan amount by the as-complete appraised value of the property rather than its current appraised value.
- ❖ Limited Cash-Out Refinance transactions may include;
  - » Amount required to satisfy the existing first mortgage,
  - » The amount required to satisfy any outstanding subordinate mortgage lien(s) that were used to acquire the property,
  - » Closing costs, prepaid items & discount points.
- ❖ Add up the renovation / repair costs; these can be a maximum of 50% of the as-completed value these costs can include:
  - » Labor and materials,
  - » [Renovation-Related Costs](#); Property Inspection Fees (FNMA requires the original appraiser to complete the final inspection), Title Update Fees, Architectural and Engineering Fees, Independent (HUD) Consultant Fees, Permit Fees.
  - » Contingency reserve; up to 10% (15% when utilities are not on and functioning),
    - Contingency Reserve is used to cover unplanned expenses occurring during the rehabilitation and can be financed in the loan amount or borrower funded.
      - Whether financed or borrower funded, this amount must be included in the total renovation costs.
  - » Monthly PITIA payments for up to six (6) months.
    - Monthly PITIA payments cover the living expenses if the borrower has to vacate the home during the rehabilitation.
      - Independent (HUD) Consultant will determine the number of months that can be escrowed.

Note: An amount for sweat equity may not be factored into the renovation costs.
- ❖ HomeStyle Renovation Maximum Mortgage Worksheet must be completed to determine the maximum loan amount and maximum funds for renovations / repairs, this form can be found on [www.remnwholesale.com](http://www.remnwholesale.com)

First Mortgage UPB	\$190,000
Second Mortgage UPB	\$4,950
Labor/Materials	\$39,500
Renovation-Related (Soft) Costs	\$2,200
Contingency	\$4,170
Closing Costs	\$1,900
Mortgage Payment Reserve	\$0
<b>TOTAL</b>	<b>\$242,720</b>
As-completed appraised value	\$250,000
Maximum Loan Amount based on 95% LTV	\$230,584
The total of the renovation costs is \$45,870; which is less than 50% of the as-completed value.	
The sum of the refinance plus renovation costs total \$242,720, the as-completed value of the home is \$250,000; therefore we use the refinance plus renovation costs in our calculation.	

UNDERWRITING

<b>Limited Cash-Out Refinance (Cont.)</b>	<ul style="list-style-type: none"> <li>❖ The borrower may not obtain any other funds from the transaction including those that are generally allowed for limited cash-out refinance transactions (i.e. the lesser of 2% of the loan amount or \$2,000).                             <ul style="list-style-type: none"> <li>» 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.</li> </ul> </li> <li>❖ Continuity of Obligation must be demonstrated.</li> <li>❖ The subject property must not be currently listed for sale, it must be taken off the market on or before application date and the borrower(s) must confirm their intent to occupy the subject property (for principal residence transactions).</li> </ul> <p><b>Ineligible Transactions</b></p> <ul style="list-style-type: none"> <li>❖ When the following exists, the transaction is ineligible as a limited cash-out refinance;                             <ul style="list-style-type: none"> <li>» No continuity of obligation,</li> <li>» No outstanding first lien on the subject property,</li> <li>» Proceeds are used to pay off a subordinate lien that was not used to purchase the property; and,</li> <li>» Restructured / Modified loans</li> </ul> </li> </ul>		
<b>Defining Refinance Transactions</b>	<b>Refinance Transaction includes the payoff of the first lien and...</b>	<b>REMN Wholesale must underwrite the transaction as a...</b>	<b>Comments</b>
	The payoff of purchase money second with no cash-out.	Limited Cash-Out Refinance	N/A
	The payoff of a non-purchase money second, regardless of whether additional cash-out is taken.	Cash-Out Refinance	<b>NOT eligible under this loan program.</b>
	Subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property, and the borrower is not taking cash-out except to the extent permitted for a limited cash-out refinance transaction under this loan program.	Limited Cash-Out Refinance	The subordinate lien must be re-subordinated to the new first mortgage loan.
	The subordinate financing is being left in place, regardless of whether the subordinate financing was used to purchase the property and the borrower is taking cash-out.	Cash-Out Refinance	<b>NOT eligible under this loan program.</b>

