



CHOICERenovation Conforming & Super Conforming Fixed Program Guidelines

Revised 2/13/2024 rev. 125

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Section 1 Program Summary

The Program Guidelines supplement Plaza's Credit Guidelines. Refer to Freddie Mac's Selling Guide for any information not specified in the Program Guidelines and Credit Guidelines.

The CHOICERenovation loan enables borrowers to finance the purchase or refinance of a home and the cost of its rehabilitation through a single mortgage.

Plaza also offers Home Possible combined with CHOICERenovation for qualifying credit worthy low-to-moderate-income borrowers. When combined with Home Possible, borrowers may benefit from expanded eligibility, reduced mortgage insurance coverage and lower loan level price adjustments.

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Section 2 Product Codes

Product Name	Product Code	Available Term in Months
CHOICERenovation Conforming 15 Year Fixed	CF150CA	121-180
CHOICERenovation Conforming 30 Year Fixed	CF300CA	181-360
CHOICERenovation Super Conforming 15 Year Fixed	CF150CASC	121-180
CHOICERenovation Super Conforming 30 Year Fixed	CF300CASC	181-360
CHOICERenovation Home Possible Conforming 15 Year Fixed	CF150CAP	121-180
CHOICERenovation Home Possible Conforming 30 Year Fixed	CF300CAP	181-360
CHOICERenovation Home Possible Super Conforming 15 Year Fixed	CF150CAPSC	121-180
CHOICERenovation Home Possible Super Conforming 30 Year Fixed	CF300CAPSC	181-360
CHOICERenovation Conforming 30 Year Fixed w/2-1 Buydown	CF300CABD21	360
CHOICERenovation Conforming 30 Year Fixed w/1-0 Buydown	CF300CABD10	360
CHOICERenovation Super Conforming 30 Year Fixed w/2-1 Buydown	CF300CASCBD21	360
CHOICERenovation Super Conforming 30 Year Fixed w/1-0 Buydown	CF300CASCBD10	360

Section 3 Program Matrix

CHOICERENOVATION CONFORMING				
Primary Residence				
Purchase and Rate & Term Refinance				
Property Type	LTV	CLTV	Min Credit Score	Max DTI
1-Unit	97%	97%	Per LPA & MI	Per LPA & MI

Additional requirements for loans with LTV > 95%:

- Super Conforming loan amounts are not eligible.
- Must receive an LPA Accept/Eligible finding.
- Purchase Transactions: At least one borrower must be a first-time homebuyer or the loan must be a Home Possible loan.
- When all borrowers are first-time homebuyers, at least one borrower must participate in homeownership education.
- Rate/Term Refinance Transactions: Existing mortgage must be a Freddie Mac loan. Refer to the **Transactions** section of these guidelines for more information on documenting Freddie Mac loans.
- All borrowers must occupy the property.
- Max CLTV for a conforming balance loan with a community second is 105%.

CHOICERENOVATION CONFORMING and SUPER CONFORMING				
Primary Residence				
Purchase and Rate/Term Refinance				
Property Type	LTV	CLTV	Min Credit Score	Max DTI
1 Unit	95%	95% ¹	Per LPA & MI	Per LPA & MI
2 Units	85%	85%	Per LPA & MI	Per LPA & MI
3-4 Units	80%	80%	Per LPA	Per LPA
Second Home ²				
Purchase and Rate/Term Refinance				
1 Unit	90%	90%	Per LPA & MI	Per LPA & MI
Investment Property ²				
Purchase and Rate/Term Refinance				
1 Unit	85%	85%	Per LPA & MI	Per LPA & MI

¹ Max CLTV for a conforming balance loan with a community second is 105%. Max CLTV for a Super Conforming loan with a community second is 95%.

² Home Possible loans are not eligible for second homes or investment properties.

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Section 4 Loan Limits

Conforming Agency Loan Limits		
Units	Contiguous U.S.	Alaska & Hawaii
1	\$766,550	\$1,149,825
2	\$981,500	\$1,472,250
3	\$1,186,350	\$1,779,525
4	\$1,474,400	\$2,211,600

Super Conforming Loan Limits		
Units	Contiguous U.S.	Alaska & Hawaii ¹
1	\$1,149,825	N/A
2	\$1,472,250	N/A
3	\$1,779,525	N/A
4	\$2,211,600	N/A

¹. There are no properties in Alaska and Hawaii with loan limits higher than the applicable base conforming limits for 2024. As a result, there are no Super Conforming limits specific for these states.

