CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Release of Fannie Mae's HomeStyle Energy

RELEASE OF FANNIE MAE’S HOMESTYLE ENERGY

Summary: CMG is releasing a number of HomeStyle Energy financing options that will be available to a borrower who wishes to improve the energy and/or water efficiency of an existing property and decrease its related utility costs. HomeStyle Energy may also be used to create home resiliency for environmental disasters such as floods, storms, and earthquakes, or to repair damage from these types of disasters. HomeStyle Energy mortgages may be combined with a HomeReady® mortgage. For full details, refer to the Escrow Holdback Guideline Addendum. See below for some highlights:

- LTV up to 97% (see standard matrix or HomeReady matrix, as applicable)
- HomeStyle Energy requires specific SFC codes but will use the standard base program codes.
- DU approval required, maximum DTI per DU. Conventional conforming products only.
- Financing energy-related improvements: Up to 15% of “as completed” appraised property value
- Occupancy and property eligibility:
  - All one- to four-unit existing properties
  - Manufactured housing, provided no structural changes
  - All occupancy types permitted

Energy-related improvements are permitted on existing properties in conjunction with all standard Guide products and features including, but not limited to:

- high-balance loans,
- Community Seconds,
- loans with deed restrictions (including programs that allow below market rate mortgages),
- down payment assistance programs,
- and HomeReady loans.

Loans with energy-related improvements are subject to the applicable LTV, CLTV, and HCLTV ratios for purchase and limited cash-out refinance transactions found in the product LTV matrixes. Energy-related improvements cannot be financed in the loan amount of a high LTV refinance loan.
Note: Energy-related improvements are permitted on a cash-out refinance, however the transaction is not considered a HomeStyle Energy loan. All standard cash-out refinance policies apply.

- If the borrower's Social Security number format is invalid and the borrower cannot provide a valid Social Security number, the loan is not eligible for delivery to Fannie Mae.

EXCEPTIONS TO ENERGY AND WATER IMPROVEMENT ITEMS AND COSTS:
In addition, for added flexibility, an energy report is not required for the following energy-related improvements, provided their aggregate cost does not exceed $6,500:

- Programmable thermostats
- Caulking or weather stripping
- Adding ceiling, wall or floor insulation
- Air sealing
- Air conditioning/heating replacement to high efficiency
- Solar water heaters
- Low-flow water fixtures
- High efficient refrigerators/freezers, water heaters and light bulbs
- Replacement of windows and doors

EXCEPTION FOR ALTERNATIVE DOCUMENTATION FOR ENERGY REPORT

- No energy report required for any improvement that is ENERGY STAR-certified as evidenced by its presence on the EPA ENERGY STAR product list: https://www.energystar.gov/productfinder.
- No energy report required for any improvement on a state, local, tribal, or utility list of energy savings programs for which the borrower qualifies.
- Lender must maintain a copy of the documentation that describes the state, local, tribal, or utility list of energy savings programs in the individual Loan file, together with any applicable energy report.

AND—if an energy report is not required, the lender does not need to complete the cost effectiveness review.

Special Feature Code (SFC) 773 is required for loans that meet the “Exception for Alternative Documentation for Energy Report”.

Effective Date: Immediately. Separate product codes are not required as the loan is identified in delivery by the noted Special Feature Codes. Use the product code and pricing for the eligible base product.

Please contact your Correspondent National Sales Manager or your Correspondent Liaison with any questions.