UNDERWRITING

**Mortgage Insurance**

- ❖ REMN Wholesale Preferred Partner Program guidelines to be followed (Monthly, Financed or LPMI available).
- ❖ Mortgage insurance is required on all transactions  $\geq 80.01\%$  LTV.
  - » Purchase: LTV based on lesser of as-completed value or Purchase Price + Renovation Cost.
  - » Limited Cash-Out: LTV based on as-completed value.
- ❖ 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 Wholesale’s preferred MI partners are Essent, Genworth and United Guaranty.

**High Balance Loans**

- ❖ REMN Wholesale 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

- ❖ Appraisal to be ordered by the Broker through MMC. MMC will instruct the broker to order through another approved AMC if they are not licensed in the subject property state. The Appraisal should be ordered when the broker has received either, the Contractor Bid or the Consultant Write Up.
  - » These estimates must be sent with the appraisal request so that the appraiser can provide the after-improved value.
- ❖ Appraisal report must provide and as-completed value that estimates the value of the property after completion of the renovation work.
- ❖ 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:
  - » Kitchen,
  - » All bathrooms,
  - » Main living area,
  - » Examples of physical deterioration, if present,
  - » Examples of recent updates; such as restoration, remodeling and renovation, if present.
- ❖ FNMA requires the original appraiser to complete the final inspection.

High Balance Loans

- ❖ One-Unit Residential Appraisal Field Review Report (Form 2000) is also required if:
  - » The loan amount is above \$625,500 and LTV/CLTV/HCLTV is ≥80.01%; **or**
  - » 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.
- ❖ Condominiums require two (2) comparable sales from projects other than the subject loan project, in addition to the standard comparable sale requirements per the *Selling Guide*.

## RENOVATIONS

Renovations	<ul style="list-style-type: none"><li>❖ Must be permanently affixed to the property and add value to the property.</li><li>❖ Examples;<ul style="list-style-type: none"><li>» Interior renovation or improvements,</li><li>» Fences,</li><li>» Decks,</li><li>» Landscaping,</li><li>» In-ground swimming pools.</li></ul></li><li>❖ Renovations cannot consist of;<ul style="list-style-type: none"><li>» Construction of out buildings (i.e. detached garage, pool houses, sheds, barns).</li><li>» Appliances are considered chattel (unless state law otherwise indicates) and are not considered permanently affixed to the property.</li></ul></li><li>❖ Property must meet State and Local standards.</li><li>❖ Renovations must be started within 30 days and must be completed within 180 days of the loan closing.</li><li>❖ Appraisal report must provide an as-completed appraised value.</li></ul>									
Renovation-Related Costs	<ul style="list-style-type: none"><li>❖ Renovation-related costs that may be considered as part of the total renovation costs include;<ul style="list-style-type: none"><li>» Contingency Reserve,</li><li>» Discount Points,</li><li>» Property Inspection Fees,<ul style="list-style-type: none"><li>▪ FNMA requires the original appraiser complete the final inspection.</li></ul></li><li>» Title Update Fees,</li><li>» Architectural and Engineering Fees,</li><li>» Independent (HUD) Consultant Fees (required when renovation costs exceed \$15,000; HUD Consultant Fees are based on the cost of the proposed renovations);<table><tr><td>\$0.00 - \$7,500 = \$400</td><td>\$7,501 - \$15,000 = \$500</td><td>\$15,001 - \$30,000 = \$600</td></tr><tr><td>\$30,001 - \$50,000 = \$700</td><td>\$50,001 - \$75,000 = \$800</td><td>\$75,001 - \$100,000 = \$900</td></tr><tr><td>\$100,001 and Up = \$1,000</td><td colspan="2">+ \$25 for each additional unit (as applicable)</td></tr></table></li><li>» Permit Fees,</li><li>» Other documented charges, such as fees for energy reports, appraisals, review of renovation plans and fees charged for processing renovation draws.</li></ul><p>Note: An amount for sweat equity may <u>not</u> be factored into the renovation costs.</p></li><li>❖ 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 <a href="http://www.remnwholesale.com">www.remnwholesale.com</a></li></ul>	\$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)	
\$0.00 - \$7,500 = \$400	\$7,501 - \$15,000 = \$500	\$15,001 - \$30,000 = \$600								
\$30,001 - \$50,000 = \$700	\$50,001 - \$75,000 = \$800	\$75,001 - \$100,000 = \$900								
\$100,001 and Up = \$1,000	+ \$25 for each additional unit (as applicable)									

