



## FHA/VA One Time Close Loan Program

Construction and Permanent financing rolled into one loan

Occupancy	Units	FICO/Score	DU LTV
Primary Residence	1	650	96.5 FHA, 100 VA

Product Overview	Fixed rate 15 or 30-year loan, consisting of construction and then a permanent phase
Contractor/Builder	Must be full time builder and licensed that is in good standing with suppliers and previous clients. Required to fill out review form and be approved by the construction department. <b>ONLY 1 BUILDER / CONTRACTOR ALLOWED</b>
Contract Requirements	Fixed price only contracts, <b>NO Cost-Plus</b> contracts allowed. Builder must be turnkey, doing all work, borrower is not allowed to do any of the work.
Eligible Properties	Site Built, Manufactured, Modular Homes. Panelized Homes are considered Site Built. Pre-starts will be considered on a case by case basis. <b>Barndominiums</b> See definition in Eligible Properties.
Appraisal	Must have finalized construction contract, plans, specs, plot plan to submit to appraiser and request value to be assigned "AS COMPLETED" NO Appraisal transfers.
Draws	Up to 5 Draws. <b>FUNDS ARE DISBURSED ON WORK COMPLETED ONLY. NO FUNDS CAN BE ADVANCED FOR MATERIALS.</b> A closing soft cost draw can be done.
Program Fees	1.00% Construction fee (on Loan Amount), \$885 Inspection Fee manufactured, \$1,475 Inspection Fee site-built (based on 5 insp, \$295 per), \$175 Trinity feasibility, \$100 Trinity Admin, \$250 CNC admin
Escrows	Collect for Escrows at initial closing (HOI will be activated/paid at modification)

### Builder items needed:

<b>Current YTD P&amp;L, previous year Corporate Tax Return, and most current Corporate bank statement</b>
<b>Executive Summary providing an overview of experience and history on Company and Principals</b>
<b>Builder's/Retailer's License(s):</b> (Include Contractor, Retailer, Installer, etc., as applicable).
<b>Certificate of Insurance for General Liability (Acord 25 Form):</b> Minimum of \$1,000,000 per Occurrence Required. & <b>Builders Risk policy on property.</b>
<b>VA Approval Letter:</b> Builder must provide evidence of VA approval on all VA loans
<b>Read Full Guides to be acquainted with all requirements on the program.</b>

## **General Description**

This product is a fixed rate 15- or 30-year loan which consists of construction and then a permanent phase. The construction phase provides draws with interest accruing on funds disbursed. When construction is complete the loan is converted to a fully amortizing loan for the remainder of the loan period. Because the permanent loan is closed before construction begins, there is no “requalifying” of the borrower when it is time for conversion of the construction portion of the loan to the permanent portion of the loan. This is a true one-time close, therefore, the Borrowers will not need to return to the closing agent once construction is complete.

## **Administration**

CNC will fully administer this one-time close product and register builders, maintain and disburse construction monies, collection of construction documents and oversight of construction phase, and complete documents for final payoff of construction. CNC provides construction funds administration for true one-time close FHA and VA construction-to-permanent loans with staged funding designed for manufactured, modular, and site-built housing.

Builder registration form can be found in MM.

All the applicable items on the list should be sent to [constructions@clicknclose.com](mailto:constructions@clicknclose.com)

- The Builder's/Retailer's Company Name should be in the subject line.

## **Allowable Features**

### **Types of Loans**

FHA and VA Construction/Permanent Loans. Approve/Eligible only. These loans will be fully administered by CNC.

### **Eligible & ~~Ne~~Eligible Properties**

Eligible: Manufactured Homes, Modular Homes, and Site-Built Homes. Panelized Homes are considered Site-Built Homes for purposes of eligibility for the program. Barndominium- 1 unit single family, no steel/post beam, no Morton type or metal exterior siding. Must have concrete slab foundation. No agricultural use.

Non-Eligible: Log Homes, Bamboo Homes, Metal Homes, Container Homes, and Post-Frame Homes are not eligible for the program.

### **Occupancy Type**

Owner-Occupied.

### **Maximum Loan Amounts**

FHA follows FHA County Limits\* or Maximum of \$1,170,000, whichever is lower.

VA mirrors conforming loan limits\*.

\* FHA's max total loan is 96.5% of the lesser of acquisition cost or appraised value plus UFMIP. On FHA, if appraised value is \$200K and acquisition cost is \$195K, then max base loan is \$188,175 and total loan with UFMIP is \$191,468. FHA has a max base loan limit depending on the area.

