

# Fannie Mae HomeStyle: A LifeStyle Home Improvement Loan



1/7/21

# What is a Fannie Mae “LifeStyle” Loan?



- Offers a solution to help Borrowers obtain financing that covers both the acquisition and/or rehabilitation of the property
- **Purchase transactions only**
- Can borrow against the projected property value after improvements
- Increases property value and builds equity
- Improvements must be permanently affixed (excluding kitchen appliances)
- Can escrow up to 6 months PITI if property is uninhabitable during the renovation period provided certain requirements met. **When financing the PITI, a Builders Risk insurance policy is required**

- **Luxury items are eligible on the Fannie Mae HomeStyle LifeStyle loan, which is a key selling feature. Examples of eligible luxury “lifestyle” improvements:**
  - ✓ **Exterior spa or sauna**
  - ✓ **Swimming pool**
  - ✓ **Built in BBQ island and outdoor kitchens**
  - ✓ **Built in outdoor fireplaces**
  - ✓ **In-ground swimming pool installation or repairs**
  - ✓ **Satellite dishes**
  - ✓ **Tennis courts**
  - ✓ **Generator**

- **Structural, non-structural, and cosmetic projects. Eligible items include but are not limited to:**
  - ✓ **Major structural alterations and additions (attached/detached) Structural additions cannot add another “unit” (i.e. cannot change the property from a 1-unit to a 2-unit). Ineligible for manufactured home**
  - ✓ **Construction of an accessory unit that meets Fannie Mae requirements allowed; see guides for complete details (Cannot change a 1-unit to a 2-unit).**
  - ✓ **Major landscaping and site improvements**
  - ✓ **Swimming pool repair or addition**
  - ✓ **Remodeling of rooms, including kitchens & bathrooms. Kitchen appliances may be built-in or free-standing**
  - ✓ **Relocation of load bearing walls**
  - ✓ **Construction or rehabilitation of outbuilding structures (e.g. pool house or garage)**
  - ✓ **Basement finishing or waterproofing**

- **Minimum credit score 680**
- **Reserves and DTI per DU findings**
- **Fixed rate with 30 and 15 year terms available**
- **General eligibility for both conforming and high balance loan amounts are as follows:**

Owner-Occupied Primary Residence					
<i>Transaction Type</i>	<i>Units</i>	<i>LTV</i> <sup>1</sup>	<i>CLTV</i>	<i>Loan Amount</i> <sup>2</sup>	<i>Credit Score</i>
Purchase	1	97% <sup>4</sup>	97% <sup>3,4</sup>	Refer to Loan Limits Below	680
	1	95%	95% <sup>3</sup>	Refer to Loan Limits Below	680
Second Home					
<i>Transaction Type</i>	<i>Units</i>	<i>LTV</i> <sup>1</sup>	<i>CLTV</i>	<i>Loan Amount</i> <sup>2</sup>	<i>Credit Score</i>
Purchase	1	90%	90%	Refer to Loan Limits Below	680
Investment (Non-Owner Occupied)					
<i>Transaction Type</i>	<i>Units</i>	<i>LTV</i> <sup>1</sup>	<i>CLTV</i>	<i>Loan Amount</i> <sup>2</sup>	<i>Credit Score</i>
Purchase	1	85%	85%	Refer to Loan Limits Below	680

- **Transactions secured by a manufactured home:**

Owner-Occupied Primary Residence					
<i>Transaction Type</i>	<i>Units</i>	<i>LTV</i>	<i>CLTV</i>	<i>Loan Amount</i> <sup>2</sup>	<i>Credit Score</i>
Purchase	1	95% <sup>1</sup>	95%	<a href="#">Refer to the Loan Limits topic</a>	680
Second Home					
Purchase	1	90% <sup>1</sup>	90%	<a href="#">Refer to the Loan Limits topic</a>	680

- **No minimum repair amount**
- **Funds for renovation are eligible as follows:**
  - ✓ **75% of the lesser of:**
    - **The acquisition plus renovations costs, or**
    - **The “after-improved” appraised value**
  - NOTE: Homebridge limits the maximum repair amount to \$150,000**
  - ✓ **Manufactured homes: Renovation costs cannot exceed the lesser of:**
    - **\$50,000, or**
    - **50% of the “after-improved” value**
- **Cosmetic updates, complicated projects, and luxury items eligible**
- **Contingency Reserve established by Homebridge: 10% (up to 15% may be required if utilities off or complicated projects)**

- **Work to start within 30 days of closing; must be completed within 6 months of closing**
- **Maximum 5 draws permitted**
- **One (1) General Contractor allowed**
- **Feasibility Study prepared by HUD Consultant required when total rehabilitation costs exceed \$15,000 or when required by Homebridge (N/A Streamline Option)**
- **Up to 6 months PITI can be financed on a primary residence with HUD Consultant recommendation in Feasibility Study and Homebridge RCD approval. **A Builders Risk insurance policy is required****



- **Streamline Option: The Streamline option, which does not require the use of a consultant, is eligible subject to Homebridge RCD approval and:**
  - ✓ **Property is a 1-unit owner-occupied or second home, and**
  - ✓ **The scope of work is ≤ \$35,000**
  - ✓ **Requirements:**
    - **A detailed contractor bid outlining the scope of work and costs**
    - **A minimum of one energy efficient improvement must be included in the scope of work**
    - **General contractor not required if contractors properly licensed and insured. Max 3 contractors if no general**
    - **Qualified third-party inspection company or original appraiser must perform inspections for draw requests**
    - **Max 3 draws when general contractor utilized**
    - **Max 2 draws with no general contractor**
    - **No upfront money will be disbursed**

