HomeStyle Renovation Product Offering



 $A\ division\ of\ Home Bridge\ Financial\ Services,\ Inc.$

Overview of HomeStyle Offering



- Define the HomeStyle product and features
- Discuss benefits of the HomeStyle renovation loan
- Learn how to determine eligibility
- Review guideline specifics
- Tips for calculating HomeStyle loan amounts
- Tips for preparing a HomeStyle LE
- Learn what to expect from Homebridge's process
- Provide helpful HomeStyle resources

What is a HomeStyle Renovation Loan?



- Offers a solution to help Borrowers obtain financing that covers both the acquisition and/or rehabilitation of the property
- Purchase and rate/term refinances available
- Funds for renovation are eligible as follows:
 - ✓ **Purchase Transactions:** The maximum repair amount is the **lesser** of:
 - > \$200,000, or
 - > 50% of sales price
 - ✓ Rate/Term Refinance: The maximum repair amount is the lesser of:
 - > \$200,000, or
 - 25% of the "after-improved value
 - ✓ Manufactured Homes: Renovation costs cannot exceed the lesser of:
 - > \$50,000, or
 - > 50% of the "after-improved" value

What is a HomeStyle Renovation Loan?



- Improvements must be permanently affixed (excluding kitchen appliances). Structural additions may be attached or detached but cannot add another "unit" (i.e. cannot change the property from a 1-unit to a 2-unit) (structural renovations ineligible on manufactured homes)
- Construction of an accessory unit allowed. Fannie Mae defines an accessory unit as an additional living area independent of the primary dwelling that includes a fully functioning kitchen and bath (e.g. living area over a garage, basement unit, etc.). The accessory unit must comply with all local zoning requirements and building codes for the local area

Why Choose the HomeStyle Renovation?



- Key program highlights include:
 - ✓ Allows for repairs and improvements to be completed after closing for purchases and refinances via the establishment of an interest-bearing escrow account
 - Renovation funds are included in the loan amount
 - ✓ Can borrow against the property value <u>after</u> improvements
 - ✓ Avoid construction loans
 - ✓ Increases property value and builds equity
 - ✓ Combines the cost of the home and renovation into one low cost, single close mortgage

Program Eligibility/Guidelines



Loans will be underwritten to Homebridge's HomeStyle guidelines. General eligibility for both conforming and high balance loan amounts are as follows:

Owner-Occupied Primary Residence						
Transaction Type	Units	LTV ¹	CLTV	Loan Amount ²	Credit Score	
Purchase and Rate/Term Refinance	1	90%	90% 3	Refer to Loan Limits Topic	620	
Second Home						
Transaction Type	Units	LTV ¹	CLTV	Loan Amount ²	Credit Score	
Purchase and Rate/Term Refinance	1	90%	90%	Refer to Loan Limits Topic	620	
Investment (Non-Owner Occupied)						
Transaction Type	Units	LTV ¹	CLTV	Loan Amount ²	Credit Score	
Purchase	1	85%	85%	Refer to Loan Limits Topic	620	
Rate/Term Refinance	1	75%	75%	Refer to Loan Limits Topic	620	

Manufactured housing LTV grid on next slide

Program Eligibility/Guidelines



Transactions secured by a manufactured home:

Owner-Occupied Primary Residence							
Transaction Type	Units	LTV	CLTV	Loan Amount 2	Credit Score		
Purchase and Rate/Term Refinance	1	90% 1	90%	Refer to the Loan Limits topic	620		
Second Home							
Purchase and Rate/Term Refinance	1	90% 1	90%	Refer to the Loan Limits topic	620		

Program Eligibility/Guidelines (cont.)



- Purchase and rate/term refinance transactions
- Occupancies: 1-unit Owner-Occupied, Second Home, and Investment properties eligible
- Conforming and High Balance loan amounts
- Fixed rate with 30 or 15 year term
- Minimum credit score per DU
- DTI/Reserve requirements per DU
- "Approve/Eligible" DU Findings required
- Only one renovation loan may be in process at the same time
- A Streamline Option is available for renovations with project costs ≤ \$35,000; refer to slide 16 for details

Property Eligibility



- New construction eligible subject to:
 - ✓ Newly built home must be at least 90% complete.
 - ✓ Required work cannot be structural
 - ✓ Eligible items are buyer-selected items that were not completed by the original builder such as flooring, cabinets, fixtures, kitchen appliances, and trim
- Properties that are currently boarded up, condemned <u>and</u> uninhabitable are generally <u>not</u> eligible
 - ✓ Boarded up, condemned and uninhabitable properties in disaster areas will be considered on a case-by-case basis
- All health and safety issues must be addressed through the renovation loan

Condo Eligibility



- Condos are eligible for HomeStyle renovation
 - ✓ Project must allow for proposed renovation work under the bylaws of the HOA
 - ➤ The HOA will be required to provide written approval for the renovation work
 - ✓ Renovation work limited to interior of the unit, including the installation of fire walls in the attic
- Specific appraisal requirements apply for comps
 - ✓ Condos require 2 comparable sales from projects <u>other</u> than
 the subject loan project
- Full project review and approval required

Mortgage Insurance



- MI is required on all transactions with an LTV greater than 80%
 - ✓ LTV based on *lesser* of After-Improved value <u>OR</u>
 - ✓ Purchase Price + Total Rehabilitation Cost
- MI subject to the more restrictive of Homebridge or MI company guideline
- Eligible HomeStyle MI providers:
 - ✓ Essent
 - ✓ Radian
- Standard MI products and options available
- High Balance loans allow financed MI, but LTV cannot increase above the allowable maximum LTV

