

Features	CLC Construction 1 Close Mortgage (construction-to-permanent)
Loan Type	New home construction only
# of Closings	One
Hired Licensed Builder	Builder completes Builder Registration Form.
Owner-Contractor Allowed	Yes, Owner completes Sworn Statement and Specifications List. Maximum LTV = 80% for owner-contractor based on lower of acquisition costs or appraisal.
Mortgage Rate Lock Available	Yes (upfront at construction loan closing)
Construction Term Options	6, 9 or 12 months. (12 month required for owner-contractor)
Mortgage Term Options	15 year fixed rate 30 year fixed rate 40 year fixed rate
Interest Only	Yes (only during construction phase)
Rate Float Down Option	Yes, Free, automatic .25% rate reduction from construction rate
Full Income Documentation	Yes
Employment Verification	Yes
Asset Verification	Yes
Credit Score	660 = 80% LTV. For loans requiring PMI: PMI guidelines prevail. 680 = 90% LTV. 720 = 95% LTV. If property in restricted/distressed market – see guidelines for credit scores.
Max. Loan Amount	\$417,000 (Fannie limits). Jumbo conforming not eligible. Note: State of WA, loans up to \$1.5 Million may be eligible with 30% down payment (70% max. loan-to-costs)
Sales (Builder) Concessions	90% loan-to-value and > = 3% maximum seller concession <90% loan-to-value = 6% maximum seller concession
Borrower Re-qualification	No, the borrower is qualified upfront. Once the home is complete, the loan automatically converts to the permanent mortgage (no re-qualification required).
Draws Allowed	Hired Builder and Owner Contractor = Up to 10 draws Note: State of WA = 10-11 draws permitted. An inspection is required for every draw.
Payments Required During Construction Process?	Yes, monthly interest only payments based on amount drawn. Interest reserve option. If Builder pays reserves, must count as concessions.
Loan-to-Value Limits and Calculations (LTV) And Occupancy Requirements	Home must be New Construction AND A. 95% 1 unit, owner-occupied based on acquisition costs (hired builder)* NOTE: loan must meet all PMI guidelines for LTV above 80% to qualify. B. 80% 2 unit owner-occupied based on acquisition costs (hired builder) * C. 80% 1-unit, owner-occupied second home based on acquisition costs (hired builder/owner-contractor)* D. 80% 1-unit, trades person is Builder & Borrower (based on acquisition costs)* * 5%-15% LTV reduction shall apply to to properties located in declining/distressed markets as determined by the appraisal, DO/DU findings, lender discretion and/or PMI eligibility. <i>Non-owner occupied & investor properties not permitted.</i> <i>Condos/townhomes/manufactured homes are not eligible.</i> <i>Second homes must meet strict FNMA guides. Case/Case.</i> <i>For PMI company distressed/restricted market areas:</i> MGIC = http://www.mgic.com/guides/restrictedmarkets.html CMG = http://www.cmgmi.com/cd-221.aspx

