

You have options to meet your borrower's needs!

CHOICERenovation®

This is our home improvement offering that allows renovation costs to be included in the mortgage amount.

CHOICEReno eXPress®

This is our streamlined option that is an **expansion** of the CHOICERenovation offering for borrowers who are looking to finance relatively small-scale home renovations.

Did you know...

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

Eligible Mortgages



Mortgages must be first-lien mortgages and may be many different mortgage products or offerings within the Guide, including Freddie Mac Home Possible® and Freddie Mac HomeOneSM mortgages. See Section [4607.2\(b\)](#) for the list of mortgages that are ineligible for delivery as CHOICERenovation mortgages or CHOICEReno eXPress mortgages.

Note: CHOICERenovation and CHOICEReno eXPress mortgages secured by a property previously owned free and clear by the borrower are considered “no cash-out” refinance mortgages if the proceeds are used only to finance the eligible renovations described in Section [4607.6](#).

Property Types and Occupancy



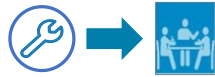
- ⇒ 1- to 4-unit primary residence
- ⇒ Second home
- ⇒ 1-unit investment property
- ⇒ A manufactured home, including a manufactured home that is a CHOICEHome® described in Section [5703.9](#)
- ⇒ A condominium unit, a unit located in a planned unit development, or a cooperative unit for approved Sellers

Note: For CHOICERenovation mortgages with settlement dates prior to completion of the renovations that are secured by primary residences, if the borrower does not occupy the property during the course of the renovations, the property will be deemed owner-occupied as of the delivery date to Freddie Mac so long as the borrower occupies the property as a primary residence within 60 days of the last disbursement made and distributed from the Custodial Account for Renovation Funds, (as described in Section [4607.13](#)).



Two Delivery Options

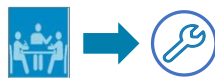
CHOICERenovation mortgage with a settlement date after completion of renovations:



The renovations and the final inspection **must** have been completed **prior to** the mortgage being **delivered** to Freddie Mac. The mortgages will be delivered without recourse and Seller must deliver IFI code J25.

The Settlement Date must be no more than 450 days after the Note Date.

CHOICERenovation mortgage with a settlement date prior to completion of the renovations:



Approved Sellers can **deliver** mortgages to Freddie Mac **prior to** completion of the renovations. These mortgages must be **delivered with recourse** and Seller must deliver IFI code J24.

Note: All renovations must be completed within 450 days of the note date.

Freddie Mac has a streamlined review and approval process for Sellers who wish to deliver CHOICERenovation mortgages with settlement dates prior to the completion of the renovations. The Seller can request approval by calling either their Freddie Mac representative or (800) FREDDIE.

The Seller must notify Freddie Mac at CHOICERenovation@FreddieMac.com if there are any concerns that the renovations will not be completed by the required completion date or any changes that impact the “as completed” value of the property.

CHOICEReno eXPress mortgage with a settlement date prior to completion of the renovations:

This option allows you to deliver the mortgage to Freddie Mac **without** pre-approval, **without** recourse and **before** renovations are complete, provided certain requirements are met. For designated [Duty to Serve high-needs areas](#) (Exhibit 40) the Seller **must** deliver IFI code J26; and for mortgages **not** in Duty to Serve high-needs areas, the Seller **must** deliver IFI code J27.

