

Fannie Mae HomeStyle: A LifeStyle Home Improvement Loan



7/8/24

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 and rate/term refinance transactions
- Can borrow against the projected property value after improvements
- Increases property value and builds equity
- Improvements must be permanently affixed (excluding kitchen appliances)

- 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. Projects must be completed within **3 months** of loan closing. Eligible updates 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
 - ✓ 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

Program Eligibility



- Minimum credit score per DU
- 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					
Transaction Type	Units	LTV ^{1,4}	CLTV ³	Loan Amount ²	Credit Score
Purchase and Rate/Term Refinance	1	90%	90%	Refer to Loan Limits Topic	700

Manufactured Housing

Owner-Occupied Primary Residence					
Transaction Type	Units	LTV	CLTV	Loan Amount ²	Credit Score
Purchase and Rate/Term Refinance	1	90% ^{1,3}	90%	Refer to the Loan Limits topic	700

- No minimum repair amount
- Homebridge limits the maximum repair amount as follows
 - ✓ **Purchase Transactions:** The maximum repair amount is the **lesser** of:
 - \$75,000, or
 - 50% of sales price
 - ✓ **Rate/Term Refinance:** The maximum repair amount is the **lesser** of:
 - \$75,000, or
 - 25% of the “after-improved value
- NOTE:** Project costs > \$75,000 to \$100,000 may be considered on an **exception basis only**; the borrower’s housing payment increase must be < 30%
- ✓ **Manufactured homes:** Renovation costs cannot exceed the **lesser** of:
 - \$50,000, or
 - 50% of the “after-improved” value
- A Streamline Option is available for renovations of primary residence or second home transactions with ≤ \$35,000 in repairs. Repairs must include at least one (1) energy efficient improvement

- 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)

- Streamline Option: The Streamline option, which does not require the use of a consultant, is eligible subject to Homebridge approval 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

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)
- Discount Points

Maximum Mortgage Amount



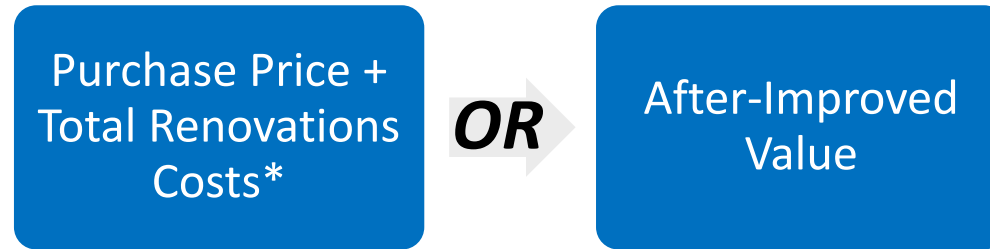
- LTV is based on the lesser of:
 - ✓ Purchase Price plus total cost of rehabilitation, or
 - ✓ After-Improved value
 - Maximum allowable repairs cannot exceed 75% of the LTV as determined above

Reminder: Purchase Transactions: Maximum renovation amount limited to the lesser of **\$75,000** or 50% of the sales price

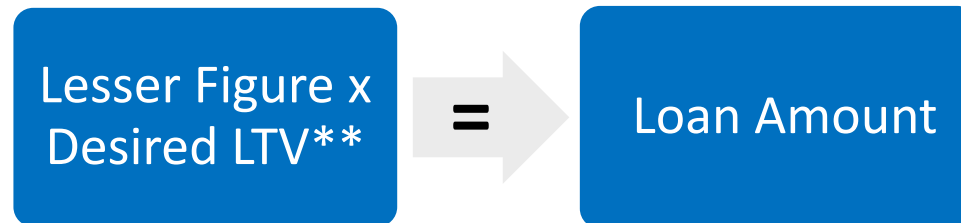
Rate/Term Transactions: Maximum renovation amount limited to the lesser of **\$75,000** or 25% of the sales price

- 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*

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