

Make financing green improvements *easier!*

You even have options!

A GreenCHOICE Mortgage can be combined with our CHOICE family of mortgage offerings, all designed to provide solutions for making homeownership achievable and sustainable.

Lower utility costs can mean more affordable and sustainable homeownership. By cutting utility costs through more efficient energy and water usage, borrowers may be able to absorb a somewhat higher monthly mortgage payment, put funds aside for home maintenance, pay for other expenses, or save for the future.

This document provides information to assist you in originating GreenCHOICE Mortgages. For complete information on GreenCHOICE Mortgages, refer to the Freddie Mac *Single-Family Seller/Servicer Guide* (Guide), Chapter [4606](#).

Note: Vertical revision bars " | " are used in the margin of this quick reference to highlight new requirements and significant changes.

What Types of Improvements are Eligible?

- ➔ Energy and/or water efficiency improvements, including, but not limited to:
 - ✓ ENERGY STAR Energy Efficient Products listed at https://www.energystar.gov/products/products_list
 - ✓ Electrification improvements (e.g., replacing equipment or appliances that run on natural gas or other combustible fuel with efficient, all-electric technologies, such as heat pumps and induction cooktops).
- ➔ Health and safety improvements (e.g., ventilation, radon remediation, asbestos, mold or lead abatement and building-code compliance if cited by the applicable jurisdiction).
- ➔ Resiliency and preventative improvements to either repair natural disaster damage or improve a home's ability to withstand future natural disasters.

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Servicer Guide* or any other contractual agreements. This information does not constitute an agreement between Freddie Mac and any other party.
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NOTE: Eligible improvements must be permanently affixed to the property, except for:

- Appliances used in a kitchen, laundry room or utility room.
- Health and safety improvements.

Eligibility Requirements

Property Type	Purchase	“No Cash-out” Refinance Proceeds Used to Finance:
All Property types*	The proceeds of a purchase transaction mortgage must be used to finance the purchase and/or installation of eligible improvements, or the repair or upgrade of any such improvements, to be completed after the Note Date.	<ul style="list-style-type: none">■ Purchase and/or installation of eligible improvements, or the repair or upgrade of any such improvements, to be completed after the Note Date; or■ Payment (in whole or in part) of an existing debt incurred by the borrower to finance the purchase and/or installation of eligible improvements, or the repair or upgrade of any such improvements (such debt, an “Existing Debt”), completed prior to the Note Date.

*Manufactured homes, including manufactured homes that are CHOICEHomes®, provided the improvements do not impact the structural integrity of the property are eligible.



Mortgage Requirements

Purchase OR “no cash-out” refinance transactions used to finance eligible improvements completed after the Note Date:

- Up to 15% of the “as completed” appraised value may be used to buy and/or install or repair or upgrade the improvements. You must obtain and retain in the mortgage file copies of all invoices and/or receipts, as applicable, related to the cost of the eligible improvements.
- On the Note Date, sufficient funds to cover the cost of the eligible improvements must be placed into a completion escrow account that meets the requirements of Guide Section 5601.3. A contingency reserve is not required.
- Funds in the completion escrow account may be used to reimburse the borrower for the cost of materials purchased to complete the eligible improvements. The Seller/Servicer may not reimburse the borrower for any self-performed labor.
- With respect to any funds remaining in the completion escrow account after all eligible disbursements have been made, the Seller/Servicer must apply such funds to reduce the UPB, unless the mortgage is delinquent. If the mortgage is delinquent, the Seller/Servicer must apply such funds in accordance with the application of payment requirements in the Note and Security Instrument. If any funds remain after the mortgage is brought current, the Seller/Servicer must apply the funds as set forth in this bullet for a current mortgage.
- The Seller/Servicer must obtain an interior and exterior inspection appraisal with an “as completed” appraised value of the mortgaged premises, subject to all eligible improvements being completed.
- All eligible improvements must be completed within 180 days of the Note Date. If the improvements are not completed by the required completion date, the Seller/Servicer must notify Freddie Mac quality control pursuant to Guide Section 3402.10.
- The completion of all eligible improvements must be documented in a completion report performed by the appraiser and retained in the mortgage file that includes photographs of the completed improvements.
- An energy report meeting the requirements in Guide Section 4606.6 may be required.



