

Chapter 4607: CHOICERenovation® Mortgages

4607.1: CHOICERenovation® Mortgages (11/25/24)

This section contains requirements related to:

- [Mortgages with Settlement Dates after completion of renovations](#)
- [Mortgages with Settlements Dates before completion of renovations](#)
- [CHOICEReno eXPress® Mortgages](#)
- [Loan Status Hub®](#)

A CHOICERenovation® Mortgage is a Mortgage that meets the requirements of this chapter and the Seller's Purchase Documents.

The proceeds from a CHOICERenovation Mortgage must be used to finance repairs and/or improvements to the Mortgaged Premises (the “renovations”); the renovations may be completed before or after the Settlement Date.

All requirements in this Chapter 4607 are selling obligations to be fulfilled by the Seller in its capacity as a Seller/Servicer. See also Section 4607.17 regarding Transfers of Servicing.

(a) Mortgages with Settlement Dates after completion of renovations

If the renovations are completed before the Settlement Date, Freddie Mac's prior written approval is not needed to sell the Mortgage to Freddie Mac and the Seller will not be subject to the requirements for:

- Renovation work and process described in Sections 4607.9(a)(1 and 2) and 4607.9(b)(1 through 3)
- The contingency reserve described in Section 4607.11(b)
- Recourse described in Section 4607.14

CHOICERenovation Mortgages with renovations that are substantially complete such that the only remaining incomplete improvements meet the requirements of Section 5601.3 may be delivered to Freddie Mac as CHOICERenovation Mortgages with Settlement Dates after completion of renovations.

(b) Mortgages with Settlement Dates before completion of renovations

As used in this chapter, a “CHOICERenovation In Progress Mortgage” is a CHOICERenovation Mortgage that:

- Is not a CHOICEReno eXPress Mortgage as described in Section 4607.1(c); and
- Has renovations that are not complete or substantially complete as of the Settlement Date

Such CHOICERenovation Mortgages must be sold to Freddie Mac with recourse (see Section 4607.14), and the Seller must obtain Freddie Mac’s written approval before selling CHOICERenovation In Progress Mortgages to Freddie Mac. The Seller can request approval by contacting its Freddie Mac representative or Customer Service at 800-FREDDIE.

See Section 4607.3(b) for a special occupancy requirement for CHOICERenovation In Progress Mortgages.

(c) CHOICEReno eXPress Mortgages

As used in this chapter, a “CHOICEReno eXPress Mortgage” is CHOICERenovation Mortgage with renovations not completed by the Settlement Date that may be sold to Freddie Mac without recourse if:

- All renovations are completed within 180 days of the Note Date in accordance with Section 4607.4(a), and
- The maximum financed renovation costs for CHOICEReno eXPress Mortgages meet the requirements of Section 4607.7

For CHOICEReno eXPress Mortgages, the Seller will not be subject to the requirements for:

- Renovation work and process described in Section 4607.9(a)(1)
- The minimum contingency reserve described in Section 4607.11(b)
- Recourse described in Section 4607.14

The Seller is not required to obtain Freddie Mac’s prior written approval before selling CHOICEReno eXPress Mortgages to Freddie Mac.

(d) Loan Status Hub

“Loan Status Hub” means the System (as that term is defined in Section 2401.1(b)) Freddie Mac makes available to the Seller to enable the Seller to submit to Freddie Mac certain data, documents and information required by this Chapter 4607 and to receive associated Output (as that term is defined in Section 2401.1(b)).

The Seller must use Loan Status Hub to submit required data, documents and information for:

- CHOICERenovation In Progress Mortgages
- CHOICEReno eXpress Mortgages

The Seller must request access to Loan Status Hub by calling their Freddie Mac representative or Customer Service at 800-FREDDIE.

4607.2: Eligible and ineligible CHOICERenovation® Mortgages (04/02/25)

This section contains requirements related to:

- [Eligible Mortgages](#)
- [Ineligible Mortgages](#)

(a) Eligible Mortgages

CHOICERenovation® Mortgages must be First Lien Mortgages and may be any Mortgage eligible under the Seller's Purchase Documents, unless specifically described as ineligible below.

(b) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for sale to Freddie Mac as CHOICERenovation Mortgages:

- Community Land Trust Mortgages
- Financed Permanent Buydown Mortgages
- Freddie Mac Enhanced Relief Refinance® Mortgages
- Government Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Refi Possible® Mortgages
- Seller-Owned Converted Mortgages

- Seller-Owned Modified Mortgages
- Special purpose cash-out refinance Mortgages

4607.3: Property eligibility and occupancy for CHOICERenovation® Mortgages (06/04/25)

This section contains requirements related to:

- [Property eligibility](#)
- [Special occupancy requirement for CHOICERenovation® In Progress Mortgages](#)

(a) Property eligibility

CHOICERenovation Mortgages must be secured by one of the following:

- 1- to 4-unit Primary Residence
- Second home
- 1-unit Investment Property
- A Manufactured Home, including a CHOICEHome® as described in Section 5703.12
- A Condominium Unit, a unit located in a Planned Unit Development (PUD), or a Cooperative Unit if permitted under the Seller's Purchase Documents

(b) Special occupancy requirement for CHOICERenovation In Progress Mortgages

For CHOICERenovation In Progress Mortgages or CHOICEReno eXPress secured by Primary Residences, if the Borrower does not occupy the Mortgaged Premises during the course of renovations, the Mortgaged Premises will be deemed owner-occupied as of the Delivery Date so long as the Borrower occupies the Mortgaged Premises as a Primary Residence within 60 days of the last disbursement made and distributed from the Custodial Account for Renovation Funds (as described in Section 4607.12).