VA's max total loan is 100% of the lesser of acquisition cost or appraised value plus funding fee. If appraised value is \$200K and acquisition cost is \$195K then max base loan is \$195K and max total loan is \$195K plus VA funding fee. VA does not have a base loan limit provided the veteran invests 25% of the difference of lesser of appraised value or acquisition cost and conforming loan limit. For example, if conforming loan limit is \$548,250 and lesser of acquisition cost or appraised value is, \$684,250, then veteran must invest 25% of the \$100K difference, or \$25K. Therefore, max base loan amount is \$623,250 and max total loan is \$623,250 plus VA funding fee. This is considered a VA Jumbo loan since it is above the conforming limit. Maximum Jumbo loan limit is \$999,999. Hawaii's maximum Jumbo loan limit is \$1,250,000

## **Minimum Credit Scores**

FHA and VA Minimum Credit is 650 with AUS Approval.

## **Fees and Payment**

### **Borrower's Payments**

The Borrower's full PITI payments do not begin until after construction is complete. The borrower is not responsible for the interest during the construction period.

### **Payment of Interim Interest & Fees**

The construction interest, construction administration fee, construction funding fee, construction underwriting fee, construction closing coordination fee, and construction inspection fees charged will be included in the Retailer's/Builder's price of home. These are all considered Construction Soft Costs and do not count towards maximum contributions/concessions allowed to the Borrower nor are they considered the Borrower's closing costs.

**Interim Interest Rate:** Interim interest only accrues on funds disbursed, not the full loan amount. Interim rate is currently 9.0% on Site-Built Homes and 10.95% on Manufactured and Modular Homes.

**Locking in MM:** Loan Purpose must be Purchase

Within 30 days of loan modification docs being signed, the rate can float down to a 1/4 point over the CNC 30 day current rate on same type pricing. (Ex; 30 yr par quote 30 day lock)

The construction department will run the rate to determine if the float down is viable.

## Legal Documents Preparation

Closing documents will be prepared by CNC through Mortgage Machine.

## Completion and Draw Schedule

### Builder Completion / Construction Term

Retailer/Builder must provide and be responsible for turnkey completion services. Borrower cannot be responsible for any construction items. Therefore, the Retailer/Builder must act as the Construction Coordinator/General Contractor for the home and all improvements including site work to be completed on the project. The maximum construction term is 12 months. ***If construction is not finished within the locked term the rate will be re-priced to current market rate.***

### Draw Schedule

At loan closing, CNC will fund closing costs and land cost/payoff (if applicable). CNC will fund construction soft costs and can allow for up to a 10% down payment of unit cost at closing on Manufactured Homes. The balance of the payment will be issued upon inspection report stating the home has been delivered to the site and installed. Inspector must provide pictures of the same. (Dealership must contact Click n' Close Inc. to schedule inspection). In most cases, construction draws are based on the line-item percentage of completion method. Funds are only released for work in place and/or for the manufacturer's unit invoice. In most cases, 20% of the construction contract on manufactured/modular home deals and 10% of the construction contract on site-built home deals will be held and funded upon completion of construction at the final draw.

### Draw Requests

Requests by the Retailer/Builder are made by e-mail directly to Trinity Admin Services, who CNC partners with on inspections and draws. The program offers up to three draws to the Retailer for manufactured/modular housing and up to five draws to the Builder for site-built housing after closing and including the final draw. Additional draws may be allowed at a cost to the Retailer/Builder of \$295 per draw. Upon receipt of a draw request, CNC will have Trinity Admin inspect the property and return to them photos and a report with the percentage of completion of each improvement item shown on the Construction Cost Breakdown that the Retailer/Builder completed prior to closing. CNC will match each line item's percentage of completion with the budgeted amount shown on the Construction Cost Breakdown to determine that draw's dollar amount. All funds will be disbursed directly to the Retailer/Builder, other than the manufactured/modular home unit invoice, which will be paid directly to Manufacturer or Floorplan Financing Source, unless Retailer can provide proof that they have already paid it themselves. CNC does not disburse draws to individual subcontractors that the Retailer/Builder maybe utilizing.

## Responsibilities and General Flow

Post-closing and during construction phase, Trinity Admin is the Builder's direct contact for all matters related to construction including draws and collection of final construction related conditions.

CNC underwrites and approves the permanent and the construction portion of the loan before construction begins.

