

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. GreenCHOICE Mortgages<sup>®</sup> from Freddie Mac help make financing home energy and water efficiency improvements easier.

A GreenCHOICE Mortgage may be a purchase or “no cash out” refinance transaction and it may be used with most of our eligible fixed- and adjustable-rate mortgage products. This document provides quick tips to assist you in originating GreenCHOICE Mortgages. For complete information on GreenCHOICE Mortgages, refer to the *Freddie Mac Single-Family Seller/Servicer Guide* (Guide), Section 4606.

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

### GreenCHOICE Mortgage Type and Requirements

#### 1. **Purchase OR “no cash-out” refinance transactions for energy and/or water efficiency improvements completed after the note date**

- Up to 15 percent of the “as completed” appraised value may be used to buy and install the improvements.
- Funds to cover the improvements must be placed into a completion escrow account.
- Appraisal: Seller must obtain an interior and exterior inspection appraisal with an “as completed” value of the subject property subject to the energy and/or water efficiency improvements being completed.
- Energy or water efficiency improvements must be completed within 180 days. The completion of the improvements must be documented in a property inspection report performed by the appraiser and included in the loan file.

#### 2. **“No cash-out” refinance to pay off outstanding debt for energy and/or water efficiency improvements**

- The maximum loan-to-value (LTV/total LTV (TLTV)/home equity line of credit (HELOC) TLTV (HTLTV) ratios in Guide Section 4203.4 apply
- Mortgages with LTV/TLTV/HTLTV ratios that are greater than 95% but less than or equal to 97%, as permitted in Freddie Mac Home Possible<sup>®</sup> Mortgages, (see Guide Section 4501), or HomeOne<sup>®</sup> Mortgages, (see Guide Section 4605), are subject to the following:
  - Mortgage being paid off must be owned in whole or in part or securitized by Freddie Mac. Check [here](#) to see if the mortgage is securitized by Freddie Mac
  - Must be fixed rate
  - Must be a Loan Product Advisor<sup>®</sup> (LPA<sup>SM</sup>) Accept Mortgage
  - One-unit primary residence only, non-occupant co-borrowers are not permitted
- The maximum payoff amount of energy related debt is limited to 15% of the appraised value of the property.



- If proceeds are used to partially pay off (pay down) outstanding energy related debt, the remaining balance must be included in the calculation of the debt payment-to-income ratio. If the remaining balance is re-amortized, the Seller must obtain and maintain in the mortgage file sufficient documentation evidencing the new payment, including a copy of the new promissory note, if applicable.
- The Closing Disclosure must reflect that the funds were paid directly to the debt holder.
- Remaining proceeds and unused funds may be disbursed to the borrower. The maximum allowed is up to the greater of 1% of the new refinance mortgage or \$2,000.
- Appraisal: Lender must obtain an interior and external appraisal that reflects all completed energy and/or water efficiency improvements made.
- The Settlement/Closing Disclosure Statement must reflect that the funds were paid directly to debt holder.

## Other Reporting Requirements

- The lender must obtain copies of all related invoices and/or receipts from the borrower and keep them in the mortgage file.
- If the total cost of energy and/or water efficiency improvements exceeds \$6,500 an energy report is required. No report is needed if the total cost is \$6,500 or less.
- Solar panel installations, and other renewable energy sources, such as, water efficiency devices, wind turbines, and geo thermal systems, do not require an energy report. The appraiser can utilize the income approach, cost analysis and discounted cash flow to determine the contributory value of the solar panels. Ei and PV Value are acceptable tools for these approaches. See Guide Section [5601.12](#) for more information.
- An energy report is not required for a no cash-out refinance.



## Determine the Property Value

Purchase Transaction	“No cash-out” refinance for energy and/or water efficiency improvements completed after the note date	“No cash-out” refinance to pay outstanding debt for energy and/or water efficiency improvements
<p><b>Value</b> is the lesser of:</p> <ul style="list-style-type: none"> <li>The “as completed” appraised value of the mortgaged premises.</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>The total acquisition cost (i.e., the price paid for the mortgaged premises plus the costs of the energy and/or water efficiency improvements). The mortgage file must contain sufficient documentation to calculate the total acquisition cost.</li> </ul>	<p><b>Value</b> is the “as completed” value of the mortgaged premises.</p>	<p><b>Value</b> 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.

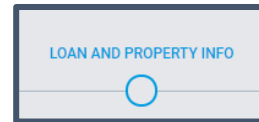
Unique ID	Enumeration
178.00	GreenCHOICE



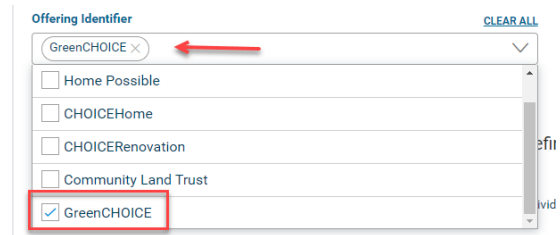
## Direct Access Users

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 CHOICERenovation from the Offering Identifier drop down selection.



The Offering Identifier will display "GreenCHOICE" in the **Mortgage Details** section of the Loan Product Advisor Feedback Certificate.