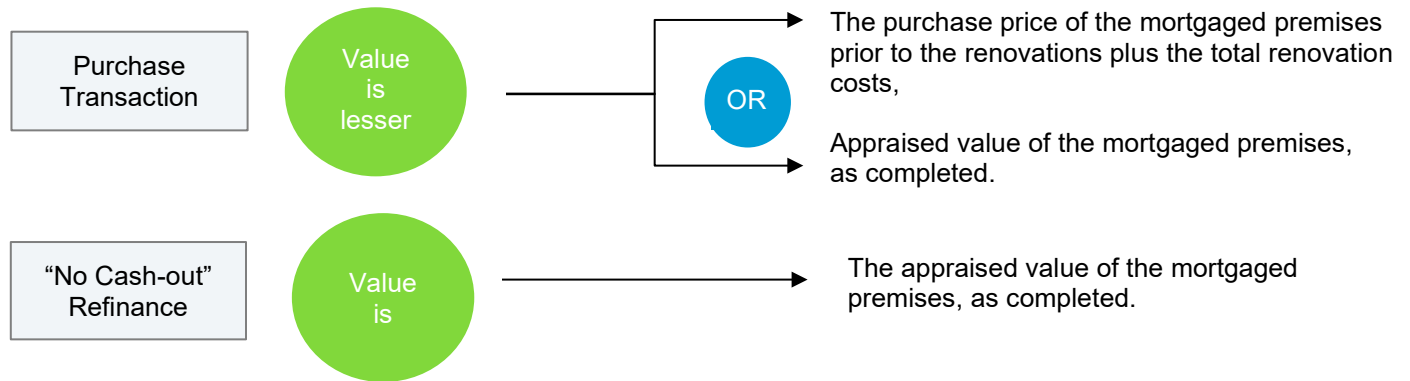
Note: All renovations must be completed within 180 days of the note date in accordance with Section [4607.4\(a\)](#).

CHOICEReno eXPress Mortgages will not be subject to the Seller responsibilities for renovation work and process described in Section 4607.10(a)(1), the minimum contingency reserve requirements described in Section 4607.12(b), or the recourse requirements described in Section 4607.15; however, they will be subject to all other requirements in Chapter 4607.



Determining Value

The value used to determine the Loan-to-Value (LTV), Total Loan-to-Value (TLTV) and Home Equity Line of Credit TLTV (HTLTV) ratios must be established as follows:



Maximum Financed Renovation Costs

For...	The total cost of the financed renovations must not exceed...	Of the ...
Purchase		
CHOICERenovation mortgages	75%	Lesser of the: <ul style="list-style-type: none"> Sum of the purchase price of the property plus the estimated total of the renovation costs, or "As completed" value of the property as determined by the appraiser pursuant to Section 4607.9
CHOICEReno eXPress mortgages Duty to Serve high-needs areas	15%	
CHOICEReno eXPress mortgages NOT in Duty to Serve high-needs areas	10%	
No Cash-out Refinance		
CHOICERenovation mortgages	75%	<ul style="list-style-type: none"> "As completed" value of the property as determined by the appraiser pursuant to Section 4607.9
CHOICEReno eXPress mortgages Duty to Serve high-needs areas	15%	
CHOICEReno eXPress mortgages NOT in Duty to Serve high-needs areas	10%	



Manufactured Homes

For...	The total cost of the financed renovations must not exceed the lesser of \$50,000 or...	Of the ...
Purchase and No Cash-out Refinance		
CHOICERenovation mortgages	50%	<ul style="list-style-type: none"> “As completed” value of the property as determined by the appraiser pursuant to Section 4607.9
CHOICEReno eXPress mortgages Duty to Serve high-needs areas	15%	
CHOICEReno eXPress mortgages NOT in Duty to Serve high-needs areas	10%	

Did you know...

LPA will identify a loan as a CHOICEReno eXPress mortgage or a CHOICEReno eXPress mortgage – in a Duty to Serve high-needs area based on the Program Identifier selection “CHOICERenovation” and determining the maximum financed renovation costs. LPA will display the following feedback message in the **General Messages** section on the Loan Product Advisor Feedback Certificate, as applicable:

- **FGM0147:** Based on the financed renovation costs, this loan may be delivered as a CHOICEReno eXPress Mortgage.
- **FGM0145:** Based on the financed renovation costs, this loan may be delivered as a CHOICEReno eXPress Mortgage located in a designated Duty to Serve high-needs area.





Note: If the financed renovation costs are exceeded 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 4607 to correct the information and resubmit the mortgage to LPA to obtain a Purchase Eligibility of “Eligible”.