## RESERVES & ESCROW ACCOUNTS

<b>Costs and Escrow Accounts</b>	<ul style="list-style-type: none"> <li>❖ The costs of the renovations will be based on the plans and specifications for the work and on the contractor's bids for all of the work requested by the borrower.</li> <li>❖ The renovation costs may include a contingency reserve, renovation-related costs and an escrow account for mortgage payments that come due during the renovation period, if the borrower is unable to occupy the property during the renovation.</li> </ul>
<b>Contingency Reserve</b>	<ul style="list-style-type: none"> <li>❖ 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.</li> <li>❖ 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.                         <ul style="list-style-type: none"> <li>» If loan requires Mortgage Insurance, verify MI provider selected allows 15% contingency reserve.</li> </ul> </li> <li>❖ The contingency reserve must be considered as part of the total renovation costs.</li> <li>❖ Borrower funded contingency reserve must be included in the total renovation costs and should be input on the 2010 Itemization on lines 1310-1315.</li> <li>❖ The contingency reserve may be released only if required, necessary and unforeseen repairs are discovered during the renovation.</li> <li>❖ 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.</li> <li>❖ A borrower may use the remaining contingency reserve funds for making improvements or repairs that are permanently affixed to the real property and add value to the property, not to purchase personal property; if REMN Wholesale;                         <ul style="list-style-type: none"> <li>» 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,</li> <li>» Ensures that the contingency reserve funds that are to be used for additional improvements or repairs are actually used to improve the real property and documented with paid receipts from the borrower's own funds; and,</li> <li>» Inspections of the additional work or installations are completed by the appraiser who prepared the as-complete value appraisal report.</li> <li>» A HomeStyle Renovation Change Order Request must be completed by the borrower(s) and approved by REMN Wholesale.</li> </ul> </li> <li>❖ Contingency reserve may NEVER be used to purchase appliances.</li> <li>❖ Contingency reserve may NEVER be used to purchase personal property.</li> </ul>

RESERVES & ESCROW ACCOUNTS

**Renovation  
Escrow Account**

- ❖ At closing, REMN Wholesale will deposit all of the renovation costs, including the contingency reserve, and any escrowed mortgage payments (PITI) or funds that the borrower provides from his or her own funds, into an interest-bearing renovation escrow account for the benefit of the borrower(s).
  - » 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 Wholesale, or our agent, will be responsible for administering this account and ensuring that the renovations are completed in a timely manner and in accordance with the plans and specifications and the contractors bid(s).
- ❖ REMN Wholesale 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; no funds will be disbursed at closing.
- ❖ Should there be an increase in costs during the renovation period, the borrower(s) must fund the amount of the increase; REMN Wholesale will not increase the mortgage amount to offset an increase in costs. REMN Wholesale 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 and add value to the property.

