



**HomeStyle Program Summary**

<b>Occupancy</b>	<b>Units</b>	<b>FICO/Score</b>	<b>DU LTV/CLTV/HCLTV</b>
Primary Residence	1	650	97/97/97
	2	650	85/85/85
	3-4	650	75/75/75
Second Home	1	650	90/90/90
Investment Property	1	680	Purchase 85/85/85 Rate/Term 75/75/75

<b>Product Overview</b>	Combine renovation improvements and repairs into the mortgage
<b>Contractor</b>	Must be full time contractor and licensed that is in good standing with suppliers and previous clients. Required to fill out review form and be approved by the construction department.
<b>Bid Requirements</b>	Work done must be broken out by Labor and Material. <b>FIXED PRICE ONLY No cost + or estimates.</b>
<b>Eligible Improvements</b>	There are no required improvements or restrictions on the types of repairs allowed. All work must be permanently affixed to the real property.
<b>Eligible Properties</b>	<b>One- to four-unit principal residence.</b> <b>One-unit second home;</b> <b>One-unit investment property.</b> <b>No Condos or manufactured</b>
<b>Contingency Reserve</b>	A contingency reserve of 10% of total cost of repairs must be established to cover unforeseen deficiencies during the renovation.
<b>Appraisal</b>	Must have finalized Bid to submit to appraiser and request value to be assigned "AS COMPLETED" (No transferred appraisals allowed)
<b>Draws</b>	Up to 5 draws permitted based on work completed. A 10% holdback is required on each draw.
<b>Feasibility Report</b>	0 - 125,000 : \$175      125,001 – 500,000 : \$505
<b>Program Fees</b>	Inspections: \$295 each (0 – 35,000 Max 3) (35,001 – 60,000 Max 4) (60,001 + Max 5) Trinity Admin \$100 Title Update \$100 Final Inspection \$175 or actual cost.

Revised 8/2022

The HomeStyle Renovation mortgage enables the borrower to obtain a purchase transaction mortgage or a limited cash-out refinance mortgage and receive funds to cover the costs of repairs, remodeling, renovations or energy improvements to the property. The mortgage may be delivered to FNMA prior to completion of the renovation, subject to limited recourse.

There are no required improvements or restrictions on the types of repairs allowed or a minimum dollar amount for the repairs.

- Repairs or improvements; however, must be permanently affixed to the real property and add value to the property.
- When the HomeStyle Renovation mortgage is used to finance energy- related improvements, borrowers are required to obtain an energy report to identify recommended energy improvements to the property and the estimated cost savings associated with those improvements. □

See B5-3.3-01 Mortgage Loans with Energy Improvement Features on Existing Properties, for additional requirements related to mortgage loans with energy improvement features within *FNMA Selling Guide* .

CNC may deliver a HomeStyle Renovation Mortgage as soon as it is closed; the renovation, repair or rehabilitation does not need to have been completed when the mortgage is delivered. If the borrower defaults under the terms of the mortgage loan before the work is complete and that default continues for at least 120 days, CNC may be required to repurchase the loan.

- When delivering a HomeStyle Renovation loan, CNC must include Special Feature Code (SFC) 215 and SFC 001 as part of the delivery information. These codes indicate that the loan is a HomeStyle Renovation mortgage, and that FNMA has recourse.
- If the HomeStyle Renovation loan is used to finance energy-related improvements and the loan meets the requirements of the energy improvement feature (with the exception of the 10% maximum limit requirement for costs financed under the energy improvement feature – which may be exceeded for HomeStyle Renovation loans) the loan must be delivered with SFC 375.

To ensure that the borrower understands all of the terms of the HomeStyle Renovation mortgage, CNC requires the HomeStyle Renovation Consumer Tips disclosure be provided to the borrower.

- This disclosure can be used as a checklist for the key facts that need to be disclosed to the borrower, and the borrower signature will serve as an acknowledgement of his or her understanding of the facts.