Underwriting will require the Builder and Project approval prior to submission, so we can decision the loan based on correct figures and approvals from the calculation form – we will want the Construction Depts Calculation Results in the file at time of initial submission.

When all conditions for closing are cleared, other than the final construction related conditions, the Const/Perm Loan then closes in CNC's name. CNC's closing documents include the documents for both the construction and permanent portion of the loan. Once closed and recorded, construction can begin.

## Application & Initial Processing

After the Loan Officer receives an initial loan application and the construction information from the builder or borrower, Loan Officer/Processor submits one-time close Calculation Request Form to the Construction Dept. This must be completed prior to submission to CNC's underwriting team.

Amortization Type must be set-up as **ADJUSTABLE RATE**. If project goes beyond lock term the rate will expire and be adjusted to current market rate.

The calculation form is in MM should be completed by the LO or Processor and send to [constructions@clicknclose.com](mailto:constructions@clicknclose.com) for the Calculation Results. The submission of the calculation form should include a breakdown of fees associated with CNC's fees of the loan. These fees might include:

- Processing
- Appraisal
- Admin/Origination
- Discount
- Flood
- Credit Report
- Survey

Upon receipt of the form and fee breakdown, the Construction Department will prepare the Calculation Results which will show the LO how to properly structure the Loan and Builder's Contract.

The Calculation Results will aid in the structure of the construction contract and loan amount based on the costs and expected net to the Builder/Retailer in the transaction. Included in the results will be the following forms:

- **Construction/Permanent Loan Information Sheet:**
  - This is a summary of the transaction detailing how the construction contract price was arrived, acquisition cost, loan amount needed, cash needed to close, etc.

- **Individual Deal Worksheet:**
  - This is a breakdown of every fee and cost used to arrive at the results. This is used primarily for helping you complete your Fees Worksheet and permanent period Loan Estimate properly.
- **Construction Cost Breakdown:**
  - Pre-filled with the contract information and ready to be fully completed and signed by Builder/Retailer
- **Purchase Agreement/Construction Contract Worksheet:**
  - Pre-filled with the breakdown of the contract price, shows estimated net for the home and improvements to the Builder/Retailer, and ready to be signed by the Builder/Retailer

Typical Calculation Request turnaround time is within 24 hours.

If at any time the fees/costs used change, please notify the construction department at [construcitons@clicknclose.com](mailto:construcitons@clicknclose.com) to let them know what costs have changed. One minor change can affect everything, so it's imperative that changes be made before you get too far along in the deal. You do not need to resubmit a new Calculation Request Form when changes are needed, just detail in an e-mail what items you need changed. Until the loan is submitted to CNC's underwriting department, this form should be finalized with the construction department.

LO discloses loan based on CNCs OTC Calculation Results and submits Credit Underwriting Loan Package to underwriting for review. These are done through the normal queue's inside Mortgage Machine.

## **Underwriting**

The loan will go through both CNC's underwriting for credit and the construction department for all construction items.

Before submitting to CNC's underwriting team, project approval will be needed from Construction Department

Processor must notify Construction Department when the appraisal and title work are in xdocs.

## **Closing**

CNC's Closing Dept. prepares file for closing the same as any other file through Mortgage Machine. CNC's Closer will send CD and construction docs to Construction Dept. to verify all construction numbers.

The loan closes with the borrower only paying the down payment and closing costs. Lot equity can be used as down payment. Escrows will be collected at closing. Any commissions being paid by the builder to a realtor per the contract would be funded in the builder's final draw upon completion. Any commissions paid by the land seller would be paid at closing as the land is being paid off at this time.

## **Funding/Post-Closing**

Post-closing and during construction phase, Trinity Admin is the Builder's direct contact for all matters related to construction including draws and collection of final construction related conditions.

## **Permanent Phase**

Upon completion a final inspection will be done along with setting up the escrow account and the loan will be modified to the permanent rate locked in at closing. Escrows must be collected at closing! There is not a second closing or a modification close.

Once construction is complete and the Construction Department has obtained all required construction related documentation from Builder, they will forward to CNC's Post-Closing Department the final construction related conditions. CNC can ship the file to their investor for purchase.

## **Interim Fees or Construction Soft Costs:**

- Construction Fee is 1.00% of the total loan note amount
- Construction Feasibility Fee is \$175.
- Construction Admin Fee is \$300.
- Construction Inspection Fee is \$885 for manufactured/modular and \$1,475 for site-built.