**Mortgage  
Payment Escrow  
Account**

- ❖ An escrow for mortgage payments (PITI) that will become due during the renovation period generally may be included as part of the total renovation costs for a principal residence if the property cannot be occupied during the renovation period.
- ❖ To make PITI payments while the home is unable to be occupied during rehabilitation.
- ❖ The mortgage payment escrow must represent only those payments that come due during the period in which the property cannot be occupied.
- ❖ The Independent (HUD) Consultant will determine the number of months the home will be uninhabitable after review of the plans and specifications.
- ❖ The maximum amount that may be escrowed is six (6) full payments PITI.
- ❖ REMN Wholesale HomeStyle Mortgage Payment Disclosure must be executed by the Borrower and Loan Officer.

CONTRACTOR & REHABILITATION PROCESS

Contractor  
Requirements

- ❖ All renovation work must be performed by licensed, certified or general contractors.
  - » HomeStyle Renovation is limited to one (1) General Contractor.
    - 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 Wholesale's determination that the contractor is qualified and experienced, has all appropriate credentials required by the state, is financially able to perform the duties necessary to complete the renovation work in a timely manner and agrees to indemnify the borrower(s) for all property losses or damages caused by its employees or subcontractors.
  - » REMN Wholesale may not choose the contractor or refer the borrower to any one (1) specific contractor.
- ❖ Contractor may be a relative of the borrower if properly licensed and insured; must meet all other contractor criteria.
- ❖ Contractor cannot be borrower employer or a company where the borrower has an ownership interest.
- ❖ Completed Contractor Profile Report required for all contractors.
  - » REMN Wholesale will require the borrower(s) obtain a completed Contractor Profile Report to ensure that we have sufficient information available to make a determination about the contractor's qualifications.
- ❖ REMN will conduct a 2nd level review of all contractor information and do general search of public records.
- ❖ The Broker may not choose the contractor or refer the borrower(s) to any one specific contractor.



**CONTRACTOR & REHABILITATION PROCESS**

**Construction  
Contract**

- ❖ The construction contract must;
  - » Itemize the specific work that the contractor agrees to perform for the borrower(s),
  - » State the agreed upon cost of the renovations,
  - » Identify all subcontractors and suppliers,
  - » 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;
  - » 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,
  - » 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 and  
Specifications  
(Bids)**

- ❖ 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 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).
- ❖ REMN Wholesale 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 Wholesale 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.

CONTRACTOR & REHABILITATION PROCESS										
Do It Yourself Repairs	<ul style="list-style-type: none"><li>❖ REMN Wholesale does not offer “Do it yourself” repairs under the HomeStyle Renovation program.</li></ul>									
The HUD Consultant	<ul style="list-style-type: none"><li>❖ The HUD Consultant can do the inspections during the construction stage. The HUD Consultant cannot be the Contractor on the job, because it is considered a conflict-of-interest.<ul style="list-style-type: none"><li>» Performs a detailed inspection of the property to determine what needs to be done and the costs and materials associated with it.</li><li>» Provides a detailed Work Write-Up done in a 35 category format which match the section so the Draw Request</li><li>» Gives a Work Write-Up copy to the Borrower so their Contractor can put his prices on the plan<ul style="list-style-type: none"><li>▪ Generally the Consultant Write Up and the Contractor Write Up match. However, in the event they do not match the following process must be followed:<ul style="list-style-type: none"><li>• If Contractor Bid is more than the Consultant Write Up, the maximum mortgage will be determined by the Consultant Write Up which might cause the Borrower to need more cash at closing</li><li>• If Contractor Bid is less than the Consultant Write Up, Consultant must comment on why this is occurring and if the Contractor Bid is reasonable. If Consultant or REMN Wholesale believes the Contractor Bid is unreasonable (too low), the maximum mortgage will be based on the Consultant’s estimates.</li></ul></li></ul></li><li>» The Consultant’s pricing should be based on current market costs or materials and labor</li><li>» The Consultant’s Work Write-Up is supplied to the Appraiser for the after-improved appraisal.</li></ul></li><li>❖ Work Write-Up<ul style="list-style-type: none"><li>» Original plan and specifications for the project done by Consultant prior to Contractor</li><li>» Describes quantity and quality of materials to be installed</li><li>» Breaks out the materials, labor and incorporates overhead and profit</li><li>» The Consultant’s Write Up must be signed by the Consultant, Borrower and Contractor</li><li>» The Contractor Bid is to be signed by the Borrower and Contractor</li></ul></li><li>❖ Independent (HUD) Consultant Fee (required when renovation costs exceed \$15,000; HUD Consultant Fees are based on the cost of the proposed renovations);<table><tr><td>\$0.00 - \$7,500 = \$400</td><td>\$7,501 - \$15,000 = \$500</td><td>\$15,001 - \$30,000 = \$600</td></tr><tr><td>\$30,001 - \$50,000 = \$700</td><td>\$50,001 - \$75,000 = \$800</td><td>\$75,001 - \$100,000 = \$900</td></tr><tr><td>\$100,001 and Up = \$1,000</td><td colspan="2">+ \$25 for each additional unit (as applicable)</td></tr></table></li><li>❖ FNMA requires the original appraiser to complete the final inspection</li></ul>	\$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)	
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\$100,001 and Up = \$1,000	+ \$25 for each additional unit (as applicable)									