Product Details	Product Guidelines
AUS	DU, Manual Underwrite is not permitted.
Appraisals	<p>The Appraisal should be ordered with the receipt of the Contractor Bid. These estimates must be sent with the appraisal request so that the appraiser can provide the <b>after-improved value</b>.</p> <p>The appraisal report must provide an <b>“As-Completed”</b> appraised value that estimates the value of the property after completion of the renovation work. Appraisal must contain photos of front, back and street scene of the subject as well as the front of each comparable sale used.</p> <p>The appraiser will use contractor’s bids to develop his/her opinion of the “As-Completed” value of the property. Market value of completed improvements must be considered in the Appraisal.</p> <p>The Appraisal update and/or Completion Report (Form 1004D) is required to document the completion of the renovation work (and must be submitted when requesting removal of recourse).</p> <p>Interior photographs, which must, at a minimum include:</p> <ul style="list-style-type: none"> <li>• Kitchen,</li> <li>• All bathrooms,</li> <li>• Main living area,</li> <li>• Examples of physical deterioration, if present,</li> <li>• Examples of recent updates; such as restoration, remodeling and renovation, if present.</li> </ul> <p><b>FNMA requires the original appraiser to complete the final inspection.</b></p>
Bid Requirements	<ul style="list-style-type: none"> <li>• Submitted on the general contractor’s letterhead and include the contractor’s contact information</li> <li>• Issued to the borrower(s) (not the name of the Real Estate Agent or Loan Officer)</li> <li>• Reference the subject property address</li> <li>• Be true bids, not estimates</li> <li>• Sub-contractors must be named, contact info provided</li> <li>• Describe in detail the work being performed (e.g. what work is done, in which areas of the home will that work be performed, how much work is being done, etc.)</li> <li>• Be itemized, including both labor and materials per line item</li> <li>• Specify whether or not permits are required. If required, which permits are required</li> <li>• Be signed by both the contractor and the borrower(s)</li> <li>• All costs per line item should equal the bottom line total on the bid</li> </ul> <p>Only need bid(s) from contractor(s) that will be hired; competitive bids should not be submitted</p>

<p><b>Contractor Requirements</b></p>	<p>Maximum 1 General Contractor permitted. All renovation work must be performed by a licensed contractor, unless licensing is not required by state or local regulations for the specific trade or type of renovations being performed. Then 3 contractors would be the limit.</p> <p>A borrower must choose his or her own contractor to perform the needed renovation. Each Contractor must meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Has all appropriate credentials and licenses required by the state;</li> <li>• Obtains all required insurance coverage (such as all-risk, public liability, workmen’s compensation, and automobile liability);</li> <li>• Has no open complaints, citations and/or violations on record;</li> <li>• Completes work in compliance with the contract and all applicable government regulations (such as building codes and zoning restrictions);</li> <li>• Obtains all necessary building permits;</li> <li>• Is financially able to perform the duties necessary to complete the renovation work in a timely manner; and</li> <li>• Provides for appropriate remedies for resolving disputes, including an agreement to indemnify the borrower for all property losses or damages caused by its employees or subcontractors.</li> <li>• “Do It Yourself” repairs are not eligible for the HomeStyle Renovation program. All work must be completed by a hired contractor.</li> </ul> <p>On projects where a pool is being added along with renovation work by a G.C., CNC will allow 2 contractors.</p>
<p><b>Document Requirements</b></p>	<ul style="list-style-type: none"> <li>• HomeStyle Renovation Maximum Mortgage Worksheet</li> <li>• HomeStyle Consumer Tips</li> <li>• Contractor Questionnaire</li> <li>• HomeStyle Draw Request Form</li> <li>• HomeStyle Change Order Form</li> <li>• Renovation Completion Certificate</li> <li>• Homeowner/Contractor Agreement</li> <li>• Renovation Loan Agreement</li> <li>• Lien Waiver</li> <li>• For homes on private water and/or sewer, a well water test and/or a septic certification</li> <li>• If feasibility/deficiency report shows termite or other pest damage, an appropriate pest report will be required prior to appraisal, and then post-close certification will also be required</li> </ul> <p>The presence of mold or lead based paint is identified and processed per April 2010 EPA Renovation, Repair and Painting Rule in pre-close, and cleared on a post-close certification.</p>
<p><b>Down Payment Assistance</b></p>	<p>Not allowed.</p>