Down Payment Required	See maximum LTV guides.
Interest Rate / Float Down	Rate for permanent (end) mortgage is locked upfront at initial closing of construction phase. Rate is .25% higher during construction phase. See daily rate sheet for quotes. Rate quoted is mortgage rate. Add .25% for construction rate.
Loan Calculation (LTV >80%)	Down payment and land/lot equity must be verified.
Properties Allowed	Single Family Residence Duplex only allowed if Owner Occupied and up to 80% LTV. No manufactured homes or condos. No operating farms. No properties which are already under construction. No specific limit on number of acres, but raw property value must not exceed 30% of total appraised value to qualify; and comparable properties must have similar acreage with similar dwellings. <i>No exceptions on property types or occupancy.</i>
CLC Fees (closing costs)	1.50% Construction Management Fee (based on loan amount) \$500 Draws/Inspections (Builder estimate, actual cost depends on state) \$750 Draws/Inspections (Owner Contractor, actual cost depends on state) .25% Escrow Waiver Fee, if applicable, paid at closing. Otherwise, Borrower must fund escrows at "conversion" to permanent loan.
Underwriting	Fannie Mae standard underwriting guidelines. For DO/DU loan purpose is "construction"
Mortgage Insurance	LTV > 80% requires PMI. Must be in place when construction phase begins. 90.01%-95% LTV: 30% , 95.01% - 90% LTV: 25% , 80.01% - 85% LTV: 12% PMI requires using acquisition costs for LTV.
Ratios/Qualification	Maximum 45% provided DO/DU findings are approve/eligible. Manual underwrite 28/36. For loans 80% or less LTV, up to 50% provided DO/DU approve/eligible may be considered.
Escrows	Escrows are required above 80% LTV. Loans below 80% borrower may opt for escrow waiver. .250% escrow waiver fee at construction closing. Escrows are paid at time of "conversion" to permanent loan by borrower.
Restricted Market Distressed Market Policy	CTP loans will be underwritten and LTV adjusted per DU (Fannie Mae) requirements for loans in restricted markets/distressed markets. If LTV is above 80%, LTV will be restricted per PMI guidelines. Eligible PMI companies: MGIC and CMG. No PMI eligible in MI & FL. If in distressed market (except MI and FL) may be eligible up to 90% LTV with 700 score. CMG Restricted Markets - http://www.cmgmi.com/cd-221.aspx MGIC Restricted Markets - http://www.mgic.com/guides/restrictedmarkets.html
Borrowers With Current Principal Residence Not Yet Sold; Prior to New Construction Closing	For borrowers planning to build a new home and their current principal residence has NOT yet sold ONE of the following guidelines apply: <ol style="list-style-type: none"> 1. Current Residence is Pending Sale but the new transaction will not be closed (with title transfer to new owner) prior to the new construction closing: Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction. 2. Conversion to a Second Home: Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction AND 6 months PITI for both properties is required in reserves. If there is documented equity of at least 30% in the existing (current) property, 2 months PITI for both properties may be considered as reduced reserves. Documented equity: appraisal/AVM/BPO minus outstanding liens. Also, standard Second home qualifications apply. 3. Conversion to an Investment Property: Up to 75% of the rental income may be used to offset the mortgage payment in qualifying if there is documented equity of at least 30% in

the existing (current) property. The rental income must be documented with:

- copy of the fully executed lease agreement
- receipt of the security deposit from tenant and deposit into borrower's account

If 30% equity CAN NOT be documented, rental income may not be used to offset the mortgage payment. Both the current and proposed mortgage payments must be used to qualify borrower and 6 months PITI for both properties is required in reserves.

HOW TO STRUCTURE THE 1003 CONSTRUCTION 1 CLOSE MORTGAGE

Construction 1 Close – construction-to-permanent mortgage

Based on your borrower's details (land purchase price, when purchased, cost to build, down payment available, etc) determine what loan amount your borrower/members need and/or qualify for. Use the examples provided to help you determine this.

1. Section II, 1003 Loan Purpose: (LOAN PURPOSE = CONSTRUCTION)*

*DO NOT ENTER CONSTRUCTION PERMANENT FOR LOAN PURPOSE AS THAT IS A TWO TIME CLOSING

Construction = One-Time Close

Enter your loan purpose into DU/DO (LOS). Entering this correctly will ensure that the appropriate underwriting guidelines will be applied to your loan upon submission.

2. Section VII, Details of Transaction:

Line A: Purchase Price. Enter the purchase price or cost of construction. If the borrower acquires the land from the builder as part of the transaction, include the cost of the land in Line A.

Line B: Alterations, improvements, repairs: Not applicable to one-time close mortgages.

Line C: Land. If the borrower acquires the land separately, then the cost or value of the land must be entered in Line C according to these guidelines:

Land Purchase Details	Information to Enter	Documentation
Purchased within 12 months	Sales Price of land	Purchase Contract or Settlement Statement
Purchased over 12 months	Appraised Value of land	Appraiser indicates value of land separately
Gifted/Inherited land	Current Appraised Value *gifts must also be entered in sect. VI Assets (see this section for more details)	Appraiser indicates value of land separately

Line D: Refinance amount. Not applicable to one-time close mortgages.

