

For Internal Use Only

TPO Brokered-Out Product



# Click N' Close One Time Close Construction Perm Program\*

**Training Date: October 17, 2024**

**Rollout Date: October 18, 2024**

\*Excludes NY

Information is current as of the date of the program rollout. Please see the Click N' Close website at [www.CNC3rdparty.com](http://www.CNC3rdparty.com) for the most updated program information.

# Who is eligible to participate at PMC

This is a brokered-out product in its entirety

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All licensed PMC Loan Officers! For those loan officers associated with a particular branch, please consult with your branch manager if you have questions on pricing and submissions.

Note that any branches/loan officers preferring the ease of having our Referral Desk handle this brokered loan product—please reach out to Brett Shapiro!

# Conventional OTC Highlights

## BUILDER AND BORROWER BENEFITS

### Site- Built Homes

- Builder allowed up to 90% of contract price before final draw.
- **6 draws** are typical with more available at additional cost.
- Construction term of 120,180, 240 and 360 days.
- Land can be paid at Closing (doesn't count as a draw).
- **Soft Costs** can be included in Construction Loan.

### Conventional

- **One Closing** for Construction and Permanent Financing.
- **90% LTV** with a 680 Fico.
- **FNMA Only.**
- **Primary** and **Second** Homes.
- If own land already, treated as a refinance.

### Factory- Built Homes

- 10% Initial draw at Closing.
- 80% draw at delivery.
- 3 draws are typical.
- **Double-wide** Homes are eligible (No Single-wide).
- Land can be paid at Closing (doesn't count as draw).

### BORROWER BENEFITS

- **One Closing** reduces Closing Costs.
- Interest Rate is **Locked** for the Permanent Loan.
- Borrower makes **interest only** payments during construction.
- First Payment Starts **AFTER** Construction is complete.
- Borrowers do not have to **re-qualify** after Construction is complete.
- **Lower Costs** with One Appraisal and One Set of Closing Docs.
- **No Expiration** on **Credit Docs** or Appraisal once the loan closes.

### BUILDER BENEFITS

- **Expanded Market Share:** Builders have a larger pool of potential Home Buyers due to No & Low Down Payment options.
- **Lower Risk:** Builder can safely build homes without the worry that Borrowers won't re-qualify for Permanent Financing.
- Internal Builder Approval process.
- **Fallback Funds:** Builders can use OTC Loans as a source of funds to access only when needed - there is no requirement to draw funds.

# Government OTC Highlights

## Builder and Borrower Benefits

### Factory- Built Homes

- 10% Initial draw at Closing.
- 80% draw at delivery.
- 3 draws are typical.
- **Double-wide** Homes are eligible (No Single-wide).
- Land can be paid at Closing (doesn't count as draw).

### FHA - VA - USDA

- **One Closing** for Construction and Permanent Financing.
- **FHA Loans** to 96.5% LTV with a 650 Minimum FICO.
- **VA Loans** to 100% LTV with a 650 Minimum FICO.
- **USDA Loans** to 100% with a 650 Minimum FICO.
- **Manufactured Homes** require 650 Minimum FICO.

### Site- Built Homes

- Builder allowed up to 90% of contract price before final draw.
- **5 draws** are typical with more available at additional cost.
- Construction term of 120,180, 240 and 360 days.
- Land can be paid at Closing (doesn't count as a draw).
- **Soft Costs** can be included in Construction Loan.

### BORROWER BENEFITS

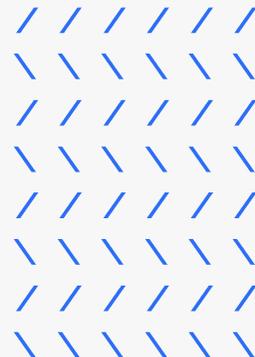
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### BUILDER BENEFITS

- **Expanded Market Share:** Builders have a larger pool of potential Home Buyers due to No & Low Down Payment options.
- **Lower Risk:** Builder can safely build homes without the worry that Borrowers won't re-qualify for Permanent Financing.
- **Conventional Loan Fallout:** Builders have options for Buyers who can't get a Conventional Loan and/or Bank Construction Financing.
- **Fallback Funds:** Builders can use OTC Loans as a source of funds to access only when needed - there is no requirement to draw funds.