Refer to the [FHFA website](#) for specific counties and states eligible for higher loan limits.

Section 5 Transactions

- Purchase
- Rate/Term Refinance

Rate/Term Refinances > 95% LTV:

Rate/Term refinances with LTV > 95% are eligible only when the loan being refinanced can be documented as a Freddie Mac owned or securitized loan.

Documentation may come from any of the sources below:

- The lender's servicing system,
- The current servicer (if the lender is not the servicer)
- [Freddie Mac's Loan Lookup tool](#)

Rate/Term Refinance of properties owned free and clear are acceptable when: Mortgage proceeds are used to finance only eligible renovations and the borrower may not receive any money back at closing.

Ineligible Transaction Types:

- Cash out Refinances
- Texas Section 50(a)(6)
- Properties listed for sale at time of application
- Builder spec foreclosures

Refer to the Loan Purpose sections in Freddie Mac's Selling Guide for additional details.

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Section 6 Occupancy

- Owner-occupied Primary Residences
- Second homes
- Investment properties

Section 7 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Low-rise/high-rise condos
- 2-4 units Primary Residence

Ineligible Properties:

- 2-4 unit investment properties
- Manufactured housing
- Commercial properties
- Condotels
- Properties listed on a Historical Register
- Cooperatives
- Geothermal homes
- Mobile homes
- Non-warrantable condos
- Timeshares
- Working farms, ranches, orchards
- Community Land Trusts

Condominiums:

- The renovation must be permissible under the bylaws of the homeowners' association or for which the homeowners' association has given written approval.
- The renovation work must be limited to the interior of the unit including the installation of fire walls in the attic.
- Florida condos have additional restrictions. Refer to the Geographic-Specific Condo Project Considerations section in Plaza's **Project Standards** for additional details.

Refer to the Property Types and Project Standards chapter in Plaza's **Credit Guidelines** for additional details.

Section 8 Property Flips

Generally, purchases of properties that have been acquired within the last 12 months are eligible when an increase in value can be supported.

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Section 9 Borrower Eligibility

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens
- Non-permanent resident aliens
- Non-occupant co-borrowers
- Inter Vivos Revocable Trusts – Refer to **Plaza's Living Trust Policy**.
- First-Time Homebuyers
 - A first-time homebuyer is as indicated on the URLA (Form 1003) in Section VIII., when a borrower responds "No" to Declaration M: Have you had an ownership interest in a property in the last three years?

Ineligible Borrowers:

- Partnerships
- Corporations
- Non-Revocable Inter Vivos Trusts
- Foreign Nationals
- Borrowers with Diplomatic Immunity

Social Security Number Data Integrity Issues:

- If LPA identifies a data integrity issue pertaining to a borrower's Social Security number, the Social Security number must be validated directly with the Social Security Administration.
- Loans with validated Social Security numbers must be delivered with Special Feature Code 162.
- If the Social Security number cannot be validated with the SSA, the loan is not eligible.
- Refer to the Borrower's Identity section in Plaza's Credit Guidelines for additional details

Refer to the Borrower Eligibility sections in Freddie Mac's Selling Guide for additional details.

Section 10 Identity of Interest

Identity of Interest and Non-Arm's Length describe certain transactions that may pose increased risk and warrant additional precautions. Example: borrower has a relationship or business affiliation (any ownership interest, or employment) with any builder, contractor, or seller of the property.

- Sales transactions between family members are permitted, primary residences only.
- Borrowers related to or having a business affiliation with the contractor are not allowed.
- No other instances of Identity of Interest or conflict of interest between parties are allowed.

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Section 11 Subordinate Financing

Subordinate financing is allowed per the LTV/CLTV & credit score tables. Refer to the Subordinate/Secondary Financing sections in Freddie Mac's Selling Guide for additional details.

Affordable Second:

For 1-unit conforming balance primary residences, the CLTV may be up to 105% as approved by LPA if the second mortgage is an Affordable Second transaction. Affordable Seconds cannot be HELOCs, funded by the property seller, a non-institutional source or an interested party to the transaction. Refer to **Freddie Mac Affordable Secondary Financing** for requirements.

