



FHA 203 (k) Rehabilitation Mortgages

Support rehabilitation in the communities you serve

Housing rehabilitation is essential in revitalizing neighborhoods and expanding homeownership opportunities, and Freddie Mac is helping you support these efforts in the communities you serve. We will purchase Federal Housing Administration (FHA) 203(k) Rehabilitation Mortgages that finance 1) the purchase and rehabilitation of a home in a single transaction or 2) improvements to a property a homebuyer is buying. We purchase these fixed-rate loans on a negotiated basis once they have been endorsed by FHA. You will need to obtain Freddie Mac approval before selling these mortgages to us.

> Borrower Profile

- Borrowers purchasing homes in neighborhood revitalization areas

> Key Features

- Purchase and rehabilitation mortgages
- HUD underwriting and guarantee required
- Flexibility in pooling options with FHA mortgages
- 15- and 30-year fixed-rate mortgages
- 1- to 4-unit owner-occupied primary residences

> Borrower Benefits

- Reduces financing costs for borrowers with one mortgage having only one set of closing costs that covers all eligible expenses
- Ability to finance all types of home rehabilitation

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> • 1- to 4-unit owner-occupied primary residences including single-family dwellings, condominiums, and Planned Unit Developments (PUDs). • Manufactured homes according to the Department of Housing and Urban Development (HUD) guidelines. • Rehabilitation may include converting a 1-unit property to 2- to 4-units, or converting a 4-unit property to 3-units or less. • Value of property is the lesser of: <ul style="list-style-type: none"> ▪ The “as-is” appraised value of the property, plus the HUD-approved cost of rehabilitation. ▪ 110% of the “as-completed” appraised value of the property.
Eligible Mortgages	<ul style="list-style-type: none"> • 15- and 30-year fixed rate mortgages • Assumable • Purchase and rehabilitation transactions • Refinance and rehabilitation transactions • Recourse is required • Must represent and warrant that: <ul style="list-style-type: none"> ▪ The FHA insurance is in full force and effect as of the delivery date. ▪ The Seller has complied and will continue to comply with all applicable FHA guidelines, regulations and requirements including, but not limited to, those relating to loan origination and servicing.
Borrower Eligibility Requirements	<ul style="list-style-type: none"> • Determined by HUD eligibility guidelines
Eligible Seller/Servicers	<ul style="list-style-type: none"> • Must be approved as a HUD 203(k) Direct Endorsement lender with at least one year of active participation with 203(k) mortgages — originating at least 20 mortgages or \$1 million in total unpaid principal balances (UPB).
Eligible Rehabilitation	<ul style="list-style-type: none"> • Minimum of \$5,000 of repairs, remodeling, and rehabilitation to property. • Safety code violations must be corrected and energy conservation standards met. • No luxury improvements as defined by HUD.
Down Payment, Closing Costs, Financing Costs & Prepays/Escrows	<ul style="list-style-type: none"> • Same as FHA Section 203(b) mortgage insurance program.
Property Inspections	<ul style="list-style-type: none"> • By HUD-approved inspectors • Final inspection after rehabilitation • Rehabilitation must be completed within 180 days of closing
Special Underwriting Requirements	<ul style="list-style-type: none"> • HUD underwriting and guarantee is required. • Standard Freddie Mac requirements apply to components not covered by HUD restrictions.
DELIVERY REQUIREMENTS	
Eligible Executions	<ul style="list-style-type: none"> • Fixed-rate Cash, servicing retained • Fixed-rate Guarantor • MultiLender Swap
Pooling	<ul style="list-style-type: none"> • Loans may be commingled with your standard FHA 203(b) mortgages and VA mortgages, but may not be commingled with conventional mortgages. • 203(k) mortgages can be pooled together.
Delivery Fees	<ul style="list-style-type: none"> • See Guide Exhibit 19 for details on applicable fees. Review Exhibit 19 online at www.FreddieMac.com/singlefamily/pdf/ex19.pdf.
SERVICING REQUIREMENTS	
<ul style="list-style-type: none"> • Mortgages must be serviced by the originating Seller/Servicer during the property rehabilitation. 	

Learn more about FHA 203 (k) Rehabilitation Mortgages:

- Review Chapter 35 of the *Single Family Seller/Servicer Guide*
- Refer to the HUD 203 (k) Handbook
- Call (800) FREDDIE
- Visit www.FreddieMac.com