Qualification: Taxes and Insurance



- Taxes for qualification purposes: Calculate using <u>current property taxes</u>, regardless of property state location
- Insurance for qualification purposes: Calculate using the standard amount of required property insurance
 - ✓ Refer to the Insurance Quick Reference Guide for details



HomeStyle Renovation Specifics

HomeStyle Renovation Features



- No minimum repair amount
- Homebridge limits the maximum repair amount as follows
 - ✓ Purchase Transactions: The maximum repair amount is the <u>lesser</u> of:
 - > \$200,000, or
 - ➤ 50% of sales price
 - ✓ Rate/Term Refinance: The maximum repair amount is the lesser of:
 - > \$200,000, or
 - 25% of the "after-improved value"
- Eligible for cosmetic updates, complicated projects, and luxury items (structural items ineligible for manufactured home)
- Contingency Reserve established by Homebridge: 10% (15% if utilities not on <u>or</u> not in good working order; 5% permitted for swimming pools)
- Work to start within 30 days of closing

HomeStyle Renovation Features (cont.)



- Work must be completed within 9 months of closing
- Maximum 5 draws permitted
 - One (1) General Contractor allowed
 - ✓ Specialty contractor permitted under General Contractor with Homebridge approval (foundation, pool, well/septic etc.)
 - Feasibility Study prepared by HUD Consultant required when total rehabilitation costs exceed \$15,000 or at requirement of Homebridge
 - ✓ In certain instances where total rehabilitation costs exceed \$15,000 but are a single repair item (i.e. swimming pool), Feasibility Study may not be required (with RCD approval)

Streamline Option (cont.)



- Streamline Option: The Streamline option, which does not require the use of a consultant, is eligible when approved by the Homebridge RCD and:
 - ✓ Property is a 1-unit owner-occupied or second home, and
 - ✓ The scope of work is \leq \$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

HUD Consultant Role (required when total rehab costs exceed \$15,000 or per Homebridge)



- Approved HUD Consultant required to prepare Feasibility Study in two instances:
 - ✓ When total rehabilitation costs exceed \$15,000 (unless Streamline Option utilized) or
 - ✓ At the requirement of Homebridge Renovation Concierge Department
- Consultant works for Homebridge but is selected by the Borrower
- HUD Consultant manages the draw process :
 - ✓ Provides Feasibility Study (Work Write-Up <u>not</u> required on HomeStyle)
 - ✓ Provides draw schedule/performs inspections to approve disbursements
 - ✓ Provides recommendation for Contingency Reserve amount to be established (final amount set by Homebridge Renovation Concierge Department)
- HUD Approved Consultant Search: <u>Find a HUD Consultant</u>
- Certain areas may not offer HUD Approved Consultants; if necessary,
 Homebridge RCD can review and approve use of independent 3rd party
 inspection company

 Partners for the Path Ahead

HUD Consultant Feasibility Study (required when total rehab costs >\$15,000 or per Homebridge)



- Details of HUD Consultant's Feasibility Study, AKA "Feasibility Analysis"
 - ✓ Required if total rehabilitation costs exceed \$15,000 or per Homebridge
 - ✓ Signed by Consultant and Borrower
 - ✓ Describes quantity/quality of materials required
 - ✓ Lists market costs of materials, labor, overhead, profit
 - ✓ Includes adequacy of existing structural, heating, plumbing, electrical and roofing
 - ✓ Provides a *recommended* Contingency Reserve amount
 - ➤ Homebridge Renovation Concierge Department (RCD) establishes the Contingency Reserve amount and is not bound to the Consultant recommendation
 - √ Fee for Feasibility Study ranges based upon scope of work

HUD Consultant Requirements



- Homebridge Renovation Concierge Department can require a HUD Consultant when the total rehabilitation costs are less than \$15,000 in certain instances
 - ✓ Often required if Contractor Bid calls for more than 2 draws

Sample Feasibility Study



John Smith HUD Consultant HUD ID #: A1234

Required Document for HomeStyle:

- Total rehabilitiation cost exceeds \$15,000 OR
- At the recommendation of the HomeBridge Renovation Concierge Department

Feasibility Site Report (AKA Feasibility Study)

SUBJECT PROPERTY

Parcel #: 012-987-01 1234 Oak Street, Anytown, CA 90000

BORROWER

Mr. & Mrs. Customer

LENDER

- In certain instances where total rehabilitation costs exceed \$15,000 but are a single repair item (ie: swimming pool), a Feasibility Study may not be required
- HomeBridge Renovation Concierge Department approval required



Property Information

Subject Property Address

Parcel #: 012-987-01 1234 Oak Street Anytown, CA 90000

Lender

Lender Contact

Prepared by

Michael Smith

Additional Testing Services, Certifications or Cost Items that may be necessary					
Recommendations					
Underground oil tank Certification	N/A	Radon Test	I N/A		
LBP Certification	N/A	Termite Inspection	Х		
Well Water Certification	N/A	Structural Engineers report	N/A		
Septic Certification	N/A	Soils report	N/A		
Site survey	N/A	Chimney Certification	X		
Architectural Plans	N/A	Asbestos certification	N/A		