4607.4: General eligibility requirements for CHOICERenovation® Mortgages (02/05/25)

This section contains requirements related to:

- [Completion Date and Settlement Date requirements](#)
- [Mortgage purpose](#)
- [Maximum loan-to-value \(LTV\)/total LTV \(TLTV\)/Home Equity Line of Credit \(HELOC\) TLTV \(HTLTV\) ratios](#)
- [Determining value](#)
- [Secondary financing](#)

(a) Completion Date and Settlement Date requirements

(i) Completion Date requirements

Renovations to the Mortgaged Premises must be completed by the Completion Date as follows:

- 450 days after the Note Date for CHOICERenovation® Mortgages that are not CHOICEReno eXPress® Mortgages
- 180 days after the Note Date for CHOICEReno eXPress Mortgages

(ii) Completion Date extension

The Seller may request from Freddie Mac a Completion Date extension when circumstances outside the Borrower's or contractor's control prevent completion of the renovations by the Completion Date. The total days requested for the extension(s) must not exceed 90 days.

To be eligible for a Completion Date extension, the Borrower must not:

- Be delinquent at the time of the Seller's extension request, and
- Have been 30 days delinquent more than once during the renovation period

To request a Completion Date extension, the Seller must submit to Loan Status Hub® documentation supporting the reason for the delay (e.g., weather, supply chain issues, permit delays, etc.). If Freddie Mac grants the extension, the Completion Date may be extended:

- A maximum of 90 days for CHOICERenovation Mortgages
- A maximum of 30 days for CHOICEReno eXpress Mortgages

If the extension request is granted, Freddie Mac will provide the extended Completion Date through Loan Status Hub.

(iii) Settlement Date requirements

For CHOICERenovation Mortgages with Settlement Dates after completion of renovations (see Section 4607.1(a)), the Settlement Date must occur no more than 450 days after the Note Date.

(b) Mortgage purpose

CHOICERenovation Mortgages must be either purchase transaction or “no cash-out” refinance Mortgages with proceeds used as follows:

- **Purchase transaction Mortgages:** Proceeds may be used to purchase the Mortgaged Premises and to pay for the eligible renovations described in Section 4607.6
- **“No cash-out” refinance Mortgages:** Proceeds may be used as described in Section 4301.4, except that proceeds may not be used to disburse cash out to the Borrower. A CHOICERenovation Mortgage secured by a property previously owned free and clear by the Borrower is considered a “no cash-out” refinance Mortgage if the proceeds are used only to finance the eligible renovations described in Section 4607.6.

At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date unless one of the exceptions to this title requirement that are specified in the cash-out refinance Mortgage requirements of Section 4301.5(b) applies.

(c) Maximum LTV/TLTV/HTLTV ratios

Each CHOICERenovation Mortgage must have maximum LTV/TLTV/HTLTV ratios that comply with the LTV/TLTV/HTLTV ratios in Section 4203.1(b) and any other applicable LTV/TLTV/HTLTV ratio requirement for the specific Mortgage Product or offering.

(d) Determining value

The value used to determine the LTV, TLTV and HTLTV ratios must be established as follows:

Purchase transaction	“No cash-out” refinance
Value is the lesser of: <ul style="list-style-type: none"> ■ The purchase price of the Mortgaged Premises prior to the renovations plus the total renovation costs, or ■ Appraised value of the Mortgaged Premises, as completed 	Value is the appraised value of the Mortgaged Premises, as completed.

(e) Secondary financing

Secondary financing must comply with Guide requirements for the specific Mortgage Product or offering.

4607.5: Underwriting CHOICERenovation® Mortgages (11/25/24)

This section contains requirements related to:

- [Residential loan application](#)
- [Uniform Underwriting and Transmittal Summary](#)
- [Accept Mortgages](#)
- Temporary rental payments for Mortgages with Settlement Dates before completion of renovations

(a) Residential loan application

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

(b) Uniform Underwriting and Transmittal Summary

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary, as either Purchase or No Cash-Out Refinance (as applicable) and not as Home Improvement. The Seller must indicate in the Underwriter Comments if the Mortgage is a CHOICERenovation® Mortgage.

(c) Accept Mortgages

All CHOICERenovation Mortgages must be Accept Mortgages.

(d) Temporary rental payments for Mortgages with Settlement Dates before completion of renovations

For CHOICERenovation In Progress and CHOICEReno eXPress Mortgages secured by Primary Residences, if the Borrower plans to rent another property as their principal domicile during the renovations, the rental lease must be documented in the Mortgage file.

The temporary rental payment for the Borrower's principal domicile must be included in the calculation of the monthly debt payment-to-income ratio if:

- More than 10 payments remain on the lease term as of the Note Date, or
- The rental lease has a renewal or extension option

4607.6: Eligible renovations for CHOICERenovation[®] Mortgages (06/04/25)

This section contains requirements related to:

- [Eligible and ineligible uses of Mortgage proceeds](#)
- [Compliance with applicable laws and project documents](#)
- [Renovations to Manufactured Homes](#)
- [Payoff of short-term financing that financed renovations completed prior to the Note Date](#)

(a) Eligible and ineligible uses of Mortgage proceeds

CHOICERenovation[®] Mortgage proceeds must only be used to finance renovations that are made to a property with an existing dwelling and may include:

- Fees related to plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection
- An amount up to, but no more than, six monthly payments of principal, interest, taxes and insurance
- Contingency reserve funds as described in Section 4607.11(b)

- The payoff of short-term financing that provided the Borrower with funds to repair, restore, rehabilitate or renovate an existing home as described in Section 4607.6(d)
- Adding or renovating outdoor structures used for leisure and recreation, including, but not limited to, swimming pools, decking, screening and porch and patio additions

Note: In accordance with Section 4607.11(b), CHOICERenovation Mortgages whose proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation will not be subject to the minimum contingency reserve requirements.

