

## Freddie Mac CHOICERenovation Conventional Matrix

CHOICERenovation– Loan product Advisor® (LPA®)				
Occupancy	Transaction	Property Type	Maximum LTV/CLTV/HCLTV	Minimum Credit Score
Owner Occupied	Purchase & Limited Cash-Out Refinance	1 Unit	97%*	620
		2 Units	85%	
		3-4 Units	75%	
Second Home	Purchase & Limited Cash-Out Refinance	1 Unit	90%	
Investment Property	Purchase	1 Unit	85%	
	Limited Cash-Out Refinance	1 Unit	75%	
<p>* LTV greater than 95% is permitted only for loans combined with HomePossible, and the maximum loan amount must adhere to the conforming loan limit.</p> <p>* TMS requires Correspondent Lenders to submit loans using the services of an approved FHA 203(k) HUD Consultant.</p>				

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Manufactured Housing				
Occupancy	Transaction	Property Type	Maximum LTV/CLTV/HCLTV	Minimum Credit Score
Owner Occupied	Purchase & Limited Cash-Out Refinance	1 Unit	95%	620
Second Home	Purchase & Limited Cash-Out Refinance	1 Unit	90%	
Guidance				
Loan Purpose	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Limited cash-out refinance</li> </ul>			
Loan Type/Term	<ul style="list-style-type: none"> <li>• Fixed rate mortgages, 15- &amp; 30-year terms</li> </ul>			
Minimum Loan Amount	<ul style="list-style-type: none"> <li>• \$50,000 minimum loan amount on all products</li> <li>• \$75,000 minimum loan amount on manufactured singlewide</li> </ul>			
Renovation Eligibility	<ul style="list-style-type: none"> <li>• No restriction on the types of renovations</li> <li>• All improvements should be permanently affixed to the real property, except for certain appliances installed with kitchen and utility room remodels</li> </ul>			
Cash to Borrower	<ul style="list-style-type: none"> <li>• No cash back to borrower is permitted</li> </ul>			
Subordinate Financing	<ul style="list-style-type: none"> <li>• Purchase and limited cash-out loans with community seconds secured by borrowers' primary residence may be eligible up to 105% CLTV</li> </ul>			

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<b>Contractors</b>	<ul style="list-style-type: none"> <li>• Borrower must choose their own contractor for the renovation</li> <li>• Lender must review the borrower’s chosen contractor to determine if they adequately qualify and are experienced for the work. The contractor profile report (Form 1202) must be used</li> <li>• Borrower must have a construction contract with the contractor</li> <li>• Plans and specifications must be prepared by a registered, licensed or certified general contractor, a renovation consultant or an architect. All work to be done must be fully described in the plans and specifications and must indicate when the different stages of renovation will be scheduled</li> </ul>
<b>Self Help/ Do it Yourself Work</b>	<ul style="list-style-type: none"> <li>• Not permitted</li> </ul>
<b>Renovations Costs, Payment &amp;</b>	<ul style="list-style-type: none"> <li>• Lender may advance funds of up to 50% of the material costs any time after loan closing for purchase of necessary material for the project</li> <li>• Renovation costs may include: <ul style="list-style-type: none"> <li>○ Labor and materials</li> <li>○ Costs for permits, licenses, architect fees</li> </ul> </li> <li>• At the borrower’s request, up to six mortgage payments (PITIA) that will become due during the renovation period may be included as part of the total renovation costs for a principal residence property if the property cannot be occupied during the renovation period. The reserve amount can be financed into the loan. Reserves funds must be held in a renovation escrow account and can only be applied to payments that come due during the period in which the property cannot be occupied.</li> </ul>
<b>Contingency</b>	<ul style="list-style-type: none"> <li>• This amount must be <math>\geq</math> to 10% of the total renovation costs, except that if the property utilities are not operable as referenced in the construction contract and/or plans and specifications, then the minimum contingency reserve amount must <math>\geq</math> 15% of the total renovation costs.</li> <li>• Maximum amount is 20% of the renovation cost.</li> </ul>
<b>Renovation Completion</b>	<ul style="list-style-type: none"> <li>• All renovations must be completed within 450 days of the Note Date.</li> </ul>
<b>Manufactured Homes</b>	<ul style="list-style-type: none"> <li>• Manufactured homes are eligible for non-structural improvements up to the lesser of \$50,000, or 50% of the “as-completed” appraised value. Manufactured housing LTV ratio requirements will apply.</li> </ul>