Section 12 Underwriting Method

Automated Underwriting:

Loans must be underwritten by Loan Product Advisor (LPA) and must receive a risk and eligibility classification of Accept/Eligible. Loans receiving an Accept/Ineligible recommendation are allowed only where ineligible is issued solely due to loan amount.

Loans may follow the LPA Findings Report unless otherwise stated in the Program Guidelines. Additional information may be requested at the discretion of the underwriter.

Loans with LTV's > 80% require Mortgage Insurance. Additional MI guidelines and restrictions may apply. Refer to MI company specific guidelines.

Refer to the Automated Underwriting section in Plaza's **Credit Guidelines** for additional details.

Manual Underwriting: Not allowed.

Freddie Mac Delivery Codes: J24 - CHOICERenovation with recourse

Section 13 Credit

Credit Score:

- The minimum credit score is determined by LPA.
- When MI is required, MI credit score requirements must also be met.

Valid Credit Score:

- At least one borrower must have a valid credit score.
 - Super Conforming mortgage loans require a valid credit score for each borrower.
 - Additional documentation requirements may apply when one or more borrowers do not have a valid credit score. Refer to Plaza's **Credit Guidelines** for additional requirements.

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Housing History:

The mortgage payment history may be deemed satisfactory when the mortgage credit rating is disclosed on the credit report, is evaluated by LPA, and the loan receives an "Accept/Eligible" from LPA.

For mortgage ratings not evaluated by the AUS, the mortgage history must be documented and there may be no history of any 30-day late mortgage payments within the last 12 months. Any late payments in the last 24 months will be considered and evaluated by the underwriter.

Refer to the Credit chapter in Plaza's **Credit Guidelines** for additional details.

Section 14 Income & Employment

Income must be documented per the LPA Findings Report and Plaza's Credit Guidelines. Regardless of LPA findings, the following is required on all loans:

- **1003:** A completed and signed 1003 including a 2-year employment history is required for all borrowers.
- **4506-C/Tax Transcripts:** A signed 4506-C for all years in which income was used in the underwriting decision are required regardless of LPA findings. Refer to Plaza's **Credit Guidelines** to determine if transcripts are required.
- **Income/Employment:** Standard documentation per Freddie Mac's Selling Guide is required; however, for non-self-employed borrowers a year-to-date paystub, at minimum, is required and cannot be replaced with a handwritten VOE.

Verbal Verification of Employment: Standard VVOE requirements apply.

Employment and Income Commencing After the Note Date:

Plaza only allows Freddie Mac's Additional Requirements Option 1. Refer to Freddie Mac Seller Guide Section 5303.2(e) and the **Loan Product Advisor Documentation Matrix** for complete details.

Refer to the Employment and Income chapter in Plaza's **Credit Guidelines** for additional details.

Section 15 Qualifying Ratios

The maximum debt-to-income (DTI) ratio will be determined by the LPA, and if applicable, the MI company.

Section 16 Down Payment / Gifts

Freddie Mac requirements for down payment and gift funds.

Section 17 Interested Party Contributions

Occupancy	LTV/CLTV	Maximum Seller Contributions
Primary Residence and Second Homes	> 90%	3%
	> 75% and ≤ 90%	6%
	< 75%	9%
Investment Properties	All LTVs	2%

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Section 18 Reserves

Primary Residence:

- Subject Property: Per LPA
- Other Financed Properties: Per LPA

Second Home or Investment Property:

- Subject Property: Per LPA
- 1 - 6 Other Financed Properties: 2 months of the monthly payment on each other financed property
- 7 - 10 Other Financed properties: 8 months of the monthly payment on each other financed property

Section 19 Geographic Restrictions

Program specific geographic restrictions are identified below. Refer to Plaza's [Geographic State Restrictions](#) for general guidelines and restrictions.

Hawaii:

- Properties in Lava Flow Zones 1 or 2 are not allowed.

Texas:

- Texas Section 50(a)(6) loans are not eligible.

Section 20 Max Financed Properties / Exposure

Maximum number of financed properties, including the subject property and including the borrower's primary residence, regardless of the lending source is limited as outlined below.

