

HomePath® Renovation Mortgage

Product Summary and Highlights		<p>HomePath Renovation Mortgage provides up to 97% financing (will decrease to 95% when DU® 9.1 is implemented in November 2013) for the purchase and light to moderate renovation of a Fannie Mae-owned property</p> <ul style="list-style-type: none"> • Single loan for purchase and renovation funds • Renovation funds limited to the lesser of 35% of the “as-completed” appraised value or \$35,000 • Borrower must make payments during the renovation period (cannot escrow payments that come due during the renovation) • Mortgage insurance (MI) not required for LTVs over 80% • Expanded interested-party contributions for primary residences
Eligibility	Mortgaged Property	<ul style="list-style-type: none"> • Eligible properties must be owned by Fannie Mae, sold by Fannie Mae to the borrower(s), and designated by Fannie Mae as eligible for a HomePath Renovation Mortgage • Loan file must be documented with a printed copy of the “Listing Details” page printed from www.homepath.com showing the HomePath Renovation Mortgage logo, indicating the property is eligible for HomePath Renovation Mortgage financing; no other documents may be used to document HomePath Mortgage Renovation eligibility
	Loan Purpose, Property Type, and Occupancy	<ul style="list-style-type: none"> • Purchase Only • All eligible property types per the <i>Selling Guide</i> except manufactured housing <ul style="list-style-type: none"> ○ Lender not required to warrant that condo, co-op, or PUD project meets Fannie Mae’s project eligibility criteria; however, lender must confirm project has required insurance coverage as stated in the HomePath Renovation Mortgage contract ○ For a unit in a condo or co-op project, renovation work must be interior-only and must be allowable per owners’ association bylaws (or co-op corporation) • All occupancy types per the <i>Selling Guide</i>
	Mortgage Products/ Features	<ul style="list-style-type: none"> • All standard fixed-rate and adjustable-rate products/features per the <i>Selling Guide</i> are eligible except: <ul style="list-style-type: none"> ○ Interest-only (IO) mortgages ○ MyCommunityMortgage® ○ Mortgages with terms over 30 years ○ ARMs with initial fixed-rate periods less than three years • Product must meet the standard eligibility requirements for the specific mortgage type, property type, or feature per the <i>Selling Guide</i>

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Eligibility (cont'd)	Maximum LTV/CLTV/HCLTV (%)	<p>Maximum LTV/CLTV/HCLTV for FRMs are the same as the maximums applicable to <i>HomeStyle Renovation Mortgages</i> except as follows:</p> <ul style="list-style-type: none"> • 1 unit principal residence: 97/97/97% (will decrease to 95% when DU[®] 9.1 is implemented in November 2013) • 2-4 unit investment property: 75/75/75% • Maximum CLTV is 105% if mortgage is part of a Community Seconds[®] transaction <p>Maximum LTV/CLTV/HCLTV for ARMs: per DU eligibility except as follows:</p> <ul style="list-style-type: none"> • 2-4 unit investment property: 65/65/65% <p>High-Balance Mortgage Loans: per <i>Selling Guide</i></p>
	Credit Score	<p>Per the <i>Selling Guide</i>, except as follows:</p> <ul style="list-style-type: none"> • Minimum credit score of 660 if LTV (or CLTV/HCLTV, if applicable) greater than 80% <p>High-Balance Mortgage Loans: per the <i>Selling Guide</i></p>
	Subordinate Financing	Permitted per the <i>Selling Guide</i>
	Maximum Financed Properties	Borrowers who own more than four financed properties are ineligible
	Source of Down Payment	Standard sources of funds per the <i>Selling Guide</i>
	Mortgage Insurance (MI)	MI not required (mortgage with LTV over 80% is subject to a loan-level price adjustment (LLPA) at time of delivery)
Underwriting	Desktop Underwriter [®]	<ul style="list-style-type: none"> • Loan must be underwritten through DU[®] • DU recommendation must reflect "Approve" • DU recommendation must reflect "Eligible" unless the only reason the loan is "Ineligible" is the following: <ul style="list-style-type: none"> ○ LTV greater than 95% for a FRM secured by a 1-unit principal residence (not applicable when DU[®] 9.1 is implemented in November 2013)
	DU Data Entry Requirements	<ul style="list-style-type: none"> • For all transactions other than 2- to 4-unit investment properties, the renovation costs must be entered on Line b of Section VII (Details of Transaction) on the loan application • For 2- to 4-unit investment properties, the sum of the sales price and the renovation costs must be entered on Line a of Section VII (Details of Transaction); if the costs are entered on Line b, DU will issue an "Out of Scope" recommendation

