



Fannie Mae®



## HomeStyle® Renovation Mortgage Consumer Tips

Loan Number: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower Names: \_\_\_\_\_

### **Please review the important tips listed below about Fannie Mae's HomeStyle Renovation mortgage and home improvement projects.**

- For the HomeStyle Renovation mortgage, the lender may advance up to 50% of the cost of the materials to secure suppliers for the project. A portion of these funds may be used to pay for architect, design and plan development, and permitting fees. The borrower may not directly receive any funds. The funds provided for renovation are placed in an interest-bearing escrow account (Renovation Escrow Account).
- Renovations must begin within 30 days of your closing date and all work must be completed no later than 11 months after closing.
- The lender may require that a contingency reserve be placed in the Renovation Escrow Account to cover unforeseen repairs or deficiencies during the renovation. These funds may be released only if required, necessary and unforeseen repairs or deficiencies are discovered during the renovation. If funds remain after the renovation is complete, they can be applied to additional elective repairs or improvements or can be used to reduce the principal balance. If you deposit funds into the account, the funds you deposited can be paid directly back to you at your option.
- When selecting a contractor, always review the contractor's references, licensing, and financial background. Ask the lender for a Contractor Profile form to assist in your review, or locate one on our website.
- You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor's work.
- Renovations must be completed as specified by the original scope of work that was presented during the origination of your loan. You are responsible for overseeing the renovation and ensuring that it is done as specified in the Construction Contract with the contractor. If work stops for an extended period of time, or there are problems with the work performed that may cause significant delays, you must contact the lender.
- If you are purchasing a home to renovate it, please note that the lender does not warrant or guarantee the condition of the property being purchased or the renovation.
- You are responsible for making the mortgage payment each month, even if the renovation is not satisfactorily completed. Borrower may finance up to 6 months of principal, interest, taxes, and insurance (PITI) payments if the home cannot be occupied during the renovation.
- Funds for the renovation are paid in accordance with a schedule acceptable to you, the contractor, and the lender. Material draws may be issued immediately after closing of the loan. Funds are released to the contractor after an inspection of each phase of the renovation. The funds are provided in a check made payable jointly to both you and the contractor, or can be sent electronically directly to your contractor with your permission. You request these payments on a draw request form submitted to the lender.
- Do not approve funds be released to the contractor if you are not happy with the work. Do not accept unsatisfactory work. Do not pay the contractor "up front" out of your own funds before the renovation is satisfactorily completed.
- The lender may withhold some of the funds from each Draw Request. These funds are paid to the contractor when the work is completed. This helps to protect you from a contractor failing to complete the renovation.
- If you would like to revise the original approved renovation, you must submit a Change Order Request to the lender for approval, and deposit any additional required funds (including contingency reserve) in the Renovation Escrow Account.
- When the renovation is completed, the appraiser will be required to inspect the home and issue an addendum to the appraisal indicating that the work has been completed. The lender should provide you an accounting for all distribution of funds in the Renovation Escrow Account.



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**I acknowledge that I have read these Consumer Tips and that I understand them.**

Borrower's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Co-borrower's Signature: \_\_\_\_\_ Date: \_\_\_\_\_