- Renovations or repairs to a property that has been damaged in a disaster or for renovations that will protect the Mortgaged Premises in case of a future disaster (e.g., storm surge barriers, foundation retrofitting for earthquakes, retaining walls, etc.)
- Renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises

Note: See Section 4607.16(b) for special requirements when CHOICERenovation Mortgages are combined with GreenCHOICE Mortgages® and the eligibility for the credit for Credit Fees for GreenCHOICE Mortgages

- Adding or renovating an ADU, including a Manufactured Home ADU

Note: See Section 4607.6(d) below regarding the payoff of short-term financing that financed the addition or renovation of an ADU prior to the Note Date.

CHOICERenovation® Mortgage proceeds may not be used:

- To raze an existing structure and build a new primary dwelling unit
- For personal property with the exception of new appliances

(b) Compliance with applicable laws and project documents

Renovations must comply with all applicable State and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained.

Renovations of properties located in Planned Unit Developments (PUDs), Condominium Projects or Cooperative Projects must comply with all applicable project conditions, covenants and restrictions.

(c) Renovations to Manufactured Homes

Renovations to a primary dwelling unit that is a Manufactured Home or a Manufactured Home ADU are allowed, provided the Manufactured Home remains in compliance with

HUD's property acceptability criteria for Manufactured Homes and the general requirements in Section 5703.2, property eligibility requirements for Manufactured Homes in Section 5703.3(a) and requirements for eligible properties with an ADU in Section 5601.2, as applicable.

Renovations may include the removal of a Manufactured Home on the property that is not the primary dwelling unit, provided any effect of its removal on the value of the Mortgaged Premises is reported by the appraiser when determining the "as completed" value of the property pursuant to the appraisal requirements for CHOICERenovation Mortgages in Section 4607.8.

(d) Payoff of short-term financing that financed renovations completed prior to the Note Date

For CHOICERenovation Mortgages that are "no cash-out" refinance Mortgages, proceeds can be used to pay off short-term financing that financed renovations (including, but not limited to, the addition or renovation of an ADU) completed prior to the Note Date, provided the following requirements are met:

- The CHOICERenovation Mortgage is not secured by a Manufactured Home
- The CHOICERenovation Mortgage is not a CHOICEReno eXPress[®] Mortgage
- The Borrower on the CHOICERenovation Mortgage must be the Borrower on, and obligated to repay, the short-term financing.

Exceptions:

- ☐ A Borrower may be omitted in the event of death or divorce, or
- ☐ A Borrower who is a Related Person may be added, provided that all Borrowers on the CHOICERenovation Mortgage are owner-occupants of the Mortgaged Premises and considered in the underwriting of the CHOICERenovation Mortgage
- All renovations financed by the short-term financing must be completed prior to the Note Date of the CHOICERenovation Mortgage with no outstanding obligations related to such financing
- All renovations financed by the short-term financing must be completed prior to the appraisal, which must reflect these renovations having been made. The appraisal report obtained in accordance with CHOICERenovation Mortgage appraisal requirements in Section 4607.8 must only be completed subject to completion of any proposed renovations also being financed with the CHOICERenovation Mortgage.
- The Mortgage file must contain copies of all relevant documentation, including, but not limited to:

- ☐ The short-term financing agreement
- ☐ Sufficient documentation (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) on which to validate the actual cost of all renovations financed by the short-term financing
- ☐ A document clearly showing the calculation of the short-term financing
- ☐ The Settlement/Closing Disclosure Statement or an alternative form required by law for the closing of the short-term financing
- ☐ The payoff statement

4607.7: Maximum financed renovation costs for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- [Maximum renovation costs overview](#)
- [Purchase transactions](#)
- [Refinance Mortgages](#)
- [Manufactured Homes](#)

(a) Maximum renovation costs overview

The maximum financed renovation costs for CHOICERenovation® Mortgages are outlined below based on the Mortgage purpose.

Mortgages secured by properties with Manufactured Home ADUs will be subject to the maximum financed renovation costs described in either Section 4607.7(b) for purchase transactions or Section 4607.7(c) for “no cash-out” refinance Mortgages, as applicable.

(b) Purchase transactions

The table below lists the maximum financed renovation costs for purchase transaction Mortgages secured by Mortgaged Premises that are not Manufactured Homes:

Maximum financed renovation costs for purchase transaction Mortgages excluding Manufactured Homes

For...	The total cost of the financed renovations must not exceed...	Of the lesser of the...
CHOICERenovation Mortgages delivered pursuant to Sections 4607.1(a) and 4607.1(b)	75%	<ul style="list-style-type: none"> ■ Sum of the purchase price of the property plus the estimated total of the renovation costs, or ■ “As completed” value of the property as determined by the appraiser pursuant to the appraisal requirements in Section 4607.8
CHOICEReno eXPress® Mortgages located in designated Duty to Serve high-needs areas (refer to Exhibit 40, Duty to Serve High-Needs Areas)	15%	
CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	10%	

(c) Refinance Mortgages

The table below lists the maximum financed renovation costs for “no cash-out” refinance Mortgages secured by Mortgaged Premises that are not Manufactured Homes:

