

Program Comparison Fact Sheet

| | FHA 203(k) Rehabilitation Loan Program | Fannie Mae HomeStyle® Renovation | Freddie Mac CHOICERenovation® Mortgage Program |
|---|---|--|---|
| Eligible Property Types | <ul style="list-style-type: none"> 1- to 4-unit primary residence Planned unit development (PUD) Eligible condominium unit or site condo unit Manufactured Housing HUD real estate-owned (REO) | <ul style="list-style-type: none"> 1- to 4-unit primary residence 1-unit second home 1-unit investment property Manufactured Housing 1- unit in an eligible PUD, condominium, or cooperative | <ul style="list-style-type: none"> 1- to 4-unit primary residence Manufactured Housing 1-unit second home 1-unit investment property Units located in PUD, condominium, cooperative (if permitted under the Seller's purchase documents) or leasehold estates are acceptable |
| Eligible Mortgage Products | <ul style="list-style-type: none"> Fixed-rate Adjustable-rate mortgage (ARM) | <ul style="list-style-type: none"> Fixed-rate ARM | <ul style="list-style-type: none"> Fixed-rate ARM Freddie Mac Home Possible® mortgages Freddie Mac HomeOne® mortgages Super conforming mortgages |
| Minimum/Maximum Renovation Costs | <p>Purchase and Refinance Standard 203(k)</p> <ul style="list-style-type: none"> No maximum Minimum \$5,000 <p>Limited 203(k)</p> <ul style="list-style-type: none"> Maximum \$35,000 (\$50,000 for properties in Qualified Opportunity Zones (QOZ)) No minimum | <p>Purchase</p> <ul style="list-style-type: none"> Limited to 75% of the lesser of purchase price plus renovation costs; or "As completed" appraised value <p>Refinance</p> <ul style="list-style-type: none"> Limited to 75% of the "as-completed" appraised value Manufactured Housing lesser of: <ul style="list-style-type: none"> \$50,000; or 50% of "as completed" appraised value | <p>Purchase</p> <ul style="list-style-type: none"> Total cost of the financed renovations must not exceed 75% of the lesser of: <ul style="list-style-type: none"> Sum of purchase price of property plus estimated cost of the renovations; or "As completed" appraised value <p>No cash-out refinance</p> <ul style="list-style-type: none"> Total cost of financed renovations must not exceed 75% of the "as completed" appraised value Manufactured Housing (purchase/refinance) must not exceed the lesser of \$50,000 or 50% of the "as completed" appraised value |
| Maximum LTV & Maximum CLTV | <p>Maximum Loan-to-Value (LTV)</p> <ul style="list-style-type: none"> 96.5% for primary residence Up to 110% of the "as-is completed" value for primary residence <p>Maximum Combined LTV (CLTV)</p> <ul style="list-style-type: none"> No maximum CLTV for secondary financing by Governmental Entities, Homeownership, Opportunity for People Everywhere Grantees, HUD-Approved Nonprofits, and family members 110% for secondary financing by private individuals, other organizations, and family members | <p>Maximum LTV</p> <ul style="list-style-type: none"> Up to 97% (1-unit owner-occupied) <p>Maximum CLTV</p> <ul style="list-style-type: none"> Home equity CLTV ratios can be found in the <i>Eligibility Matrix</i> | <p>Maximum LTV</p> <ul style="list-style-type: none"> 1-unit primary residence: 95%, first-time homebuyer >95% HomeOne® only 97% Home Possible® only 2-unit primary residence: 85% 3- and 4-unit primary residence: 80% 1-unit second home: 90% 1-unit investment properties: 85% Manufactured Housing: 95% <p>Maximum CLTV</p> <ul style="list-style-type: none"> Total LTV to 105% with eligible Affordable Seconds (Home Possible® or HomeOne® only) 95% for Manufactured Housing |

