

# How a Fannie Mae HomeStyle Loan Can Help You Hack a Red-hot Housing Market



Casey Morris  
HOME.COM EDITOR  
03/23/2022 - 11 minute read

If you're having trouble finding a house in this historically competitive market, here's a hack to consider: Use a Fannie Mae HomeStyle loan to buy and renovate a house with a single mortgage.

Not everyone dreams of buying a fixer-upper, but there are advantages to looking at homes that need a little TLC. Most homebuyers want turn-key properties, meaning ones that are either new or newly renovated.

There's less competition for houses that look like they haven't been updated in 20 years (or more, in some cases). Less competition means less chance of getting into a bidding war, greater chance of getting your offer accepted, and an opportunity to keep your homebuying budget in check.

And with a Fannie Mae HomeStyle loan, you can start updating the home as soon as – or even before – you move in.

[Find out how much house you can afford.](#)

## KEY TAKEAWAYS:

- A Fannie Mae HomeStyle loan allows you to buy and renovate a home with a single loan
- First-time homebuyers can qualify with just 3% down
- Lock in an interest rate for purchase and repairs, rather than risking a higher interest rate down the road

## WHAT'S IN THIS ARTICLE?

What is a Fannie Mae HomeStyle loan?

[Jump ↓](#)

How much can you borrow with a Fannie Mae HomeStyle loan?

[Jump ↓](#)

What types of renovations can you do with a Fannie Mae HomeStyle loan?	<a href="#">Jump ↓</a>
Other ways to finance a renovation	<a href="#">Jump ↓</a>
Fannie Mae HomeStyle vs FHA 203k	<a href="#">Jump ↓</a>
How does a Fannie Mae HomeStyle loan work?	<a href="#">Jump ↓</a>
Frequently asked questions	<a href="#">Jump ↓</a>

## What is a Fannie Mae HomeStyle loan?

A Fannie Mae HomeStyle loan is a mortgage that allows you to purchase and renovate a home with a single loan.

There are several big benefits of buying and renovating with a Fannie Mae HomeStyle loan:

- **Low down payment:** A Fannie Mae HomeStyle loan allows first-time homebuyers to buy and renovate a home for just 3% down. Non-first-time buyers need at least 5% down
- **Luxury renovations are allowed:** Funds from a Fannie Mae HomeStyle mortgage can be used for any kind of renovations or upgrades, including putting in a pool, a gazebo, or a patio and fire pit. That's a contrast with some other renovation loan programs, which do not allow you to make luxury upgrades as part of your mortgage
- **Lock in a fixed interest rate:** Although interest rates are rising, they're still quite low by historical standards. With a fixed-rate Fannie Mae HomeStyle loan, you can lock in a rate that will not change if rates continue to rise.

Perhaps the biggest advantage of the Fannie Mae HomeStyle loan, however, is that it gives you flexibility in a challenging market.

"Renovations are a great way to secure a home purchase on a home that maybe not everyone is willing to buy," says [Sandy Krestan](#), a senior loan officer in Phoenix, Ariz., with Fairway Independent Mortgage Corporation (which owns Home.com). "When the inventory is low, it is a great option."

Competition for houses is sky-high right now. With a Fannie Mae HomeStyle renovation loan, you can look at the [houses that get overlooked](#) and turn them into your ideal property.

“Renovation loans also allow buyers the opportunity to add features that currently make the home less attractive,” says [Michael Bendebba](#), a branch manager with Fairway in White Plains, Md. “I recall a past buyer who was looking for nearly six months, found the perfect house, except it didn’t have a garage. Most of the homes in the neighborhood had garages. We used a renovation loan to build the garage.”

Bendebba noted that buying the house minus the garage and having it built after the fact worked out in two key ways for the homeowner. “Our buyer bought the home below market value and was able to design the garage that he wanted vs the garage he might have been stuck with,” Bendebba says.

## How much can you borrow with a Fannie Mae HomeStyle loan?

You can borrow up to your preapproval amount for the purchase and renovations combined.

Here’s what that means:

Let’s say you get preapproved for \$300,000 and the purchase price for the house is \$260,000. That means you have \$40,000 (minus any required fees or contingencies) left to put toward renovations.

If you’re approved for \$400,000 and you find a house for \$300,000, you have \$100,000 left for renovations and upgrades.

The fees and contingencies refer to any necessary permit fees, based on the work you plan to have done, plus a buffer in case the labor and materials costs go over budget. Your lender can tell you exactly how much of your renovation fund will need to be reserved for those costs.

## What types of renovations can you do with a Fannie Mae HomeStyle loan?

Fannie Mae HomeStyle guidelines give you a lot of leeway on what types of renovations you want to make. A few possibilities include:

- Putting an addition on the house
- Renovating the kitchen or bathroom
- Building a deck or screened-in porch
- Putting in an in-ground pool
- Building a gazebo or patio
- Replacing outdated appliances or home systems
- Repairing or replacing the roof

A perk of the Fannie Mae HomeStyle option is that if you use the loan to make [value-enhancing renovations to the home](#), your home’s value may increase, which gives you more equity in the property.

