

# FNMA HomeStyle vs FHA 203(k) Standard vs Limited

	FNMA HomeStyle	FHA 203(k) Standard	FHA 203(k) Limited				
<b>Amortization/Term</b>	Fixed: 10/15/20/25/30 Year	Fixed: 10/15/20/25/30 Year ARMs: 7/1, 10/1 CMT ARMs	Fixed: 10/15/20/25/30 Year ARMs: 7/1, 10/1 CMT ARMs				
<b>Loan Purpose</b>	Purchase Rate & Term Refinance	Purchase Rate & Term Refinance	Purchase Rate & Term Refinance				
<b>Occupancy</b>	1-4 unit Primary residence 1 unit Second home 1 unit Investment property	1-4 unit Primary residence	1-4 unit Primary residence				
<b>Property Type</b>	SFR (Attached/Detached)/PUD/Condo	SFR (Attached/Detached)/PUD/Condo	SFR (Attached/Detached)/PUD/Condo				
<b>AUS</b>	DU Approve/Eligible	FHA TOTAL Scorecard approval	FHA TOTAL Scorecard approval				
<b>Credit Score</b>	680	620	620				
<b>DTI</b>	50%	50% (for DTI > 50% either credit score >= 640 or LTV 5% below maximum is required)	50% (for DTI > 50% either credit score >= 640 or LTV 5% below maximum is required)				
<b>LTV/Loan Amount Calculation</b>	<table border="0"> <tr> <td><u>Purchase</u> LTV is determined by dividing the loan amount by the lesser of a) Purchase Price + Total Renovation Costs or b) "As completed" value</td> <td><u>Refinance</u> LTV is determined by dividing the loan amount by the "as completed" value of the property</td> </tr> </table>	<u>Purchase</u> LTV is determined by dividing the loan amount by the lesser of a) Purchase Price + Total Renovation Costs or b) "As completed" value	<u>Refinance</u> LTV is determined by dividing the loan amount by the "as completed" value of the property	Maximum loan amount is the max LTV multiplied by the lesser of a) Adjusted As-Is Value + Total Rehabilitation Cost or b) 110% of the After Improved Value (100% for condos)  Loan amount cannot exceed nationwide mortgage limits	Maximum loan amount is the max LTV multiplied by the lesser of a) Adjusted As-Is Value + Total Rehabilitation Cost or b) 110% of the After Improved Value (100% for condos)  Loan amount cannot exceed nationwide mortgage limits		
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<b>LTV Limits   Primary Residence</b>	1 unit: 97% LTV FRM <sup>1</sup> 95% LTV ARM 2 unit: 85% LTV 3-4 unit: 75% LTV	<table border="0"> <tr> <td><u>Purchase</u> 96.5% LTV <sup>2</sup></td> <td><u>Refinance</u> 97.75% LTV <sup>2</sup></td> </tr> </table> *AUS maximum is 106.15%      *AUS maximum is 107.52%	<u>Purchase</u> 96.5% LTV <sup>2</sup>	<u>Refinance</u> 97.75% LTV <sup>2</sup>	<table border="0"> <tr> <td><u>Purchase</u> 96.5% LTV <sup>2</sup></td> <td><u>Refinance</u> 97.75% LTV <sup>2</sup></td> </tr> </table> *AUS maximum is 106.15%      *AUS maximum is 107.52%	<u>Purchase</u> 96.5% LTV <sup>2</sup>	<u>Refinance</u> 97.75% LTV <sup>2</sup>
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<b>LTV Limits   Second Home</b>	1 unit: 90% LTV	Not allowed	Not allowed				
<b>LTV Limits   Investment Property</b>	<table border="0"> <tr> <td><u>Purchase</u> 1 unit: 85% LTV</td> <td><u>Refinance</u> 1 unit: 75% LTV</td> </tr> </table>	<u>Purchase</u> 1 unit: 85% LTV	<u>Refinance</u> 1 unit: 75% LTV	Not allowed	Not allowed		
<u>Purchase</u> 1 unit: 85% LTV	<u>Refinance</u> 1 unit: 75% LTV						
<b>Renovations, Draws, Reserves</b>							
<b>Minimum Renovation Amount</b>	No minimum	\$5,000	No minimum				
<b>Maximum Renovation Amount</b>	75% of the "as completed" value of the property	No maximum FHA mortgage limits still apply	\$35,000				
<b>Eligible Renovations</b>	Renovations or repairs that are permanently affixed to the property	Remodeling and repairs including structural (e.g. structural damage repairs, exterior decks, patios, porches, etc)	Minor remodeling and non-structural repairs only (e.g. repairing/replacing plumbing, heating, electrical systems, roofing, installing new appliances, repairing an existing swimming pool, etc)				
