



Fannie Mae HomeStyle Renovation

POLICY	GUIDELINE
GENERAL DESCRIPTION	The FNMA HomeStyle Renovation Mortgage enables a borrower to obtain a purchase money mortgage or limited cash-out refinance mortgage and receive funds to cover the costs of repairs, remodeling, renovations, or energy improvements to the property.
BROKER/ CORRESPONDENT	This product is NOT available for Correspondent Relationships. Broker ONLY
CORE PROGRAM	Unless specifically stated in this product matrix, all standard agency Fannie Mae requirements apply.
PRODUCT TYPE & TERMS	<ul style="list-style-type: none"> • Fixed rate– 15 year and 30 year Temporary buy downs are not permitted.
ENCOMPASS LOAN PROGRAMS	Loan must be coded in Encompass as the following Loan Program: <ul style="list-style-type: none"> • Conventional HomeStyle Renovation Encompass path: New Loan/Reno Folder/ Conventional Reno Template/ MLS Reno
GENERAL REHABILITATION GUIDELINES	<ul style="list-style-type: none"> • Minimum amount of rehabilitation: none • Maximum amount of rehabilitation: limited to 50% of the “as completed” appraised value of the property. • Rehabilitation Construction must begin within 30 days of closing, and all work must be completed within 4 months (from closing) depending on the extent of the work to be completed. Lender may permit longer rehabilitation period on an exception basis. • Repair/Rehabilitation escrow funds held by the lender in an Interest-bearing account • The maximum number of escrow disbursements will be determined by the scope of the work and based on the Homeowner Contractor Agreement, as completed by the Contractor. If the borrower fails to perform under the agreements under the terms of the Rehabilitation Agreement, the lender may refuse to make further releases from the Rehabilitation Escrow Account. The funds in the account can be applied to reduce the principal balance. Also, the lender has the option to call the mortgage loan due and payable.
ELIGIBLE IMPROVEMENTS	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. Health and safety issues with the home must be addressed and repaired.
INELIGIBLE IMPROVEMENTS	<ul style="list-style-type: none"> • Renovations that add no value to the property. • Personal property • Items that are not permanently affixed to the property

**REHABILITATION
ESCROW ACCOUNT**

The costs of the renovations will be based on the plans and specifications for the work and on the contractor's bids for all of the work requested by the borrower. The mortgage amount cannot be increased to cover additional or increased expenses during the rehabilitation period. It is very important for the borrower to carefully select a contractor who will accurately estimate the cost of improvements and satisfactorily complete the rehabilitation at or below the estimate. All cost over runs (beyond the costs that can be covered from the contingency reserve) will be the responsibility of the borrower.

The rehabilitation escrow account is comprised of:

- Repairs – including materials and labor
- Contingency Reserve calculated from the total cost of repairs
- Inspection fees – the number of inspections correlates to the number of draws identified by the Contractor within the Homeowner Contractor Agreement.
- Title updates – the number of title updates correlates to the number of draws identified by the Contractor within the Homeowner Contractor Agreement
- Consultant and/or architectural/engineering fees
- Feasibility Study (paid at or before closing) – see Fees section
- Supplemental Origination Fee – see Fees section
- Permits
- Mortgage payments that come due during the renovation period, only if property is uninhabitable as determined by the appraiser

At closing, the lender must deposit the renovation escrow account into an interest-bearing account for the benefit of the borrower. Funds are released from the account to the contractor and the borrower 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. Once renovation is completed, all funds remaining in the rehabilitation escrow account, including any mortgage payment reserves, may be used to either reduce the unpaid principal balance of the mortgage (unless they represent funds deposited separately by the borrower), or on an exception basis, to make additional improvements or repairs to the property that are permanently affixed and add value to the property. Net interest income earned from the account must be paid to the mortgagor or used to reduce the principal balance (borrower decides and checks the applicable box on the Rehabilitation Borrower Acknowledgement form).