# Program Structures

## Understanding the Structure



### Eligible Programs:

- Conventional (including high-cost areas)
- FHA
- VA
- USDA

### Eligible Occupancy

- Primary
- Second Home (Conventional only)\*

\* On 2<sup>nd</sup> homes, to help avoid potential issues with meeting QM, it is recommended that seller contributions are negotiated into the contract.

### Construction Term

- Max of 12 months

Appraisal-Ordered through CNC Website

### Eligible Properties

- 1-unit properties only
  - Stick Built
  - Modular
  - Manufactured (now available on conventional as well as govie loans)
  - Barndominiums-See program details on subsequent slide.
  - Pre-starts considered case-by-case

### Builder Approval & Construction Depts

- They are internal departments-not outsourced.

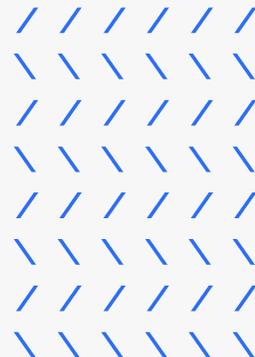
### Draw Administration Partner (after loan closes)

- Trinity Loan Administration

# General OTC Matrix

## Understanding the Allowable Parameters

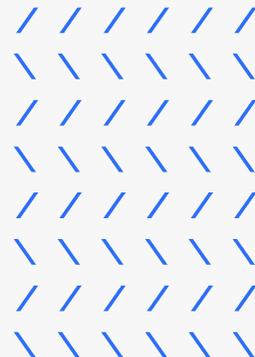
Program	Conventional OTC	FHA OTC	VA OTC	USDA OTC
LTV	90%	96.50%	100%	100%
Max Loan Amount	Conforming Loan Limits & High Cost	FHA County Loan Limits	Conforming Loan Limit & VA Jumbo	Conforming Loan Limit
FICO	680	650	650	650
Stick Built/Modular	Yes	Yes	Yes	Yes
Units	1-Unit Single Family	1-Unit Single Family	1-Unit Single Family	1-Unit Single Family
Construction Term	12-Months	12-Months	12-Months	12-Months
Occupancy	Primary/2nd Home	Primary	Primary	Primary
Investment	No	No	No	No
Manufactured-Doublewide	Yes	Yes	Yes	Yes
Construction Interest Rate	8%	9% Stick Built & Modular; 10.95% Manufactured	9% Stick Built & Modular; 10.95% Manufactured	PITI Paid
Contingency Allowed (Not Required)	Yes 10%	Yes 10%	Yes 10%	Yes 10%
Escrow Mortgage Payments	N/A	N/A	N/A	Yes as appraisal allows
Draws (Funded on work completed only)	Up to 6	Up to 6	Up to 6	5
Number of Contractors	1	1 & can have site prep for manufactured	1 & can have site prep for manufactured	1 & can have site prep for manufactured
Requalification Needed	Yes* Contact CNC Rep for more information	No	No	No
Holdback on Draws	No	Yes-10%	Yes-10%	Yes-10%
Modification Needed	Yes	Yes	Yes	No
Plans/Specs/Plot Plan/Cost Breakdown needed	Yes	Yes	Yes	Yes



# General OTC Matrix

## Understanding the Allowable Parameters

Program	Conventional OTC	FHA OTC	VA OTC	USDA OTC
Lot Ownership Requirements	Can be owned by Borrower, builder, or Third Party (with separate contract from Contract to Build)	Can be owned by Borrower, builder, or Third Party (with separate contract from Contract to Build)	Can be owned by Borrower, builder, or Third Party (with separate contract from Contract to Build)	Can be owned by Borrower, builder, or Third Party (with separate contract from Contract to Build)
Treated as Purchase versus Refinance	Borrower owns lot = Refi; Borrower buying lot at closing = Purchase	Purchase always	Purchase Always	Follow USDA guidelines or contact CNC to discuss
Escrows Collected at Close	Yes	Yes	Yes	Yes
Fixed Contract	Yes	Yes	Yes	Yes
MI Activation	At completion	At completion	At completion	Immediately at close
Outbuildings	Allowed per comps	No	No	No
Swimming Pool	Yes	No	No	No
Appraisal	As complete	Must have opinion of site value	Must have opinion of site value	As complete
DPA Permitted	No	No	No	No



# Barndominiums

## Understanding the Allowable Parameters

Since we know this is an exciting offering...to be able to finance a construction/perm loan for a Barndominium, here are the key highlights!

