

## HomeStyle Renovation Consumer Tips

**Please review the important tips listed below about Fannie Mae HomeStyle Renovation Mortgages 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).
- 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.
- 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 FNMA 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.
- 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. You request these payments on a draw request form submitted to the lender. By submitting a signed Draw Request form, you are accepting responsibility that the work is acceptable and payment is justified. In addition to the signed Draw Request, an inspection of each phase of the renovation will be required. The funds are provided in a check made payable to the borrower and contractor.
- 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 contractor will provide the final draw request and lien waiver to the lender. You will provide the lender with the signed Letter of Completion. Once this information is received, the lender will order a final inspection. Once all work is confirmed through the final inspection, the lender will distribute the remaining 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: \_\_\_\_\_