Contingency Reserve

- Minimum 10% contingency reserve for all properties. Additional contingency reserve may be required at the discretion of the underwriter.
- Contingency can be financed or paid in cash – if paid in cash, any amounts remaining in account can be returned to the borrower.
- The contingency reserve may be released only if required, necessary, and unforeseen repairs or deficiencies are discovered during the renovation.
- Unused contingency reserve funds may be applied to additional improvements or repairs that are permanently affixed to the property on an exception basis and only with a detailed request from the Contractor and written permission from MLS's Underwriting Department.
- Contingency funds may also be used to pay for additional draw inspection or title updates (beyond the amount already escrowed for).
- Unused contingency funds, unless they were received directly from the borrower, must be used to reduce the outstanding balance of the renovation mortgage after all of the renovation work has been completed and the certification of completion has been obtained.

Continued next page

REHABILITATION ESCROW ACCOUNT (continued)	<p>Mortgage Payment Escrow Accounts 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 primary residence property if the property cannot be occupied during the renovation period.</p> <p>This mortgage payment escrow must represent only those payments that come due during the period in which the property cannot be occupied. The maximum amount that may be escrowed is 6 full payments of PITI; however, the number cannot exceed the number of mortgage payments scheduled prior to the scheduled completion date.</p> <p>Excess funds Excess funds if any, after renovations are completed, may be applied to the loan balance as curtailment or may be reimbursed to the borrower for the cost of actual supplies or additional renovations for which paid receipts are provided. The value of sweat equity may not be reimbursed.</p>
FEES	<p>The following fees must be included on the Loan Estimate:</p> <ul style="list-style-type: none"> • Supplemental origination fee equal to the greater of \$350 or 1.5% of the rehabilitation escrow account. If the result of this calculation is greater than \$750, the supplemental origination fee is capped at \$750. • Feasibility Study - \$250 • Title Update – estimate of \$375 (based on a 4 draw project, increased if more draws are required) • Rehabilitation Escrow Administration Fee - \$500 • Final Inspection – estimate of \$750 (based on a 4 draw project, increased if more draws are required)
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence (1-4 unit) • Second Home (1 unit) • Investment Property (1 unit only)
CREDIT	<ul style="list-style-type: none"> • Tri-merge credit report is required. • Non-traditional credit is not permitted. <p>Note: Overlays may apply</p>
LOAN PURPOSE	<ul style="list-style-type: none"> • Purchase – the LTV ratio is determined by dividing the loan amount by the lesser of the “as completed” appraised value of the property or the sum of the purchase price of the property and the total rehabilitation costs (including soft costs, contingency, etc.). • Limited Cash-out Refinance – the LTV ratio is determined by dividing the loan amount by the “as completed” appraised value of the property. The loan amount may include: <ul style="list-style-type: none"> ○ The amount required to satisfy the existing first mortgage; ○ The amount required to satisfy any outstanding subordinate mortgage liens that were used to acquire the property, ○ Closings costs, prepaid and points; and ○ The total renovation costs including allowable renovation-related costs. <p>Note: No cash in hand is allowed in any amount. Any excess funds must be applied as a principal curtailment or may be reimbursed to the borrower for the cost of actual supplies or additional renovations for which receipts have been provided. The value of sweat equity may not be reimbursed.</p> <p style="text-align: center;">**The property must be owned for 6 months from the date of deed to closing date</p>

