

RESTRICTED-ELIGIBILITY PROGRAM

Contact your account executive regarding participation in Flagstar Bank's construction programs.

Mortgage insurance providers may have additional restrictions not listed within this document. Please refer to each mortgage insurance company's website for complete eligibility details.

PRIMARY RESIDENCE – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Condo PUD	97% ¹	97% ¹	NA ²	DU – Approve/Eligible
2-Unit	95% (Conforming)	95% (Conforming)		
	85% (High Balance)	85% (High Balance)		
3 to 4-Unit	95% (Conforming)	95% (Conforming)	660	
	75% (High Balance)	75% (High Balance)		

SECOND HOME – RENOVATION – PURCHASE AND RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Condo PUD	90%	90%	620	DU – Approve/Eligible

INVESTMENT PROPERTY – RENOVATION – PURCHASE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Condo PUD	85%	85%	660	DU – Approve/Eligible

INVESTMENT PROPERTY – RENOVATION – RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Condo PUD	75%	75%	660	DU – Approve/Eligible

1. LTV, CLTV, and HCLTV ratios greater than 95% are not permitted for High Balance, or loans with a non-occupant borrower. At least one borrower must be a first-time home buyer.

2. Refer to [Minimum Credit Scores](#).

PROGRAM SUMMARY

The Fannie Mae HomeStyle Renovation program allows borrowers to combine the purchase or refinance of a home with the costs to renovate or extensively remodel the property. At closing all funds for renovation will be escrowed in an interest earning account. After all renovation work is complete, any remaining funds in the renovation escrow account will be used to pay down the principal balance of the mortgage. Soft costs such as architectural services, engineering and permit fees may be financed. Full builder third-party contracts only.

LOAN REGISTRATION

When registering renovations loans in the system, be sure to select *Yes* for the product question: *Is a Renovation Loan Requested?*

Loans will close in Flagstar's name and table-fund.

PRODUCTS OFFERED

Product Name	Term
HomeStyle Renovation 30-Year Fixed	30 Years
HomeStyle Renovation 15-Year Fixed	15 Years
HomeStyle Renovation High Balance 30-Year Fixed	30 Years
HomeStyle Renovation High Balance 15-Year Fixed	15 Years

LOAN AMOUNTS

Refer to the HomeStyle Renovation Worksheet, [Fannie Mae Form #1035](#) to determine maximum loan amount and maximum funds for renovation.

MAXIMUM

High cost loan limits per Exhibit A of *Fannie Mae High Balance*, [Doc. #5346](#).

MINIMUM CREDIT SCORES

Refer to the *Product Eligibility Grids* above. Mortgage insurers may have additional restrictions. Refer to each specific mortgage insurance company's website for complete eligibility details. All scores must meet the credit score validation requirements outlined in the Credit Score Requirements section of the *Conventional Underwriting Guidelines*.

RATE LOCK

Loans need not be in an approved status prior to lock.

PRICING

Fixed rate loans will be subject to a maximum price of 104.00

DRAW FEES

Refer to the [Construction & Renovation Lending](#) for fee requirements.

Loans in the following states require additional title updates at the time of each draw. Obtain the fee for additional title updates from the title company and include them in application disclosures and any subsequent disclosures. If you are unable to ascertain the cost of the additional title updates use \$175 per additional draw. If a borrower plans three draws you should be collecting \$175 for the final title update plus an additional title update fee for two draws based on the title company price quote.

- Massachusetts
- Michigan
- Minnesota
- New Hampshire
- New Jersey

- New York
- Rhode Island
- Virginia
- West Virginia

For properties located in Illinois, the following title companies need to be used:

- First American Title
- Fidelity National Title
- Chicago Title
- Attorneys Title Guaranty

For a smoother draw process with your construction or renovation loans you may wish to use these companies in all eligible locations.

Construction Survey will be needed if the footprint of the home is changed and / or there is an additional structure to the home that is being added (i.e. pool, deck, garage, out building, etc.). Refer to *Construction & Renovation Surveys, Doc. #4211* for information about the construction survey fee that will be disclosed on the initial Loan Estimate. If the actual charge incurred by Flagstar is less than the amount collected, the difference will be refunded to the borrower within 30 days of conversion to the permanent phase.

EXTENSIONS OF RENOVATION PERIOD

Refer to the [Construction & Renovation Lending](#) for fee requirements.

TEMPORARY BUYDOWNS

- Use the [Temporary Interest Rate Buydown Worksheet](#) to determine the contribution amount attributable to the buydown fee so it can be added to the purchase agreement.
- Seller- or builder-funded buydowns only (buydowns funded by more than one contributor are not eligible).
- Purchase transactions only.
- Borrower qualified at the full note rate.
- Investment property transactions not eligible.