Maximum financed renovation costs for refinance Mortgages excluding Manufactured Homes		
For...	The total cost of the financed renovations must not exceed...	Of the...
CHOICERenovation Mortgages delivered pursuant to Sections 4607.1(a) and 4607.1(b)	75%	“As completed” value of the property as determined by the appraiser pursuant to the appraisal requirements in Section 4607.8
CHOICEReno eXPress Mortgages located in designated Duty to Serve high-needs areas	15%	
CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	10%	

(d) Manufactured Homes

The table below lists the maximum financed renovation costs for purchase transaction and “no cash-out” refinance Mortgages secured by Manufactured Homes:

Maximum financed renovation costs for Manufactured Homes		
For...	The total cost of the financed renovations must not exceed the lesser of \$50,000 or...	Of the...
CHOICERenovation Mortgages delivered pursuant to Sections 4607.1(a) and 4607.1(b)	50%	“As completed” value of the property as determined by the appraiser pursuant to the appraisal requirements in Section 4607.8
CHOICEReno eXPress Mortgages located in designated Duty to Serve high-needs areas	15%	
CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	10%	

Note: Mortgages secured by properties with Manufactured Home ADUs will be subject to the maximum financed renovation costs described in Section 4607.7(a) for purchase transactions, or Section 4607.7(b) for “no cash-out” refinance Mortgages, as applicable above.

4607.8: Appraisal requirements for CHOICERenovation[®] Mortgages (02/05/25)

This section contains requirements related to:

- [Initial appraisal report](#)
- [Changes to original plans and specifications](#)
- [Final inspection and completion report](#)

(a) Initial appraisal report

The Seller must obtain an appraisal report based on an interior and exterior inspection. The appraisal report must include an “as completed” value of the subject property. If there are proposed renovations being financed with the CHOICERenovation® Mortgage, the appraisal report must be completed subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

Note: If Form 1000, Single Family Comparable Rent Schedule, or Form 72, Small Residential Income Property Appraisal Report, is required, it must be completed using current rental income for the subject property. See Section 5306.1.

(b) Changes to original plans and specifications

If, after the appraiser provides the “as completed” value, changes are made to the original plans and specifications in accordance with the Seller responsibilities outlined in Section 4607.9(a)(2), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser.

The appraiser must provide a new appraisal to reflect the changes and account for the impact on the “as completed” value.

(c) Final inspection and completion report

Upon completion of all proposed renovations, the appraiser must perform a final inspection of the property and complete a completion report in accordance with the requirements in Section 5605.8 for verifying completion.

The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

4607.8: Appraisal requirements for CHOICERenovation® Mortgages (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section.

This section contains requirements related to:

- [Initial appraisal report](#)
- [Changes to original plans and specifications](#)
- [Final inspection and completion report](#)

(a) Initial appraisal report

The Seller must obtain an appraisal report based on an interior and exterior inspection. The appraisal report must include an “as completed” value of the subject property. If there are proposed renovations being financed with the CHOICERenovation[®] Mortgage, the appraisal report must be completed subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

Note: If Form 1000, Single Family Comparable Rent Schedule, or Form 72, Small Residential Income Property Appraisal Report, is required, it must be completed using current rental income for the subject property. See Section 5306.1.

(b) Changes to original plans and specifications

If, after the appraiser provides the “as completed” value, changes are made to the original plans and specifications in accordance with the Seller responsibilities outlined in Section 4607.9(a)(2), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser.

The appraiser must provide a new appraisal to reflect the changes and account for the impact on the “as completed” value.

(c) Final inspection and completion report

Upon completion of all proposed renovations, the appraiser must perform a final inspection of the property and complete a completion report in accordance with the requirements in Section 5605.8 for verifying completion.

The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

4607.8: Appraisal requirements for CHOICERenovation® Mortgages (Future effective date 11/02/26)

This section contains requirements related to:

- [Initial appraisal report](#)
- [Changes to original plans and specifications](#)
- [Final inspection and completion report](#)

(a) Initial appraisal report

The Seller must obtain a Traditional Appraisal Report that includes an “as completed” value of the subject property. If there are proposed renovations being financed with the CHOICERenovation® Mortgage, the appraisal report must be completed subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

(b) Changes to original plans and specifications

If, after the appraiser provides the “as completed” value, changes are made to the original plans and specifications in accordance with the Seller responsibilities outlined in Section 4607.9(a)(2), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser.

The appraiser must provide a new appraisal report to reflect the changes and account for the impact on the “as completed” value.

(c) Final inspection and completion report

Upon completion of all proposed renovations, the appraiser must perform a final inspection of the property and complete a completion report in accordance with the requirements in Section 5605.9 for verifying completion.

The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

4607.9: Seller responsibilities for renovation work and process for CHOICERenovation® Mortgages (11/25/24)

This section contains requirements related to:

- [Responsibilities during the renovation period](#)
- [Other Seller responsibilities](#)
- [Notification of completion of the subject property](#)
- [Seller responsibilities for third parties](#)

(a) Responsibilities during the renovation period

During the renovation period:

1. The Seller is responsible for managing the Custodial Account for Renovation Funds as described in Section 4607.12 and corresponding draws
2. The Seller must manage any changes to the plans and specifications requested by the Borrower during the course of renovations.