Line L: Other credits. If land is purchased in a separate transaction, the equity in the land must be entered as an "other credit". If there is a balance on the property, the other credit amount is calculated as the amount in Line C less the balance of any liens on the lot. If land is owned free and clear, the other credit amount should match the amount in Line C.

3. Section VI, Assets:

Gift of land. If the borrower received the land as a gift, enter the current appraised value of the land in section VI, Assets, as a gift (gift not deposited).

Standard gift requirements will apply. DU will indicate a message requiring gift documentation and verification that the gift was from an eligible donor. A copy of the deed must be provided to verify transfer of ownership.

4. Section VI, Liabilities:

Loan on the Land. Since the cost/value of the lot and lot equity are required to be entered in the details of transaction, **omit** the loan from section VI liabilities.

5. Appraisal

The appraisal should be ordered (full 1004) per plans and specifications or "as completed" value (including the land). When a current land value is needed, refer to the appraisal under the cost approach for the "site value" to find out the appraiser's opinion on the current value of the lot or property.

LTV Calculations: Loan Amount = LOWER of acquisition cost or appraised value

Loan-to-Value Calculations and Examples

Following are examples to assist you in entering information for the 1003 (Application), Details of Transaction. You can also use this as a Guide to help you in figuring out loan amounts and loan-to-values based on your borrower's loan details).

Example 1:

Purchased land 8 months ago, cost \$20,000 paid cash, builder contract \$80,000.

How to enter into 1003, Details of Transaction:

Line A	Purchase Price (cost of construction)	\$80,000
Line C	Land	\$20,000
Line L	Other Credits	\$20,000
Line M	Loan Amount	\$75,000
Line P	Cash from Borrower	\$ 5,000
Acquisition Cost	Cost of Land + Cost to build	\$100,000
Appraised Value	Do not use since land owned < 12 months	\$100,000
LTV		75%

Example 2:

Purchased land 14 months ago, cost \$20,000, paid cash. Appraiser valued the land at \$30,000.

Builder contract is \$80,000.

Line A	Purchase Price (cost of construction)	\$80,000
Line C	Land	\$30,000
Line L	Other Credits	\$30,000
Line M	Loan Amount	\$75,000
Line P	Cash from Borrower	\$ 5,000
Acquisition Cost	Cost of Land + Cost to build	\$110,000
Appraised Value	Do not use since land owned < 12 months	\$105,000
LTV		69%

Example 3:

Purchased land 8 months ago, cost \$20,000. \$5,000 was the down payment for land in cash and there is a \$15,000 loan on the property. Current land balance \$14,000. Builder contract is \$80,000.

Line A	Purchase Price (cost of construction)	\$80,000
Line C	Land	\$20,000
Line L	Other Credits	\$ 6,000
Line M	Loan Amount	\$90,000
Line P	Cash from Borrower	\$ 4,000
Acquisition Cost	Cost of Land + Cost to build	\$100,000
Appraised Value	Do not use since land owned < 12 months	\$105,000
LTV		90%

Example 4:

Purchased land 18 months ago for \$20,000. \$5,000 was the down payment for land in cash and there is a loan for \$15,000 on the property. Current land balance is \$14,000. Appraiser valued the land at \$30,000. Builder contract is \$80,000.

Line A	Purchase Price (cost of construction)	\$80,000
Line C	Land	\$30,000
Line L	Other Credits	\$16,000
Line M	Loan Amount	\$90,000
Line P	Cash from Borrower	\$ 4,000
Acquisition Cost	Cost of Land + Cost to build	\$110,000
Appraised Value	Do not use since land owned < 12 months	\$110,000
LTV		82%

Example 5:

Borrower contracts with builder to buy the land and build the home for \$100,000

Line A	Purchase Price (cost of construction)	\$100,000
Line C	Land	\$ 0
Line L	Other Credits	\$ 0
Line M	Loan Amount	\$ 95,000
Line P	Cash from Borrower	\$ 5,000
Acquisition Cost	Cost of Land + Cost to build	\$100,000
Appraised Value	Do not use since land owned < 12 months	\$105,000
LTV		95%