PROPERTY TYPES

- 1 to 4-unit, site-built homes
- Modular homes (constructed in sections off-site, but when installed at the site, takes on the characteristics of a site-built home)
- PUD (Fannie Mae-warrantable)
- Condominium (Fannie Mae-warrantable)
- Manufactured homes are not eligible

PROPERTY VALUATION

PURCHASE

Loan amount is based on LTV derived from the lesser of:

- The as-is purchase price, renovation costs, contingency costs (if financed), eligible soft costs, interest reserve

- The as-completed value of the home

RATE/TERM REFINANCE

LTV is subject to appraised value. Loan amount not to exceed 100% of costs (total of liens on property, plus costs of improvements and closing costs). Existing subordinate financing may be included in the new loan amount if the funds were used to acquire the property. Cash-out is not eligible.

CONSTRUCTION GUIDES

Executed borrower acknowledgement must be in the loan file. The construction guide and supporting documentation can be found in the 3000 section of the Seller's Guide.

Borrower and contractor must also be supplied with the appropriate [State Statutory Form](#) package and [State Draw Requirement Letters](#). These can be found in the Forms section of the website.

FILE SUBMISSION

BUILDER/PROJECT PACKAGE

Builder/project packages must be submitted to:

Granite Loan Management, LLC
10770 Briarwood Ave., Suite #280
Centennial, CO 80112
Phone number: (866) 380-9657
Fax number: (800) 919-8912
Email: projects@graniteriskmanagement.com

CREDIT PACKAGE

Credit packages must be submitted to Underwriting through paperless loan submission.

PROJECT REVIEW AND APPROVAL

Review and approval is required when the project exceeds \$40,000.

- A streamlined builder review is allowed for projects up to \$40,000
- A full builder review is required when the project exceeds \$40,000

SUBORDINATE FINANCING

CLTV UP TO 95%

Standard subordinate financing allowed per standard Fannie Mae guidelines.

CLTV 95.01% AND GREATER

Acceptable subordinate financing is an eligible Community Second subsidized subordinate lien. Community Seconds up to 105% CLTV are allowed from a state, local or municipal authority or agency, a 501(c)(3) not-for-profit corporation or tax exempt religious organization, or the borrower's employer. The CLTV will be limited to 100% if the program does not make accommodations for the occurrence of a catastrophic borrower event (e.g. death of breadwinner, loss of employment, divorce, etc.).

All secondary financing programs must be reviewed and approved by Flagstar. An official written description of the program from the agency providing the funds, the loan documents used in connection with the financing (e.g. the Note, Mortgage/Deed of Trust, etc.), and any other written descriptive material must be submitted with the loan file. Subordinate financing program review generally requires three business days for approval.

APPRAISAL GUIDELINES

All appraisals must be ordered through Flagstar's system from an approved Appraisal Management Company even if the customer has AIR Compliant status. Please refer to the [Construction and Renovation Guide](#).

The appraisal report must provide an "as completed" appraised value that estimates the value of the property after completion of the renovation work.

UNDERWRITING

All loans must meet Fannie Mae underwriting criteria as set out in Flagstar's current Residential Underwriting Guidelines, as amended.

- Project/builder to be reviewed by Granite Loan Management, LLC.
- Renovation cost must be documented by fully executed third-party builder contract that is an arm's length transaction.
- Loan officer or processor should complete the HomeStyle Renovation Worksheet, [Fannie Mae Form #1035](#) to determine the maximum loan amount and maximum funds allowed for renovation.
- Payment reserves are only eligible if the home will be uninhabitable during the renovation.
- A contingency reserve equal to at least 10% of the cost of renovations is required on all transactions, regardless of property type, and must be included in the cost breakdown.
- Contingency reserves must be deposited in the renovation escrow account, to cover unforeseen problems. The contingency reserve may be increased to 15% if it is determined the higher reserve is appropriate given the scope and scale of the renovation as determined by the construction department.
- Borrower will make a full PITI payment (based on full mortgage amount) both during and after renovation. Interest-only payments do not apply (as with true one-time close construction loans).
- Sweat equity is not eligible.
- Condominiums: renovation project must be permissible under the bylaws of the owners association (or have written approval from owners association). In addition, condominium renovation is limited to the interior of the unit (includes installation of attic fire wall).
- Rate/term transactions do not allow 2% or \$2,000 cash back to borrower. No cash-out above the renovation costs, 10% contingency fee, and soft costs related to home improvements, closing costs, points and prepaid expenses related to the refinance.
- Construction is to be completed within twelve months from closing date.
- Refinance purpose type transactions with renovations already in progress are not eligible.

HOMEOWNERSHIP EDUCATION

Refer to Conventional Underwriting Guidelines for requirements.

RENOVATION-RELATED COSTS

Renovation-related costs that may be considered as part of the total renovation costs include:

- Property inspection fees;
- Costs and fees for the title update;
- Architectural and engineering fees;
- Independent consultant fees;
- Costs for required permits;

- Other documented charges, such as fees for energy reports, appraisals, review of renovation plans, and fees charged for processing renovation draws; and
- Up to six months payments (PITIA) if a principal residence property cannot be occupied during renovation.
 - 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 renovation costs may include a contingency reserve, renovation-related costs, and an escrow for mortgage payments that come due during the renovation period, if the borrower is unable to occupy the property during the renovation.