If any changes are made to the plans and specifications and/or the estimated time of completion for the renovations, the changes must be agreed upon via a change order signed by the Borrower and the contractor and approved by the Seller. Documentation evidencing the change order must be signed by the Borrower and the contractor and must include the following, as applicable:

- Detailed description of the changes
 - Updated itemized renovation costs
 - Updated total cost of the renovations
 - Any changes to the estimated Completion Date
3. The Seller may not approve changes to the plans and specifications if such changes impact the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio or the property such that the Mortgage:
 - Would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
 - Would have been eligible for sale but under different terms

(b) Other Seller responsibilities

The Seller is responsible for compliance with the following requirements:

1. The Mortgage file must contain all relevant documentation, including, but not limited to, copies of:
 - Costs of the renovations
 - Purchase contracts
 - Bids
 - Appraisal(s)
 - Renovation contract(s)
 - Plans and specifications
 - Permits and applicable homeowners association approvals
 - Documents related to change orders and draws
 - Completion report
 - Close-out documentation for the Custodial Account for Renovation Funds
 - Title updates

Note: See Section 4607.6(d) regarding additional Mortgage file documentation requirements when CHOICERenovation[®] Mortgage proceeds are used to pay off short-term financing that provided the Borrower with funds to repair, restore, rehabilitate or renovate an existing home.

2. The Seller must notify Freddie Mac through Loan Status Hub[®] if there are any concerns that the renovations will not be completed by the Completion Date or if there are any changes that impact the “as completed” value of the property as determined by the appraiser.

If a Completion Date extension is necessary, the Seller must follow the requirements in Section 4607.4(a)(ii) to request an extension.

3. Unless otherwise noted below, all contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must:

- Have entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors.
- Be licensed and insured as required by local and/or State requirements, and
- Be financially able to perform the duties necessary to complete the renovation work in a timely manner

The above requirements do not apply if the Borrower, acting as general contractor, performs all the work in accordance with Section 4607.10(a) or if renovations are purchased from a home improvement store in accordance with Section 4607.10(c).

4. The Seller must obtain title updates as necessary to ensure that the CHOICERenovation Mortgage meets all title insurance requirements in Chapter 4702
5. After all renovations are completed, the CHOICERenovation Mortgage must remain a valid First Lien in accordance with Section 4201.2

(c) Notification of completion of the subject property

For CHOICERenovation In Progress and CHOICEReno eXPress Mortgages, when the renovations are complete, the Seller must notify Freddie Mac through Loan Status Hub and provide the completion report including photographs of the completed renovations.

Until the Seller receives written acknowledgment from Freddie Mac through Loan Status Hub that all renovations have been completed to satisfy the “as completed” appraised value of the original appraisal and Freddie Mac approves the removal of recourse, the Seller remains responsible for the requirements of Section 4607.9.

The Seller represents and warrants that, as of the date the Seller notifies Freddie Mac that all renovations are complete, all requirements in this Chapter 4607 have been met.

If notice that all renovations are complete is not received by Freddie Mac by the Completion Date, the Mortgage will be subject to a repurchase.

(d) Seller responsibilities for third parties

A third party may perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or Custodial Account for Renovation Funds as described in Sections 4607.11 and 4607.12, as applicable, and other requirements described above as responsibilities or obligations of the Seller.

A third party may not open and perform ongoing maintenance of the Custodial Account for Renovation Funds except as otherwise provided for in Section 4607.17(a) for Transfers of Servicing of CHOICERenovation Mortgages.

Although these functions may not be performed directly by the Seller, the Seller is responsible for the accuracy and integrity of the information provided by the third party and for compliance with these and all requirements in the Seller's Purchase Documents.

4607.10: Contractor requirements and advancing the costs of materials for CHOICERenovation® Mortgages (11/25/24)

This section contains requirements related to:

- [Borrower as contractor](#)
- [Contractors and/or tradespersons chosen by the Borrower](#)
- [Renovations purchased from a home improvement store](#)

(a) Borrower as contractor

The Borrower may act as the general contractor and/or may perform some or all of the work to complete the renovations when the following requirements are met:

- The Borrower must be a licensed contractor when required by applicable local and/or State law
- The Borrower must be insured to perform the renovations on the subject property
- The Borrower must be qualified to complete the renovations

The Borrower must submit to the Seller a plan detailing the work items the Borrower will perform.

CHOICERenovation® Mortgage proceeds may be used to reimburse the Borrower for the cost of materials, but may not be used to reimburse the Borrower for labor costs.

(b) Contractor(s) and/or tradespersons chosen by the Borrower

Contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must meet the following requirements in accordance with Section 4607.9(b)(3):

- The contractor(s) and/or tradespersons entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors.
- The contractor(s) and/or tradespersons must be licensed and insured as required by local and/or State requirements
- The contractor(s) and/or tradespersons must be financially able to perform the duties necessary to complete the renovation work in a timely manner

Except when the Borrower is acting as the contractor and/or tradesperson, up to 50% of the cost of materials may be advanced to the contractor(s) and/or tradespersons at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, when the above requirements are met.

(c) Renovations purchased from a home improvement store

If the Borrower chooses a home improvement store to have the renovation work completed and the home improvement store's renovation program requires payment-in-full at the point of purchase, renovations may be purchased from the home improvement store at closing, provided the following requirements are met:

- The CHOICERenovation Mortgage is a "no cash-out" refinance Mortgage
- The Seller must review the home improvement store's renovation program to determine that the following requirements are met:
 - ❑ The home improvement store is financially able to perform the duties necessary to have the renovation work completed in a timely manner and pay the contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations. A contractor and/or tradesperson may not require payment directly from the Borrower.
 - ❑ The home improvement store has a robust contractor approval process that is managed, maintained and updated regularly
 - ❑ The contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations is licensed and insured as required by local and/or State requirements, and they must be approved under the home improvement store's contractor approval process during the course of renovations.

In the event a contractor and/or tradesperson becomes unapproved or is unable to complete the renovation work in a timely manner, the home improvement store must choose other approved contractor(s) and/or tradespersons to complete the renovations.