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Underwriting (cont'd)	DU Messaging	<p>Lender may disregard the following DU messages, provided the loan complies with all HomePath Renovation Mortgage requirements:</p> <ul style="list-style-type: none"> Any message relating to a FRM for a 1-unit principal residence receiving an “Ineligible” recommendation due to LTV/CLTV/HCLTV greater than 95% (not applicable when DU[®] 9.1 is implemented in November 2013) Any message relating to amount of MI required Any message requiring lender to verify the cost of improvements does not exceed 50% of the “as-completed” appraised value Any message that says the maximum allowable interested-party contribution has been exceeded on a principal residence with LTV/CLTV over 90%
	Interested Party Contributions	<p>Maximum Interested Party Contributions (IPCs):</p> <ul style="list-style-type: none"> Principal residence: 6% of contract sales price for LTV/CLTV/HCLTV greater than 90% Second home and investment property: standard per the <i>Selling Guide</i>
	Property Valuation	<p>Property value for purposes of loan delivery and for determining LTV/CLTV/HCLTV shall be the lesser of:</p> <ul style="list-style-type: none"> the “as-completed” appraised value; or the sum of the sales price of the property as evidenced by the sales contract between Fannie Mae and the buyer/borrower (“Contract Sales Price”) and the total renovation costs (which include the renovation costs and all allowable fees and charges)
Pricing	MBS	<ul style="list-style-type: none"> Lender base guaranty fee for applicable product (FRM, ARM, etc.) Subject to applicable loan-level price adjustments (LLPAs)
	Whole Loans	<ul style="list-style-type: none"> Current pricing per eCommitting™ (base product grids apply) Subject to applicable LLPAs
	Loan-Level Price Adjustments	<ul style="list-style-type: none"> All standard, applicable LLPAs per the <i>Selling Guide</i> apply Additional LLPAs specific to HomePath Renovation Mortgage may also be applicable (contact your Fannie Mae account team for more information)
Committing, Delivery, and Servicing	Execution Options	<ul style="list-style-type: none"> MBS (TBA eligible) Whole loan (must use eCommitting for whole loans)
	Special Feature Codes (SFCs) and ULDD Data Points	<ul style="list-style-type: none"> 058 – for all HomePath Renovation Mortgages PLUS all other applicable SFCs: <ul style="list-style-type: none"> 118 (for any loan originated in conjunction with a Community Seconds[®] transaction) Any other applicable SFCs ULDD data points also required
	MI Code	Use MI code 98 (no MI) for loans over 80% LTV at delivery
	Servicing	Per <i>Servicing Guide</i>

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Renovation Phase	Renovation Period Requirements	<p>Fannie Mae will purchase the HomePath Renovation Mortgage loan prior to completion of the improvements</p> <ul style="list-style-type: none"> • Renovation funds to be held in escrow <ul style="list-style-type: none"> ○ Lender manages draws, inspections, title updates to protect Fannie Mae’s first lien position ○ Excess funds must be used to reduce principal or fund additional improvements • No automatic recourse to lender during renovation period (standard <i>Selling Guide</i> representations and warranties apply) • Renovation must be completed within six months of loan closing date
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High-Level Renovation Process

Loan	Renovation Period	Work Complete
<ol style="list-style-type: none"> 1. Borrower selects property, lender, and contractor. 2. Lender prequalifies borrower, ensures that property is eligible, and approves contractor. 3. Borrower submits contractor’s plans to lender 4. Appraiser reviews plans and specifications, and determines “as-completed” value. 5. Lender calculates maximum renovation amount and maximum mortgage amount. 6. Lender underwrites loan, prepares closing documents, and delivers title. 	<ol style="list-style-type: none"> 7. Loan is closed. Funds for renovation are placed in an escrow account. 8. Contractor begins work and requests funding. 9. Lender performs inspection to confirm work being billed is completed. 10. Lender funds draw request with two-party check or direct funding. 	<ol style="list-style-type: none"> 11. Once renovation is completed (within 6 months of closing date), lender performs final inspection. 12. Lender obtains title insurance endorsements. 13. Lender ensures that hazard insurance policy reflects “as-completed” value. 14. Borrower signs Completion Certificate. 15. Lender reconciles escrow account and applies remaining funds to UPB or additional renovation.

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