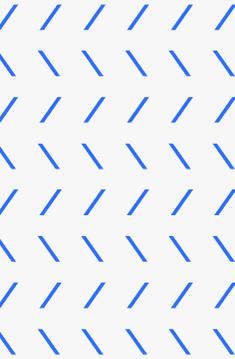
AUS	Must obtain AUS approval. Manual underwrites are NOT permitted
FICO	Minimum 680
Occupancy	Owner-occupied Only
Appraisal	Must have acceptable comps within 5-10 miles max. No agriculture, ranch, or farmland allowed
Income	No business income from the subject property is permitted
Foreclosure	No previous foreclosures are permitted
Structure	1-unit single family, no steel/post beam, no Morton type or metal exterior siding. Must have concrete slab foundation
Living Area	Minimum 70% of gross square footage must be for living area
Agriculture use	No agricultural use of home (no horse stalls, animal pens, etc.)
Road Access	Property must be readily accessible by roads that meet local standards

# Ineligible Properties

## Understanding the Unallowable Property Types

The following property types are NOT eligible:

- Log Homes
- Bamboo Homes
- Metal Homes
- Container Homes
- Post-Frame Homes
- 2-4 Unit Homes
- Self-Build or Borrower “Do it yourself” homes
- Spec homes for builders are not allowed



# Phases of the Loan Process

## Understanding the Structure

**Underwrite and close on construction and permanent financing simultaneously!**

### Phase 1

- Loan is underwritten
- Construction/Perm terms are set
- Loan is closed



### Phase 2

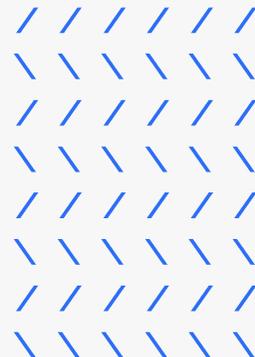
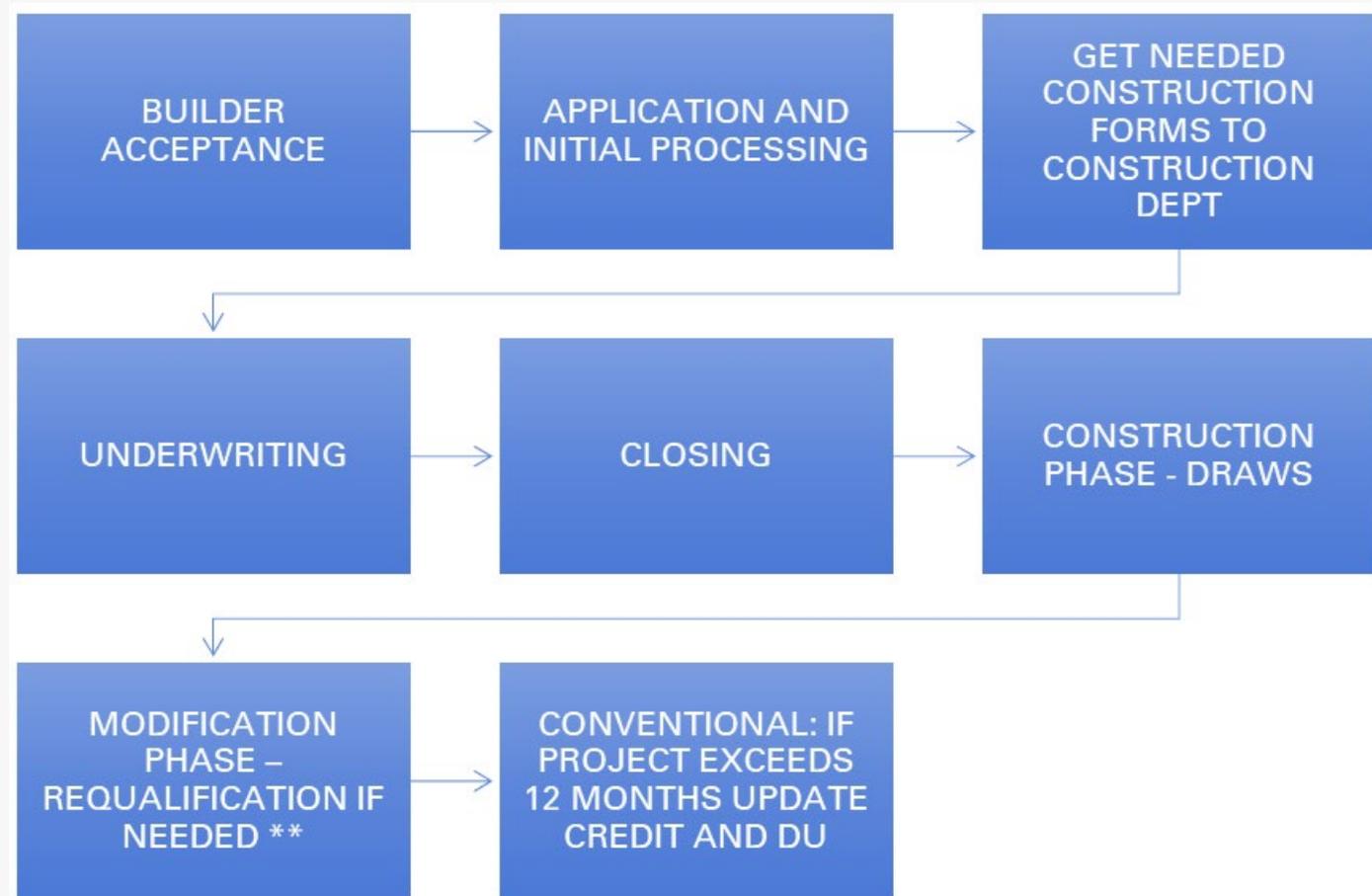
- Funds are drawn and disbursed according to the construction contract and draw schedule
- Periodic inspections completed per contract and local building code requirements.