Refer to the [LPA Data Entry section](#) for more information.



Example: CHOICERenovations

Purchase Transaction Example

	Subject Single-Family Residence was purchased for:	\$75,000	
	Cost of the improvements on the subject property:	\$175,000	
<hr/>			
	Total acquisition cost of the property equals:	\$250,000	<div style="border: 1px solid blue; padding: 5px;"> <p>The value must be established using the lesser of</p> </div>
	"As completed" value of the property:	\$250,000	

 The maximum allowable renovation cost is 75% of the value¹



\$250,000
X 75%


\$187,500

¹See guidelines above for Manufactured Home requirements

Example: CHOICEReno EXpress

Refinance Transaction Example*

	Cost of the improvements on the subject property:	\$20,000	
<hr/>			
	"As completed" value of the property:	\$150,000	<div style="border: 1px solid blue; padding: 5px;"> <p>The LTV/TLTV/HTLTV ratio is established using the "as completed value"</p> </div>

 The maximum allowable renovation cost is 15% of the value¹

\$150,000
X 15%

\$22,500

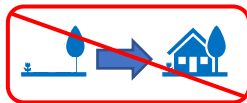
¹See guidelines above for Manufactured Home requirements

*Property located in Duty to Serve high-needs area

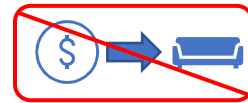
Eligible Renovations

Eligible and ineligible uses of mortgage proceeds

There are few restrictions on the type of renovations that may be financed in accordance with this offering. Proceeds **may not** be used:



To raze an existing structure and build a new primary dwelling unit



To finance personal property with the exception of new appliances



CHOICERenovation mortgage proceeds must only be used to finance renovations that are made to a property with an existing dwelling, and may include:



Fees related to plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection.



An amount up to, but no more than, six monthly payments of principal, interest, taxes and insurance (PITI).



Contingency reserve funds (Section [4607.12\(b\)](#)). **Not required if:**

- Proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation.
- The Mortgage is a CHOICEReno eXPress mortgage.



Payoff of short-term financing that provided the borrower with funds to repair, restore, rehabilitate or renovate an existing home. Must meet the requirements in Section [4607.6\(d\)](#). Not eligible for CHOICEReno eXPress.



Adding or renovating outdoor structures used for leisure and recreation, including, but not limited to, swimming pools, decking, screening and porch and patio additions (Note: refer to contingency reserve funds above).



Proceeds may be used to renovate or repair a property that has been damaged in a disaster or for renovations that will protect the mortgaged premises in case of a future disaster (e.g., storm surge barriers, foundation retrofitting for earthquakes, retaining walls, etc).



Renovations to improve the energy and/or water efficiency of the Mortgaged Premises. Refer to Sections 4606.4(a) and 4607.17(b) for more information on the eligibility for the credit for Credit Fees for GreenCHOICE® Mortgages.



Adding or renovating an Accessory Dwelling Unit (ADU), including a manufactured home ADU. Refer to Section [5601.2](#) for more information on properties with an ADU. Mortgages secured by properties with a manufactured home ADU will be subject to the maximum financed renovation costs for purchase transactions(Section [4607.8\(a\)](#), or for no cash-out refinance transactions (Section [4607.8\(b\)](#), as applicable. Refer to Section [4607.6\(d\)](#) regarding the payoff of short-term financing that financed the addition or renovation of an ADU prior to the Note Date.

Renovations to a primary dwelling unit that is a manufactured home or a manufactured home ADU are allowed, provided the home remains in compliance with HUD's property acceptability criteria for manufactured homes and the requirements in Section [5703.2\(a\)](#), [5703.2\(b\)](#) and [5601.12\(e\)\(v\)\(C\)](#), as applicable. Renovations may include the removal of a manufactured home on the property that is not the primary dwelling unit, provided any effect of its removal on the value of the property is reported by the appraiser when determining the "as completed" value of the property pursuant to Section [4607.9](#).