[Check your Fannie Mae HomeStyle eligibility here.](#)

## Renovation loan vs HELOC vs cash-out refinance vs personal loan for renovations

Fannie Mae HomeStyle loans have a few big advantages over buying a home and paying for renovations separately.

If you buy the home now and renovate it in a few years with a cash-out refinance, home equity loan, or HELOC, you could end up paying a higher interest rate.

There are other drawbacks as well:

- You will make payments on a HELOC or home equity loan in addition to your monthly mortgage payment, which could strain your budget
- With a cash-out refinance, you could end up with a higher interest rate, and you're extending the repayment period on your loan. The longer it takes to pay off your loan, the more you pay in interest over time
- The interest rate you get on a mortgage is likely to be lower than what you'd get for a personal loan or a credit card you might use for renovation expenses.

To be clear, a cash-out refinance, home equity loan, or HELOC aren't bad options for renovating your home. But you may be able to save money and fix up the home sooner with a Fannie Mae HomeStyle loan.

[Learn more: Everything You Need to Know About Renovating a Home on a Budget](#)

## Fannie Mae HomeStyle loan vs FHA 203k

There are several different renovation loan programs out there that allow you to buy and renovate a house with a single loan:

In addition to the Fannie Mae HomeStyle option, there are:

- Freddie Mac CHOICE Renovation
- [FHA 203k](#)
- [VA renovation loan](#)
- [USDA renovation loan](#)

The FHA 203k is popular because like Fannie Mae HomeStyle, it has a low down payment option. You can qualify for an FHA 203k loan with 3.5% down, as long as your credit score is 580 or higher and you meet the program and lender guidelines. Some lenders may require a minimum 620 score.

Conventional renovation loans, including Fannie Mae HomeStyle and Freddie Mac CHOICERenovation, and the FHA 203k are available to eligible borrowers anywhere in the country.

VA renovation loans are only available to eligible military servicemembers and surviving spouses, and [USDA loans](#) are designated for low- to moderate-income borrowers in specific rural and suburban areas.

THERE ARE A FEW KEY DIFFERENCES BETWEEN THE FANNIE MAE HOMESTYLE AND FHA 203K LOANS:

Requirements	Fannie Mae HomeStyle	FHA 203k Limited	FHA 203k Standard
Credit score	620	580	580 (some lenders require 620)
Down payment	3%	3.5%	3.5%
Types of renovations allowed	Structural, cosmetic, luxury upgrades	Cosmetic only	Structural and cosmetic
Amount you can borrow	Up to your preapproval amount for purchase plus renovations	Purchase price plus up to about \$31,000 for renovations (assuming the total is within your preapproval amount)	Up to your preapproval amount for purchase plus renovations

Requirements	Fannie Mae HomeStyle	FHA 203k Limited	FHA 203k Standard
Mortgage insurance requirement	Private mortgage insurance (PMI) if down payment is less than 20%. You can request PMI removal when you have 20% equity	Upfront mortgage insurance premium of 1.75% of the loan; annual MIP of 0.85% if down payment is less than 10%. Annual MIP may be removed by refinancing to a conventional loan when you reach 20% equity	Upfront mortgage insurance premium of 1.75% of the loan; annual MIP of 0.85% if down payment is less than 10%. Annual MIP may be removed by refinancing to a conventional loan when you reach 20% equity

To learn more about mortgage insurance, see our guides on [private mortgage insurance](#) and the [FHA mortgage insurance premiums](#).

There are advantages to both the Fannie Mae HomeStyle and FHA 203k options. FHA loans create opportunities for qualified homebuyers with lower credit scores to buy homes, and the 203k loans expand the pool of properties from which you can choose.

Homes must meet the [FHA's strict property requirements](#) to qualify for FHA financing. Homebuyers can use an FHA 203k loan to buy properties that don't meet those requirements at the outset, because they can finance the renovations to bring the home up to the FHA code.

But both the FHA 203k Standard and Limited restrict the types of renovations you can do and typically require a \$5,000 *minimum* in repairs. Repairs must be cosmetic or structural, and the Limited caps the amount you can borrow for renovations at around \$31,000. (The stated limit is \$35,000, but some of that must go toward a buffer in case costs are more than expected.)

With a Fannie Mae HomeStyle loan, you can borrow up to your preapproved amount, with no limit on how much will go toward renovations. Fannie Mae does not set restrictions on the types of repairs and upgrades you choose to make, however, lenders may set their own restrictions.

[Speak with a lender to see which program suits you.](#)

How does a Fannie Mae HomeStyle loan work?