Mortgage Details				
PRODUCT TYPE 30 Year Fixed Rate	AMORTIZATION TYPE Fixed	AMORTIZATION MONTHS 360	LOAN AMOUNT \$182,500.00	INTEREST RATE 5.0000%
LOAN PURPOSE Purchase	PURCHASE PRICE \$200,000.00	ESTIMATED PROPERTY VALUE N/A	APPRAISED PROPERTY VALUE \$210,000.00	NUMBER OF UNITS 1
PROPERTY TYPE Site Built Detached	OCCUPANCY Primary Residence	REFINANCE TYPE N/A	CASHOUT AMOUNT N/A	NEW CONSTRUCTION N/A
<b>OFFERING IDENTIFIER GreenCHOICE</b>	INTEREST RATE BUYDOWN No	SALES CONCESSIONS N/A	ARM QUALIFYING RATE N/A	ARM QUALIFYING PITI N/A
AFFORDABLE SECOND N/A	SECONDARY FINANCING \$0.00	HELOC BALANCE \$0.00	HELOC LIMIT AMOUNT \$0.00	LENDER SUBMITTED RESERVES N/A

### Purchase transaction<sup>1</sup>:

<b>Purchase Price Field:</b>	Enter the purchase price
<b>Energy Improvement Indicator Field:</b>	Select "Yes" Mortgage loan will finance energy related improvements.
<b>Energy Improvement Amount Field:</b>	Enter the dollar amount of the energy improvement Note: If the total cost of energy efficiency improvements exceeds 15% of the completed property value LPA will return a <b>Purchase Eligibility</b> of "Ineligible" and a purchase restriction message



<b>Appraised Value Field:</b>	Enter the “as completed” value of the mortgaged premises (i.e., appraised value inclusive of planned or completed energy efficiency and/or water efficiency improvements with an outstanding balance).
<b>Loan Amount Field:</b>	Enter the loan amount.  Determined by the lessor of: <ul style="list-style-type: none"> <li>• The combined sales price of the property and cost of the proposed energy and/or water efficiency improvements minus the down payment.</li> </ul> <b>Or</b> <ul style="list-style-type: none"> <li>• The “as completed” value listed on the appraisal report minus the down payment.</li> </ul>

**Did you know...**

For a purchase transaction LPA will provide a reminder message that if the loan proceeds are used to pay off outstanding energy debt 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 transaction<sup>1</sup>:**

<b>Appraised Value Field:</b>	Enter the “as completed” value of the mortgaged premises (i.e., appraised value inclusive of planned or completed energy and/or water efficiency improvements).
<b>Energy Improvement Indicator Field:</b>	Select “Yes” Mortgage loan will finance energy related improvements.
<b>Energy Improvement Amount Field:</b>	Enter the dollar amount of the cost of the proposed energy and/or water efficiency improvements. If the energy and/or water efficiency improvements are completed, you can include the outstanding balance of the corresponding loan.  Note: If the total cost of energy efficiency improvements exceeds 15% of the completed property value LPA will return a <b>Purchase Eligibility</b> of “Ineligible” and a purchase restriction message
<b>Refinance Mortgage Property to be Paid Off Field:</b>	Enter the pay-off amount of the mortgage being refinanced.
<b>Loan Amount Field:</b>	Enter the loan amount

<sup>1</sup> Must be within the maximum LTV ratios for whichever program you are choosing.



**Note:** If the GreenCHOICE offering is being used in combination with a Home Possible or HomeOne program, the more restrictive requirements apply.

**Example:** Purchase Transaction

Loan Information:

- Purchase Price: \$175,000
- Energy improvements Amount: 25,000
- Appraised Value “as completed”: \$210,000

Mortgage Details				
PRODUCT TYPE 30 Year Fixed	AMORTIZATION Fixed	AMORTIZATION MONTHS 360	LOAN AMOUNT \$180,000.00	APPROXIMATE ANNUAL PERCENTAGE RATE 5.0000%
<b>Offering Identifier</b>	<b>Purchase Price</b>	ESTIMATED PROPERTY VALUE N/A	<b>Appraised Value</b>	$\$175,000 + \$25,000 \text{ (energy costs)} = \$200,000^* \times 90\% = \$180,000$
OFFERING IDENTIFIER GreenCHOICE	PURCHASE PRICE \$175,000.00	REFINANCE TYPE N/A	APPROAISED PROPERTY VALUE \$210,000.00	NUMBER OF UNITS 1
AFFORDABLE SECOND N/A	OCCUPANCY Primary Residence	SALES CONCESSIONS N/A	HELOC BALANCE \$0.00	NEW CONSTRUCTION N/A
	INTEREST RATE BUYDOWN No	HELOC LIMIT AMOUNT \$0.00	ARM QUALIFYING PITI N/A	LENDER SUBMITTED RESERVES N/A

\*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 energy 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 Section 4606 to correct the information and resubmit the mortgage to LPA to obtain a Purchase Eligibility of “Eligible”.

**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 for when the loan is delivered to Freddie Mac as a GreenCHOICE Mortgage. The loan must be delivered with one of the following IFI codes

- J08 to indicate GreenCHOICE Mortgage, for a purchase or “no cash-out” refinance mortgage to finance energy and/or water efficiency improvements as described in Guide Section 4606.4(a)
- J28 to indicate Duty to Serve GreenCHOICE Mortgage to pay off outstanding energy debt, for a “no cash-out” refinance mortgage as described in Guide Section 4606.4(b)

This document is not a replacement or substitute for the information found in the *Freddie Mac Single-Family Seller/Service Guide* or terms of your Master Agreement or other Pricing Identifier Terms.

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