	**Cash-out refinance transactions are not permitted.																														
MAXIMUM LTV AND CREDIT SCORE	<p><i>Max LTV Eligibility Chart:</i></p> <table border="1"> <thead> <tr> <th>Transaction Type</th> <th>Number of Units</th> <th>Max LTV**</th> </tr> </thead> <tbody> <tr> <td colspan="3">Principal Residence</td> </tr> <tr> <td rowspan="3">Purchase Limited Cash Out Refi</td> <td>1 Unit</td> <td>95%</td> </tr> <tr> <td>2 Unit</td> <td>85%</td> </tr> <tr> <td>3-4 Unit</td> <td>75%</td> </tr> <tr> <td colspan="3">Second Homes</td> </tr> <tr> <td rowspan="2">Purchase Limited Cash Out Refi</td> <td>1 Unit</td> <td>90%</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td colspan="3">Investment Property</td> </tr> <tr> <td>Purchase</td> <td>1 Unit</td> <td>85%</td> </tr> <tr> <td>Limited Cash Out Refinance</td> <td>1 Unit</td> <td>75%</td> </tr> </tbody> </table> <p>**CLTV only allowed to resubordinate current seconds. Contact secondary for special pricing.</p> <p>Minimum 620 Credit Score with DU Approved/Eligible</p> <p>Manually underwritten loans are not permitted</p>	Transaction Type	Number of Units	Max LTV**	Principal Residence			Purchase Limited Cash Out Refi	1 Unit	95%	2 Unit	85%	3-4 Unit	75%	Second Homes			Purchase Limited Cash Out Refi	1 Unit	90%			Investment Property			Purchase	1 Unit	85%	Limited Cash Out Refinance	1 Unit	75%
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MAXIMUM LOAN AMOUNT	<p>Loan amount including the rehabilitation escrow account cannot exceed the conforming loan limit.</p> <ul style="list-style-type: none"> High balance loan limits for applicable areas are permitted <p>The "HomeStyle Renovation Max Mortgage Worksheet" may be used to assist in calculating the most available to your borrower.</p>																														
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> 1-4 Unit Single Family principal residence 1 Unit Second Homes 1 Unit Investment Property Warrantable Condos and PUDs <p>Manufactured Homes and Co-Ops are ineligible.</p>																														
SUBORDINATE FINANCING	Not permitted.																														
GEOGRAPHIC RESTRICTIONS	Available in all MLS eligible states as identified on the MLS Website - LINK																														
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> All borrowers must have a valid US Social Security number. US Citizen. Permanent Resident Alien with a valid green card. Non-Permanent Resident Alien with an acceptable visa. Must have established credit in the US. Must be paid in US dollars. Funds to close / reserves must be in US dollars in a US depository. 																														
NUMBER OF FINANCED PROPERTIES	If the mortgage is secured by a second home or investment property, the borrower must not own and/or be obligated on Notes secured by more than 4 financed properties, including his/her primary residence. Commercial properties and properties with 5+ units are not included in this limitation.																														

