

Fannie Mae HomeStyle Renovation

RESTRICTED-ELIGIBILITY PROGRAM

Contact your Account Executive regarding participation in Flagstar Bank's construction programs.

Mortgage insurance providers may have additional restrictions not listed within this document. Please refer to each mortgage insurance company's website for complete eligibility details.

CONFORMING LOANS¹

PRIMARY RESIDENCE – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	95%	95%	620	DU – Approve/Eligible
2-Unit	85%	85%		
3 to 4-Unit	75%	75%		

SECOND HOME – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	90%	90%	620	DU – Approve/Eligible

INVESTMENT PROPERTY – RENOVATION – PURCHASE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	85%	85%	620	DU – Approve/Eligible

INVESTMENT PROPERTY – RENOVATION – RATE/TERM REFINANCE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	75%	75%	620	DU – Approve/Eligible

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HIGH BALANCE LOANS¹

PRIMARY RESIDENCE – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	95%	95%	700	DU – Approve/Eligible
	80%	95%	680	
2-Unit	75%	75%	680	

SECOND HOME – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	80%	N/A	680	DU – Approve/Eligible

INVESTMENT PROPERTY – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Warrantable Condo PUD	75%	N/A	720 ¹	DU – Approve/Eligible

1. Minimum 740 credit score for self-employed borrowers.

PROGRAM SUMMARY

The Fannie Mae HomeStyle Renovation program allows borrowers to combine the purchase or refinance of a home with the costs to renovate or extensively remodel the property. At closing all funds for renovation will be escrowed in an interest earning account. After all renovation work is complete, any remaining funds in the renovation escrow account will be used to pay down the principal balance of the mortgage. Soft costs such as architectural services, engineering and permit fees may be financed. Full builder third-party contracts only.

LOAN REGISTRATION

When registering renovations loans in Loantrac, be sure to select Yes for the product question: *Is a Renovation Loan Requested?*

Loans will close in Flagstar's name and table-fund.

PRODUCTS OFFERED

Product Name	Term
HomeStyle Renovation 30-Year Fixed	30-Years
HomeStyle Renovation 15-Year Fixed	15-Years
HomeStyle Renovation High Balance 30-Year Fixed	30-Years
HomeStyle Renovation High Balance 15-Year Fixed	15-Years



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LOAN AMOUNTS

Refer to the *HomeStyle Renovation Worksheet*, [Fannie Mae Form #1035](#) to determine maximum loan amount and maximum funds for renovation.

MINIMUM

\$50,000

MAXIMUM

High cost loan limits per Exhibit A of *Fannie Mae High Balance*, [Doc. #5346](#).

RATE LOCK

Loans need not be in an approved status prior to lock.

PRICING

Loans will be subject to a maximum price of 104.00.

DRAW FEES

Flagstar Bank is working in conjunction with Granite Loan Management, LLC (Granite), for the purpose of managing builder/project review and the draw process for construction/renovation lending. Please see the [Construction & Renovation Lending](#) guide for the fees charged by Granite for their services.

Loans in the following states require additional title updates at the time of each draw. Obtain the fee for additional title updates from the title company and include them in application disclosures and any subsequent disclosures. If you are unable to ascertain the cost of the additional title updates use \$175 per additional draw. If a borrower plans three draws you should be collecting \$175 for the final title update plus an additional title update fee for two draws based on the title company price quote.

- Massachusetts
- Michigan
- Minnesota
- New Hampshire
- New Jersey
- New York
- Rhode Island
- Virginia
- West Virginia

For properties located in Illinois, the following title companies need to be used:

- First American Title
- Fidelity National Title
- Chicago Title
- Attorneys Title Guaranty

For a smoother draw process with your construction or renovation loans you may wish to use these companies in all eligible locations.

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Construction Survey will be needed if the footprint of the home is changed and / or there is an additional structure to the home that is being added (i.e. pool, deck, garage, out building, etc.). Refer to *Construction & Renovation Surveys*, [Doc. #4211](#) for information about the construction survey fee that will be disclosed on the initial Loan Estimate. If the actual charge incurred by Flagstar is less than the amount collected, the difference will be refunded to the borrower within 30 days of conversion to the permanent phase.