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<p><b>Ability to Repay and Qualified Mortgage Rules (ATR/QM)</b></p>	<ul style="list-style-type: none"> <li>• The ATR/QM rules requires you made a reasonable, good-faith determination before or when you consummate the mortgage loan that the borrower has a reasonable ability to repay the loan. TMS follows <a href="#">HUD</a> and <a href="#">CFPB</a> guidance in regards to QM.</li> <li>• Safe Harbor and Rebuttal Presumption to QM loans are considered for purchase review with no additional overlays. Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.</li> </ul>
<p><b>Age of Documents</b></p>	<ul style="list-style-type: none"> <li>• For new and existing construction, credit documents must be no more than 120 days old on the date the Promissory Note is signed.</li> <li>• Preliminary Title Policies must be no more than 180 days old on the date the Promissory Note is signed.</li> </ul>
<p><b>Appraisals</b></p>	<ul style="list-style-type: none"> <li>• Determined by LPA.</li> <li>• High balance loans only: residential field review is required for properties valued at \$1,000,000 or more and the LTV/CLTV/HCLTV is greater than 75%.             <ul style="list-style-type: none"> <li>○ If the field review results in a different opinion of value than the appraisal, the lowest of the original appraised value, the field review, or the sales prices (for purchases) should be used to calculate the LTV ratios.</li> </ul> </li> </ul> <p><b>Collateral Underwriter</b> TMS requires Sellers to submit the SSR on all conventional files submitted for purchase review.</p> <p>All SSR quality and/or overvaluation flags with a risk score between 4.01 and 5 must have the appropriate steps taken to ensure the validity of the value on the appraisal. Proper documentation may include, but is not limited to, comments from the underwriter, comments from the appraiser, field review and/or desk review. Additional discretion may be required in evaluating the validity of flags generated by appraisals on new construction, as the most up to date mapping information may not be available for the system to accurately evaluate comparables.</p> <p>Should Freddie Mac send a repurchase demand for unsupported collateral value the Seller will be asked to repurchase the loan.</p>

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<b>Assets</b>	<ul style="list-style-type: none"> <li>• Follow Freddie Mac guidelines</li> </ul>
<b>AUS</b>	<ul style="list-style-type: none"> <li>• Loan Product Advisor with Accept/Eligible finding is required</li> <li>• Manual UW is not permitted</li> <li>• LPA must be run with appropriate Investor Feature Identifier Codes:             <ul style="list-style-type: none"> <li>○ When renovations are <b>not</b> completed at delivery to TMS, include IFI 001.</li> <li>○ If community second is used, include G18.</li> </ul> </li> </ul>
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• U.S. citizens and Permanent resident aliens, with proof of lawful permanent residence</li> <li>• Non-permanent resident alien immigrants with proof of lawful permanent residence.</li> <li>• Borrower may not be employed by the contractor/company doing the renovations on the subject loan.</li> </ul> <p>Borrowers may hold title individually, as joint tenants, as tenants in common, or inter vivos (except Texas Home Equity transactions).</p> <p>Titles held in the following are not eligible for purchase consideration:</p> <ul style="list-style-type: none"> <li>• Corporations</li> <li>• Partnerships</li> <li>• Real estate syndications</li> <li>• Irrevocable trusts are not eligible for purchase consideration</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>• At least one borrower must have a minimum of one credit score to be eligible</li> <li>• Current housing payment, applicable when the payment for the primary residence for any borrower is not reported on credit (e.g., renting primary and the subject is a second home/non-owner-occupied):             <ul style="list-style-type: none"> <li>○ When the payment is not reported on the credit report, provide third-party verification of payment amount.</li> <li>○ If living rent free, a rent-free letter from landlord or person obligated on lease is required.</li> </ul> </li> </ul>
<b>Loans in Forbearance</b>	<ul style="list-style-type: none"> <li>• Borrowers in COVID-19 forbearance (CARES Act) and continue to make their mortgage payments, are eligible to refinance or purchase a new home. Payment history from the mortgage loan servicer is required to document that borrower continued to make their full mortgage payments</li> <li>• Borrowers who are in forbearance and stopped making full payments are eligible to refinance or purchase a new home three (3) months after their forbearance ends, and they have made three (3) consecutive payments under their repayment plan, payment deferral option, or loan modification</li> </ul>