- Primary Residence: No restrictions
- Second Home or Investment Property:
 - 1 - 6 financed properties: no additional restrictions. See [Reserves Requirement](#).
 - 7 - 10 financed properties: LPA Accept/Eligible required, minimum 720 Credit Score required, see [Reserves Requirement](#).
 - > 10 financed properties is not allowed

Plaza's Underwriter must complete the [Multiple Financed Properties Checklist](#) for borrowers with multiple financed properties. The checklist assists in determining whether a transaction meets the additional requirements.

Maximum Loans/Maximum Exposure: A maximum of four Plaza loans is permitted to one borrower.



Section 21 Insurance: Property and Mortgage Insurance

Property Insurance:

Hazard insurance must cover the estimated as-completed value of the home after renovation.

At the completion of renovation work, the borrower must provide a certification from the insurance company regarding the adequacy of the property insurance. The certification must confirm that the coverage has been increased, if necessary, to comply with Freddie Mac's standard property and flood insurance requirements.

For additional Insurance requirements refer to Plaza's [Loan Closing Manual](#).

Mortgage Insurance:

Loans with LTV's greater than 80% require MI from a Plaza approved MI provider.

MI guidelines are subject to change; it is therefore the underwriter's responsibility to check the applicable MI Underwriting Guidelines online and order the MI cert at the time of underwriting and prior to sending out an approval.

Refer to Plaza's [Mortgage Insurance Policy](#) for additional information.

Section 22 ARM Adjustments

Not applicable.

Section 23 Temporary Buydowns

Temporary Buydowns are eligible subject to the following:

- 2-1 and 1-0 buydowns are offered
- Purchase transactions only
- Primary Residence or Second Home
- Qualify at the note rate
- Manufactured homes are ineligible
- Funds may come from the seller or other eligible interested party
 - Interested Party Contribution (IPC) limits apply
 - Seller paid buydowns should be disclosed in the purchase contract and must be provided to the appraiser with all appropriate financing data and IPCs for the subject property
 - The amount and source of all IPCs must be submitted to LPA as applicable
- Buydown Agreement required and will print with Plaza loan docs
- [Plaza's Buydown Calculator](#) can be used to estimate the buydown payment and total contribution amount

Section 24 Escrow Accounts

- Escrow waivers are not permitted for LTV > 95%
- Escrow waivers for LTV > 90% <= 95% require a minimum of 3 months verified reserves.
- Impounds should not be waived for borrowers with blemished credit histories or first-time homeowners; however, impounds may be waived if sufficient compensating factors exist and a 2nd level review by a Plaza Underwriting Team Manager is required.
- Escrow deposits for the payment of premiums for mortgage insurance may not be waived

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Section 25 Repair Escrows

Weather related escrow holdbacks are not allowed.

Section 26 Appraisal

Establishing Value:

One full appraisal is required. A Property Inspection Waiver (PIW) is not allowed.

- The appraisal must provide an “as completed” value (subject to repairs/plans and specs).
- The appraisal must include a finalized copy of the plans, specs, contractor’s bid and project review if one is required.
- Any appraiser required or recommended repairs must be added to the plans and specs.
- Following completion of the renovation work, the borrower must obtain a certification of completion stating that the renovation was completed in accordance with the submitted plans and specs. The certification must be documented on the Appraisal Update and/or Completion Report (Form 1004D).

Transferred Appraisals: Not allowed.

Refer to the Appraisal Requirements chapter in Plaza’s **Credit Guidelines** for additional details.

Section 27 Cost of Improvements and Fees

Renovation Costs:

Renovation costs consist of improvements plus the costs of associated fees. Renovation costs are limited to 75% of the “as completed” appraised value of the home.

Improvement Costs and Eligible Fees:

- Labor and materials
- Property inspection fees
- Permits and licenses
- Mortgage Payment Reserves (see **Section 27**)
- Contingency Reserve (see **Section 28**)
- Title update fee (\$200)
- Draw Inspection Fee: HUD Consultant will set the fee amount per draw inspection (e.g. 5 draws x HUD Consultant fee of \$200 per draw = \$1000 total)
- HUD Consultant Work Write Up fee
- Architectural and engineering fees
- Other project related fees (e.g. home energy rating report, landscaping designer, geological study, mold inspection).

