

HomeStyle Renovation

Primary Residence			
Purchase & Limited Cash-Out Refinance			
Property Type	Max LTV/CLTV		Min Credit Score
1 Unit	Fixed	ARM	Per DU ³
	97% ^{1,2}	95%	
2 Units	85%		
3-4 Units	75%		
Second Home			
Purchase & Limited Cash-Out Refinance			
Property Type	Max LTV/CLTV		Min Credit Score
1 Unit	90%		Per DU ³
Investment Property			
Purchase & Limited Cash-Out Refinance			
Property Type	Max LTV/CLTV		Min Credit Score
1 Unit	Purchase	LCO Refi	Per DU ³
	85%	75%	

Footnotes

¹ 95.01%-97% LTV/CLTV

- **Purchase:** At least one borrower must be a first-time homebuyer, see homeownership education below
- **Limited Cash-Out Refinance:** Existing loan must be owned (or securitized) by Fannie Mae (Loan Lookup Tool).
- Non-occupant borrowers are ineligible
- High Balance and ARMs are not permitted
- Manufactured homes not permitted

² **Exception:**

- For purchase transactions with LTV, CLTV, or HCLTV ratios 95.01 - 97% that combine HomeReady and HomeStyle Renovation, Fannie Mae is not requiring at least one borrower to be a first-time homebuyer.

³MI company guidelines require minimum credit score 620

	<p>Refer to Fannie Mae and Freddie Mac Temporary Guideline Relief Bulletin for additional guidance.</p> <p>Employed Borrowers: 10-Day Pre-Closing Verbal Verification of Employment (VVOE) Due to COVID-19, there may be difficulty in obtaining the VVOE due to disruption to operations of the borrower's employer. An attempt to obtain the VVOE in accordance with existing requirements must be made. The following alternatives are allowed if a VVOE cannot be obtained:</p> <ul style="list-style-type: none"> • Written VOE <ul style="list-style-type: none"> ◦ Email must originate from the employer's email address/ domain (e.g. @loanDepot.com) ◦ Name and title of individual verifying the borrower's current employment status • YTD Paystub from the pay period that immediately precedes the note date • Bank statements evidencing the payroll deposit from the pay period that immediately precedes the note date <p>Note: If employment has been validated by the Desktop Underwriter (DU) validation service, the validation will remain eligible for representation and warranty relief on employment provided the lender complies with the "close by" date in the DU message. Otherwise, the guidance provided above applies.</p> <p>Self-employed borrowers: Continuity of Income Given the current economic climate associated with COVID-19 and its impact on employment and income, LDW must apply additional due diligence to ensure the most recent information is obtained. LDW must ensure that any disruption to borrowers' employment (or self-employment) and/or income due to COVID-19 is not expected to negatively impact their ability to repay the loan. The health of the business should be constantly checked throughout the full loan process. Recommendation is to validate the borrower's business is operational at each phase of the process from application to closing.</p> <p>Appraisal Appraisal flexibilities announced on Fannie Mae and Freddie Mac Temporary Guideline Relief Bulletin are not permitted on new construction properties or Fannie Mae HomeStyle Renovation and HomeStyle Energy mortgages.</p>
COVID-19 Temporary Process Effective 03/23/20	
Ineligible Transactions	<ul style="list-style-type: none"> • Community Seconds • Sweat Equity • Delayed Financing • Texas 50(a)(6) • Non-traditional credit • Hawaiian Home Land Transactions
Geographic Restrictions	<p>Hawaii</p> <ul style="list-style-type: none"> • Properties in Lava Zones 1 and 2 not permitted (verify the appraisal to confirm if property may be in a lava zone) <p>Texas Refinances</p> <ul style="list-style-type: none"> • Second homes and investment properties allowed (subject property must not be the only property owned in TX)