TEMPORARY BUYDOWNS

Not eligible

PROPERTY TYPES

- 1 to 4-unit, site-built homes
- Modular homes (constructed in sections off-site, but when installed at the site, takes on the characteristics of a site-built home)
- PUD (Fannie Mae-warrantable)
- Condominium (Fannie Mae-warrantable)
- Manufactured homes are not eligible

LOAN AMOUNTS

Refer to the HomeStyle Renovation Worksheet, [Fannie Mae Form #1035](#) to determine maximum loan amount and maximum funds for renovation.

MINIMUM

\$50,000

MAXIMUM

Maximum conforming loan limit

PROPERTY VALUATION

PURCHASE

Loan amount is based on LTV derived from the lesser of:

- The as-is purchase price, renovation costs, contingency costs (if financed), eligible soft costs, interest reserve
- The as-completed value of the home

RATE/TERM REFINANCE

LTV is subject to appraised value. Loan amount not to exceed 100% of costs (total of liens on property, plus costs of improvements and closing costs). Existing subordinate financing may be included in the new loan amount if the funds were used to acquire the property. Cash-out is not eligible.

CONSTRUCTION GUIDES

It is the responsibility of the broker or correspondent to provide the borrower with the Construction Loan Guide within 3 days of application. Executed borrower acknowledgement must be in the loan file at time of submission to underwriting. The construction guide and supporting documentation can be found in the 3000 section of the Seller's Guide.

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Borrower and contractor must also be supplied with the appropriate [State Statutory Form](#) package and [State Draw Requirement Letters](#). These can be found in the 3000 section of the Seller's Guide.

FILE SUBMISSION

BUILDER/PROJECT PACKAGE

Builder/project packages must be submitted to:

Granite Loan Management, LLC
10770 Briarwood Ave., Suite #280
Centennial, CO 80112
Phone number: (866) 380-9657
Fax number: (800) 919-8912
Email: projects@graniteloan.com

CREDIT PACKAGE

Credit packages must be submitted to Underwriting through paperless loan submission.

SUBORDINATE FINANCING

CLTV UP TO 95%

Standard subordinate financing allowed per standard Fannie Mae guidelines.

CLTV 95.01% AND GREATER

Acceptable subordinate financing is an eligible Community Second subsidized subordinate lien. Community Seconds up to 105% CLTV are allowed from a state, local or municipal authority or agency, a 501(c)(3) not-for-profit corporation or tax exempt religious organization, or the borrower's employer. The CLTV will be limited to 100% if the program does not make accommodations for the occurrence of a catastrophic borrower event (e.g. death of breadwinner, loss of employment, divorce, etc.).

All secondary financing programs must be reviewed and approved by Flagstar Bank. An official written description of the program from the agency providing the funds, the loan documents used in connection with the financing (e.g. the Note, Mortgage/Deed of Trust, etc.), and any other written descriptive material must be submitted with the loan file. Subordinate financing program review generally requires three business days for approval.

APPRAISAL GUIDELINES

All loans must have an appraisal subject to repairs obtained from one of Flagstar's approved appraisal management companies. Refer to *Appraisal Management Companies*, [Doc. #4903](#) for the most current list.

A Field Review (One-Unit Residential Appraisal Field Review Report, Form 2000) is required if:

- The property is valued at \$1,000,000 or more and the LTV/CLTV/HCLTV is greater than 75%

UNDERWRITING

All loans must meet Fannie Mae underwriting criteria as set out in Flagstar Bank's current Residential Underwriting Guidelines, as amended.

- Project/builder to be reviewed by Granite Loan Management, LLC.
- Renovation cost must be documented by fully executed third-party builder contract that is an arms length transaction.