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|--|---|---|--|
| Eligible Renovation Projects | | | |
| Can be used on any rehabilitation project | ✓ | ✓ | ✓ |
| Construction of accessory dwelling units | ✓ Must be attached | ✓ | ✓ |
| Can be used to increase energy efficiency and property resilience; protect against disasters; and repair disaster damage | ✓ | ✓ | ✓ |
| Eligible Supplemental Programs and Products | | | |
| | May be combined with: <ul style="list-style-type: none"> • Section 203(h) Mortgage Insurance for Disaster Victims • Energy Efficient Mortgages • Solar and Wind Technologies | <ul style="list-style-type: none"> • HomeStyle® Energy mortgages • HomeReady Mortgage | <ul style="list-style-type: none"> • CHOICERenovation® • GreenCHOICE Mortgage® |
| Contractor Requirements | | | |
| | <ul style="list-style-type: none"> • Contractors must be licensed when required by law • Standard 203(k) Program requires FHA-approved consultants | <ul style="list-style-type: none"> • Contractors must be licensed when required by law | <ul style="list-style-type: none"> • Contractors must be licensed when required by law |
| Project Management & Completion | | | |
| Allows Upfront Draws | <ul style="list-style-type: none"> • Up to 50% of material costs | <ul style="list-style-type: none"> • Up to 50% of material costs | <ul style="list-style-type: none"> • Up to 50% of material costs to contractors |
| Project Completion | <ul style="list-style-type: none"> • Borrower's letter of completion and final release notice • Renovations must be completed within 6 months; may allow extensions | <ul style="list-style-type: none"> • Appraisal 1004D | <ul style="list-style-type: none"> • Appraisal 1004D • All renovations must be completed within 12 months of the Note Date |
| Includes Contingency Reserve/Allowance | <ul style="list-style-type: none"> • Up to 20% | <ul style="list-style-type: none"> • Up to 15% | <ul style="list-style-type: none"> • Up to 20% |
| Servicing and Securitization | | | |
| Allows Servicing Transfer | <ul style="list-style-type: none"> • No restrictions | <ul style="list-style-type: none"> • When the work is completed | <ul style="list-style-type: none"> • When the work is completed |
| Securitization | <ul style="list-style-type: none"> • As soon as the loan is endorsed | <ul style="list-style-type: none"> • Approval required for loans delivered before project completion | <ul style="list-style-type: none"> • One-time Seller approval required |

What are examples of eligible improvements under the 203(k) program?

Standard 203(k) allows structural repairs, including, but not limited to:

- Converting a 1-family structure to a 2-, 3-, or 4-family structure
- Decreasing an existing multi-unit structure to a 1- to 4-family structure or reconstructing a structure that has been or will be demolished, provided the complete existing foundation system is not affected and will still be used
- Repairing, reconstructing or elevating an existing foundation where the structure will not be demolished
- Purchasing an existing structure on another site, moving it onto a new foundation and repairing/renovating it
- Making structural alterations

Limited 203(k) allows non-structural repairs, including, but not limited to:

- Health and safety hazards
- Improved functions and modernization
- Lead-based paint stabilization
- Wells and/or septic systems
- Plumbing, heating, air conditioning, and electrical systems
- Accessibility for persons with disabilities
- New roofing, siding, gutters, and downspouts
- Fences, walkways, and driveways
- Decks, patios, and porches
- Kitchen appliances

Can the 203(k) program be used to reconstruct a structure on an existing foundation?

Yes. The Standard 203(k) mortgage may be used for reconstructing a structure that has been or will be demolished, provided the complete existing foundation system is not affected and will still be used. Prior to reconstruction of the structure, the Consultant must obtain from the borrower a report from a licensed structural engineer stating that the foundation is structurally sound and capable of supporting the proposed construction of the structure. *The Limited 203(k) may not be used for reconstructing a structure that has been or will be demolished.*

What are the requirements regarding inspections and permits?

- The Consultant personally performs on-site property inspections and submits the report to the lender.
- When draw requests inspections are requested by the lender, the Consultant must carry these out.
- The Consultant must ensure that all required building permits are obtained prior to commencement of work and onsite for the work that was performed.

Does the 203(k) transaction have a timeframe for completion of renovation?

Yes. The 203(k) Consultant's Work Write-Up for Standard 203(k), and borrower's contract agreement for Limited 203(k) are used to determine the time frame for completion of repairs, which may not exceed 6 months. If the work is not completed within the rehabilitation period specified in the Rehabilitation Loan Agreement, the borrower may request an extension of time and must submit documents to justify the extension.

Can a Non-203(k) mortgage be converted to a 203(k)?

Yes. If the Mortgagee had originally requested the case number assignment for a non-203(k) Mortgage, the Mortgagee must update the existing case data in the Case Number Assignment screen, changing the ADP Code to a valid 203(k) ADP Code and the "Construction Code" to "Substantial Rehabilitation".

Can the 203(k) program be used to purchase a HUD REO property?

Yes. A HUD Real Estate Owned (REO) property, including a Good Neighbor Next Door (GNND) property, may be eligible under the 203(k) program. The property is identified as eligible for 203(k) financing in the sales contract or addendum. *Investor purchases of HUD REO properties are not eligible for 203(k) financing.*

Can the 203(k) program be used for accessory dwelling units?

Yes. The construction or renovation of an accessory dwelling unit is eligible to be included. The accessory dwelling unit must be attached to the existing structure.

Can two FHA-approved mortgagees originate a single family mortgage (including 203(k)s and Home Equity Conversion Mortgages (HECMs) together?

Yes. Two FHA-approved mortgagees can originate an FHA-insured mortgage together using the Principal-Authorized Agent relationship or through a sponsored Third-Party Originator relationship with a Direct Endorsement mortgagee.