	<i>Joint ownership in residential real estate is considered the same as total ownership of an individual property.</i>												
AUS	<p>Loan to be evaluated using Desktop Underwriter and receive a DU Approved recommendation. In order to run a successful evaluation, add the sales price (or debt payoff, for refinances) and the repair costs together and insert this in the sales price (or debt payoff, for refinances) field. After the DU run, amend the sales price (or debt payoff) by breaking out the actual sales price (or debt payoff) from the repairs and place the repair costs in line b of the details of transaction. Toggling back to the actual sales price (or debt payoff) will ensure that any disclosures generated from Encompass will be accurate with respect to the sales price (or debt payoff).</p> <p>Note: DU will determine that the transaction is a HomeStyle Renovation if there is an amount entered on line b. (Alterations Improvements, Repairs) in the Details of Transaction.</p> <p>Manual underwriting will not be allowed.</p>												
QUALIFYING RATIOS	<p>Qualifying ratios must include accurate hazard insurance premiums and property taxes based on a fully assessed and improved property.</p> <p>Maximum debt ratios is determined by the number of units, as follows:</p> <ul style="list-style-type: none"> • 1 unit property – 45% maximum DTI regardless of DU • 2-4 unit property – 43% maximum DTI regardless of DU 												
RESERVES	<p>In addition to any other reserves required for a standard conventional loan (i.e. borrower with multiple finance properties), minimum reserves for the renovation program are as follows:</p> <ul style="list-style-type: none"> • Primary Residence <ul style="list-style-type: none"> ○ 1 unit – 2 months reserves ○ 2-4 unit – 6 months reserves • Second Home (1 unit) – 6 months reserves • Investment Property (1 unit) – 6 months reserves 												
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • Mortgage insurance must be ordered from United Guaranty (Arch MI) or Radian. Exception: • Borrower-paid single premium • Lender-paid mortgage insurance is not available • Standard mortgage insurance requirements must be met. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Amortization > 20 years</th> <th>Amortization ≤ 20 years</th> </tr> </thead> <tbody> <tr> <td>90.01% - 95% = 30%</td> <td>90.01% - 95% = 25%</td> </tr> <tr> <td>85.01% - 90% = 25%</td> <td>85.01% - 90% = 12%</td> </tr> <tr> <td>80.01% - 85% = 12%</td> <td>80.01% - 85% = 6%</td> </tr> <tr> <td colspan="2" style="text-align: center;">No Reduced or Custom MI</td> </tr> <tr> <td colspan="2" style="text-align: center;">Financed MI: Gross LTV cannot exceed program maximum</td> </tr> </tbody> </table>	Amortization > 20 years	Amortization ≤ 20 years	90.01% - 95% = 30%	90.01% - 95% = 25%	85.01% - 90% = 25%	85.01% - 90% = 12%	80.01% - 85% = 12%	80.01% - 85% = 6%	No Reduced or Custom MI		Financed MI: Gross LTV cannot exceed program maximum	
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HAZARD INSURANCE	Insurance Company to determine the appropriate type of insurance to place on the property (i.e. builder’s risk, HO3, construction addendum to the Homeowner’s insurance) based on the scope of work being completed.												
TITLE COMMITMENT	Mechanic’s lien coverage is not required. However, the title company needs to be aware that the loan is a renovation draw loan.												

CONTRACTS/BIDS	<ul style="list-style-type: none"> • Only “fixed price” contracts subject to changes made by the underwriter are acceptable • Contract must cover labor and cost of material. • Contract must specify the total cost estimate and allotted time to complete the work signed and dated by all parties • Additional bids may be required at Underwriter’s discretion after review of the cost estimates to insure accuracy.
APPRAISAL REQUIREMENTS	The appraisal report must provide an “as completed” appraised value that estimates the value of the property after completion of the renovation work
SELF-HELP	Self Help or Self-Build is NOT permitted. Please see the <i>Contractor Requirements and Acceptance</i> section for details on Contractor Acceptance.
TRINITY LOAN ADMINISTRATION	<p>MLS has partnered with Trinity Loan Administration to assist with the following renovation financing processes: 1) Contractor Acceptance; 2) Feasibility Study and 3) Collateral Review. Our Construction Lending Department will handle Funds Management during the draw process.</p> <p>MLS Processor to order the Contractor Acceptance Review, Feasibility Study and Collateral Review.</p> <ul style="list-style-type: none"> ○ All orders to be sent to the Construction Lending Department
CONTRACTOR REQUIREMENTS AND ACCEPTANCE	<p>All renovation work must be performed by a licensed contractor. Only one General Contractor can be used. An additional “specialty” contractor may be required based on the scope of work. This will be permitted on a case-by-case basis.</p> <p>A borrower must choose his or her own contractor to perform the needed renovation, subject to the lender’s determination that the contractor is qualified and experienced, has all appropriate credentials required by the state, is financially able to perform the duties necessary to complete the renovation work in a timely manner, and agrees to indemnify the borrower for all property losses or damages caused by its employees or subcontractors. There cannot be an identity-of-interest between any parties participating in the transaction.</p> <p>The lender may not choose the contractor or refer the borrower to any one specific contractor.</p> <p>Contractor must meet the following requirements:</p> <ul style="list-style-type: none"> • Must be licensed, if applicable per state or other jurisdictional law • Must be insured and bonded • Must have at least 3 years work experience <p>Contractor will receive MLS’s Contractor Package and return the executed forms and requested documentation:</p> <ul style="list-style-type: none"> • Trinity’s Builder Registration Form • Project Jurisdiction Information Sheet • Important Notice to Contractor • IRS Form W-9 • Contractor License • Evidence of Liability Insurance, and Worker’s Compensation Insurance, unless exempt • Valid City Tax Certificate, if applicable. <p>Trinity will perform the contractor acceptance review. Loan Officer will order the Contractor Review.</p> <p>MLS has the ultimate authority for accepting a contractor.</p> <p>Review the Accepted Contractor List on the Renovation intranet webpage.</p>