**Construction  
Loan Agreement**

- ❖ Construction Loan Agreement an agreement between the borrower(s) and REMN Wholesale that;
  - » States the terms and conditions of the loan prior to the completion of the renovations.
  - » States the events that constitutes a borrower(s) default and indicates the remedies available to REMN Wholesale if the borrower(s) default under the terms of either the construction contract or other loan documents.
  - » Requires the contractor to have all license(s) required by any government regulations and to obtain and keep in force an all-risk insurance policy (with a physical loss form endorsement and mortgagee's loss payable clause) equal to 100% of the full replacement costs of improvements, public liability insurance, workmen's compensation insurance (as required by applicable state law) and automobile liability insurance.
  - » Requires that either the borrower(s) or the contractor(s) obtain (and keep in force) all work permits required by any government agency and comply with all applicable laws or government regulations.
- ❖ Requires that the borrower(s)
  - » Submit to REMN Wholesale a title policy, an appraisal (if applicable) and a survey
  - » Permit REMN Wholesale 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 Wholesale 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 Wholesale 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 Wholesale 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.

## *HomeStyle Renovation®*

March 2014

<b>Lien Waiver</b>	<ul style="list-style-type: none"><li>❖ Before REMN Wholesale makes any disbursements during the renovation period, we must obtain a lien waiver and a clear title report that releases all contractor, subcontractor and supplier liens.</li><li>❖ To receive proceeds from an advance, REMN Wholesale must receive lien waivers from the contractor, all subcontractors and suppliers upon completion of each stage.</li></ul>
<b>Completion Certificate</b>	<ul style="list-style-type: none"><li>❖ Following completion of the renovation work, REMN must obtain a certification of completion from the original appraiser stating that the renovation was completed in accordance with the submitted plans and specifications. The certification must be documented on FNMA's HomeStyle Renovation Completion Certification (Form 1036). The contractor and the borrower(s) must complete, sign and deliver Form 1036 to REMN.</li><li>❖ Concurrent with the last disbursement of funds, REMN must obtain a title update through the date the renovation was completed, thus ensuring the continuance of FNMA's first lien priority and the absence of any mechanic's or materialmen's liens.</li><li>❖ When the property is located in a state in which contractors', subcontractors' or materialmen's liens have priority over mortgage liens, REMN must obtain all necessary releases or take any other action that may be required to ensure that the title to the property is clear of all encumbrances.</li><li>❖ REMN 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).</li><li>❖ This certificate must confirm that the coverage has been increased, if necessary, to comply with FNMA's standard hazard and flood insurance requirements.</li></ul>