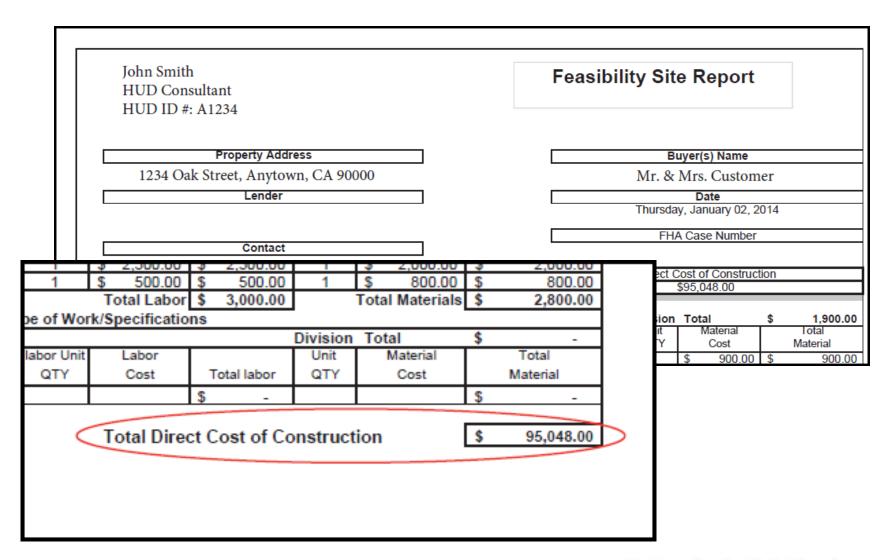
Reviews property for compliance with HUD MPS (Minimum Property Standards)

Note: The Home Inspection is performed to identify those items that require repairs for a property to comply with HUD's Minimum Property Standards as defined in HUD Handbook 4905.1. The Borrower may wish to consider the above recommended inspections to further protect their interests beyond scope of the inspection.

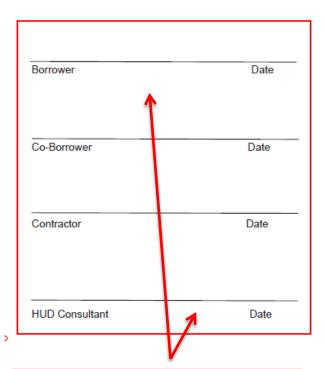
All repairs must be performed in conformance with local zoning ordinances and codes.

All work within this Report to be Performed by a Licensed Contractor

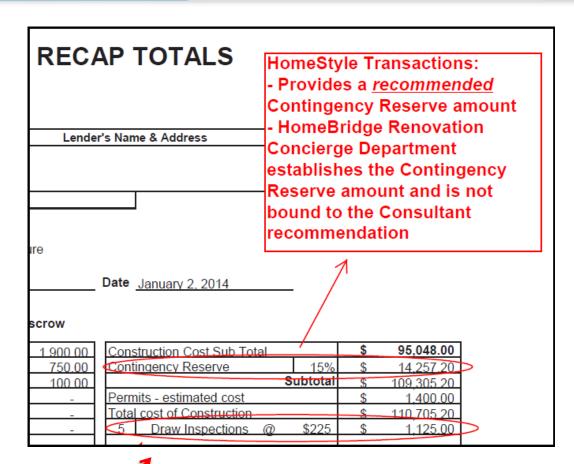








Borrower and HUD Consultant signatures required

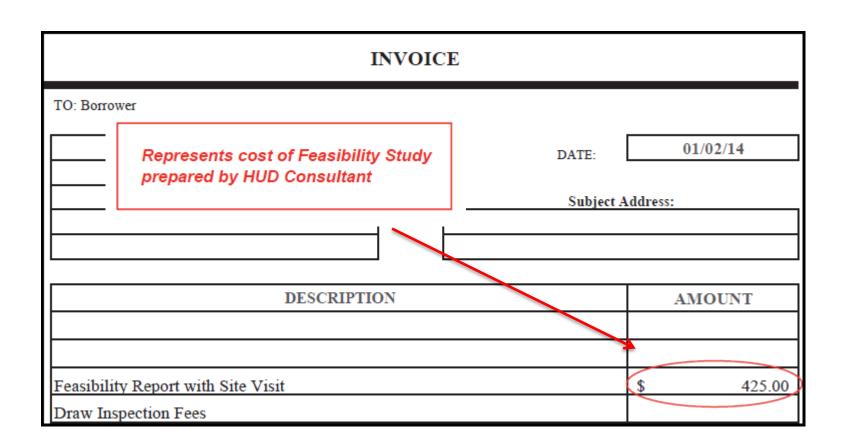


HomeStyle transactions that require a Feasibility Study:

- HUD Consultant provides draw schedule
- AND performs draw Inspections

Partners for the Path Ahead





Consultant/Contractor Discrepancies



- The Consultant Feasibility Study and Contractor Bid(s) should match on a HomeStyle Renovation loan (when Feasibility Study required)
 - ✓ In the event of discrepancy:

IF	THEN		
Contractor Bid is <i>MORE</i> than Consultant Feasibility Study	Maximum Mortgage is determined by the Consultant Feasibility Study; could result in additional cash to close from Borrower		
IF	THEN		
Contractor Bid is <i>LESS</i> than Consultant Feasibility Study	Consultant must comment on discrepancy and validate the Contractor Bid is reasonable. If the Contractor Bid is unreasonable, Maximum Mortgage is determined by Consultant Feasibility Study		

Re-inspection Requirements



- No Feasibility Study Required: Contractor bid must specify number of draws desired or Contractor to confirm in writing number of desired draws
 - ✓ If 1 Draw: appraiser to complete re-inspection
 - ✓ If > 1 Draw: Broker to confirm in writing who will complete re-inspections (appraiser, HUD Consultant, or independent 3rd party inspection company)
- Feasibility Study Required: HUD Consultant must specify number of draws
 - ✓ HUD Consultant completes re-inspections