FEASIBILITY STUDY	<p>An independent inspector assigned by Trinity will inspect the property to verify that the necessary improvements to the property are included in the scope of work.</p> <p>Typically, the feasibility study is completed after the appraisal is received. However, the borrower can opt to have the feasibility study ordered at the same time as the appraisal.</p> <p>MLS Processor to order the Feasibility Study through the Construction Lending Department. The Contractor should be available to at the property when the inspection takes place. Coordination with the Real Estate Agent will be required. The Feasibility Study report should be available within 5 business days of inspection.</p> <p>The \$250 cost of the feasibility study is due at time of inspection. Since Trinity will invoice MLS for the service, the borrower must pay MLS for this service at the time of inspection (assuming that the GFE and TIL have already been provided). Borrower to pay MLS via credit card payment.</p>
PLANS AND SPECIFICATIONS	<p>The plans and specifications must be prepared by a registered, licensed, or certified general contractor, renovation consultant, or architect.</p> <p>The plans and specifications should fully describe all of the work to be done and provide an indication of when various jobs or states of completion will be scheduled (including both the start and completion dates).</p> <p>The lender must use the plans and specifications to document and evaluate the quantity, quality, and cost of the renovation work that is to be done and to determine the amount of financing that will be available.</p> <p>These plans and specifications also must be used by the appraiser in the development of his or her opinion of the “as completed” value of the property.</p> <p>For any changes, a “HomeStyle Change Order Request” must be provided by the borrower detailing the change, cost and estimated completion date.</p>
PERMITS	<p>All required permits must be obtained prior to the commencement of work.</p>
COST OVER-RUNS	<p>It is crucial that the work estimates be accurate to ensure there are enough funds to complete the work specified. The contingency reserve provides an “emergency supply” of funds for unforeseen expenses that may arise during a project, but it is not meant as a cushion for poor estimating. Any funds remaining after the project has been completed can be used for additional improvements (permanently affixed to the property and add value) or upgrades approved by the lender or applied to the principal.</p> <p>Any costs that exceed the total amount of repairs and contingency must be paid by the borrower. Funds used to pay cost-over-runs must be documented.</p>
IDENTITY-OF-INTEREST	<p>Identity-of-Interest:</p> <ul style="list-style-type: none"> • Between the buyer and the contractor – not permitted • Between the buyer and the lender – not permitted.

**ADDITIONAL
REQUIRED FORMS**

Borrower signed documents	
During Processing	<ul style="list-style-type: none"> • Borrower’s Acknowledgement – Rehabilitation Loan (conventional renovation) • Notice to Borrower – Rehabilitation Loans (conventional renovation) • Loan Disbursement Guide (conventional renovation)
After receipt of acceptable bid	<ul style="list-style-type: none"> • Homeowner/Contractor Agreement (on the intranet) • Conventional Renovation Maximum Mortgage Worksheet, borrower’s signature is optional
At Closing	<ul style="list-style-type: none"> • MLS Rehabilitation Loan Agreement • MLS Rehabilitation Loan Rider • Contact Information Sheet/Authorization for Third Party Release