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<p><b>Properties with HOA</b></p>	<ul style="list-style-type: none"> <li>• Loans secured by Condominium units must follow Freddie Mac published Condominium Project Eligibility Guidelines.</li> <li>• HOA must provide written approval for renovation work. <ul style="list-style-type: none"> <li>○ For condos, renovation work is limited to the interior of the unit</li> </ul> </li> <li>• Streamlined Review allowed in accordance with Freddie Mac guidelines</li> </ul>
<p><b>Condominiums</b></p>	<ul style="list-style-type: none"> <li>• Must follow Freddie Mac published Condominium Project Eligibility Guidelines.</li> <li>• Streamlined Review allowed in accordance with Freddie Mac Guidelines</li> </ul>
<p><b>Disaster Policy</b></p>	<ul style="list-style-type: none"> <li>• If an appraisal was completed on or prior to the incident period date(s) of the disaster, a reinspection completed on either Form 1004D or Form 2075 will be required. <ul style="list-style-type: none"> <li>○ If the appraisal was inspected after the disaster incident period date(s), the following will be required:</li> </ul> </li> <li>• The reinspection must contain the following commentary/evidence: Property is free from damage and the disaster has no effect on value or marketability.</li> <li>• Appraiser must use current photos of the subject property and comparable sales. Photos from MLS or the Appraiser’s database are not acceptable.</li> <li>• If an appraisal was not required due to a property inspection waiver or product type, Seller must resubmit to DU and maintain PIW eligibility. <ul style="list-style-type: none"> <li>○ If the PIW is no longer available by DU, a full appraisal is required.</li> <li>○ If the property is still eligible for the PIW, a reinspection will be required.</li> <li>○ Lender’s Certification in lieu of reinspection is acceptable (see Lender’s Certification in lieu of reinspection section in TMS’s <a href="#">Seller’s Manual</a>)</li> </ul> </li> </ul> <p><b>Note:</b> Refer to <a href="#">FEMA's</a> website for recent updates on disaster areas</p>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>• Determined by AUS</li> </ul> <p>IRS tax transcripts are required when qualifying with any of the following: 1) self-employed income; 2) rental income documented on schedule E; 3) employed by a family-owned business; 4) employed by interested parties to the property sale or purchase; 5) income when the 1040s are used in lieu of alternative documentation; 6) non-taxable income, other than VA disability income, is grossed up; 7) Other income types such as auto allowance, capital gains/losses, dividend/interest, or farm income/loss; 8) Handwritten income documentation;</p>

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<p><b>Employment &amp; Income Verification</b></p>	<ul style="list-style-type: none"> <li>• For salaried employees, the verbal verification of employment (VVOE) must be completed within 10 business days prior to the Promissory Note date</li> <li>• For self-employed borrowers, the VVOE must be completed within 120 days prior to the Promissory Note date from: a CPA, internet listing, regulatory agency, or the applicable licensing bureau. The lender must document the source of the information obtained.</li> <li>• For borrowers in the military, a military Leave and Earnings Statement dated within 30 days prior to the Promissory Note date is acceptable in lieu of a VVOE.</li> <li>• Mortgage Credit Certificates (MCCs) enable an eligible first-time home buyer to obtain a mortgage secured by their principal residence and to claim a federal tax credit for a specified percentage (usually 20% to 25%) of the mortgage interest payments.</li> <li>• When calculating the borrower’s debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower’s income, rather than as a reduction to the amount of the borrower’s mortgage payment. Use the following calculation when determining the available income: <math>[(\text{Mortgage Amount}) \times (\text{Note rate}) \times (\text{MCC \%})] \div 12 = \text{Amount added to borrower’s monthly income}</math>.</li> <li>• For example, if a borrower obtains a \$100,000 mortgage that has a Note rate of 7.5% and they are eligible for a 20% credit under the MCC program, the amount that should be added to their monthly income would be \$125 (<math>\\$100,000 \times 7.5\% \times 20\% = \\$1500 \div 12 = \\$125</math>).</li> <li>• The lender must obtain a copy of the MCC and the lender’s documented calculation of the adjustment to the Borrower’s income and include them in the mortgage loan file.</li> <li>• For refinance transactions, the lender may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MCC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file.</li> </ul>
<p><b>Financing Concessions</b></p>	<ul style="list-style-type: none"> <li>• Financing concessions for primary residences and second homes must be within the following allowable percentages: <ul style="list-style-type: none"> <li>○ 9% of value with LTV/CLTV ratios less than or equal to 75%.</li> <li>○ 6% of value with LTV/CLTV ratios greater than 75% up to and including 90%.</li> <li>○ 3% of value with LTV/CLTV ratios greater than 90%.</li> </ul> </li> <li>• The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio.</li> <li>• Value is the lesser of the sales price or appraised value.</li> </ul>
<p><b>High Cost / High Priced</b></p>	<ul style="list-style-type: none"> <li>• High-cost loans are ineligible for purchase review by TMS</li> <li>• Higher Priced Mortgage Loans (HPML) are eligible for purchase review by TMS</li> </ul>