<b>Ineligible Renovations</b>	Please refer to PennyMac HomeStyle Product Profile, see Property: Ineligible Types	<ul style="list-style-type: none"> <li>- Purchase or repair of luxury items (e.g. new swimming pool, hot tub, barbeque pit, gazebo, etc)</li> <li>- Additions or improvements that do not become a permanent part of the property or support commercial use of the property</li> <li>- Self-Help projects</li> </ul>	<ul style="list-style-type: none"> <li>- Major rehabilitation or major remodeling (e.g. structural damage repairs, room additions, landscaping, etc)</li> <li>- Self-Help projects</li> </ul>				
<b>Time Frame for Renovations</b>	9 months	6 months	6 months				
<b>203(k) Consultant</b>	Required when a) repairs or renovations exceed \$15,000 or b) any structural work is required	Required	Optional				
<b>Draw Requirements</b>	<p>Funds will be dispersed only when renovation work has been completed and inspected. All required documentation must be received by PennyMac prior to payment. Before any disbursements are made during the renovation period, a lien waiver or a clear title report that releases all contractor and supplier liens must be obtained.</p> <p>The lender may fund up to 50% of the planned materials cost at closing with an initial materials draw</p> <p>A 10% holdback is required on each release from the rehabilitation escrow account</p>	<p>Draw documents are required for any funds released prior to delivery to PennyMac. The lender must obtain an executed form HUD-9746-A Draw Request Section 203(k) from the 203(k) Consultant, requesting the release of escrow funds for completed Work Items.</p> <p>The lender may fund up to 50% of the planned materials cost at closing with an initial materials draw</p> <p>A 10% holdback is required on each release from the rehabilitation escrow account</p>	<p>Draw documents are required for any funds released prior to delivery to PennyMac. The lender must obtain an executed form HUD-9746-A Draw Request Section 203(k) from the 203(k) Consultant (or from the Borrower when there is no 203(k) Consultant) requesting the release of escrow funds for completed Work Items.</p> <p>The lender may fund up to 50% of the planned materials &amp; labor costs at closing only when the contractor cannot defer payment or the payment is for material costs incurred prior to construction</p> <p>Holdback is not required</p>				

<b>Maximum Draw Requests</b>	No maximum number of draw requests	Maximum of 5 draw requests (4 intermediate and 1 final)	Maximum of 2 draw requests (per contractor)
<b>Contingency Reserves</b>	Contingency reserve equal to minimum of 10% of the total costs of the repairs and renovation work is required	<b>Structures with actual age &lt; 30 Years:</b> - Discretionary: No minimum, max 20% - Required when evidence of termite damage: Min 10%, Max 20%  <b>Structures with actual age &gt;= 30 years:</b> - Required: Min 10%, Max 20% - When utilities are not operable as referenced in the Work Write-Up: Min 15%, Max 20%	Optional
<b>Mortgage Payment Reserves</b>	Mortgage payment reserves can be used for principal residence properties when the property cannot be occupied during the renovation period.  Mortgage payments that come due during the renovation period may be escrowed - at the borrower's request - up to a maximum of 6 months payments of principal, interest, taxes, insurance, and any association dues.	Mortgage payment reserves can be used when the property cannot be occupied during the renovation period.  Mortgage payments that come due during the period which the property cannot be occupied may be escrowed up to a maximum of 6 months of mortgage payments of principal, interest, taxes, insurance, and any association dues. The number of mortgage payments cannot exceed the completion time frame (as per the Rehabilitation Loan Agreement).	Mortgage payment reserves are not allowed
<b>Appraisals &amp; Lender Approval</b>			
<b>Appraisal Requirement</b>	Full appraisal required. "As completed" value required.	<b>Purchase</b> Full appraisal required. After improved value required.	<b>Refinance</b> Full appraisal required. The appraiser must provide the as-is value in the body of the report. If the appraiser refuses to provide the as-is value within the as-repaired report, PennyMac will require both an as-is appraisal and as-repaired appraisal. The existing debt plus fees may not be used to determine the Adjusted As-Is Value.