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Section 28 Mortgage Payment Reserves

A payment reserve of up to six months PITI is permitted when the borrower must vacate the property during renovation.

- Eligible for primary residence properties only.
- The amount can be financed in the loan amount if the value will support such financing.
- The reserve is allowed only for the period in which the property is uninhabitable due to the renovations.
- Any remaining reserves will be used to pay down the principal balance on the loan.
- Not allowed for multi-unit properties.

Section 29 Contingency Reserves

The purpose of a contingency reserve is to cover required unforeseen repairs that are discovered during the renovation. The contingency reserve is a required renovation cost and is typically financed in the loan amount (Financed Contingency). Alternately, the borrower may bring funds to closing to fund the contingency reserve; however, any assets required to fund the contingency must be documented and verified above the amount required for down payment and reserves (Borrower Funded Contingency).

- The contingency is calculated as a percent of the cost of labor, materials and soft costs.
- A minimum of a 10% and maximum of 20% contingency reserve is required. 15-20% is required if the utilities are off, the home has been without utilities for an extended period of time, is uninhabitable or if there is water, mold or fire damage.
- The contingency reserve may be released only if unforeseen required and necessary repairs or deficiencies are discovered during the renovation/construction.
- Any work paid from contingency funds must be approved by Plaza in advance, documented as completed and having improved real property.
- **Unused Financed Contingency:**
 - **Rate/Term Refinance:** Up to the greater of 1% or \$2,000 may be returned to the borrower on a rate/term refinance. Any rate/term funds exceeding the greater of 1% or \$2,000 must be used to reduce the outstanding balance of the mortgage or see Additional Improvements below.
 - **Purchase:** Funds must be used to reduce the outstanding balance of the mortgage or see Additional Improvements below
- **Additional Improvements if contingency reserve funds remain at the completion of renovation:**
 - May be used for improvements or repairs that are permanently affixed to the real property.
 - Funds may not be used to purchase personal property.
 - All work described in the plans and specifications must have been completed.
- **Unused Borrower Funded Contingency:**
 - Funds will be refunded to the borrowers once the renovation work has been completed and the certification of completion has been obtained.



Section 30 Calculating the Loan Amount and Maximum Mortgage Worksheet

The **CHOICERenovation Maximum Mortgage Worksheet** must be used to determine the maximum allowable mortgage amount. The cost of renovations is limited to 75% of the “as completed” value.

Purchase:

- The LTV is based on the lesser of the purchase price plus cost of renovation, or the “As-Completed” value.

Rate/Term Refinance:

- The LTV is determined by dividing the loan amount by the as completed appraised value of the property.
- Borrower may not receive cash back at closing in any amount. Principal curtailment at closing is also not allowed.
- Excess funds if any, after renovations are completed, may be applied to the loan balance as a principal reduction or may be reimbursed to the borrower for the cost of actual supplies or additional renovations for which paid receipts are provided. The value of sweat equity may not be reimbursed.

Section 31(a) Eligible Improvements - Standard Program

Eligible Improvements:

- All repairs must be permanently affixed to the property (dwelling or land).
- All appraiser notated deficiencies and required repairs must be completed.
- There is no minimum dollar amount for repairs.

Ineligible Improvements:

- Repairs that cannot be completed in 6 months.
- Homes that will be demolished to the ground or foundation as part of the rehabilitation.
- Existing foundation up construction.
- Moving a house from another location onto the subject property.
- Improvements that result in commercial use or are commercial in nature.
- SFR dwelling conversions to 2-4 unit property or 2-4 unit properties converted to SFR dwelling.
- Oil Tank repairs or replacement.

Accessory Dwelling Units (ADU):

- Only one ADU is permitted on the parcel of the primary one-unit dwelling.
- ADUs are not permitted with a two- to four-unit dwelling.
- Construction or repair of ADUs is permitted provided the unit is in compliance with existing local zoning requirements.
- Comparable properties with like ADUs must be provided as part of the appraisal report.

Outdoor Buildings (garages, recreation rooms, pools):

- Construction or repairs of outdoor buildings and structures are permitted provided the structure is in adherence with existing local zoning and applicable building code requirements.
- Comparable properties with like outdoor buildings must be provided as part of the appraisal report

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Final Work on Newly Built Home:

- Funds 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. Typical work would include installation of buyer-selected items only: flooring, cabinets, kitchen appliances, fixtures, and trim.