### Phase 3

- After the construction is complete, Click N' Close converts the loan to a permanent loan after receipt of a satisfactory 1004D Final Inspection, Lien waivers to ensure the first lien status of the mortgage is preserved, satisfactory updated title, and a final Certificate of Occupancy.

# One Time Close Workflow

Understanding the Loan Flow Process



# Builder Items Needed

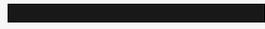
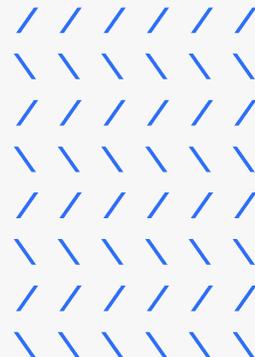
## Understanding the Components

### Builder Approval Documentation Requirements (no self-builders)

- Click N' Close Builder Registration Packet
- Builder's/Retailer's License(s): Contractor, Retailer, Installer, etc., as applicable
- Previous year's corporate tax returns
- Current YTD signed & dated profit and loss statement
- Most current corporate bank statement
- Executive Summary/Resumes—Overview of experience and history of company and principals
- Certificate of Insurance for General Liability (Acord 25 Form). Minimum of \$1MM per occurrence is required.
- Builder's Risk policy on the subject property
- Builder must provide several trade references within the Builder Registration Packet--which trades must have lines of credit (for which verification must support timely payments.)
- Builder should have recent experience supporting construction of 3-4 homes per year for the last 2 years.



# Checklist of Items Needed to Get Started

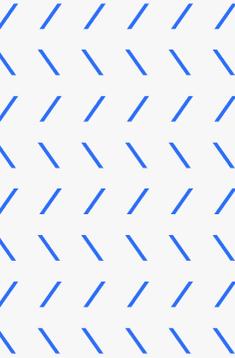


- Builder Approval
- Calculation Form
- Contract to Build
- General Liability Insurance with Click N' Close as the Certificate Holder
- Builder's Risk Insurance with Click N' Close as the Certificate Holder
- Plans & Specs/Elevations
- Cost Breakdown
- Plot Plan
- Permit Advisory
- Conventional Disclosure (for the Conventional OTC Program only)

# Steps to Get Started

## Understanding the Order

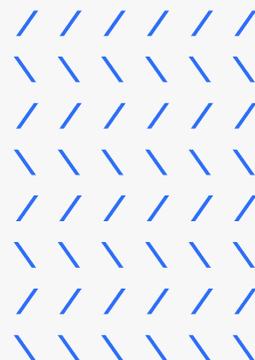
- Watch the training video on the Click N' Close website
- Get the loan set up in Mortgage Machine.
- Email the construction department at [constructions@clicknclose.com](mailto:constructions@clicknclose.com) with the borrower name, CNC loan #, along with the fully completed OTC Calculation form.
- The construction department will check to make sure the file is set up correctly to disclose.
- Once you have the CNC “go ahead” for CNC to disclose after the loan amount calculation is determined, then:
  - With Princeton: Submit the loan to the Disclosure Team so they can issue a “mini-pack” of disclosures (which does NOT include the Loan Estimate).
  - With CNC: Trigger the loan same day as above, such that CNC issues the full disclosures. Note that within the CNC system, the Loan Purpose should be “construction perm” and the amortization type should be “adjustable” (in case the project goes past the construction term and the rate goes to market).