Eligible Repairs



- HomeStyle allows structural, non-structural and cosmetic repairs.
- Eligible repairs include but are not limited to:
 - ✓ Major structural alterations and additions (attached/detached)
 NOTE: Structural changes ineligible on manufactured homes
 - ✓ Accessory unit (cannot change a 1-unit property 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, garage)
 - ✓ Basement finishing or waterproofing
 - ✓ Well/septic addition or repair
 - ✓ Handicapped retrofitting

Eligible Luxury Repairs



- Luxury items <u>are eligible</u> on HomeStyle (must be permanently affixed). Examples include:
 - ✓ Barbeque pits, outdoor fireplaces
 - ✓ Built in spa/sauna
 - ✓ In-ground swimming pool installation or repairs
 - ✓ Television antennas and satellite dishes
 - ✓ Tennis courts
 - ✓ Generator

Ineligible Repairs



- Certain repairs are <u>not</u> eligible:
 - ✓ Alterations to provide for commercial use
 - ✓ Any improvement that does not become a permanent part of the real property
 - ✓ An addition that creates a new "unit" (converts a 1-unit property to a 2-unit)
 - ✓ Improvements for business or commercial purpose
 - ✓ Tearing down a structure and rebuilding
 - ✓ Purchase of personal property
 - ✓ Purchase of free standing "chattel" (item that is not permanently affixed to the property excludes kitchen appliances)

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)
- 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 Homebridge approval (owner-occupied only)
- Discount Points

Contingency Reserve



- A Contingency Reserve is held from the loan proceeds to cover health, safety <u>and</u> unplanned costs that arise during construction
 - √ 10% of the total rehabilitation cost as established by Homebridge Renovation Concierge Department
 - > 15% required if utilities not on <u>or</u> are not in good working order
 - > 5% permitted for the installation or renovation of swimming pools
 - ✓ Deposited to an escrow account
 - ✓ No funds are disbursed to Contractor or Borrower at closing
 - ✓ Offers flexibility as unplanned costs/late additions to the project can be added in through the Contingency Reserve
 - Common example of items "added on" include kitchen appliances, flooring, HVAC

Contingency Reserve Options



- The contingency reserve may be <u>financed</u> or <u>funded by the</u>
 <u>Borrower</u> from their own funds
 - ✓ <u>Financed Contingency Reserve</u>: Any funds remaining at the end of the renovation process must be applied as a principal reduction
 - Included in total rehabilitation cost
 - ✓ <u>Borrower Funded Contingency Reserve</u>: Any funds remaining at the end of the renovation process are returned to the Borrower or can be applied as a principal reduction
 - Not included in total rehabilitation cost

Waiver of Contingency Reserve



- The contingency reserve may be waived at underwriter discretion when:
 - ✓ The property is a 1-unit primary residence, and
 - ✓ The borrower has post-closing reserves that are equal to or greater than the amount required for the contingency reserve

Example: The required contingency reserve is \$15,000 and the borrower will have \$25,000 in reserves post-closing

NOTE: The contingency reserve will not be waived on second homes or investment transactions, no exceptions

Disbursement Process



- Homebridge Renovation Concierge Department manages the renovation process
 - ✓ Prior to Close: A call is placed to the Borrower to confirm transaction details
 - ✓ Post Closing: Status check-in calls and emails occur with the Borrower
- Within 5-7 business days of receipt of complete signed doc package by Homebridge Post –Closing, soft costs (fee that is not part of the cost of repairs i.e. inspection fee) are released with invoices (as applicable)
- A one-time payment for up to 50% of the total project material costs is allowed at loan closing to the borrower and contractor. A portion of these funds may also be used to pay expenses associated with design, architect fees, and permits

Disbursement Process (cont.)



- As repairs/renovation work is completed and draws are requested:
 - √ 10% holdback is withheld from each draw
 - ✓ The remaining draws (if funds were disbursed for materials at loan closing) are released when acceptable inspections are received from appraiser, Consultant (as applicable), or independent 3rd party inspection company (as applicable)

Disbursement Process (cont.)



- Once final repairs/renovation work is complete:
 - ✓ Homebridge Renovation Concierge Department to be notified by the Contractor or HUD Consultant
 - > Final Title Update performed to evidence no liens
 - Final draw is released to Borrower and Contractor
 - All checks are two party
 - Checks are sent via 2nd day UPS
 - Holdback funds are released after issuance of the Final Release Notice
- Unused funds remaining in the escrow account will be applied to the remaining loan balance



Parties to the Transaction

Closing Agents



- Broker owned-escrow is permitted on HomeStyle transactions
 - ✓ Must be approved by Homebridge Wholesale

Contractor Relationships



- Borrower can have a familial relationship or business relationship/affiliation with the contractor, including being the borrower's employer, as long as the contractor meets all contractor requirements
- The contractor may be on title as an owner of the subject property but cannot be a borrower/co-borrower on the loan
- The contractor cannot be the consultant in event total rehabilitation costs exceed \$15,000 (or per Homebridge) and require a HUD Consultant



Contractor Information

Contractor Acceptance Process



- Contractors are "accepted" by Homebridge
 - ✓ Homebridge Renovation Concierge Department dedicated to contractor acceptance and review
- Contractor acceptance process includes:
 - ✓ Review of bids: Examined for usual and customary range
 - ✓ Contractor to meet jurisdictional licensing and bonding requirements

IMPORTANT: Homebridge must have a loan submission in house to review a contractor for acceptance