“No cash-out” refinance transaction used to pay an Existing Debt

- The maximum payment towards an Existing Debt is limited to 15% of the appraised value of the mortgage premises.
- Any remaining balance of the Existing Debt must be included in the calculation of the monthly debt payment-to-income ratio. If the remaining balance is re-amortized, the Seller/Servicer must obtain and retain in the mortgage file sufficient documentation evidencing the new payment, including a copy of the new promissory note, if applicable.
- The mortgage file must include documentation (e.g., invoices, receipts, etc.) of the eligible improvements completed prior to the Note Date.
- An interior and exterior appraisal that reflects all eligible improvements that were made is required.
- The Settlement/Closing Disclosure Statement must reflect that the proceeds were paid directly to the holder of the Existing Debt. The total amount of proceeds disbursed to the borrower at closing must not exceed the maximum amount allowed (refer to Guide Section 4301.4).

NOTE: For payoff of PACE obligation requirements refer to Guide Sections 4301.4 and 4301.8.



Other Reporting Requirements: Basic Eligible Improvements

For basic eligible improvements with an aggregate cost less than or equal to \$6,500:

- An energy report is **not** required. You must document the cost of the basic eligible improvements by obtaining copies of all receipts and/or invoices, as applicable, and must retain these documents in the mortgage file.

Basic eligible improvements include, but are not limited to:

- Programmable thermostats
- Caulking or weather stripping
- Adding ceiling, wall or floor insulation
- Air sealing
- Air conditioning/heating replacement to high efficiency
- Solar water heaters
- Low-flow water fixtures
- Replacement of windows and doors
- Heat pumps and induction cooktops
- Hurricane fabric or shutters
- High efficiency refrigerators/freezers water heaters and light bulbs
- Ventilation, radon remediation, asbestos mold or lead abatement

Energy Report Requirements

GreenCHOICE Mortgages used to finance eligible improvements with an aggregate cost **greater than** \$6,500:

- An energy report is required and must be retained in the mortgage file.
 - **Exception:** An energy report is not required for a “no cash-out” refinance mortgage used to pay an Existing Debt.
- Refer to Guide Section 4606.6(a) for eligible energy reports and Guide Section 4606.6(d) for energy report alternatives for certain eligible improvements.
- Energy report requirements:
 - Identify the recommended energy improvements and expected cost of the completed improvements.
 - Specify the actual or expected monthly or annual energy savings.
 - Verify that the recommended energy improvements are cost effective. Energy improvements are determined to be cost effective when the cost of the improvements, including maintenance, is less than the present value of the energy saved over the useful life of the improvements, and
 - Be dated no more than 24 months before or 24 months after the Note Date, as applicable.



Did you know

If the energy improvements are related to renewable energy sources, including solar panels, water efficiency devices, wind turbines, and geo-thermal systems, and an energy report is not available to demonstrate their cost effectiveness, the cost effectiveness may be demonstrated by obtaining copies of all invoices and/or receipts, as applicable, for the cost of the systems or devices and comparing the cost of the systems or devices, including maintenance, to the income produced over the life of the systems or devices. When the income produced exceeds the net cost (including any tax credits and rebates) of the systems or devices, the cost effectiveness has been demonstrated. The appraiser must document the project income by utilizing PV Value, Ei Value, or a similar tool as referenced in Guide Section [5601.4](#).