The maximum cost for renovations are described in the following table:

Transaction Type	The cost of renovations must not exceed
Purchase	75% of the lesser of <ul style="list-style-type: none"> • The sum of the purchase price of the property plus renovation costs, or • The “as completed” appraised value of the property.
Refinance	75% of the “as completed” appraised value of the property.

ALLOWABLE IMPROVEMENTS

There are no required improvements or restrictions on the types of renovations allowed, nor is there a minimum dollar amount for renovations.

Generally, improvements should be permanently affixed to the real property (either dwelling or land), with the exception of certain appliances installed with kitchen and utility room remodels. The borrower may use HomeStyle Renovation to purchase appliances as part of an overall remodeling project that includes substantial changes or upgrades to the rooms in which the appliances are placed.

HomeStyle Renovation may be used to complete the final work on a newly built home when the home is at least 90% complete. The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as flooring, cabinets, kitchen appliances, fixtures, and trim.

HomeStyle Renovation may be used to construct various outdoor buildings and structures when allowed by local zoning regulations. These buildings or structures must be in compliance with any applicable building codes for the local area. Examples of acceptable structures include, but are not limited to, accessory units, garages, recreation rooms, and swimming pools.

HomeStyle Renovation may not be used for complete tear-down and reconstruction of the dwelling.

QUALIFYING RATE

The Qualifying rate is note rate.

NUMBER OF PROPERTIES FINANCED

If the mortgage is secured by a second home or investment property, and the borrower owns more than 6 financed properties, refer to the [Conventional Underwriting Guidelines](#).

TEXAS REFINANCE LOANS

All refinance loans in Texas will be evaluated against the criteria outlined in our [Conventional Underwriting Guidelines](#), *Texas Refinances* section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Refer to *Texas Homestead 50(a)(6) Refinance - Correspondent*, [Doc. #5906](#) or *Texas Homestead 50(a)(6) Refinance - Broker*, [Doc. #5907](#) for eligibility, documentation/disclosure, and title/closing requirements.

SPECIAL FEATURE CODES

This loan program requires that certain special feature codes be attached to each loan file by the underwriter.

- HomeStyle Renovation: *SFC 215*
- High balance loans: *SFC 808*
- Community Second (if applicable): *SFC 118*

MORTGAGE INSURANCE

Mortgage insurance providers may have additional restrictions not listed within this document. Due to rapid changes within the industry, please refer to their website for complete details.

PURCHASE

Mortgage insurance requirements are based on the LTV calculated using the after-improved value of the property or the cost base whichever is less.

REFINANCE

Divide the new loan amount by the after-improved value amount. If the resulting LTV is over 80.0%, mortgage insurance is required.

COMMUNITY SECONDS

All mortgages with a Community Second require 35% MI coverage.

Loans above 80% LTV require mortgage insurance coverage according to the following guidelines:

LTV	30-Year Fixed	15-Year Fixed
95.01 – 97%	35%	35%
90.01 – 95%	30%	25%
85.01 – 90%	25%	12%
80.01 – 85%	12%	6%

NEW YORK PROPERTIES

See [Conventional Underwriting Guidelines](#).

FLOOD INSURANCE

A flood policy is required for any loan in a flood zone.

- The full policy must be issued prior to building vertically
- This may take up to 30 days for the agent to provide
- No exceptions will be issued.

STATE ELIGIBILITY

Contact your Account Executive regarding participation in Flagstar Bank's construction programs.

These products are available in the following states/territories with restrictions. The states/territories not listed are available without restrictions.

State/Territory	Restriction
Guam	Not eligible
Puerto Rico	Not eligible
Texas	Refer to Texas Refinance section above.
US Virgin Islands	Not eligible

CLOSING DOCUMENTATION

Closing documentation for all Fannie Mae HomeStyle Renovation loans must be ordered through Flagstar's Closing Services by submitting a Closing Services Request in the system. Please see *Flagstar Closing Services User Guide*, [Doc. #2206](#), for more information or contact the Closing Department via email at closings@flagstar.com or via phone at (866) 945-9872.

- Maximum draw request to contractor at closing is capped at 10% of the total renovation budget. No further draws can occur after closing until closing package has been received and post-closed by Flagstar (usually 10 business days).
- Loans close in Flagstar's name with Flagstar funds. Disclosure Statements must be generated from Flagstar's system.

ALL LOANS

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Standard title commitment with all applicable endorsements, including the variable-rate endorsement (Endorsement 6.1)

IF APPLICABLE

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form# 3140
- Fannie Mae/Freddie Mac multi-state PUD Rider, Form# 3150
- Fannie Mae/Freddie Mac multi-state 1-4 Family Rider, Form# 3170 (for 2 to 4-unit primary residences and all investment property mortgages)
- Fannie Mae/Freddie Mac multi-state Second Home Rider, Form# 3890
- **Temporary Buydown Agreement**