		<b>Purchase</b> Full appraisal required. After improved value required.	<b>Refinance</b> Full appraisal required. The appraiser must provide the as-is value in the body of the report. If the appraiser refuses to provide the as-is value within the as-repaired report, PennyMac will require both an as-is appraisal and as-repaired appraisal. The existing debt plus fees may not be used to determine the Adjusted As-Is Value.
<b>Project Completion</b>	Form 1004D (Appraisal Completion Report) required	Fannie Mae Form 1004D or Freddie Mac Form 442 or HUD Consultant Final Inspection required	Fannie Mae Form 1004D or Freddie Mac Form 442 or HUD Consultant Final Inspection required
<b>Lender Approval</b>	Must be approved by PennyMac prior to delivering FNMA HomeStyle loans	Must be approved by PennyMac prior to delivering FHA 203(k) loans	Must be approved by PennyMac prior to delivering FHA 203(k) loans
<b>Recourse</b>	Loans retain recourse if delivered before the improvements are completed	None	None
<b>Footnotes *Please note that this is for informational purposes only. For full product details, please refer to the PennyMac Product Profiles, Fannie Mae Selling Guide, and FHA Handbook.*</b>			
<sup>1</sup> If LTV > 95% and is a purchase, borrower must be a first time home buyer unless combined with HomeReady. If LTV > 95% and is a Rate & Term Refinance, existing loan must be owned or securitized by Fannie Mae <sup>2</sup> The maximum CLTV when secondary financing is provided by private individuals and other organizations is 110% of the After Improved Value. No maximum CLTV when the secondary financing is provided by a government entity or family member			



**APPENDIX A. MAXIMUM LOAN AMOUNT CALCULATIONS**

Example #1: 203(k) Standard, Purchase, SFR, High Cost Area	Example #2: 203(k) Limited, Refinance, SFR, Low Cost Area	Example #3: HomeStyle, Purchase, 2nd Home
<p><b>Assumptions</b>                      Purchase Price = \$300,000                      Inducements to Purchase = \$0                      As-Is Value = \$305,000</p> <p>Financeable Repair and Improvement Costs = \$65,000                      Financeable Mortgage Fees = \$3,000                      Financeable Contingency Reserves = \$12,000 (Structural age &gt;= 30 Yr, max 20%)                      Financeable Mortgage Payment Reserves = \$8,000 (4 months x \$2,000 PITI)</p> <p>After Improved Value = \$350,000</p>	<p><b>Assumptions</b>                      As-Is Value = \$250,000                      Existing Debt on Property Being Refinanced = \$230,000                      Fees Associated with New Loan = \$4,000 (includes closing costs &amp; prepaid items)</p> <p>Financeable Repair and Improvement Costs = \$25,000                      Financeable Mortgage Fees = \$1,500                      Financeable Contingency Reserves = \$0 (Optional)                      Financeable Mortgage Payment Reserves = \$0 (Standard 203k only)</p> <p>After Improved Value = \$270,000</p>	<p><b>Assumptions</b>                      Purchase Price = \$400,000</p> <p>Financeable Repair and Improvement Costs = \$50,000                      Financeable Mortgage Fees = \$2,000                      Financeable Contingency Reserves = \$5,000 (min 10%)                      Financeable Mortgage Payment Reserves = \$0</p> <p>As Completed Value = \$455,000</p>