- The Borrower may not be chosen by the home improvement store to complete the renovations, even if the Borrower is a licensed contractor and/or is licensed and qualified to complete the renovations
- The home improvement store must have entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the home improvement store to indemnify the Borrower for any property loss or damage caused by the contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations.

Up to 100% of the cost of materials and renovation costs identified in the renovation contract (including labor costs) may be paid to a home improvement store at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, if the requirements above are met.

4607.11: Funds for renovations and contingency reserve requirements for CHOICERenovation[®] Mortgages (10/02/24)

This section contains requirements related to:

- [Renovation funds](#)
- [Contingency reserve](#)
- [Unused funds](#)

(a) Renovation funds

On the Note Date, the renovation funds (sufficient to cover the total cost of the renovations minus any advances for the cost of materials and/or renovation costs paid pursuant to Section 4607.10) must be deposited into a completion escrow account meeting the requirements of Section 5601.3 for properties with incomplete improvements.

For CHOICERenovation[®] In Progress Mortgages, the renovation funds must be deposited into a Custodial Account for Renovation Funds, as described in Section 4607.12, on or before the Settlement Date.

After taking into consideration any advances for the cost of materials and/or renovation costs paid pursuant to Section 4607.10, the renovation costs identified in the renovation contract(s) must be consistent with the amount of renovation funds deposited into the completion escrow account or Custodial Account for Renovation Funds, as applicable.

If the CHOICERenovation Mortgage proceeds are insufficient to cover the contracted cost of the renovations, the Borrower must deposit sufficient funds to pay the remaining amount into the completion escrow account or Custodial Account for Renovation Funds, as applicable.

(b) Contingency reserve

In addition to the renovation funds required to be deposited into the completion escrow account or Custodial Account for Renovation Funds, as applicable, the Seller must also deposit a contingency reserve to cover unforeseen renovation costs. Contingency reserve funds may come from the CHOICERenovation Mortgage proceeds or directly from the Borrower.

A contingency reserve is not required for CHOICERenovation Mortgages whose proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation. (See Section 4607.6 for a description of eligible renovations.)

(i) Minimum contingency reserve

For CHOICERenovation In Progress Mortgages, the minimum contingency reserve amount must be greater than or equal to 10% of the total renovation costs identified in the renovation contract(s), except that if the property utilities are not operable as referenced in the renovation contract(s) and/or plans and specifications, the minimum contingency reserve amount must be greater than or equal to 15% of the total renovation costs identified in the renovation contract(s).

(ii) Maximum contingency reserve

For CHOICERenovation Mortgages, the contingency reserve amount must be less than or equal to 20% of the total renovation costs identified in the renovation contract(s).

While a contingency reserve is not required for CHOICEReno eXPress[®] Mortgages or CHOICERenovation Mortgages whose proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation, if the Seller chooses to establish a contingency reserve, the contingency reserve amount must be less than or equal to 20% of the total renovation costs identified in the renovation contract(s).

(c) Unused funds

(i) CHOICERenovation Mortgage is current

If the CHOICERenovation Mortgage is current, any unused funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties must be used for the following:

- Reduce the UPB
- Complete additional renovations, provided the Seller must:
 - ❑ Document that additional renovations were paid for from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and verify the funds are being used to further improve the Mortgaged Premises, and
 - ❑ Verify the additional renovation work has been completed by obtaining a completion report pursuant to the appraisal requirements in Section 4607.8
- Reimburse Borrower contributed funds to the contingency reserve
- If a “no cash-out” refinance Mortgage, disburse to the Borrower the remaining proceeds, provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4 for “no cash-out” refinance Mortgages

(ii) CHOICERenovation Mortgage is delinquent

If the CHOICERenovation Mortgage is delinquent, any unused funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties must be applied in accordance with the application of payment requirements in the Note and Security Instrument. After the CHOICERenovation Mortgage is brought current, any remaining unused funds (including contingency reserve funds not provided by the Borrower) must be used for the following:

- Reduce the UPB
- Complete additional renovations, provided the Seller must:
 - ❑ Document that additional renovations were paid for from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and verify the funds are being used to further improve the Mortgaged Premises, and
 - ❑ Verify the additional renovation work has been completed by obtaining a completion report pursuant to the appraisal requirements in Section 4607.8
- Reimburse Borrower contributed funds to the contingency reserve

- If a “no cash-out” refinance Mortgage, disburse to the Borrower the remaining proceeds, provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4 for “no cash-out” refinance Mortgages

4607.12: Custodial Accounts for Renovation Funds for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- [General requirements](#)
- [Opening the Custodial Account for Renovation Funds](#)
- [Changing or transferring Custodial Accounts for Renovation Funds](#)
- [Freddie Mac’s rights](#)
- [Seller responsibilities related to maintaining the Custodial Account](#)

The requirements of this section apply to CHOICERenovation® In Progress Mortgages.

(a) General requirements

For each Seller/Servicer number associated with one or more CHOICERenovation Mortgage(s), the Seller must:

- Open and maintain a separate completion escrow account solely to retain the CHOICERenovation Mortgage proceeds and any other deposited funds to be used to complete the renovations of Mortgaged Premises securing CHOICERenovation Mortgages (such funds, the “Renovation Funds” and each such account, the “Custodial Account for Renovation Funds”)
- Open and maintain each Custodial Account for Renovation Funds in accordance with the requirements of this section and the account must be utilized exclusively for the CHOICERenovation Mortgages it sells to Freddie Mac under a particular Seller/Servicer number
- Ensure the Custodial Account for Renovation Funds does not carry a negative balance, even if permitted by its depository institution
- Maintain a separate account record for each CHOICERenovation Mortgage’s Renovation Funds retained in the Custodial Account for Renovation Funds until all appropriate

parties have been paid and the renovation work is completed and all unused funds have been disbursed in accordance with Section 4607.11(c) for unused funds. Each separate account record may not reflect a negative balance.

