

## Sales and Operations Announcement 2021 - 66

### **New** Freddie Mac Choice Renovation Program Now Available

**Effective Date:** Immediately

Planet Home Lending is pleased to announce the roll out of the Freddie Mac CHOICE Renovation program.

**Note:** Special approval from Planet Home Lending is required to deliver this product. Sellers must be approved prior to delivery.

#### **Program Overview**

The aging housing stock in the U.S. has contributed to the increased demand for renovation and repair loans. The Choice mortgage enables a borrower to purchase a property or refinance an existing loan and include funds in the loan amount to cover the costs of repairs, remodeling, renovations, or energy improvements to the property. Please see below for important details regarding the program.

<b>Standard Conforming and Super Conforming</b>					
<b>Owner-Occupied Primary Residence Fixed Rate</b>					
<b>Transaction Type</b>	<b>Units</b>	<b>LTV</b>	<b>CLTV</b>	<b>Loan Amount<sup>1</sup></b>	<b>Credit Score</b>
Purchase No Cash-out	1	95%	95%	See Loan Limits Below	Per LPA
	2	85%	85%		
	3-4	80%	80%		
<b>Second Home Primary Residence Fixed Rate</b>					
Purchase No Cash-Out	1	90%	90%	See Loan Limits Below	Per LPA
<b>Investment (Non-Owner Occupied) Fixed Rate</b>					
Purchase No Cash-out	1	85%	85%	See Loan Limits Below	Per LPA
<b>Home Possible</b>					
<b>Standard Conforming - Owner-Occupied Primary Residence Fixed Rate</b>					
Purchase No Cash-out	1	97%	105% <sup>2</sup>	See Loan Limits Below	Per LPA
	2-4	80%	80%		
<b>Super Conforming - Owner-Occupied Primary Residence Fixed Rate</b>					
Purchase No Cash-out	1	95%	105% <sup>2</sup>	See Loan Limits Below	Per LPA
	2-4	80%	80%		

**Footnote:**

- These are the maximum potential loan limits for designated high-cost areas. Actual loan limits are established for each county (or equivalent), and the loan limits for specific high-cost areas may be lower. The original principal balance of a mortgage must not exceed the maximum loan limit for the specific area in which the mortgaged premises is located. For specific loan limits for each high-cost area, visit the [Federal Housing Finance Agency conforming loan limits page](#)
- CLTV of 105% is permitted with an Affordable Second (Home Possible).

**Fixed-Rate Programs Available:**

- Freddie Choice Renovation Standard Conforming



- Freddie Choice Renovation Super Conforming
- Freddie Choice Renovation Home Possible Conforming
- Freddie Choice Renovation Home Possible Super Conforming

### Eligible Properties

- 1-4-unit primary residence
- 1-unit second home
- 1-unit investment property
- Single Family Residence (SFR)
- Condo/PUD
- Warrantable Condo
- Manufactured Home (Doublewide only)

### Program Highlights:

- No minimum dollar amount required for renovations
- Max 97%/105% LTV/CLTV (with a community 2<sup>nd</sup>)
- Contractor Validation Services available
- Construction of various outdoor buildings and structures are permitted according to local zoning regulations.
- Complete tear downs and reconstruction are not permitted.
- **Purchase Transaction**
  - Renovation cost must not exceed 75% of the lesser of: The sum of the purchase price of the property plus renovation costs, or the “as completed” appraised value of the property.
- **No Cash-out Refinance Transaction**
  - Renovation cost must not exceed 75% of “as completed” appraised value of the property.
- **Manufactured Homes**
  - Renovation cost must not exceed the lesser of \$50,000 or 50% of the “as completed” appraised value.

### Draw Inspections

#### Repairs under \$35,000 and have no structural Repairs.

- The Specification of Repairs/Bid can be prepared by the registered, licensed General Contractor or an FHA 203(k) Consultant however the HUD Consultant is not required.
- Material draw allowed for no more than 50% of itemized material per Contractor Bid.
- One Interim Inspection at \$150
- Final Inspection (1004D) required by licensed appraiser prior to release of Holdback Funds.

#### Repairs over \$35,000 and/or proposed renovation work includes any structural repairs.

- Planet Home Lending requires the use of HUD Consultant to prepare the Specifications of Repairs or a Feasibility Report that includes an onsite inspection of the property.
- HUD Consultant must:
  - Provide Draw Schedule.
  - Perform the draw inspections.
- Material draw allowed for up to 50% of itemized material and including permits per Specification of Repairs.
- Final Inspection required by licensed appraiser (1004D) prior to release of Holdback Funds.



**Pools – Projects consisting of only a pool installation may follow reduced requirements below:**

- Reduced documentation is permitted.
- The lesser of \$15,000 or 25% of the total project cost may be advanced at closing for material cost for items not yet paid for.
- Planet will fund each draw in its entirety and not withhold 10% of the draw.
- Final Inspection required by license appraiser (1004D) prior to release of Holdback Funds.

**Allowable Fees:**

- Architect/Engineer Fees – As required
- Permit Fees - As required
- Title Update Fee – \$125.00
- Construction Management Fee – 1.5% of the total renovation costs or \$500, whichever is greater.
- Draw Inspection Fees – \$195.00 per inspection
- Final Inspection Fee - \$250.00 – determined by Appraiser
- Contingency Reserve – 10%, no more than 15%

All Planet Home Lending documentation will be updated to reflect the above changes as applicable, including Chapter 5 of the Seller Guide, Program Matrices, and any training materials.

**Please contact your Regional Sales Manager with any questions.**