# Steps to Get Started, Continued

## Understanding the Order

- Have the builder complete the Builder Registration Package.
- The MLO will need to complete the OTC Checklist/Timeline Package.
- Upon Builder acceptance, DU approval, and Project Approval from the construction department, email the construction team and upload into Mortgage Machine the items needed for the Appraisal and Feasibility Review (i.e., plans, specs, cost breakdown, plot plan, and contract to build).
- When the above documents are obtained, and the builder is accepted, the processor can then order the appraisal with the CNC system and the processing can be completed.
- The MLO needs to complete the OTC Customer Disclosure, go over the information with the borrower, and have the borrower sign and date the Disclosure.
- Send all completed forms to: [constructions@clicknclose.com](mailto:constructions@clicknclose.com)
- \*If you need assistance with qualifying your borrower on the permanent rate in Mortgage Machine, please contact the CNC Construction Department.



# Interest Rate & Locks

## Understanding the Costs

### Construction Rate:

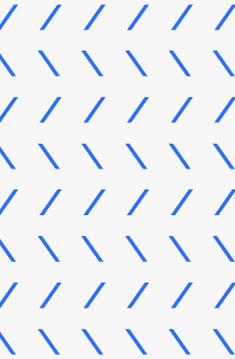
Will be set by the CNC Construction Department and is subject to change periodically.

### Permanent Rate:

The permanent note rate is locked in Mortgage Machine and fixed until the end of completion per the construction agreement. The loan purpose to be selected is "Construction to Perm".

### Float Down:

Once the home is fully completed and the loan is converted to a permanent loan, a one-time free float down may be exercised to current market rate plus .75%. For example, if the original construction rate is 8%, and the current market rate is 6% at the time of the conversion to a permanent loan, the rate will be adjusted to 6.75%.



# FEES

## Understanding the Costs

- There are fee templates for each OTC program
- FHA and VA construction fees are rolled into the builder's price and financed; they will not show on the CD.
- 1.00% Construction Fee to CNC (on loan amount).
- \$300 Modification Fee to CNC
- \$750 Administration to CNC
- \$1,775 Inspection Fees (Typically 5 draws including final): To Trinity
- \$185 Feasibility to Trinity
- \$350 Final inspection fee to Appraiser
- \$150 Title Update
- \$500 Final Survey

(Note the 1% Construction Fee does not apply on conventional loans.)

# Locking the Loan

## Understanding the Process

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- **Responsibility for Registering the Loan: Loan Officer**
  - **Responsibility for Locking the Loan: Loan Officer.**
    - Branch Managers and LO's will be able to view the rates within the CNC system.
    - LO must email a copy of the lock confirmation to [secondary@princetonmortgage.com](mailto:secondary@princetonmortgage.com) .
    - For Loan Officers who are utilizing the Referral Desk, Brett Shapiro will handle the locks.

# Contact Information for CNC

Our representative:



Jon Eldridge  
Regional Manager  
Click N Close, Inc  
[www.cnc3rdparty.com](http://www.cnc3rdparty.com)  
[Jon.Eldridge@clicknclose.com](mailto:Jon.Eldridge@clicknclose.com)  
704-960-9765

For access to the Click N' Close TPO Website, please email the Genius Bar at [helpme@princetonmortgage.com](mailto:helpme@princetonmortgage.com) .

# Program Code

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- Create loan in Encompass (brokered channel), as we must have a shell file as well. You will submit it to disclosures at the same time you are submitting to CNC for disclosures. PMC Disclosure Team will just issue a “mini-pack” of disclosures—not including the LE. CNC will issue the full disclosures.



-CNC OTC TPO SFD CONV/FHA/VA/USDA

-CNC OTC TPO BARNDOMINIUM CONV/FHA/VA/USDA



**Thank you!**