Contractor Acceptance Requirements



- Requirements for Contractors Seeking Acceptance:
 - ✓ Completed Contractor Profile
 - ✓ Applicable licenses and proof of insurance as required by the local, state, county and city jurisdiction including Workman's Comp (if applicable)
 - ✓ Completed Federal W-9
 - ✓ Signed bid(s)
 - ✓ Renovation Disbursement Acknowledgment, OR
 - ✓ Renovation Disbursement Acknowledgment Streamline Option
 - ✓ Homeowner Contractor Contract
 - ✓ Additional items may be required at the discretion of Homebridge

Contractor Acceptance Requirements



- Additional Contractor Requirements Determined by Repair Amount
 - ✓ **Project Costs \$15,000 to \$35,000**: Contractor must provide evidence they have been licensed and insured for the previous 12 months
 - ✓ Project Costs \$35,001 to \$75,000: Contractor must provide evidence
 they have been licensed and insured for the previous 24 months
 (measured from application date) AND provide evidence of a 2-year
 history of completing similar projects
 - ✓ **Project costs \$75,001 to \$200,000**: Contractor must provide evidence they have been licensed for the previous 36 months (measured from application date) AND provide evidence of a 3-year history of completing similar projects, AND have a minimum of 25% of the direct project cost in an available line of credit and/or cash
- Items are submitted to Homebridge via Blue Sage
 - ✓ Underwriter coordinates review process with Homebridge Renovation Concierge Department

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Accepted Contractor Requirements



- Requirements for Contractors Currently Accepted:
 - ✓ Homeowner Contractor Agreement
 - ✓ Homebridge Initial Renovation Loan Acknowledgement Form
 - ✓ Renovation Disbursement Acknowledgment, OR
 - ✓ Renovation Disbursement Acknowledgment -Streamline Option
 - ✓ If license/insurance expired, proof of current documentation required
 - ✓ Additional items may be required at the discretion of Homebridge

Contractor Insurance Requirements

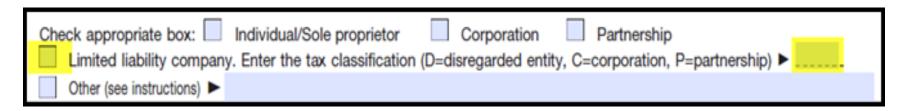


- Insurance specific requirements are determined by Homebridge based upon state and local laws
 - ✓ If insurance includes Workman Compensation in General Liability a separate policy is typically not required
 - ✓ Builder Risk required:
 - > If Master insurance does not cover construction,
 - ✓ Builder Risk can be paid by the homeowner or contractor

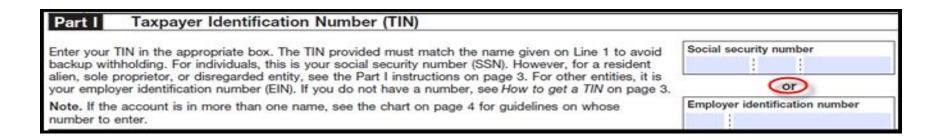
Contractor W-9 Completion Tips



 If "Limited Liability Company" selected, W-9 must indicate classification of company



- Taxpayer Identification Number must be completed correctly
 - ✓ Must enter SS # <u>or</u> EIN # (Employee Identification Number) number (not both)



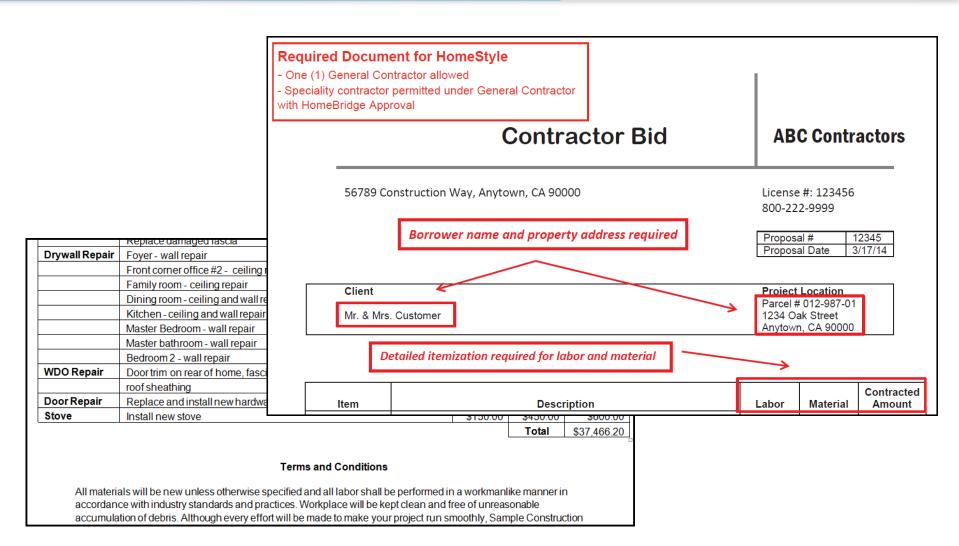
Contractor Bid Tips



- All Contractor Bids must:
 - ✓ Include the borrower(s) name and property address.
 - ✓ Include the borrower(s) and Contractor signatures
 - ✓ Clearly state the nature of the repair/renovation.
 - ✓ Note the cost for completion of each work item performed
 - ✓ Must be marked "Final"; expiration dates on cost estimates not permitted.
 - ✓ Detail itemization required for:
 - Material costs of each item
 - Labor costs of each item.
 - Make/model and description of material item used
- Owner supplied materials only allowed with proof of paid receipts
- May include final management fee (subject to Homebridge Renovation Department review and approval)

Sample Contractor Bid





Sample Contractor Bid (cont.)