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Calculating LTV/ Maximum Mortgage	The value used to calculate the LTV		
	Purchase transaction	the lesser of <ul style="list-style-type: none"> the purchase price plus renovation costs, or the “as completed” appraised value 	
	Refinance transaction	<ul style="list-style-type: none"> the “as completed” appraised value 	
Refer to the HomeStyle Renovation Maximum Mortgage Worksheet (Form 1035) to calculate the maximum mortgage amount			
Minimum Loan Amount	Conforming		High-Balance
	\$60,000		\$1 > Conforming loan limit for the number of units for high cost areas
Debt-To-Income (DTI)	<ul style="list-style-type: none"> Per DU 		
AUS Requirements	<ul style="list-style-type: none"> DU Approve/Eligible 		
Documentation	<ul style="list-style-type: none"> Per DU 		
Qualifying Ratios	Fixed Rate	5/1 ARM	7/1 ARM and 10/1 ARM
	Qualify at the Note Rate	Qualify at the greater of the Fully Indexed Rate or the Note Rate + 2.0%	Qualify at the greater of the Fully Indexed Rate or the Note Rate
	<i>Per DU Approve/Eligible findings; loans with MI may have more restrictive requirements</i>		
Income	Salaried Borrowers		
	<ul style="list-style-type: none"> A current paystub dated within 120 days from the Note date W-2's: Per AUS or; <ul style="list-style-type: none"> ≥ 2 years on job: W-2 covering the most recent year < 2 years on job: W-2 covering the 2 most recent years 		
	Rental Income		
	<ul style="list-style-type: none"> Rental income is an acceptable source of stable income if it can be established that the income is likely to continue. Rental income derived from the subject property must be one of the following: <ul style="list-style-type: none"> 2-4 unit principal residence in which the borrower occupies one of the units, or 1-4 unit investment property Rental income derived from non-subject property have no restrictions on the property type 		
	Self-Employed Borrower		
<ul style="list-style-type: none"> Business in existence for at least two years (as stated on application) Personal signed individual tax returns, including all pages and schedules per DU Corporate or partnership signed tax returns, including all pages and schedules per DU Profit and loss generally not required 			
Asset Documentation	<ul style="list-style-type: none"> Per DU 		
Reserves	<ul style="list-style-type: none"> Per DU 		
Appraisal	<ul style="list-style-type: none"> Appraisal must provide an “as completed” value Plans and specifications must be used by the appraiser in the development of his or her opinion of the “as completed” value Completion Certification must be documented on an Appraisal Update and/or Completion Report (Form 1004D) Modification of Loan Amount – loan amount cannot be modified to adjust with changes in renovation costs 		
Contractors	<ul style="list-style-type: none"> Borrower must choose contractor to perform the renovation loanDepot Renovation team must review the contractor hired by the borrower to determine the contractor is adequately qualified and experienced for the work being performed. The Contractor Profile Report (Form 1202) can be used to assist with the determination Plans & specifications must be prepared by a registered, licensed or certified general contractor, renovation consultant or architect A construction contract is required. FNMA Construction Contract (Form 3734) may be used to document the construction contract between the borrower and contractor Multiple Contractors – Borrower may use more than one contractor, provided that all requirements related apply to each contractor 		
Renovation Requirements	<ul style="list-style-type: none"> The cost of renovations must not exceed <ul style="list-style-type: none"> Purchase transactions: 75% of the lesser of the purchase price plus renovation costs, or the “as completed” appraised value Refinance transactions: 75% of the “as completed” appraised value The renovation or repair must be permanently affixed to the real property Completion Date – Renovations must be completed within 12 months of closing date HUD Consultant or approved 3rd Party Inspection Service is required if improvements/costs exceed \$50,000 Structural repairs require an HUD Consultant or an approved 3rd Party Inspection Service regardless of total repair cost 		
Draw Process	<ul style="list-style-type: none"> Contingency Reserve – Minimum 10% contingency required on all projects or as determined by the HUD Consultant or approved 3rd Party Inspection Service Unused contingency reserve will be applied to a principal reduction after the final disbursement is completed Two draws permitted without an FHA Cost Consultant; five draws permitted with an FHA Cost Consultant or an approved 3rd Party Inspection Service Draws will be disbursed upon completion of certain stages of the work and will be done after inspections; title updates and invoices are received and reviewed by the loanDepot Disbursement Department 		