# What is Included in Rehabilitation Costs



- **Total cost of rehabilitation (labor and materials)**
- **Feasibility Study fee (required when total rehabilitation costs exceed \$15,000 or per Homebridge, excluding Streamline Option)**
- **Financed Contingency Reserve**
  - ✓ **Amount established by Homebridge Renovation Concierge Department**
- **Inspection Fees**
- **Permit Fees (as applicable)**
- **Architectural/Engineering Fees (as applicable)**
- **Final Title Update Fee (one per transaction)**
- **Up to 6 months PITI if property uninhabitable with HUD Consultant approval (owner-occupied only)**
- **Discount Points**

# Maximum Mortgage Amount

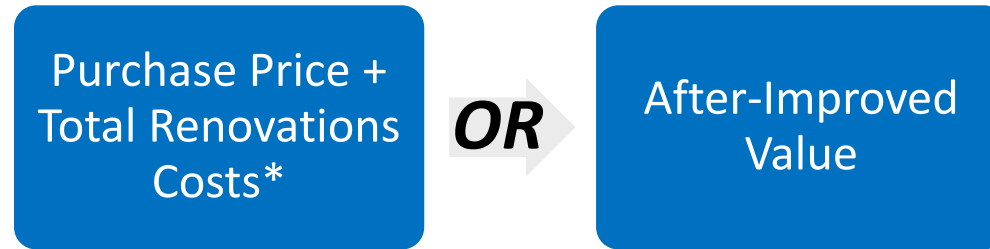


- **LTV is based on the lesser of:**
  - ✓ **Purchase Price plus total cost of rehabilitation, or**
  - ✓ **After-Improved value**
    - **Maximum allowable repairs cannot exceed 75% of the LTV as determined above**

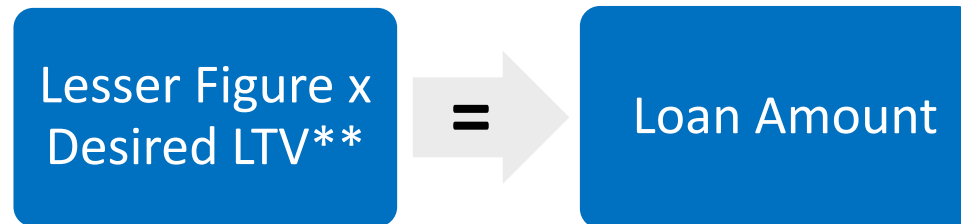
**NOTE: Homebridge limits the maximum renovation amount to \$150,000**

- **Benefit of Fannie Mae HomeStyle LifeStyle loan: can borrow against the property value after improvements**

## Step 1: Identify the lesser of the below figures:



## Step 2: Multiply the lesser figure from Step 1 by the desired LTV\* to obtain the loan amount:



*\*Maximum allowable repairs cannot exceed 75% of the lesser of Step 1*

**\*\*Up to allowable program maximum LTV**

# Maximum Mortgage Amount: Purchase Example



HomeStyle Renovation Purchase	
<b>Purchase Price and Renovation Costs</b>	
Purchase Price	\$ 280,000
Total Cost of Repairs (labor & materials)	\$ 15,215
Renovation-Related Costs	\$ 1,875
Contingency Reserve (10%)	\$ 1,521
Allowable Financed PITI (owner-occupied only)	\$ 1,500
<b>Total Purchase Price and Renovation Costs</b>	<b>\$ 300,111</b>
<b>After-Improved Value</b>	<b>\$ 290,000</b>
<b>Loan Amount based on desired LTV of 95%</b> <i>Calculated on the lesser of As-Completed Value or Purchase Price + Renovation Costs</i>	<b>\$ 275,500</b>

## Loan Amount Calculation

**Step 1:** Identify the lesser of the below figures:

- Purchase Price + Total Renovation Costs
- After-Improved Value

**Step 2:** Multiply the lesser figure from step one by the desired LTV (up to allowable program maximum LTV) to obtain the loan amount

- In this example the After-Improved value is less than the Purchase Price + Renovation Costs
- Therefore, 95% of the After-Improved value is used to calculate the loan amount of \$275,500

*Partners for the Path Ahead*

<b>HomeStyle Renovation Specific Fees</b>			
<b>Fee</b>	<b>Feasibility Study <u>Not</u> Required</b> <i>(total cost of renovation &lt; \$15,000 )</i>	<b>Feasibility Study Required</b> <i>(total cost of renovation &gt;\$15,000 <u>OR</u> per Homebridge)</i>	<b>LE Section</b>
<b>Inspection Fee(s)</b>	Estimate re-inspection fee at \$200 per draw X number of draws per Contractor	Number of draws and fee per draw per Feasibility Study	Section B
<b>Final Re-inspection Fee</b>	Estimate at \$200	Estimate at \$200	Section B
<b>Final Title Update Fee</b>	1 Final Title Update Fee \$95 – all states	1 Final Title Update Fee \$95 – all states	Section B
<b>Permits <i>(as applicable)</i></b>	Amounts per Contractor Bid(s) or Feasibility Study	Amounts per Contractor Bid(s) or Feasibility Study	Section H
<b>Architectural/Engineering Fees <i>(as applicable)</i></b>	Amounts per Contractor Bid(s) or Feasibility Study	Amounts per Contractor Bid(s) or Feasibility Study	Section H
<b>Feasibility Study Fee</b>	N/A	Amount per Feasibility Study Invoice	Section B or C