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- Loan officer or processor should complete the HomeStyle Renovation Worksheet, [Fannie Mae Form #1035](#) to determine the maximum loan amount and maximum funds allowed for renovation.
- Funds for the renovation (contingency reserve, soft costs and payment reserves) cannot exceed 50% of the estimated completed value of the home. Payment reserves are only eligible if the home will be uninhabitable during the renovation.
- A contingency reserve is required for a 2-unit, second home or 1-unit investment property. The contingency reserve is equal to 10% of the cost of the renovations. Contingency reserves must be deposited in the renovation escrow account, to cover unforeseen problems.
- Borrower will make a full PITI payment (based on full mortgage amount) both during and after renovation. Interest-only payments do not apply (as with true one-time close construction loans).
- Sweat equity is not eligible.
- Soft costs are limited to 3% of loan amount or \$5,000.
- PUDs and condominiums: renovation project must be permissible under the bylaws of the owners association (or have written approval from owners association). In addition, condominium renovation is limited to the interior of the unit (includes installation of attic fire wall).
- Rate/term transactions do not allow 2% or \$2,000 cash back to borrower. No cash-out above the renovation costs, 10% contingency fee, and soft costs related to home improvements, closing costs, points and prepaid expenses related to the refinance.
- Construction is to be completed within twelve months from closing date.
- Homebuyer education is not required.
- Refinance purpose type transactions with renovations already in progress are not eligible.

NUMBER OF PROPERTIES FINANCED

Borrowers are limited to no more than 4 financed properties regardless of subject property occupancy type.

TEXAS REFINANCE LOANS

All refinance loans in Texas will be evaluated against the criteria outlined in our [Conventional Underwriting Guidelines](#), *Texas Refinances* section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Refer to *Texas Homestead 50(a)(6) Refinance - Correspondent*, [Doc. #5906](#) or *Texas Homestead 50(a)(6) Refinance - Broker*, [Doc. #5907](#) for eligibility, documentation/disclosure, and title/closing requirements.

SPECIAL FEATURE CODES

This loan program requires that certain special feature codes be attached to each loan file by the underwriter.

- HomeStyle Renovation: *SFC 215*
- High balance loans: *SFC 808*
- Community Second (if applicable): *SFC 118*

MORTGAGE INSURANCE

Mortgage insurance must be obtained from Essent, MGIC, Genworth or Radian and may have additional restrictions not listed within this document. Due to rapid changes within the industry, please refer to their website for complete details. Refer to the MI Company Parameter Matrix as a guide to assist you with keeping up with these changes. However, this document is to be used as a reference only.

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PURCHASE

Mortgage insurance requirements are based on the LTV calculated using the after-improved value of the property or the cost base whichever is less.

REFINANCE

Divide the new loan amount by the after-improved value amount. If the resulting LTV is over 80.0%, mortgage insurance is required.

COMMUNITY SECONDS

All mortgages with a Community Second require 35% MI coverage.

Loans above 80% LTV require mortgage insurance coverage according to the following guidelines:

LTV	30-Year Fixed	15-Year Fixed
90.01 – 95%	30%	25%
85.01 – 90%	25%	12%
80.01 – 85%	12%	6%

NEW YORK PROPERTIES

See [Conventional Underwriting Guidelines](#).

For Single Financed Mortgage Insurance (SFMI) and Lender Paid Mortgage Insurance (LPMI) eligibility see *Single Financed Mortgage Insurance (SFMI) & Lender Paid Mortgage Insurance (LPMI) Matrix*, [Doc. #5010](#).

STATE ELIGIBILITY

Originators may only submit loans in the state within which they reside. No out-of-state originations. An exception will be made for loans located in bordering states if the originator is located near the state border.

Contact your Account Executive regarding participation in Flagstar Bank's construction programs.

State	Restriction
Alaska	Not eligible
Hawaii	Not eligible
Missouri	Not eligible
New York	Refer to New York Properties section for calculation requirements
US Virgin Islands	Not eligible

CLOSING DOCUMENTATION

Closing documentation for all Fannie Mae HomeStyle Renovation loans must be ordered through Flagstar's Closing Services by submitting a Closing Services Request in Loantrac. Please see *Flagstar Closing Services User Guide*, [Doc. #2206](#), for more information or contact the Closing Department via email at closings@flagstar.com or via phone at (866) 945-9872, option #3 then option #2.

- Maximum draw request to contractor at closing is capped at 10% of the total renovation budget. No further draws can occur after closing until closing package has been received and post-closed by Flagstar Bank (usually 10 business days).
- Loans close in Flagstar's name with Flagstar funds. Disclosures must be generated from Loantrac.



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Refer to Flagstar's [All Memos Search](#) page for memos relating to recent guidelines changes.