Contractor signed documents	
During Processing	<ul style="list-style-type: none"> • Builder Registration Form • Project Jurisdiction Information Sheet • Important Notice to Contractor • W-9 <p>Must obtain copies of contractor’s valid license and evidence of insurance. Also obtain copy of valid city tax certificate, if applicable.</p>
After receipt of acceptable bid	<ul style="list-style-type: none"> • Homeowner/Contractor Agreement (on the intranet)

Lender signed documents	
During Processing by Originator	<ul style="list-style-type: none"> • Borrower Acknowledgement – Rehabilitation Loan
At Approval by Underwriter	<ul style="list-style-type: none"> • Conventional Renovation Maximum Mortgage Worksheet, signature is optional
At Closing	<ul style="list-style-type: none"> • Rehabilitation Loan Agreement

Texas only documents*	
At Closing	<ul style="list-style-type: none"> • Construction Escrow Agreement and Release Instruction
At Closing	<ul style="list-style-type: none"> • Mechanic’s Lien Note
At Closing	<ul style="list-style-type: none"> • Mechanic’s Lien Contract
At Closing	<ul style="list-style-type: none"> • Residential Construction Contract Disclosure
At Closing	<ul style="list-style-type: none"> • Renewal and Extension Addendum
At Closing	<ul style="list-style-type: none"> • Transfer of Lien
At Closing	<ul style="list-style-type: none"> • Settlement Certification Conditional Waiver and Release on Final Payment

**Consult approved attorney for completion of required forms. MB does not support these documents at this time.*

See ‘Escrow Disbursement’ section below for listing of documents needed for final draw.

**SELLER
CONCESSIONS**

Occupancy	LTV	Maximum Contribution
Primary	> 90% LTV	3%
Primary and Second Homes	75.01% - 90%	6%
	≤ 75%	9%
Investment Properties	All LTVs	2%

DOCUMENT AGE

- Wood Destroying Insect Report, if required – **90 Days**
- Credit Docs, cannot be more than **120 Days old on the note date**
- Appraisal, **120 Days**

<p>OPERATIONAL NOTES</p>	<p><u>Processor</u></p> <ul style="list-style-type: none"> • Order the Contractor Review, Feasibility Study, and Collateral Review from the Construction Lending Department. • Complete the Conventional Renovation Maximum Mortgage Worksheet. • Please refer to the AUS section on instructions on how to run Loan Prospector. <p><u>Processor</u></p> <ul style="list-style-type: none"> • Please refer to the AUS section on instructions on how to run Loan Prospector. • Prior to release of the loan to “clear to close” status, the underwriter will need the closing date. The Underwriter needs this date in order to properly calculate the renovation completion date. This date is displayed to the borrower on the Rehabilitation Loan Agreement that is signed at closing. <p><u>Underwriting</u></p> <ul style="list-style-type: none"> • Complete the final version of the Conventional Renovation Maximum Mortgage Worksheet. • Ensure that the credit documents meet the requirements of being no more than 120 days old at the first P & I payment. • 1008 – code the loan as a purchase or a refinance (not as construction or CP). Underwriter must indicate in the Underwriter Comments that the mortgage is a Renovation Mortgage. • For limited cash-out refinances, ensure that the borrower does not receive any cash back. • Completion date input for Encompass <ul style="list-style-type: none"> ○ Once the final rehabilitation escrow account figure (line C6 of the Conventional Renovation Maximum Mortgage Worksheet) has been calculated and finalized, please enter this figure into the “Amount of Escrow” field. By entering this figure, it will feed to the Rehabilitation Loan Agreement. ○ In the UB-Renovation Max Mortgage Worksheet in Encompass, enter the amount of days the project will take in the “Days to Complete” (upper right). Also enter the “Reno Completion Date”. This should carry over into the Renovation Loan Agreement. <p><u>Closing</u></p> <ul style="list-style-type: none"> • There is a Rehabilitation Loan Rider that will be recorded with the Mortgage. Ensure accurate recording fees are reflected on the Closing Disclosure. • In Encompass Closing Documents, the “Rehabilitation Loan Rider” must be printed • Ensure that the Rehabilitation Loan Agreement that is generated for the closing package contains the total rehabilitation cost in paragraph 3 and that the completion date for repairs populates in paragraph 17. If either of these items do not populate, please contact Underwriting. • For limited cash-out refinance transactions, ensure that the borrower does not receive any cash back in any amount.
<p>ESCROW DISBURSEMENT</p>	<p>Disbursements are made from the repair escrow account to pay for the repairs made to the home.</p> <ul style="list-style-type: none"> • Disbursements are made periodically throughout the rehabilitation phase as work is completed. Borrower and Contractor to sign a Draw Request Form. Disbursement amounts vary and are based on the work performed. Checks are made payable to the Borrower and the Contractor. <p>EXCEPTION - DEPOSITS</p> <p>Occasionally, funds are needed from the repair escrow account to use as an up-front deposit for flooring, cabinets, roofing and windows. Funds can be disbursed from the account to be used for a deposit in an amount not to exceed 50% of the material. An invoice for the material must be provided to the Disbursement Team. The deposit check will be made payable directly to the material vendor/supplier.</p> <ul style="list-style-type: none"> • Evidence that permits have been issued are required prior to release of the first disbursement. • Inspections are required prior to each disbursement. • Title must be clear before the final funds are disbursed.