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<p><b>Loan Purpose</b></p>	<ul style="list-style-type: none"> <li>• Purchase             <ul style="list-style-type: none"> <li>○ For non-HomePossible purchase transactions, maximum LTV is 95%.</li> </ul> </li> <li>• Limited cash-out refinance             <ul style="list-style-type: none"> <li>○ Proceeds can be used to pay off a first mortgage regardless of age.</li> <li>○ Proceeds can be used to pay off any junior liens related to the purchase of the subject property.</li> <li>○ Pay related closing costs and prepaid items.</li> </ul> </li> </ul>
<p><b>Mortgage Insurance</b></p>	<p><b>Acceptable MI Types:</b></p> <ul style="list-style-type: none"> <li>• Borrower-paid monthly</li> <li>• Borrower-paid single premium</li> <li>• Lender-paid single premium</li> <li>• Financed: Gross LTV cannot exceed TMS program maximum</li> </ul> <p><b>Unacceptable MI Types:</b></p> <ul style="list-style-type: none"> <li>• Lender-paid monthly</li> <li>• Lender-paid annual</li> <li>• Borrower-paid annual</li> <li>• Reduced coverage</li> <li>• Split premium</li> </ul>



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<b>Eligible Properties</b>	<ul style="list-style-type: none"><li>• Single Family Detached/Attached 1-4 unit</li><li>• Leaseholds</li><li>• Low-rise and high-rise condominiums</li><li>• Rural properties must be residential in nature.</li><li>• Manufactured homes</li><li>• Modular homes</li><li>• PUDs</li></ul>
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<p><b>Ineligible Properties</b></p>	<ul style="list-style-type: none"> <li>• Tear downs</li> <li>• Mobile homes</li> <li>• Cooperatives</li> <li>• Condotels</li> <li>• Hotel condominiums</li> <li>• Timeshares</li> <li>• Mixed use</li> <li>• Log and dome homes</li> <li>• Historic properties</li> <li>• Working farms and ranches</li> <li>• Unimproved land</li> <li>• Property currently in litigation</li> <li>• Land Trust</li> <li>• Condition Rating of C5/C6 or a Quality Rating of Q6</li> <li>• Homes purchased using HomeStyle Financing</li> <li>• No Hawaiian properties located in lava zones 1 or 2, as determined by the USGS</li> </ul>
<p><b>Rental Income Calculation</b></p>	<ul style="list-style-type: none"> <li>• Follow Freddie Mac Guidelines listed in section 5306</li> </ul>

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<p><b>Reserves</b></p>	<ul style="list-style-type: none"> <li>• Follow LPA Findings and Freddie Mac guidelines</li> </ul>
<p><b>Transaction Overlays</b></p>	<ul style="list-style-type: none"> <li>• No assigned purchase contracts</li> <li>• Non-resident aliens &amp; foreign nationals are not eligible</li> <li>• No negative amortization or balloon payments on subordinate financing</li> </ul> <p>No ARMs or Affordable Housing loans are eligible for purchase review by TMS</p>