(b) Opening the Custodial Account for Renovation Funds

Each Custodial Account for Renovation Funds must meet the requirements in Section 8302.3 for Custodial Accounts, Section 8302.4 for an Eligible Depository, Section 8302.6(c) for Escrow Custodial Accounts and Section 8302.7 for Custodial Account documentation.

The Seller must establish a separate Custodial Account for Renovation Funds which must be named “Freddie Mac Escrow Completion Custodial Account” or “Freddie Mac Renovation Funds Custodial Account.”

With respect to the Escrow Custodial Account requirements in Section 8302.6(c), the Seller may not:

- Designate the Custodial Account for Renovation Funds using the abbreviated designation “Freddie Mac Escrow Custodial Account”
- Commingle Renovation Funds with Escrow Funds in the same Custodial Account

Custodial Accounts for Renovation Funds are not subject to the tier rating requirements in Section 8302.5.

(c) Changing or transferring Custodial Accounts for Renovation Funds

See Sections 8304.10 through 8304.12 for Freddie Mac’s requirements for changing or transferring established Custodial Accounts, including Custodial Accounts for Renovation Funds.

(d) Freddie Mac’s rights

Freddie Mac reserves the right to request that the Seller submit copies of Custodial Account for Renovation Funds records, such as bank account statements, detailed trial balances and completed reconciliations, variance logs, and supporting documentation for such records.

(e) Seller responsibilities related to maintaining the Custodial Account

The Seller must manage Custodial Accounts for Renovation Funds as required in Sections 8304.3, 8304.4, 8304.6, 8304.8 through 8304.10, 8304.11(a), 8304.12 and 8304.13.

4607.13: Property insurance for CHOICERenovation® Mortgages (10/02/24)

CHOICERenovation® Mortgages must meet the property insurance requirements in Chapter 4703. Insurance coverage may need to be adjusted during the course of renovations and/or upon completion of all renovations based on the “as completed” value of the property (as determined by the appraiser pursuant to Section 4607.8) to meet the property insurance requirements in Chapter 8202.

4607.14: Recourse for CHOICERenovation® Mortgages (11/02/24)

CHOICERenovation® In Progress Mortgages must be sold with recourse within the meaning of Section 6201.7, except that Freddie Mac may require the Seller to repurchase the CHOICERenovation Mortgage if the Mortgage becomes 120 days delinquent while subject to recourse.

The recourse will remain in full force and effect until:

- All renovations are completed,
- The Seller requests removal of recourse in writing indicating the applicable Freddie Mac loan number and provides the completion report, including photographs of the renovations, and
- Freddie Mac approves the removal of recourse, subject to the requirements below

In order to request removal of recourse the Seller must submit all required documentation mentioned above to Freddie Mac through Loan Status Hub®, and the following requirements must be met:

- There is no Delinquency at the time of the request
- There has not been a Delinquency of 30 days more than once during the renovation period, except that recourse may be removed at a later date once the Borrower has made 36 consecutive monthly payments with no Delinquencies

The Seller represents and warrants that, as of the date Freddie Mac approves the Seller's request for removal of recourse, all requirements in this Chapter 4607 have been met.

4607.15: Representations and warranties for CHOICERenovation[®] Mortgages (10/02/24)

The selling representation and warranty framework described in Section 1301.11 applies to CHOICERenovation[®] Mortgages that meet the requirements of this Chapter 4607 provided that, starting on the date that the payments are paid by the Borrower and not from the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, the Borrower:

1. Made the first 36 monthly payments due with no more than two 30-day Delinquencies and no 60-day or greater Delinquencies, and
2. Is not 30 or more days delinquent with respect to the 36th monthly payment

4607.16: CHOICERenovation[®] Mortgages combined with GreenCHOICE Mortgages[®] and credit for Credit Fees (11/06/24)

This section contains requirements related to:

- [Delivery requirements for CHOICERenovation[®] Mortgages](#)
- [Special requirements when CHOICERenovation Mortgages are combined with GreenCHOICE Mortgages[®]](#)

(a) Delivery requirements for CHOICERenovation Mortgages

See Section 6302.43 for special delivery requirements for CHOICERenovation Mortgages.

(b) Special requirements when CHOICERenovation Mortgages are combined with GreenCHOICE Mortgages

When CHOICERenovation Mortgage proceeds finance renovations completed after the Note Date to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises, the CHOICERenovation Mortgage may be eligible for the credit for Credit Fees for GreenCHOICE Mortgages (see Exhibit 19, Credit Fees, and Exhibit 19A, Credit Fee Cap Eligibility Criteria), provided the following requirements are met:

- Except as stated below, the requirements in Section 4606.3(a) for GreenCHOICE Mortgages must be met for the subject Mortgage. This includes, but is not limited to:

- ☐ The cost of the financed renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises must not exceed 15% of the “as completed” appraised value of the Mortgaged Premises.

Note: In all cases, the maximum financed renovation costs must comply with the requirements in Section 4607.7, as applicable.