Item			Description	Labor	Material	Contracted Amount		
Permitting	Ro	ofing permit		\$350.00	\$154.00	\$504.00		
	All	other permitting is	included in subcontractor pricing			\$0.00		
Plumbing	Ins	Install two electric water heaters			\$625.00	\$1,825.00	⊣ ▮	
Well Drilling	Well piping			\$6,500.00	\$3,200.00	\$9,700.00	<u> </u>	
	Cla	Clay county permit Shallow well pump 1hp			\$85.00	\$85.00 \$1,489.10	_	
	_				\$1,239.10		⊣ ∎	
	_	ep well pump 1hp		\$250.00	\$1,603.10	\$1,853.10	⊣ I	
HVAC		3.5 ton Tempstar heat pump and 3 ton Trane heat pump \$3,275.00 \$5,600.00 \$8,87			\$8,875.00	- I		
Electrical			all lighting, and hookup fixtures	\$2,500.00	\$1,250.00	\$3,750.00	- I	
Pool		mn filter re-nlumb	acidwash and install new heat numn	\$1,000,00	\$500.00	\$1, <u>500,00</u>	ψ100.00	Ψ220.00
Roof Repair Fascia Repair	R	WDO Repair	Door trim on rear of home, fascia on right of hom	ie, trim at pod	l and	\$1,500.00	\$550.00	\$2,050.00
Tascia Nepali	R		roof sheathing					\$0.00
Drywall Repair	F	Door Repair	Replace and install new hardware for all damaged and missing doors			\$850.00	\$450.00	\$1,300.00
	Fi	Stove	Install new stove	<u> </u>			\$450.00	\$600.08
	_					(Total	\$37,466.20
		Terms and Conditions					Represents total abor and materia	
		All materials will be new unless otherwise specified and all labor shall be performed in a workmanlike manner in						

Sample Contractor Bid (cont.)



	керіасе датпадед таксіа	\$330.00	\$30.00	\$400.00
Drywall Repair	Foyer - wall repair	\$125.00	\$100.00	\$225.00
	Front corner office #2 - ceiling repair	\$125.00	\$100.00	\$225.00
	Family room - ceiling repair	\$125.00	\$100.00	\$225.00
	Dining room - ceiling and wall repair	\$250.00	\$200.00	\$450.00
	Kitchen - ceiling and wall repair	\$250.00	\$200.00	\$450.00
	Master Bedroom - wall repair	\$125.00	\$100.00	\$225.00
	Master bathroom - wall repair	\$125.00	\$100.00	\$225.00
	Bedroom 2 - wall repair	\$125.00	\$100.00	\$225.00
WDO Repair	Door trim on rear of home, fascia on right of home, trim at pool and	\$1,500.00	\$550.00	\$2,050.00
	roof sheathing			\$0.00
Door Repair	Replace and install new hardware for all damaged and missing doors	\$850.00	\$450.00	\$1,300.00
Stove	Install new stove	\$150.00	\$450.00	\$600.00
·				********

Borrower and Contractor signatures required

Acceptance

My signature below is my acknowledgement that I/we have read this proposal, understand the terms and conditions of this proposal and agree to be bound thereby. I understand my acceptance of this proposal forms a binding contract between myself and Sample Contractor Company. Accepted and Agreed:

Borrower Signature:	 Contractor Signature:	

Date:

NOTE: EXPIRATION DATES ON COST ESTIMATES NOT PERMITTED

Self Help



- "Self Help", or work completed by the Borrower, is not eligible under any circumstances on HomeStyle
 - ✓ Also known as "DIY"
 - ✓ There are no exceptions to this policy



Appraisal/Property Inspection Specifics

Appraisal Ordering Requirements



- Homebridge will accept appraisals on all HomeStyle loans from the respective approved regional AMC (follow AMC requirements for Agency)
 - ✓ See guidelines and website for details
- Transferred appraisals are ineligible on HomeStyle, no exceptions
- Ordering Tips:
 - ✓ Order with copy of Contractor Bid or copy of Feasibility Study (if total rehabilitation costs exceed \$15,000)

Appraisal Report Specifics



- Appraisals must include the following items :
 - ✓ Be completed "subject to" proposed work from bid in Reconciliation Section of report
 - ✓ Include Copies of Bid in report and/or Feasibility Study (if applicable)
 - Cost of repairs must match

Required Appraisal Value



- An "After-Improved" value aka "As-Completed" value is always required
 - ✓ This value is indicated in the Reconciliation section of the appraisal report
 - ✓ The "After-Improved" value is the only value required by Fannie Mae on HomeStyle loans

Appraisal Report Example



Reconciliation Section: "Subject To"

The market approach to value is given the most weight in the linar estimate or value as it reflects the actions and reactions in the marketplace. The
cost approach typically sets the upper limit of value and is utilized as additional support for the market value estimate. Income approach not applied
as homes in the area are typically owner occupied.
This appraisal is made 🗌 "as is", 🔲 subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been
completed, Subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or usubject to the
following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: Subject to completion of
HomeStyle Renovation work proposal.
Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is
conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is
\$ 289,000, as of 06/09/2014, which is the date of inspection and the effective date of this appraisal.

**The value in the Reconciliation section is the "After-Improved" value on HomeStyle transactions

Appraisal Requirements



- The original appraiser must complete the re-inspection
 - ✓ If the original appraiser is unavailable to complete the re-inspection, management review and approval is required
 - ➤ In certain instances additional requirements may apply when initial appraiser cannot complete re-inspection i.e. Field Review

Property Inspections/ Certifications



- Where required by the Appraiser, the following inspections, reports and clearances may be needed
 - ✓ Termite
 - ✓ Well or septic cert
 - ✓ HVAC or other system certifications
 - ✓ Architectural exhibits as required
- When a Feasibility Study is required (reno costs exceed \$15,000 or per Homebridge) all inspections (Consultant and/or Appraiser required) <u>must</u> be completed



Utilities Requirements

Utility Overview



- Utility requirements vary on a case-by-case basis for HomeStyle transactions
- Homebridge Renovation Concierge Department and Underwriter will set requirements

Utility Requirements



- Utilities must be inspected to ensure they are in good working order
- If utilities are not on <u>or</u> are not in good working order, a 15% Contingency Reserve will be required for all HomeStyle transactions
 - ✓ This includes winterized properties
 - ✓ This includes vacant REOs with winterized utilities.

