

 **FannieMae**
HomeStyle Renovation Consumer Tips

Case Number: _____ Date: _____
Borrower Names: _____

Please review the important tips listed below about Fannie Mae HomeStyle Renovation Mortgages and home improvement projects.

For the HomeStyle Renovation Mortgage, you do not receive any cash at the loan closing. The funds provided for renovation are placed in an interest-bearing escrow account (Renovation Escrow Account).

The lender may require that a contingency reserve 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 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 at www.efanniemae.com.

You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor’s work.

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.

Funds for the renovation are paid in accordance with a schedule acceptable to you, the contractor, and the lender. 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. 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, you and the contractor sign a Completion Certificate. The lender should provide you an accounting for all distribution of funds in the Renovation Escrow Account

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

Borrower’s Signature _____ Date: _____

Co-borrower’s Signature: _____ Date: _____

The lender certifies the Borrower(s) has received these Consumer Tips.

Lender’s Signature: _____ Date: _____