

Freddie Mac CHOICERenovationSM **MORTGAGE BORROWER TIPS**

LOAN NUMBER:

DATE:

BORROWER NAMES:

Please review the important tips listed below about Freddie Mac's CHOICERenovationSM mortgage offering and home improvement projects.

Please note: This is NOT a required document for Freddie Mac's CHOICERenovation mortgages. However, a lender may use it to help you better understand the terms of a renovation or home improvement mortgage. As an option, a lender may require you to sign the document to confirm that you understand the information provided.

This document can also be used as general best practices information for many home improvement projects.

- ✓ You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor's work.
- ✓ When selecting a contractor, you should always review the contractor's references, licensing and financial background, as applicable. You may ask the lender for a contractor profile form to assist in your review.
- ✓ If you are purchasing a home to renovate, please note that the lender does not warrant or guarantee the condition of the property being purchased or the renovation.
- ✓ 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.
- ✓ You are responsible for making the mortgage payment each month, even if the renovation is not satisfactorily completed. You may be able to finance up to six 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 mortgage. 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 you and the contractor. You request these payments on a Draw Request form submitted to the lender.



- ✓ The lender may withhold some of the funds from each approved 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.
- ✓ For the **CHOICERenovation** mortgage, the lender may advance up to 50% of the cost of the materials to secure suppliers for the project. Unless otherwise stated, you may not directly receive any funds. The funds provided for the renovation are placed in an escrow account (Renovation Escrow Account).
- ✓ The lender will require that a contingency reserve also be placed in the Renovation Escrow Account to cover unforeseen repairs or deficiencies during the renovation. If funds remain after the renovation is complete, they may be applied to additional elective repairs or improvements or used to reduce the principal balance on your loan. If you deposit funds towards the contingency reserve into the Renovation Escrow Account, the funds you deposit may be paid directly back to you, as long as the loan is current.
- ✓ Do not approve funds to be released to the contractor if you are not satisfied 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.
- ✓ 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.
- ✓ 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.