Determining the Value for LTV/TLTV/HTLTV Ratios

Purchase Transaction	“No cash-out” refinance mortgage used to finance eligible improvements completed after the Note Date	“No cash-out” refinance mortgage used to pay an Existing Debt
<p>Value is the lesser of:</p> <ul style="list-style-type: none"> The “as completed” appraised value of the mortgaged premises. <p>OR</p> <ul style="list-style-type: none"> The total acquisition cost (i.e., the price paid for the mortgaged premises plus the cost of eligible improvements). The mortgage file must contain sufficient documentation to calculate the total acquisition cost. 	<p>Value is the “as completed” appraised value of the mortgaged premises.</p>	<p>Value is the appraised value of the mortgaged premises.</p>



Loan Product Advisor Data Entry

How to Identify a GreenCHOICE Mortgage in LPA

System-to-System (S2S) Users

Depending on your loan origination system (LOS), a GreenCHOICE Mortgage may be identified as a Program Identifier, Product or Program. "GreenCHOICE" must be selected for LPA to assess the transaction.

Unique ID	Enumeration
178.00	GreenCHOICE

Direct Access Users

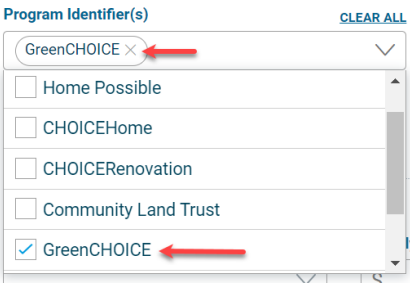
When entering data into LPA using the Freddie Mac Loan Advisor® single sign-on portal:

1. Access the Loan and Property Info metro stop from the navigation menu.



2. Select "GreenCHOICE" from the **Program Identifier** drop down selection.

Note: If taking advantage of combining GreenCHOICE Mortgage with other eligible offerings, select all that apply.



Loan Details

BORROWER NAME ALICE FREDDIE	ADDITIONAL BORROWER N/A	ADDITIONAL BORROWER N/A	ADDITIONAL BORROWER N/A
ADDITIONAL BORROWER N/A	MORTGAGE TYPE Conventional	APPRAISAL IDENTIFIER N/A	LENDER LOAN NUMBER [REDACTED]
DOCUMENTATION LEVEL Streamlined Accept	PROPERTY ADDRESS [REDACTED]	30161	
PROGRAM IDENTIFIER(S) GreenCHOICE			



Purchase transaction¹:

Purchase Price Field:	Enter the purchase price.
Energy Improvement Indicator Field:	Select “Yes”. Mortgage loan will finance eligible improvements.
Energy Improvement Amount Field:	Enter the dollar amount of the energy improvement. Note: If the total cost of eligible improvements exceeds 15% of the Appraised Value, LPA will return a Purchase Eligibility of “Ineligible” and a purchase restriction message.
Alterations, Improvements and Repairs Field:	Enter the dollar amount of the eligible improvement. Note: LPA uses this field to calculate Required Funds to Close.
Appraised Value Field:	Enter the “as completed” appraised value of the mortgaged premises (i.e., appraised value inclusive of proposed eligible improvements).
Loan Amount Field:	Enter the loan amount. Determined by the lessor of: <ul style="list-style-type: none">• The combined sales price of the property and cost of the proposed eligible improvements minus the down payment. Or <ul style="list-style-type: none">• The “as completed” appraised value listed on the appraisal report minus the down payment.

Did you know...

For a purchase transaction where the loan proceeds are used to pay an Existing Debt, LPA will provide a reminder message that the loan must be resubmitted with a Loan Purpose Type of “Refinance”.

FGM0142: When proceeds from a GreenCHOICE Mortgage are used to pay off outstanding energy debt, the loan must be resubmitted with Loan Purpose Type of Refinance.



“No cash-out” refinance transaction¹:

Appraised Value Field:	Enter the “as completed” appraised value or the appraised value, as applicable, of the mortgaged premises (i.e., appraised value inclusive of proposed or completed eligible improvements with an outstanding balance).
Energy Improvement Indicator Field:	Select “Yes”. Mortgage loan will finance eligible improvements.
Energy Improvement Amount Field:	Enter the dollar amount of the eligible improvements. If the eligible improvements are completed, you can include the outstanding balance of the corresponding loan. Note: If the total cost of the eligible improvements exceeds 15% of the Appraised Value, LPA will return a Purchase Eligibility of “Ineligible” and a purchase restriction message.
Alterations, Improvements and Repairs Field:	Enter the dollar amount of the eligible improvements. Note: LPA uses this field to calculate Required Borrower Funds.
Refinance Mortgage Property to be Paid Off Field:	Enter the payoff amount of the mortgage being refinanced.
Loan Amount Field:	Enter the loan amount.