Appliances:

- The cost of appliances is only allowed when the appliances are being purchased in conjunction with an overall remodeling project that includes substantial changes or upgrades to the rooms in which the appliances are placed.
- Appliances cannot be purchased separately

Section 31(b) Eligible Improvements - Limited and Pool Program

CHOICERenovation Limited:

For smaller projects that meet the following requirements reduced documentation is allowed:

- Total project cost, including contingency and construction related fees not to exceed \$25,000.
- Project must be completed using a final single draw at completion of construction.
- Material draws at closing are not allowable.
- The appraiser will perform the single final inspection.
- Fee: 2 x \$150 for cost of inspections.
- HUD Consultant is not required.

CHOICERenovation Pool Program:

Projects consisting of only a pool installation may follow the reduced requirements below:

- This reduced documentation is only applicable when the project consists only of a pool, pool decking, and/or any fencing or netting immediately surrounding the pool.
- The lesser of \$15,000 or 25% of the total project cost may be advanced at closing for material costs for items ordered and not yet paid for.
- While all work to be performed must be fully described, bids are not required to separate labor and material costs.
- While permits must still be obtained and referenced, an itemized listing of all permits and their costs is not required.
- Plaza will fund each draw in its entirety and not withhold 10% of the draw.



Section 32 Materials Draw and Borrower Provided Materials

Materials Draw:

- At closing a draw of up to the lesser of 50% of materials or \$25,000 may be advanced for materials required by the specification of repairs/contractors bid.
- The specifications/contractors bid) must clearly document on the contractors bid the exact type of materials and exact costs for which funds are to be advanced.
- Checks will be made payable to the borrower and contractor.
- A materials draw is not included in the allowable number of draws (max 5 draws).

Borrower Provided Materials:

- Materials provided by the borrower may be allowed but cannot be financed in the loan amount.
- All materials provided by the borrower must be new from the manufacturer and be documented with paid invoices.
- Source of funds to acquire the materials must be documented.
- The HUD Consultant must provide photos of the borrower provided materials.

Section 33 HUD Consultant, WWU and Feasibility

HUD Consultant:

Plaza requires the use of a HUD Consultant. Approved HUD consultants may be found on HUD's website using the **consultant window lookup feature**.

- The HUD Consultant must be selected by the borrower.
- The HUD Consultant must perform the draw inspections.
- The HUD Consultant must be made aware that the loan being applied for is a Freddie Mac CHOICERenovation.
- The HUD Consultant must provide an invoice and a W-9.
- CHOICERenovation Limited does not require a HUD Consultant (see **Section 30(a)** for details).

Work Write Up (WWU):

- A Work Write Up or project review is required for projects equal to or greater than \$75,000.
- Depending on the project type an Underwriter may request a Work Write Up or project review on projects less than \$75,000 (e.g. heavy structural work or mold, fire or water damaged homes)

HUD Consultant Feasibility Study:

- At the request of the borrower, a HUD Consultant may also provide a Feasibility Study.
- Plaza does not require a Feasibility Study unless the borrower has requested one. If a Feasibility Study is performed to determine the project is financially feasible, a copy of the study must be provided in the loan file regardless if the cost is financed.
- A feasibility study is an allowed eligible cost. This fee is in addition to the cost of the WWU.



Section 34 Contractor Requirements

Contractor:

The contractor is chosen by the borrower. However Plaza must be able to determine that the contractor is qualified, properly registered (with local issuing authority) and experienced for the work being performed.

Plaza will verify the following required documentation to assist in making the determination that the contractor is qualified:

- License, bond, insurance (\$1MM min) (or local issuing authority requirements), and a current W9.
- **Contractor Profile Report (Form 1202)**. Including demonstrated experience in renovation lending and a minimum of three references of similar work in cost and nature completed within the last 12 months. The Originator must also sign the Contractor Profile report stating the contractor's references have been verified.
- Document a demonstrated financial ability to sustain projects.
- If mold abatement, lead-based paint abatement, or radon abatement, the contractor must be licensed under those specific trades.
- Plaza, at its discretion, may run a background report on contractors.
- Only one General Contractor is allowed.