<p><b>Step 1. Find Adjusted As-Is Value (Purchase)</b></p> <p>A) Purchase Price - Inducements to Purchase = \$300,000 - \$0 = <u>\$300,000</u>                      B) As-Is Value = <u>\$305,000</u></p> <p>Adjusted As-Is Value (Purchase) = Lesser of A) or B) = <b>\$300,000</b></p> <p><b>Step 2. Find Total Rehabilitation Cost</b></p> <p>Total Rehabilitation Cost = Financeable Repair and Improvement Costs                      + Financeable Mortgage Fees                      + Financeable Contingency Reserves                      + Financeable Mortgage Payment Reserves (Standard 203k only)</p> <p>Total Rehabilitation Cost = \$65,000 + \$3,000 + \$12,000 + \$8,000 = <b>\$88,000</b></p> <p><b>Step 3. Find After Improved Value x 110% (100% for condos)</b></p> <p>110% of the After-Improved Value = \$350,000 x 110% = <b>\$385,000</b></p> <p><b>Step 4. Find Maximum Loan Amount</b></p> <p>A) Adjusted As-Is Value + Total Rehabilitation Cost = \$300,000 + \$88,000 = <u>\$388,000</u>                      B) 110% of the After Improved Value = <u>\$385,000</u></p> <p>Maximum loan amount = [ Lesser of A) or B) ] x LTV                      = [ 110% of the After Improved Value ] x LTV                      = \$385,000 x 96.5%                      = <b>\$371,525</b></p> <p><b>Step 5. Verify that Loan Amount does not exceed Nationwide Mortgage Limits</b></p>	<p><b>Step 1. Find Adjusted As-Is Value (Refinance)</b></p> <p>A) As-Is Value = <u>\$250,000</u>                      B) Existing Debt + Fees Associated with New Loan = \$230,000 + \$4,000 = <u>\$234,000</u></p> <p>Adjusted As-Is Value (Refinance) = Use A) since an as-is value was obtained* = <b>\$250,000</b>  <i>*PennyMac always requires an as-is value. The existing debt plus fees may not be used to determine the Adjusted As-Is Value.</i></p> <p><b>Step 2. Find Total Rehabilitation Cost</b></p> <p>Total Rehabilitation Cost = Financeable Repair and Improvement Costs                      + Financeable Mortgage Fees                      + Financeable Contingency Reserves                      + Financeable Mortgage Payment Reserves (Standard 203k only)</p> <p>Total Rehabilitation Cost = \$25,000 + \$1,500 + \$0 + \$0 = <b>\$26,500</b></p> <p><b>Step 3. Find After Improved Value x 110% (100% for condos)</b></p> <p>110% of the After-Improved Value = \$270,000 x 110% = <b>\$297,000</b></p> <p><b>Step 4. Find Maximum Loan Amount</b></p> <p>A) Adjusted As-Is Value + Total Rehabilitation Cost = \$250,000 + \$26,500 = <u>\$276,500</u>                      B) 110% of the After Improved Value = <u>\$297,000</u></p> <p>Maximum loan amount = [ Lesser of A) or B) ] x LTV                      = [ Adjusted As-Is Value + Total Rehabilitation Cost ] x LTV                      = \$276,500 x 97.75%                      = <b>\$270,278</b></p> <p><b>Step 5. Verify that Loan Amount does not exceed Nationwide Mortgage Limits</b></p>	<p><b>Step 1. Total Renovation Costs</b></p> <p>Total Renovation Cost = Financeable Repair and Improvement Costs                      + Financeable Mortgage Fees                      + Financeable Contingency Reserves                      + Financeable Mortgage Payment Reserves</p> <p>Total Renovation Cost = \$50,000 + \$2,000 + \$5,000 = <b>\$57,000</b></p> <p><b>Step 2. Find Maximum Loan Amount</b></p> <p>A) Purchase Price + Total Renovation Cost = \$400,000 + \$57,000 = <u>\$457,000</u>                      B) As Completed Value = <u>\$455,000</u></p> <p>Maximum Loan Amount = [ Lesser of A) or B) ] x LTV                      = [ As Completed Value ] x LTV                      = \$455,000 x 90%                      = <b>\$409,500</b></p>