¹ Must be within the maximum LTV ratios for whichever program you are choosing.



Example: Purchase Transaction

Loan Information:

- Purchase Price: \$175,000
- Energy Improvements Amount: 25,000
- Appraised Value (i.e., “as completed” appraised value of the mortgaged premises): \$210,000

Mortgage Details					
PRODUCT TYPE	AMORTIZATION	AMORTIZATION MONTHS	LOAN AMOUNT		
	Fixed	360	\$180,000.00		
	PURCHASE PRICE	ESTIMATED PROPERTY VALUE	APPRAISED PROPERTY VALUE		
	\$175,000.00	N/A	\$210,000.00		
	OCCUPANCY	REFINANCE TYPE	SALES AMOUNT		
	Primary Residence	N/A			
	INTEREST RATE BUYDOWN	SALES CONCESSIONS	FINANCING RATE		
	No	N/A			
OFFERING IDENTIFIER	SECONDARY FINANCING	HELOC BALANCE	HELOC LIMIT AMOUNT		
GreenCHOICE	\$0.00	\$0.00	\$0.00		
AFFORDABLE SECOND					
N/A					

Note: LPA spec v5.3.00 Offering Identifier changed to Program Identifier and is located in the Loan Details section

Purchase Price

Appraised Value

\$175,000 + \$25,000 (energy costs) = \$200,000* x 90% = \$180,000

*The total acquisition cost was used to calculate the LTV ratios. Refer to the [Determine the Property Value](#) section for more information.

Note: If the eligible improvements amount exceeds the maximum permitted, you will receive a **Purchase Eligibility** of “Ineligible” and a purchase restriction message returned in the **Purchase Restriction Messages** section of the Feedback Certificate. You must take all steps possible in accordance with Guide Section 4606 to correct the information and resubmit the mortgage to LPA to obtain a Purchase Eligibility of “Eligible”.

Additional Options

A GreenCHOICE Mortgage can be combined with CHOICERenovation® and CHOICEHome® mortgages. It may also be used with most of our eligible fixed- and adjustable-rate mortgage products, including our low-down payment Freddie Mac Home Possible® and Freddie Mac HomeOne® mortgage offerings. Refer to the [CHOICERenovation Offering](#) job aid for more information on combining a GreenCHOICE Mortgage with GreenCHOICE.

Note: If a GreenCHOICE Mortgage is being used in combination with Home Possible or HomeOne, all requirements must be met.



Deliver the Loan to Freddie Mac - Get \$500 Credit to Credit Fees

Freddie Mac will apply a \$500 credit to credit fees in fixed dollars when the loan is delivered to Freddie Mac as a GreenCHOICE Mortgage. The loan must be delivered with the applicable Loan Program Identifier (Sort ID 404) to:




- Indicate **GreenCHOICE**, for a purchase or “no cash-out” refinance mortgage to finance eligible improvements, subject to the additional requirements in Guide Section 4606.4(a).
- Indicate **GreenCHOICE to Pay Off Outstanding Energy Debt**, for a “no cash-out” refinance mortgage, subject to the additional requirements in Guide Section 4606.4(b).

Refer to [Guide Section 6302.23, Special delivery requirements for GreenCHOICE Mortgages](#).

Also refer to: [ULDD Data Delivery Tips](#) for guidance on how to deliver the Uniform Loan Delivery Dataset in Loan Selling Advisor® to ensure accurate data and avoid data delivery errors.

Additional Information

For information on GreenCHOICE Mortgages refer to the applicable resources referenced below.

Seller Servicer Guide Chapter	 Chapter 4606
Tutorial	 GreenCHOICE Energy Efficient Mortgages
Mortgage Products Webpage	 GreenCHOICE Mortgages

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