Construction Contract:

- Borrowers must have a construction contract with their contractor. **Fannie Mae Renovation Contract Form 3730** is a required form.

Section 35 Self Help (Do-It-Yourself)

Not allowed.

Section 36 Plans and Specifications of Repairs / Contractors Bid

Plans and Specifications / Contractors Bid:

- Must be prepared by a registered, licensed, or certified general contractor or renovation consultant.
- Must be provided on contractor's letterhead or on Plaza's bid template form.
- Fully describe and itemize the specific work that the contractor agrees to perform for the borrower.
- Include quality of materials, location of work and labor and materials cost separated for each of the repairs.
- Include an itemized listing of all permits and corresponding costs.
- Include an itemized description (Draw Schedule) establishing the schedule for completing each stage of work and corresponding payments, (including both the start and job completion dates), max 5 draws.
- Identify all subcontractors and suppliers.
- Include all contractors and borrower's information, address, phone and email.
- If a Materials Draw is being provided at closing, an exact detail of type of materials and exact amount per item must be detailed on the bid (see **Section 31**).
- Executed by both the contractor and the borrower.

Architectural exhibits and or a structural engineer reports (Plaza to determine at time of project review) will also be required if an addition, structural reconfiguration, load bearing changes, major structural or foundation work are part of the proposed renovation and will be required to be provided in the loan file.

Plaza's Contractors Bid Template FM-433 is recommended

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Section 37 Rehabilitation Period

- Renovation work must be completed within 6 months after closing.
- Consideration should be given to cold climate and weather-related delays that could impact the rehabilitation period.
- Renovation work must begin within 30 days of closing. If work has not started within 30 days, stops for more than 30 consecutive days, or has not been completed within the established time frame or extended Plaza approved time frame, Plaza may consider the loan to be in default.
- Plaza to approve in advance any work/project changes or extensions.

Section 38 Renovation Forms

Freddie Mac standard loan instruments are used in addition to the required renovation forms listed below, Models can be found on Plaza's and Freddie Mac's website. The use of Freddie Mac Renovation Forms is required.

Forms Required for Submission	Closing Docs and Disclosures	Servicing Forms
CHOICERenovation Maximum Mortgage Worksheet FM-520	3731 – Renovation Loan Agreement	CHOICERenovation Draw Request FM-509
1202 - Contractor Profile Report	CHOICERenovation Draw Request FM-509	CHOICERenovation Change Order Request FM-513
3730 – Renovation Contract	3732 - Multistate Renovation Loan Rider	Lien Waiver FM-516 (to be completed with each draw)
W-9 (for Contractor and HUD Consultant)	3733 - Multistate Investor Rider	Materials Draw Request FM-580

Section 39 Draw Process and Lien Waivers

Draw Process:

- Up to five draws are allowed.
- Draws are advanced only upon completion of work as evidenced by the HUD Consultant inspection.
- Draws will not be approved for work that is not yet complete, including not yet installed materials.
- Plaza will setup an interest-bearing repair escrow account, to fund the remaining disbursement. Any interest earned is applied as a principal reduction to the loan.
- Lien Waivers must be provided at the time of each draw,
- If an occupancy certification is required, this must be provided prior to the issuance of the Final Release Notice.
- A 10% holdback is required on each draw release. The total of all holdbacks may be released only after the final inspection and issuance of the Final Release Notice is received from the borrower, HUD Consultant and inspector, as applicable.
- Plaza will order a final inspection by the original appraiser.
- Title must be cleared before the final draw.
- Funds will be made available via a two-party check payable to the borrower and contractor.

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Borrowers will have direct access to and are encouraged to communicate directly with Plaza's Reno Servicing department. Borrowers should contact Plaza Reno Servicing with any questions, change orders or draw requests on their funded CHOICERenovation loan.

Customer Service / Loan Servicing
Phone: 1-888-807-2620, option 3
Fax: 1-858-332-1861
Email: renoservicing@plazahomemortgage.com

Section 40 Change Orders and Contingency

The following must be pre-approved by Plaza:

- Changes made to the project, contractor or HUD Consultant.
- Rehabilitation period extensions.
- Use of the Contingency Fund.
- Change orders may not be accepted until a percentage of the project is complete.