<b>Eligible Improvements</b>	<p>There are no required improvements or restrictions on the types of repairs allowed. Repairs or improvements must be permanently affixed to the real property.</p> <p><b>Maximum repair amount:</b> No maximum repair amount as long as the renovation costs do not exceed 75% of the “As-Completed” appraised value of the property.</p> <p><b>Note:</b> Purchase transaction 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.</p> <p><b>Minimum repair amount:</b> \$5,000.</p> <p><b>Note:</b> Additions of attached units or accessory units are considered reconstruction and are ineligible improvements under the HomeStyle Renovation program (i.e. converting a 1-unit property into a 2-4 unit property and visa versa).</p>
<b>FICO/Credit Score</b>	650 Regardless of DU findings    680 for Non Owner
<b>Maximum Loan Amount</b>	<p>Fixed: Conforming Limit</p> <p>High Balance: High-cost area loan limits are established by the Federal Housing Finance Agency</p>
<b>Minimum Loan Amount</b>	\$25,000
<b>Renovation Period</b>	Renovation construction must begin within 30 days of closing and all work must be completed within no greater than 6 months of closing.
<b>Subordinate Financing</b>	Subordinate financing is allowed per Fannie Mae guidelines. Community seconds are not allowed.
<b>Transaction Type</b>	<p>Purchase</p> <p>Rate Term Refinance</p> <p>Cash-out not allowed</p>
<b>Contingency Reserve</b>	<p>A contingency reserve equal to 10% of the total costs of the renovation work must be established and funded to cover unforeseen renovations or deficiencies that are discovered during the renovation.</p> <p>A contingency reserve equal to 15% must be established for utilities if unable to be verified to be in working order (or are not being done as part of the renovation).</p> <p>➤ If loan requires Mortgage Insurance, verify MI provider selected allows 15% contingency reserve. ➤ The contingency reserve must be considered as part of the total renovation costs.</p> <p>Borrower funded contingency reserve must be included in the total renovation costs. The contingency reserve may be released only if required, necessary and unforeseen repairs are discovered during the renovation.</p> <p>Unused contingency funds, unless they were received directly from the borrower(s), must be used to reduce the outstanding principal balance of the renovation mortgage after all the renovation work has been completed and the certification of completion has been obtained.</p>

<p><b>Contingency Reserve (continued)</b></p>	<p>A borrower may use the remaining contingency reserve funds for making improvements or repairs that are permanently affixed to the real property and add value to the property, not to purchase personal property;</p> <ul style="list-style-type: none"> <li>➤ Warrants that the work scheduled and described in the plans and specifications were completed and the contingency reserve funds have already been reduced by cost overruns; and,</li> <li>➤ Ensures that the contingency reserve funds that are to be used for additional improvements or repairs are actually used to improve the real property and documented with paid receipts from the borrower’s own funds; and,</li> <li>➤ Inspections of the additional work or installations are completed by the appraiser who prepared the as-complete value appraisal report.</li> <li>➤ A HomeStyle Renovation Change Order Request must be completed by the borrower(s) and approved. (Form: HomeStyle Renovation Change Order Request)</li> </ul> <p><b>Contingency reserve may NEVER be used to purchase appliances.</b></p> <p><b>Contingency reserve may NEVER be used to purchase personal property.</b></p>
<p><b>Renovation Escrow Account</b></p>	<p>At closing, CNC will deposit all of the renovation costs, including the contingency reserve, and any escrowed mortgage payments (PITI) or funds that the borrower provides from his or her own funds, into an interest-bearing renovation escrow account for the benefit of the borrower(s). All interest earned on this account, less any administrative expenses involved in maintaining the account, must be paid or credited to the borrower(s).</p> <p>The funds in the renovation escrow account must be used to complete the renovation work and, if applicable, to make any mortgage payments that come due during the renovation period.</p> <p>CNC, and Trinity Administrative Services, will be responsible for administering this account and ensuring that the renovations are completed in a timely manner and in accordance with the plans and specifications and the contractors bid(s).</p> <p>CNC will release funds to the contractor and borrower(s) only when any given renovation work has been completed, and then only in accordance with the agreed-upon schedule and after receipt of a specific request (checks will be made payable to the contractor unless borrower requests otherwise).</p> <p>A maximum of five (5) draws will be allowed. The construction department at its discretion, may provide the contractor with up to 50% of the estimated materials cost before construction with payment being made to the supplier based upon invoices.</p> <p>Should there be an increase in costs during the renovation period, the borrower(s) must fund the amount of the increase; CNC will not increase the mortgage amount to offset an increase in costs. CNC must ensure that the additional funds are obtained in a manner that will not affect the priority of FNMA’s first lien position.</p> <p>Once the renovation has been completed, all funds remaining in the renovation escrow account including any mortgage payments reserves, may be used to either reduce the unpaid principal balance of the mortgage, unless they represent funds deposited separately by the borrower(s), or to make additional improvements or repairs to the property that are permanently affixed and add value to the property.</p>