Custodial Accounts for Renovation Funds



CHOICERenovation mortgages with settlement dates prior to completion of the renovations, the Seller must open and maintain a separate completion escrow account solely to retain the CHOICERenovation mortgage proceeds and any other deposited funds to be used to complete the renovations (such funds, the “Renovation Funds” and each such account, the “Custodial Account for Renovation Funds”). Refer to Section [4607.13](#) for more information.

Special Mortgage File Documentation



The mortgage file must contain all relevant renovation documentation detailed in Section [4607.10\(b\)\(1\)](#).

Advancing the Cost of Materials

A percentage of the cost of materials may be advanced at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds, as applicable, as follows:

For...	Advance cost of materials up to...	To...
Contractor(s)/traderperson(s) chosen by the borrower to complete the renovations	50%	Contractor(s)/traderperson(s)
Renovations purchased from a home improvement store in accordance with Section 4607.11(b)	100%	Home improvement store

Loan Product Advisor®

All CHOICERenovation mortgages must be submitted to Loan Product Advisor® (LPASM) in accordance with the requirements of Guide Section [5101](#) and must receive a risk class of “Accept”.

If the mortgage receives an LPA assessment status of invalid, ineligible or incomplete, it is ineligible for sale to Freddie Mac. The Seller may take all steps possible in accordance with Guide Section [5101](#) to correct the information and resubmit the mortgage to LPA to obtain a risk class of Accept.



LPA Data Entry

How to Identify a CHOICERenovation Mortgage

For System-to-System (S2S) Users:

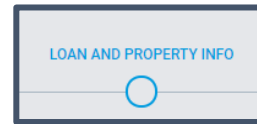
Depending on your loan origination system (LOS), a “CHOICERenovation” mortgage may be identified as a Program Identifier, Product or Program. “CHOICERenovation” must be selected for LPA to assess the transaction.

Unique ID	Enumeration
178.00	CHOICERenovation

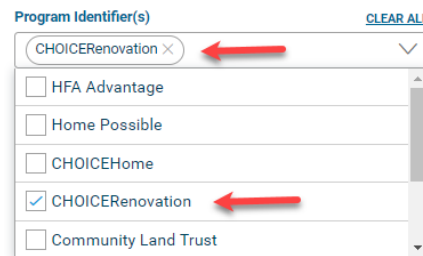
Direct Access Users

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 **Program Identifier** drop down selection.
Note: If taking advantage of combining CHOICERenovation with additional Program Identifiers select all that apply.



Additional Options

CHOICERenovation mortgages can be combined with GreenCHOICE and CHOICEHome® mortgages. It may also be used with most of our eligible fixed- and adjustable-rate mortgage products, including, our low-down payment Home Possible and HomeOne mortgages.

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



If using LPA specification version 5.3.00 “CHOICE Renovation” displays as a **Program Identifier** in the **Loan Details***section of the Loan Product Advisor Feedback Certificate. It will also display any additional Program Identifiers that have been combined with CHOICERenovation.

Prior LPA versions display “CHOICERenovation” as an **Offering Identifier** in the **Mortgage Details** section. If combining with additional Offering Identifiers only one will display.

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) CHOICERenovation			

*LPA specification version 5.3.00

Purchase transaction¹:

Sales Contract Price Field:	Enter the purchase price
Improvements, Renovations and Repairs Field ²	Enter the cost of the renovations
Appraised Property Value Field:	Enter the “as completed” value of the mortgaged premises
Loan Amount Field:	Enter the loan amount Determined by using the lesser of: <ul style="list-style-type: none"> ▪ The combined purchase price of the property and cost of the renovations minus the down payment Or <ul style="list-style-type: none"> ▪ The “as completed” value listed on the appraisal report minus the down payment

“No cash-out” refinance transaction¹:

Appraised Property Value Field:	Enter the “as completed” value of the mortgaged premises
Loan Amount Field:	Enter the loan amount
Improvements, Renovations and Repairs ²	Enter the amount of the renovation costs
Refinance Mortgage Property to be Paid Off Field:	Enter the pay-off amount of the mortgage being refinanced.