The borrower must pay out of pocket any changes not covered by the financing or pre-approved. To request a change for approval, submit the **CHOICERenovation Change Order Request FM-513** to Plaza's Customer Service / Loan Servicing Department.

Customer Service / Loan Servicing
Phone: 1-888-807-2620, option 3
Fax: 1-858-332-1861
Email: renoservicing@plazahomemortgage.com

Section 41 Final Release Certification of Completion and Title Update

Certification of Completion:

Following completion of the renovation work (after closing), the borrower must obtain a certification of completion stating that the renovation was completed in accordance with the submitted plans and specifications. The certification must be documented on the Appraisal Update and/or Completion Report (Form 1004D).

Title Update and Lien Releases at Final Disbursement:

Concurrent with the last disbursement of funds, Plaza must obtain a title update through the date the renovation was completed, thus ensuring the continuance of first lien priority and the absence of any mechanics' or materialmen's liens. When the property is located in a state in which contractors', subcontractors', or materialmen's liens have priority over mortgage liens, Plaza will require all necessary lien releases or take any other action that may be required to ensure that the title to the property is clear of all liens and encumbrances.

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For qualifying credit worthy low-to-moderate-income borrowers, Home Possible expanded eligibility may be combined with CHOICERenovation. If a transaction includes a combination of CHOICERenovation and Home Possible, the more restrictive eligibility requirements of each of those transactions apply. LPA will recognize these combinations and apply the applicable eligibility requirements. A summary of Home Possible differences are listed here; however, refer to Freddie Mac’s Selling Guide for complete guidelines.

- The applicable CHOICERenovation Home Possible product code must be used to identify the loan.
- Primary residences only.
- Borrower income may not exceed 80% of Area Median Income (AMI) for the property’s location (this includes properties in low-income census tracts). **Refer to Freddie Mac’s Home Possible Income and Property Eligibility Tool.**
- Borrowers may not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date.
- LPA must specify the loan is eligible to be delivered as a Home Possible loan in addition to CHOICERenovation eligibility.
- Homeownership education is required:
 - Prior to the date of the Note, a minimum of 1 borrower on the loan must complete an approved homebuyer education program if all borrowers are first-time homebuyers.
 - For all other scenarios, participation is recommended but not required.
 - 2-4 Units:
 - Purchase Transactions: At least one qualifying borrower must participate in a landlord education program before the Note Date. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the loan file.
 - Refinance Transactions: Landlord education is not required but is recommended for borrowers who have not previously attended a program.
 - All pre-purchase homebuyer education and counseling must meet the standards defined by the **National Industry Standards for Homeownership Education and Counseling**. Counseling and education sessions that adhere to these standards are deemed acceptable. All pre-purchase homebuyer education and counseling must be provided by a third party that is independent of the lender. Face-to-face group education and counseling is encouraged; however, telephone and online counseling is also permitted from eligible providers.
 - Programs using Freddie Mac’s CreditSmart® financial education curriculum, provided modules 1, 2, 7, 11 & 12 are included, or access the **Credit Smart-Steps to Homeownership Tutorial**.
 - Documentation must be provided to demonstrate borrower(s) have complied with this requirement. Such documentation may be a certificate or letter from the provider.
- Reduced Mortgage Insurance coverage requirements apply.

Mortgage Insurance Coverage		
LTV Ranges	15 Year Term	30 Year Term
95.01 – 97%	25%	25%
90.01 – 95%	25%	25%
85.01 – 90%	12%	25%
80.01 – 85%	6%	12%

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\$2,500 VLIP Credit: Borrowers with total qualifying income less than or equal to 50% of the area median income qualify for a \$2,500 credit on purchase transactions.

- The credit may be applied to down payment and closing costs, including escrows and mortgage insurance premiums.
- The credit may be used to satisfy the 3% minimum contribution for all one-unit properties or for two- to four-unit properties with LTV less than or equal to 80%.
- For two- to four-unit properties with LTV greater than 80%, the credit may be applied to down payment after the 5% minimum contribution is met.
- LPA: The \$2,500 credit should be reflected as a Grant asset on the application and in LPA.
- Plaza will apply the credit through a lender credit at closing.
- Special Feature Code K10 must be selected in BREEZE.

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