

Bulletin

TO: Freddie Mac Sellers and Servicers

June 19, 2019 | 2019-14

SUBJECT: FREDDIE MAC CHOICERENOVATIONSM MORTGAGE

CHOICERenovationSM is our new offering that allows Borrowers to use Mortgage proceeds to pay for repairs and/or improvements to the Mortgaged Premises (the “renovations”). Currently, there are a large number of older homes that are in need of renovation. Effective immediately, homeowners and homebuyers can benefit from our CHOICERenovation offering which allows Mortgage proceeds to be used for such renovations. Our CHOICERenovation offering will supplement our current Renovation Mortgage offering and will also support the need for affordable housing, address increasing demand for aging-in-place housing solutions and provide cost-effective ways for homebuyers to update the properties they purchase.

Unlike our Renovation Mortgage offering, our CHOICERenovation offering does not require Borrowers to obtain Interim Construction Financing prior to securing permanent financing. Borrowers can use the proceeds from the eligible Mortgage to pay for the renovations. In addition, the CHOICERenovation offering allows approved Sellers to deliver Mortgages prior to completion of the renovations.

SELLING REQUIREMENTS

Freddie Mac prior approval

Sellers **do not need to** obtain prior written approval to deliver CHOICERenovation Mortgages if the renovations are completed prior to the Settlement Date of the Mortgage.

Sellers **must** obtain Freddie Mac’s prior written approval to deliver CHOICERenovation Mortgages if the renovations are not completed prior to the Settlement Date of the Mortgage. Sellers may request approval by contacting their Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE. These Mortgages must be sold to Freddie Mac with recourse as described below.

Eligible Mortgages and property

Except as otherwise specified in new Guide Chapter 4607, all eligible Mortgage Products or offerings in the Guide, including Freddie Mac Home Possible[®] Mortgages, are eligible for delivery as CHOICERenovation Mortgages. A CHOICERenovation Mortgage may be secured by a:

- 1- to 4-Unit Primary Residence
- Second home
- 1-unit Investment Property
- Manufactured Home
- Condominium Unit, a unit in a Planned Unit Development (PUD), or a Cooperative Unit if permitted under the Seller’s Purchase Documents

General eligibility requirements

Eligibility requirements in Chapter 4607 include, but are not limited to, the following:

- All renovations must be completed within 365 days of the Note Date
- CHOICERenovation Mortgages may be purchase transaction or “no cash-out” refinance Mortgages

- All CHOICERenovation Mortgages must be submitted to Loan Product Advisor® and must receive a Risk Class of Accept. If the Mortgage receives a Loan Product Advisor evaluation status of invalid, ineligible or incomplete, it is ineligible for sale to Freddie Mac.
- Sellers must obtain an appraisal report based on an interior and exterior inspection, and the appraisal report must include an “as completed” value subject to completion of the proposed renovations
- For CHOICERenovation Mortgages with Settlement Dates prior to completion of the renovations, Sellers must establish and manage a Custodial Account for Renovation Funds (as described in Guide Section 4607.13). Sellers must deposit proceeds sufficient to cover the cost of the renovations, plus a minimum 10% contingency reserve to cover unforeseen costs related to the renovation, into the account. Any funds remaining in the account after the cost of all renovations have been paid must be used to reduce the UPB of the Mortgage or used for additional renovations as described in Section 4607.12. If the Mortgage is a “no cash-out” refinance, the Seller may disburse proceeds to the Borrower, provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4.

CHOICERenovation Mortgages are subject to all applicable Credit Fees in Price in Guide Exhibit 19. There is no CHOICERenovation Mortgage Credit Fee in Price.

Eligible renovation costs

The maximum renovation costs that may be financed through the CHOICERenovation Mortgage are as follows:

Transaction type	Maximum financed renovation costs
Purchase transactions	The total cost of the financed renovations must not exceed 75% of the lesser of: <ul style="list-style-type: none"> • The “as completed” value of the property, or • The sum of the purchase price plus the estimated costs of the renovations
Refinance transactions	The total cost of the financed renovations must not exceed 75% of the “as completed” value of the property
Mortgages secured by Manufactured Homes (purchase and refinance transactions)	The total cost of the financed renovations must not exceed the lesser of \$50,000 or 50% of the as completed value of the property

Recourse

CHOICERenovation Mortgages with Settlement Dates prior to completion of the renovations must be sold with recourse, as described in Section 6201.7, pursuant to which Freddie Mac may require the Seller to repurchase the Mortgage if it becomes 120 days delinquent or if the renovations have not been completed within 365 days and the Seller has not received an extension approval from Freddie Mac. The Seller may request removal of the recourse once the renovations are completed as described in Section 4607.15.

Special delivery requirements

We are adding new Section 6302.43 for special delivery requirements for CHOICERenovation Mortgages. Sellers must enter the valid value of:

- “J25” for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for CHOICERenovation Mortgages, or
- “J24” for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for CHOICERenovation Mortgages with recourse (provided the Seller has obtained Freddie Mac’s prior approval)

TRANSFER OF SERVICING REQUIREMENTS

A Transfer of Servicing involving CHOICERenovation Mortgages with renovations not completed by the Settlement Date (as described in Section 4607.1(b)), is prohibited until:

- All renovations have been completed
- A completion report has been obtained pursuant to Section 4607.9, and
- Freddie Mac has approved removal of recourse pursuant to Section 4607.15

SERVICING REQUIREMENTS

We are updating Section 8104.6 to provide that Seller/Servicers that service any CHOICERenovation Mortgage that was permitted to be delivered to Freddie Mac prior to completion renovations must, in addition to other Servicing requirements, comply with the Servicing requirements related to completion of such renovations. This includes, but is not limited to:

- Maintaining the Renovation Funds in their respective Custodial Account for Renovation Funds
- Complying with the contingency reserve requirements described in Section 4607.12(b), and
- Requesting removal of recourse pursuant to Section 4607.15

(Note: These Servicing requirements, which must be fulfilled by the Seller in its capacity as Seller/Servicer, are considered Selling obligations.)

GUIDE UPDATES

We are adding new Chapter 4607, Section 6302.43 and Guide Forms 1058CR and 1060CR to reflect CHOICERenovation Mortgage requirements.

We are also updating Sections 4301.4, 5601.2, 5601.9, 7101.4, 8104.6, 8302.7 and Exhibit 34.

RESOURCES AND TRAINING

For more information on our CHOICERenovation offering:

- Watch our [video](#)
- Visit our Mortgage product [web page](#)
- Register for our [webinar](#)

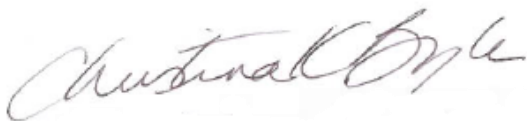
GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2019-14 (CHOICERenovation Mortgage) Guide Updates Spreadsheet via the Attachments drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2019-14>.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,



Chief Client Officer
Single-Family Office of the Client