<p><b>Mortgage Payment Reserves</b></p>	<ul style="list-style-type: none"> <li>• An escrow for mortgage payments (PITI) that will become due during the renovation period generally may be included as part of the total renovation costs for a principal residence property if the property cannot be occupied during the renovation period.</li> <li>• To make PITI payments while the home is unable to be occupied during rehabilitation, the lender must set up a PITI escrow account, at the loan level, if the borrower chooses to do so.</li> <li>• This mortgage payment escrow must represent only those payments that come due during the period in which the property cannot be occupied.</li> </ul> <p>The maximum amount that may be escrowed is six full payments of principal, interest, taxes, and insurance and HOA assessments.</p>
<p><b>Plans and Specification/Scope of Work</b></p>	<p>One (1) bid from a licensed contractor will be required to document and evaluate the quantity, quality, and cost of the proposed renovation work and will determine the amount of financing available.</p> <p>In addition, if the property and/or proposed renovation project includes any structural repairs such as the following, a Feasibility/Deficiency Report is required to document and evaluate the quantity, quality, and cost of the renovation work proposed.</p> <ul style="list-style-type: none"> <li>• Increase in the Gross Living Area</li> <li>• Modification or adjustment to floor plans (e.g. moving walls regardless of structural load transfers)</li> </ul> <p>Feasibility Report will be prepared by Trinity Administrative Services. Feasibility Reports include information about the property condition, floor plan sketches (if changes are proposed), specification of proposed work or line items, and cost estimate. Project consultant (inspector or appraiser) will be required to conduct an Initial Property Assessment to determine which building components are substandard and/or present adverse conditions (if any). Initial Property Assessments reviews the following property conditions:</p> <ul style="list-style-type: none"> <li>• Asbestos</li> <li>• Environmental Hazards</li> <li>• Lead-Based Paint</li> <li>• Mold</li> <li>• Roof</li> <li>• Structural Engineer’s</li> <li>• Well/septic</li> <li>• Wood Destroying Insects/Pest/Termite</li> <li>• Interior/Exterior Conditions</li> <li>• Site Conditions</li> </ul>
<p><b>Mortgage Insurance</b></p>	<p>Mortgage Insurance is required if the LTV exceeds 80%. Insurance coverage is based on the • lesser of the purchase price and cost of renovation or the “As-Completed” value.</p>

<p><b>Insurance Coverage</b></p>	<ul style="list-style-type: none"> <li>• Hazard Insurance</li> <li>• Flood Insurance Follow standard CNC insurance requirements.</li> </ul> <p>Title Policy must cover the full amount of the recorded mortgage, must be dated concurrently with the recordation of the mortgage and must be updated to the date on which the renovation work is completed.</p> <p>Builders Risk Insurance - with a physical loss form endorsement and mortgagee's loss payable clause equal to 100% of the full replacement costs of improvements, public liability insurance, workmen's compensation insurance (as required by applicable state law) and automobile liability insurance.</p>				
<p><b>Renovation Escrow and Account Disbursements</b></p>	<p>After closing, the proceeds designated for the rehabilitation, including the contingency reserve is placed in an interest-bearing escrow account. Up to 5 draws are permitted. Draw amounts are determined by lender based on progress inspections. 10-15% holdbacks are required.</p> <ul style="list-style-type: none"> <li>• All work must be completed and inspected prior to disbursement</li> <li>• Proof of permits must be submitted prior to or with the first draw request</li> <li>• All draws (with exception of the final draw) will have a 10% holdback. The accumulated holdback amount will be made payable upon completion of all work and as a part of the final draw disbursement.</li> <li>• The following items must be received before the final draw is processed: <ul style="list-style-type: none"> <li>○ Draw Request</li> <li>○ Lien Waiver from General Contractor</li> <li>○ Title Update</li> <li>○ Appraisal Update or Completion Report (1004D)</li> </ul> </li> </ul> <p><b>Draw disbursements made only on work completed.</b></p> <p>Note: Renovations may fund up to 50% of the planned materials cost at closing with an initial material draw <i>to the supplier</i>. A portion of this draw may be used to pay for permits, architect fees, and design or planning expenses that were incurred during the initial part of the project. Must obtain periodic inspections to confirm the work is being completed as planned prior to the issuance of additional escrow draws.</p>				
<p><b>Feasibility Report</b></p>	<p>Feasibility Fee; (Feasibility Fees are based on the cost of the proposed renovations);</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">0-125,000</td> <td style="text-align: right;">\$175</td> </tr> <tr> <td>125,001-500,000</td> <td style="text-align: right;">\$505</td> </tr> </table> <p><b>FNMA requires the original appraiser to complete the final inspection.</b></p>	0-125,000	\$175	125,001-500,000	\$505
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<p><b>Lien Waiver</b></p>	<ul style="list-style-type: none"> <li>• Before CNC makes any disbursements during the renovation period, we must obtain a lien waiver (FORM: HomeStyle Renovation Lien Waiver ) and a clear title report that releases all contractor, subcontractor and supplier liens.</li> <li>• To receive proceeds from an advance, CNC must receive lien waivers from the contractor, all subcontractors and suppliers upon completion of each stage.</li> </ul>				