Utilities On At Time Of Inspection



- Utilities on at time of inspection and in good working order
 - ✓ Appraiser or other licensed professional* must confirm in writing the following:
 - Utilities visually inspected
 - Utilities appear to be in good working order

* Acceptable licensed professionals: Consultant, Inspector, Contractor, Plumber or Electrician

Utilities Not On At Time of Inspection



- Utilities not on at time of inspection <u>and</u> Feasibility Study (as required) or bid does <u>not</u> require repairs, the following alternative documentation to validate condition of utilities may be provided:
 - ✓ Winterized Property: winterization certification
 - ✓ Certification from acceptable licensed professional confirming utilities in good working order
 - ✓ Bank or acceptable agency owned property: home inspection from listing report
- * Acceptable licensed professionals: Consultant, Inspector, Contractor, Plumber or Electrician

Utilities Not In Good Working Order



- If utility inspection reveals utilities are not in good working order, Contractor Bid(s) must specify required repairs
 - ✓ Loans requiring a Feasibility Study prepared by HUD Consultant (total rehabilitation costs exceed \$15,000 or per Homebridge): Feasibility Study utility repair must match Contractor Bid(s)

Utility Guidance REO Property



- REO property (agency or bank owned) typically has winterized utilities since the property is vacant
 - ✓ Proof of winterization required via:
 - ➤ Winterization certification *OR*
 - Home inspection from listing report

Winterized properties always require a 15% Contingency Reserve



Loan Amount Calculations

Maximum Mortgage Amount



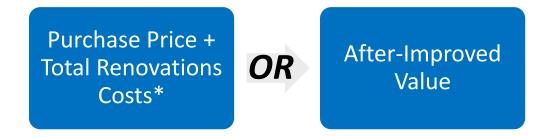
- Maximum mortgage amounts vary by loan purpose and property type
- Purchase transactions: LTV is based on the lesser of:
 - ✓ Purchase Price plus total cost of rehabilitation, <u>or</u>
 - ✓ After-Improved value

NOTE: Homebridge limits the maximum renovation amount to \$200,000

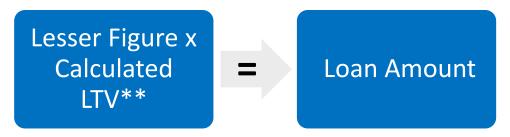
Maximum Mortgage Amount: Purchase Calculations



Step 1: Identify the lesser of the below figures:



Step 2: Multiply the lesser figure from Step 1 by the calculated 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				
Purchase Price and Renovation Costs				
Purchase Price	\$	280,000		
Total Cost of Repairs (labor & materials)	\$	15,215		
Allowable Renovation Related Costs (i.e. permit, architectural fee)	\$	1,875		
Contingency Reserve (10%)	\$	1,521		
Total Purchase Price and Renovation Costs	\$	298,611		
After-Improved Value	\$	290,000		
Loan Amount based on desired LTV of 95%				
Calculated on the lesser of As-Completed Value or Purchase Price +	\$	275,500		
Renovation Costs				

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



DU

DU Specifics



Total renovation costs* must be added to Details of Transaction> Alterations> Line B:



* Total Renovation Costs Include:

- Labor and materials
- Contingency Reserve
- Inspections
- Discount Points
- Renovation fees as applicable (Feasibility Study fee, appraisal, architectural/engineering fees, permits)

DU Specifics (cont.)



Once Details of Transaction updated ,DU will recognize loan as HomeStyle. DU messaging will read:

"The subject loan is a HomeStyle Renovation Mortgage. The lender delivering this loan to Fannie Mae must have separate lender approval to deliver HomeStyle Renovation Mortgages and the lender must also ensure the loan complies with all HomeStyle Renovation Mortgage guidelines stated in the Fannie Mae Selling Guide.

This case was processed as a HomeStyle Renovation Mortgage."



Fee/LE Specifics and Submission Requirements

HomeStyle LE Fees



- LE Fees specific to the HomeStyle offering vary depending upon transaction details
 - ✓ Section B Final Inspection Fees¹ (one fee p/draw, max 5).
 - ✓ Section B Final Title Update Fee (one per transaction)
 - ✓ Section B Final Re-inspection Fee
 - ✓ Section B or C Permit fee (if applicable)
 - \checkmark Section B or C^2 :
 - Feasibility Study fee (required if total rehabilitation costs exceed \$15,000 *or* per Homebridge)
 - Architectural or engineering fees

¹ Inspection Fees:

- Feasibility Study required and <u>not</u> included in submission:
 - Estimate 3 draws at \$200 per draw
- Feasibility Study required <u>and</u> included in submission:
 - Number of draws and fee per draw per the Feasibility Study

² If fee <u>not listed</u> on the Service Provider List (SPL) include fee in Section B; if fee <u>is listed</u> on SPL include fee in Section C