**ESCROW
DISBURSEMENT
(continued)**

Holdback

A 10% holdback is required on each release from the Renovation Escrow Account. The total of all holdbacks may be released only after a final inspection of the rehabilitation and issuance of the final release notice. The lender may retain the holdback for a maximum of 35 calendar days, or the time period required by law to file a lien, whichever is longer, to ensure that no liens are placed on the property.

For deposits on flooring, roofing, cabinets and windows there is no holdback on the deposit, but the final payment is subject to the holdback.

Disbursement Documentation

At each draw request, the following documents are required

- Draw Request form, fully executed by the Borrower and Contractor
- Evidence that proper permits were secured (at first draw only)
- Title update to reflect no mechanic liens
- Lien Waiver signed by the Contractor
- Property Inspection supporting completion of items indicated in Draw Request

Final Disbursement Documentation

When the rehabilitation is complete, in addition to the items listed above (“Disbursement Documentation”), the following will be required.

- Mortgagor’s Letter of Completion
- Final Inspection – documentation varies based on the time that has elapsed since closing or first payment date:
 - Completion Report (Form 1004D) will be required to document the completion of renovation work.

Note: For any changes deviating from the original plan may require a new appraisal/update to determine if value is affected.

Method of Disbursement

Funds will be sent to the borrower via overnight courier. Check is made payable to the borrower and the contractor via a two-party check.

Final Close-out/Release Notice

Any amount remaining in the repair escrow account after the final disbursement will be applied to principal balance of the loan. This includes any unused portion of the bid, contingency reserve funds, inspection fees or title update fees (unless the borrower paid cash for any of these items).

Change Orders

Before approving any change a borrower wants to make to the original plans and specifications, the borrower must submit a HomeStyle™ Change Order Request (Form 1200) to provide a detailed description of the change(s), the cost of the change(s), and the estimate completion date(s). Form must be signed by the Contractor and the Borrower. Request is evaluated by Underwriter who approves or declines the request.

Updated Appraisal for Changes

An updated appraisal is required when repairs deviate material from the original renovation plan, and any increase in the LTV as a result of such deviations must be self – reported to Fannie Mae.

Certificate of Occupancy

A certificate of Occupancy must be obtained upon completion of renovations if it is required by local authorities for the type of work completed.

Re-Qualification Not Required at time of Completion

Re-qualification of the borrower at the time of the completion of the rehabilitation is not required since the borrower is already making P & I payments on the loan.