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

²S2S Users: This field is identified as “Alterations, Improvements and Repairs Amount”.



LPA Feedback Certificate Scenario

Purchase Transaction	
Purchase Price	\$175,000
Renovation Costs	\$30,000
Total	\$205,000
Down Payment	\$20,500
Loan Amount	\$184,500

Mortgage Details

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

Site Built Detached

OFFERING IDENTIFIER
CHOICERenovation

AFFORDABLE SECOND
N/A

Purchase Price

AMORTIZATION MONTHS Fixed 360	AMORTIZATION MONTHS 360	LOAN AMOUNT \$184,500.00	INTEREST RATE 5.0000%
PURCHASE PRICE \$175,000.00	ESTIMATED PROPERTY VALUE N/A	APPRAISED PROPERTY VALUE \$215,000.00	NUMBER OF UNITS 1
OCCUPANCY Primary Residence	REFINANCE TYPE N/A	CASH OUT AMOUNT N/A	NEW CONSTRUCTION N/A
INTEREST RATE BUYDOWN No	SALES CONCESSIONS N/A	Appraised Value as completed	ARM QUALIFYING PITI N/A
SECONDARY FINANCING \$0.00	HELOC BALANCE \$0.00		LENDER SUBMITTED RESERVES N/A



Is the calculation of the LTV ratio based on the:

- Purchase Price
- Purchase Price + Renovation Costs
- Appraised Property Value

Scroll down or
click





If you selected “b” you are correct. In this example, the LTV ratio is based on the Purchase Price + the Renovation Costs (\$205,000). The LTV ratio is 90%. Refer to the [Determining Value](#) section.

Appraisal Requirements



The Seller must obtain an appraisal based on an interior and exterior inspection. The appraisal report must include an “as completed” value of the subject property subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

If, after the appraiser provides the “as completed” value, changes are made to the original plans and specifications in accordance with Section [4607.10\(a\)\(ii\)](#), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser. The appraiser must provide a revised appraisal to reflect the changes and account for the impact on the “as completed” value.

Upon completion of the renovations, the appraiser must perform a final inspection of the property in accordance with Section [5601.11](#) and complete a certification of completion. The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

Transferring Servicing

Subsequent Transfers of Servicing involving CHOICERenovation mortgages with settlement dates prior to completion of the renovations are prohibited until:



- All renovations have been completed,
- The Seller has obtained a completion report pursuant to Section [4607.9](#), and
- Freddie Mac has approved removal of recourse pursuant to Section [4607.15](#).

Concurrent Transfers of Servicing involving CHOICERenovation mortgages with settlement dates prior to completion of the renovations are permitted for:

- Sellers who have obtained Freddie Mac’s prior written approval and provided the special requirements in Section [4607.18\(a\)](#) are met. Sellers may request approval by contacting their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

(See Chapter [7101](#) regarding Transfers of Servicing.)









CHOICERenovation mortgages with settlement dates prior to completion of the renovations and CHOICEReno eXPress mortgages may not be sold through Cash Released XChange®. Additionally, CHOICEReno eXPress mortgages **may not** be involved in any other Concurrent Transfers of Servicing.

Note: Transfers of Servicing involving CHOICEReno eXPress are prohibited until all renovations have been completed and the Seller has obtained a completion report pursuant to Section [4607.9](#).

Additional Information

For information on CHOICERenovation mortgages refer to Chapter 4607. For specific topics refer to the applicable Guide Sections referenced below.

Borrower as the contractor and renovations purchased from a home improvement store	 Section 4607.11
Seller responsibilities for renovation work and process	 Section 4607.10
Funds for renovations and contingency reserve requirements	 Section 4607.12
Seller representation and warranty relief	 Section 4607.16
Property insurance	 Section 4607.14
Delivery requirements	 Section 4607.17 and Section 6302.43

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Servicer Guide* and your other Purchase Documents.

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