- ☐ Eligible improvements as described in Section 4606.1(b) with an aggregate cost of less than or equal to \$6,500 may be completed without obtaining an energy report. If the aggregate cost should exceed \$6,500, an energy report or alternative documentation in lieu of an energy report meeting the requirements in Section 4606.4 must be obtained and retained in the Mortgage file.
 - ☐ The energy report exception stated in Section 4606.4(c), when proceeds are used to finance renewable energy sources, may apply so long as the appraiser documents the projected income by utilizing PV Value, Ei Value or a similar tool as referenced in Section 5601.4, and that the cost effectiveness has been demonstrated
- All renovations, including renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises, must be completed by the Completion Date
 - The renovation funds are deposited into a completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, and
 - If the CHOICERenovation Mortgage is current, any funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties either must be used to reduce the UPB or may be used for additional renovations, as described in Section 4607.11(c)

For CHOICERenovation Mortgages that are eligible for the credit for Credit Fees for GreenCHOICE Mortgages pursuant to this Section 4607.16(b), in addition to meeting the special delivery requirements for CHOICERenovation Mortgages in Section 6302.43, the Seller must deliver the ULDD Data Point(s) for GreenCHOICE Mortgages specified in Section 6302.23.

4607.17: Transfers of Servicing for CHOICERenovation® Mortgages (11/02/24)

This section contains requirements related to:

- [Requirements for CHOICERenovation® In Progress Mortgages related to a Concurrent Transfer of Servicing](#)
- [Prohibited Transfers of Servicing](#)

(a) Requirements for CHOICERenovation In Progress Mortgages related to a Concurrent Transfer of Servicing

For Sellers that have obtained Freddie Mac's prior written approval, Concurrent Transfers of Servicing involving CHOICERenovation In Progress Mortgages are permitted, provided the following requirements are met. (See this Section 4607.17(b) regarding Subsequent Transfers of Servicing involving such CHOICERenovation Mortgages and Transfers of Servicing involving CHOICEReno eXPress® Mortgages.)

Consistent with Section 7101.15, the Seller, as Transferor Servicer, remains jointly liable with the Transferee Servicer for all selling representation and warranty obligations, including obligations in this Chapter 4607 related to the completion of the renovations, even if such obligations are performed after the Effective Date of Transfer. This includes, but is not limited to, ensuring completion of all renovations and delivering through Loan Status Hub® the required notice and documentation to support completion of the renovations in accordance with the Seller responsibilities in Section 4607.9(c) and fulfilling the recourse obligation in the event that Freddie Mac does not approve removal of recourse pursuant to Section 4607.14.

In addition to the requirements governing Concurrent Transfers of Servicing in the Guide, the Transferor Servicer must inform the Transferee Servicer whether the Transfer of Servicing involves CHOICERenovation In Progress Mortgages and must provide a list of such Mortgages (identified, at a minimum, by Transferor Servicer loan number and Freddie Mac loan number) to the Transferee Servicer.

A Transferee Servicer may engage an Outsourced Vendor or Servicing Agent, which may be the Seller, to perform some or all of the activities set forth in Section 4607.9(d). The Transferee Servicer must have in place appropriate processes and communication protocols with any Outsourced Vendor or Servicing Agent it engages to perform the obligations in this Chapter 4607 related to the completion of the renovations, including, but not limited to:

- Requiring that any remaining funds in the Custodial Account for Renovation Funds (as described in Section 4607.12) to be remitted to the Servicer to be applied to reduce the UPB or returned to the Borrower, as applicable, in accordance with Section 4607.11(c).

The Servicer may outsource the opening and ongoing maintenance of the Custodial Account for Renovation Funds only to its Servicing Agent, if applicable. An Outsourced Vendor may be an authorized party to the account's signature card and act as an agent of the primary account holder (either the Servicer or Servicing Agent, as applicable).

- Notifying the Outsourced Vendor of any defaults related to the CHOICERenovation Mortgage and ensuring appropriate actions are being taken, such as:
 - ❑ Relaying adverse information related to the Mortgaged Premises
 - ❑ If the CHOICERenovation Mortgage is delinquent, applying any unused funds in accordance with the application of payment requirements in the Note and Security Instrument (see Section 4607.11(c))
- Notifying Freddie Mac in accordance with Section 1301.2(b) and the Outsourced Vendor if the Servicer or its Servicing Agent, if any, determines the Borrower was added to the Office of Foreign Assets Control Specially Designated Nationals list
- Requiring any Mortgage proceeds allocated to make monthly payments of principal, interest, taxes and insurance pursuant to Section 4607.6(a) to be remitted from the Custodial Account for Renovation Funds to the Servicer in a timely manner for posting to the Borrower's Mortgage account
- Providing to the Servicer for inclusion in the Mortgage file all documentation maintained by any Outsourced Vendor related to the completion of renovations as required by this Chapter 4607
- Enforcing the property insurance requirements in Section 4607.13

(b) Prohibited Transfers of Servicing

The following Transfers of Servicing involving CHOICERenovation Mortgages are prohibited:

- Subsequent Transfers of Servicing involving CHOICERenovation In Progress Mortgages are prohibited until all renovations have been completed, the Seller has obtained a completion report pursuant to the appraisal requirements in Section 4607.8, Freddie Mac has acknowledged completion of the renovations pursuant to Section 4607.9(c) and Freddie Mac has approved the removal of recourse pursuant to Section 4607.14. (See Chapter 7101 regarding Transfers of Servicing.)
- Transfers of Servicing involving CHOICEReno eXpress Mortgages are prohibited until all renovations have been completed and the Seller has obtained a completion report pursuant to the appraisal requirements in Section 4607.8

CHOICERenovation In Progress Mortgages and CHOICEReno eXPress Mortgages may not be sold through Cash-Released XChange[®]. Additionally, CHOICEReno eXPress Mortgages may not be involved in any other Concurrent Transfers of Servicing.