<p><b>Construction Loan Agreement</b></p>	<p>Construction Loan Agreement an agreement between the borrower(s) and CNC that;</p> <ul style="list-style-type: none"> <li>• States the terms and conditions of the loan prior to the completion of the renovations.</li> <li>• States the events that constitutes a borrower(s) default and indicates the remedies available to CNC if the borrower(s) default under the terms of either the construction contract or other loan documents.</li> <li>• Requires the contractor to have all license(s) required by any government regulations and to obtain and keep in force an all-risk insurance policy (with a physical loss form endorsement and mortgagee’s loss payable clause) equal to 100% of the full replacement costs of improvements, public liability insurance, workmen’s compensation insurance (as required by applicable state law) and automobile liability insurance.</li> <li>• Requires that either the borrower(s) or the contractor(s) obtain (and keep in force) all work permits required by any government agency and comply with all applicable laws or government regulations.</li> </ul> <p>Requires that the borrower(s)</p> <ul style="list-style-type: none"> <li>• Submit to CNC, a title policy, an appraisal (if applicable) and a survey</li> <li>• Permit CNC to make property inspections,</li> <li>• Pay all costs and expenses required to satisfy any conditions of the agreement</li> </ul> <p>(including cost overruns, the cost of change orders and the cost of enforcement of the agreement in the event of default) Includes provision related to</p> <ul style="list-style-type: none"> <li>• The time, manner and method by which CNC disbursed advances of the loan proceeds,</li> <li>• Conditions on how the advance may be used,</li> <li>• Procedures on how to request an advance (including the proper format, information and required signatories),</li> <li>• Documentation required to support each request for disbursement of an advance (such as the title policy, any required lien waivers from all contractors, subcontractors and suppliers) and any required inspection reports; and,</li> <li>• The number and amount of payments that CNC is to make to the borrower(s) and/or contractor(s).</li> </ul> <p>Obligates the borrower(s) and the contractor(s) to enter into a construction agreement for all labor and materials to renovate the improvements and provide CNC with a copy of;</p> <ul style="list-style-type: none"> <li>• Contract,</li> <li>• Applicable plans and specifications that fully describe the work to be performed,</li> <li>• The construction budget (which provides a timetable for stages of completion and the schedule for advances for payment of amounts due),</li> <li>• A schedule of advances for payment of the renovation costs; and,</li> <li>• The requirements for requesting (and obtaining approval of) change orders.</li> </ul>
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<p><b>Completion Certificate</b></p>	<ul style="list-style-type: none"> <li>• Following completion of the renovation work, CNC must obtain a certification of completion from the original appraiser stating that the renovation was completed in accordance with the submitted plans and specifications. The certification must be documented on FNMA’s HomeStyle Renovation Completion Certification (Form: HomeStyle Renovation Completion Certificate). The contractor and the borrower(s) must complete, sign and deliver to CNC.</li> <li>• Concurrent with the last disbursement of funds, CNC must obtain a title update through the date the renovation was completed, thus ensuring the continuance of FNMA’s first lien priority and the absence of any mechanic’s or materialmen’s liens.</li> <li>• When the property is located in a state in which contractors’, subcontractors’ or materialmen’s liens have priority over mortgage liens, CNC must obtain all necessary releases or take any other action that may be required to ensure that the title to the property is clear of all encumbrances. CNC must also obtain for retention in the individual mortgage loan file a certification regarding the adequacy of the property insurance following completion of the renovation(s).</li> <li>• This certificate must confirm that the coverage has been increased, if necessary, to comply with FNMA’s standard hazard and flood insurance requirements.</li> </ul>										
<p><b>Vetting the Contractor</b></p>	<p><b>Contractor is selected by the borrower and must be accepted by CNC.</b>  <b>Contractor validation will be completed by the construction department.</b>  Business credit and single bureau personal will be pulled and reviewed by CNC.  Provide proof of the contractor's certificate of liability insurance coverage of at least \$500,000  <b>Provide w-9.</b>  <b>Business license required – per county regulations</b></p> <p>General Contractor is preferred but not required. Ex: Only roofing being done, then just a roofer is needed. If just HVAC is being done, then just a HVAC company is needed.</p> <p>Follow state and local requirements for licensing of contractor(s).</p>										
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