The process for buying a home with a Fannie Mae HomeStyle loan is similar to other home purchase loans, though there are a few extra steps:

1. [Get preapproved](#)
2. [Find a property](#)
3. [Make an offer](#)
4. [Go under contract](#)
5. Get quotes and a formal estimate for renovations from a contractor
6. [Schedule an appraisal and a home inspection](#)
7. [Close on the home](#)
8. Renovation work begins

After you go under contract, you'll have to provide your lender with a formal estimate for the renovation work from a licensed contractor. They will need the estimate and breakdown of the planned renovations before they can approve the loan.

Once you close on the home, renovation work can begin. This is known as the "draw period," when your lender will begin disbursing funds to the contractor so they can start the renovations.

Renovations must be completed within six months. However, if there are delays due to supply chain or labor challenges, you can work with your lender regarding an extension.

## Fannie Mae HomeStyle FAQs

---

### What's a HomeStyle loan?

A Fannie Mae HomeStyle loan is a conventional renovation loan that allows you to buy and renovate a home with a single mortgage. You can borrow up to your preapproved amount for the purchase and repairs combined, and the renovation funds may be used for cosmetic, structural, and luxury upgrades.

---

### What is the difference between a HomeStyle loan and a 203k loan?

---

How do I get a HomeStyle loan?

---

## A hack for your dream home

Buying a fixer-upper isn't a small decision, and it's not ideal for everyone. However, it can be a way to beat the crowds in the current market. And purchasing a home with a renovation loan can simplify the process and enable you to start improving the home immediately, rather than having to save for several years or wait until you've built up more equity.

[Talk to a lender about your homebuying options.](#)

---

## FURTHER READING

Posted on 06/21/2021

23 minute read

How Much Cash Do You Need For a Conventional Loan Down Payment?



Nathan Golden  
HOME.COM CONTRIBUTOR

Posted on 07/01/2021

12 minute read

What's the Minimum Credit Score For a Conventional Loan?



Rita Williams  
HOME.COM CONTRIBUTOR

Posted on 07/02/2021

15 minute read

## Conventional Loans vs. FHA: Which Mortgage is Better?



Mandy Ellis  
HOME.COM CONTRIBUTOR

---

### Popular Articles

7 minute read 04/14/2022

2022 Mortgage Rate Forecast: Housing Authorities Weigh in

9 minute read 07/19/2021

Here's What to Know About the \$25,000 First-Time Homebuyer Down Payment Credit 2021

9 minute read 03/29/2022

Family Opportunity Mortgage: Buy a Home for Elderly Parents or an Adult Child With a Disability

21 minute read 02/01/2021

FHA Loan Requirements 2022 | Rates & Eligibility



Fairway Independent Mortgage Corporation  
NMLS # 2289  
4750 S. Biltmore Lane  
Madison, WI 53718

[\(800\) 885-4663](tel:8008854663)



For licensing information, go to: [nmlsconsumeraccess.org](http://nmlsconsumeraccess.org)  
Fairway Independent Mortgage Corporation NMLS # 2289

Complaints may be directed to:  
[\(877\) 699-0353](tel:8776990353) or [customerservice@fairwaymc.com](mailto:customerservice@fairwaymc.com)

This is not an offer to enter into an agreement. Not all customers will qualify. Information, rates and programs are subject to change without notice. All products are subject to credit and property approval. Other restrictions and limitations may apply. Equal Housing Opportunity.

This site is not authorized by the New York State Department of Financial Services. No mortgage loan applications for properties located in the state of New York will be accepted through this site.

This site should not be considered an advertisement in the following additional states: Arkansas, Arizona, Montana, North Dakota, Nebraska, Nevada, Pennsylvania, and Vermont. No mortgage loan applications for properties located in these states will be accepted through this site.

Texas Consumer Complaint & Recovery Fund Notice

IL Community Reinvestment Notice

In all instances, the Advantage Pre-Approval is the same as the Fairway Advantage Pre-Approval. Fairway Advantage pre-approval is based on a full review of the borrower's creditworthiness and is contingent upon there being no material changes in the borrower's financial condition or creditworthiness at the time of final loan approval. Final loan approval is subject to the following conditions: (1) borrower has identified a suitable property, and a valid appraisal supports the proposed loan amount; (2) a valid title insurance binder has been issued; and (3) borrower selects a mortgage program and locks in an interest rate that will support the pre-approved monthly payment amount. Loan must close before the expiration date provided in the pre-approval. Please note that submitting verifying documentation is not a requirement to receive an estimate of closing costs associated with a mortgage loan.

Pre-approval is based on a preliminary review of credit information provided to Fairway Independent Mortgage Corporation, which has not been reviewed by underwriting. If you have submitted verifying documentation, you have done so voluntarily. Final loan approval is subject to a full underwriting review of support documentation including, but not limited to, applicants' creditworthiness, assets, income information, and a satisfactory appraisal.