HomeStyle LE Placement



HomeStyle Renovation Specific Fees			
Fee	Feasibility Study <u>Not Required</u> (total cost of renovation $\leq $15,000$)	Feasibility Study Required (total cost of renovation > \$15,000 <u>OR</u> per Homebridge)	LE Section
Inspection Fee(s)	Estimate 3 draws at \$200 per draw (3 X \$200)	Number of draws and fee per draw per Feasibility Study or as indicated below ¹	Section B
Final Re-inspection Fee	Estimate at \$200	N/A	Section B
Final Title Update Fee	Final Title Update Fee \$95 all states	Final Title Update Fee \$95 all states	Section B
Permits (as applicable)	Amounts per Contractor Bid(s) or Feasibility Study	Amounts per Contractor Bid(s) or Feasibility Study	Section B
Architectural/Engineering Fees (as applicable)	Amounts per Contractor Bid(s) or Feasibility Study	Amounts per Contractor Bid(s) or Feasibility Study	Section B or C ²
Feasibility Study Fee	N/A	Amount per Feasibility Study Invoice	Section B or C ²

¹Inspection Fees:

- Feasibility Study required and <u>not</u> included in submission:
 - ✓ Estimate 3 draws at \$200 per draw
- Feasibility Study required and included in submission:
 - ✓ Number of draws and fee per draw per the Feasibility Study

² If fee not listed on the Service Provider List (SPL) include fee in Section B; if fee is listed on the SPL include fee in Section C

Partners for the Path Ahead

Submission Requirements



- HomeStyle Renovation loans requires specific documents at time of submission
 - ✓ See HomeStyle Renovation Quick Reference Guides for specific details on:
 - Disclosure/form requirements: Which require Homebridge website version versus Fannie Mae version
 - Submission requirements specific to HomeStyle
 - Appraisal tips: Ordering and report requirements
 - > LE tips and fee placement

HomeStyle Submissions-Required Documents



- HomeStyle loans always require the following at submission (no exceptions):
 - ✓ Broker completed MMW Worksheet calculator
 - ✓ If rehabilitation ≤ \$15,000: Contractor Bid(s)
 - ✓ If rehabilitation > \$15,000: Contractor Bid(s) or Feasibility Study.
- Suggested Documents (recommended at submission but not required):
 - ✓ HomeStyle specific disclosures/forms
 - Appraisal
 - ✓ Contractor License, Insurance, W9, Profile Report (as needed)

NOTE: Forms/Disclosures/Documents provided at Submission are <u>not</u> required to be fully executed by all parties



HomeStyle Renovation Process

Process Overview



- Borrower Action Steps
 - ✓ Rehabilitation Costs Less than or equal to \$15,000: Contractor Bid completed
 - ✓ Total Rehabilitation Costs Exceed \$15,000: Borrower selects HUD Consultant; Borrower selects Contractor
 - HUD Consultant completes Feasibility Study; Contractor completes bid
- Broker Action Steps
 - ✓ Gathers Contractor Bid and Feasibility Study as required.
 - ✓ Gathers required Contractor documentation
 - ✓ Orders appraisal

Process Overview (cont.)



- Broker Action Steps (cont.)
 - ✓ Collects necessary loan documentation
 - ✓ Submits loan to Homebridge
 - Must use loan type "HomeStyle" in Blitz



Process Overview (cont.)



- Underwriting Approvals
 - ✓ Approvals are subject to Homebridge Renovation Concierge Department review and acceptance of the following:
 - Contractor and Bid
 - Feasibility Study (if total rehabilitation costs exceed \$15,000 or per Homebridge)
 - Confirmation of final Maximum Mortgage Amount
 - Establish Contingency Reserve
 - 2nd review of appraisal
 - Review/approval of any changes to scope of work/bids/etc.

Process Overview (cont.)



- When file is ready for Closing, the Account Manager will work with the Renovation Concierge Department to coordinate an informational call with the Borrowers
 - ✓ Typically occurs before docs but can be after
- The Renovation Concierge Department will work with the Borrower, HUD Consultant (as applicable), and Contractor(s) through final funds disbursement and project completion

Closing Reminders



- Escrows and MI are required when the LTV exceeds 80%
 - ✓ CA 80.01%-90.00% LTV: tax/insurance impounds optional
- Insurance Requirements
 - ✓ Must meet Standard Coverage Requirements; refer to the Insurance Quick Reference Guide for details.
- POAs will be accepted on an exception basis only
 - ✓ All applicants must sign initial disclosures and application

Closing Reminders (cont.)



- Cash back to the Borrower
 - ✓ Remaining funds after completion of all repairs will be applied to the loan balance
 - ✓ There can be *no cash back* on a HomeStyle transaction



HomeStyle Resources

HomeStyle Resources



- Available HomeStyle resources online:
 - ✓ HUD Approved Consultant Search: Find a HUD Consultant
 - ✓ HUD Consultant Fee Structure: 203(k) Information

Renovation Concierge Contact Information



Homebridge Renovation Concierge Department contact information:

renovationconciergeservice@Homebridge.com

This email address is to be used by Borrowers, HUD Consultants and Contractors for questions and status inquiries

HomeStyle Homebridge Training Tools



- "Working With Us" section of website:
 - ✓ This presentation
 - ✓ Fannie Mae HomeStyle: A Lifestyle Home Improvement Loan (sales training presentation)
 - ✓ HomeStyle Renovation Quick Reference Guide (disclosure, submission, appraisal and LE tips)
 - ✓ HomeStyle Max Mortgage Worksheet calculator
 - ✓ HomeStyle Program Overview (program highlights)
 - ✓ Sample HomeStyle Contractor Bid
 - ✓ Sample HomeStyle Feasibility Study
 - ✓ Renovation Comparison Quick Reference Guide (compares 203k and HomeStyle)