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	<ul style="list-style-type: none"> Remaining funds to be disbursed upon completion of all work, and after final inspection; final title update and approval from loanDepot Disbursement Department Paid receipts or canceled checks are required to reimburse Draw Request form to be completed with all supporting documentation Original signatures from borrower, inspector or consultant (if utilized), the contractor, and underwriter or authorized agent of loanDepot are required on the Draw Request form. Draw Requests will be reviewed for satisfaction of requirements prior to disbursements. A final appraisal inspection will be required regardless of the number of draws. Interim inspections are required prior to each draw if draws exceed (2) as directed by the FHA Cost Consultant or an approved 3rd Party Inspection Service. Projects cannot have more than three (3) specialized contractors without use of a General Contractor to manage the project 				
Title Update	<ul style="list-style-type: none"> An endorsement to the title policy extending the effective date through the completion of the renovation and assuring first lien position is required to be provided for final disbursement 				
Borrower Eligibility	Eligible		Ineligible		
	<ul style="list-style-type: none"> U.S. Citizens Permanent Resident Non-Permanent Residents Inter Vivos Revocable Trusts Non-Occupant Borrowers 		<ul style="list-style-type: none"> LLC Irrevocable Trusts 		
Property Types	Eligible		Ineligible		
	<ul style="list-style-type: none"> SFR/PUD (detached/attached) Co-ops (Refer to Co-op Approved Projects List) Condo (low/high rise) 2-4 Units 		<ul style="list-style-type: none"> Agricultural/Income producing properties Manufactured homes Non-Warrantable Condo/Condotel Earth homes, and geodesic domes 		
Co-ops	<ul style="list-style-type: none"> Subordinate financing, and investment properties are not permitted IL, NJ, and NY states only Requires loanDepot Project Eligibility Desk review and approval Written approval from the co-op board and/or building authority is required prior to renovating 				
Properties Listed for Sale	<ul style="list-style-type: none"> Limited Cash-Out transactions: Property must be taken off the market on or before the disbursement date and the borrower must confirm their intent to occupy the subject property (primary residence refinance transaction only) 				
Mortgage Insurance	Standard – Required MI Coverage				
	Loan Term	LTV			
		80.01-85.00%	85.01-90.00%	90.01-95.00%	95.01-97.00%
	25 and 30 Year	12%	25%	30%	35%
	10, 15, and 20 Year	6%	12%	25%	35%
	Note: ARMs MI coverage follow fixed>20 year table regardless of term, up to 95% LTV.				
Homeownership Education and Housing Counseling	Required for purchase transactions with LTV, CLTV, ratios greater than 95%, when <ul style="list-style-type: none"> All borrowers are first-time homebuyers, at least one borrower must participate in homeownership education Fannie Mae Homeownership Education and Housing Counseling 				
Credit	Mortgage/Rental History				
	<ul style="list-style-type: none"> Per DU <ul style="list-style-type: none"> 60 day or more delinquencies reported within 12 months prior to the credit report date not acceptable 				
	Installment/ Revolving				
	<ul style="list-style-type: none"> Per DU 				
	Foreclosure, Bankruptcy, Deed-in-Lieu, Short Sale, Repossession, or Loan Modification				
	Derogatory Event		Discharge/Dismissal		
	Bankruptcy – Chapter 7 or 11		4 years		
	Bankruptcy – Chapter 13		2 years from discharge date 4 years from dismissal date		
	Multiple Bankruptcy Filings		5 years from dismissal date		
	Foreclosure		7 years		
Loan Modification		No seasoning, DU will evaluate			
Deed-in-Lieu of Foreclosure		4 years			
Pre-foreclosure Sale					
Charge-Off of Mortgage Account					
Past-Due, Collection, and Charge-Off of Non-Mortgage Accounts					
1 Unit Primary Residence		Not required to pay off outstanding collections or non-mortgage charge-offs—regardless of the amount			



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		2-4 Units Owner Occupied & Second Homes	collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing
		Investment Properties	individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing
Student Loans	Student loans in repayment, deferment or forbearance:		
	If	Then	
	Payment Reflected on Credit Report	May use that amount for qualifying purposes	
	Payment Not Reflected on credit report	May use the monthly payment that is on the most recent student loan statement to qualify the borrower	
	Credit report shows \$0	Use 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or a fully amortizing payment using the documented loan repayment terms If income-driven payment plan is \$0 Obtain student loan documentation to verify the actual monthly payment is \$0, then may qualify the borrower with a \$0 payment	
Special Feature Codes	<ul style="list-style-type: none"> SFC 215 – HomeStyle Renovation Mortgages SFC 279 – Renovations completed at or prior to loan delivery 		
Net Tangible Benefit	<ul style="list-style-type: none"> Net Tangible Benefit Requirements – All refinance transactions must meet the more restrictive of loanDepot Net Tangible Benefit Policy or agency/program Net Tangible Benefits Requirements. 		

Eligible Terms								
Fixed	Conforming				High-Balance			
	Description/Term				Description/Term			
	15 Year Fixed				15 Year Fixed			
	20 Year Fixed				20 Year Fixed			
	25 Year Fixed				25 Year Fixed			
30 Year Fixed				30 Year Fixed				
ARM	Conforming				High-Balance			
	Description	Index	Margin	Caps	Description	Index	Margin	Caps
	5/1 ARM	LIBOR	2.25%	2/2/5	5/1 ARM	LIBOR	2.25%	2/2/5
	7/1 ARM			5/2/5	7/1 ARM			5/2/5
	10/1 ARM			10/1 ARM	5/2/5			

