



## ONE TIME CLOSE RENOVATION TO PERM – OPTION III

**REVISION DATE:** 2/7/2019

**PRODUCT CODES:**

RP 1x 15 YR Renovation, RP 1x 30 YR Renovation, RP 1x 5/1 LIBOR ARM 275 2/2/5, RP 1x 5/1 TBill ARM 275 2/2/5, RP 1x 7/1 LIBOR ARM 275 5/2/5, RP 1x 7/1 TBill ARM 275 5/2/5, RP 1x 10/1 LIBOR ARM 275 5/2/5, RP 1x 10/1 TBill ARM 275 5/2/5  
 RP 1x 15 YR Permanent, RP 1x 30 YR Permanent

**PURPOSE:**

To renovate Borrower’s primary or second residence – with credit approval prior to start of renovation. The renovation loan must be through a bank or credit union customer of Crescent. They will monitor all inspections/draws during the renovation period. Crescent does not lend money for the renovation, only permanent financing. All one time close renovation loans must be closed with documents completed by the Crescent Closing Department. This is required even though the bank customer will fund the renovation loan and monitor the loan during the renovation period. Product used for renovation only.

**VERY IMPORTANT – THE LOAN WILL BE RUN THROUGH DU PRIOR TO START OF RENOVATION AND MUST REFLECT “APPROVE ELIGIBLE.” PRIOR TO MODIFICATION TO PERMANENT FINANCING, THE LOAN WILL BE RESUBMITTED TO DU AND AN UPDATE OF CREDIT DOCUMENTS MAY BE REQUIRED. THE LOAN WILL THEN GO BACK THROUGH THE UNDERWRITING PROCESS.**

**ELIGIBLE PROPERTIES:**

Single family detached homes.

**INELIGIBLE:** Multi-family properties, condominiums, manufactured homes, leaseholds, properties held in a trust.

**MAXIMUM LOAN AMOUNT:** Conforming Loan Amount

**MAXIMUM LTV/CLTV:**

LTV	CLTV	HCLTV	CREDIT SCORE AND DTI TOLERANCE WILL BE DETERMINED BY AUS FINDINGS FOR ALL OCCUPANCIES AND LTVs  (NOTE: FANNIE MAE’S MINIMUM CREDIT SCORE IS 620)
WITHOUT MI			
PRIMARY RESIDENCE			
80	95	95	
SECOND HOME			
80	90	90	
WITH MI See specific MI requirements			
PRIMARY RESIDENCE			
95	N/A	N/A	
SECOND HOME			
90	N/A	N/A	



**YOUR BANK'S INTEREST RATE:**

Fixed rate, 5/1, 7/1 and 10/1 ARM modifying to a fixed rate at modification.

If the renovation loan is to be an Adjustable Rate Mortgage it must meet the following requirements:

CP 1x 5/1 LIBOR ARM 275 2/2/5 Caps – 2.75 Margin

CP 1x 5/1 TBILL ARM 275 2/2/5 Caps – 2.75 Margin

CP 1x 7/1 LIBOR ARM 275 5/2/5 Caps – 2.75 Margin

CP 1x 7/1 TBILL ARM 275 5/2/5 Caps – 2.75 Margin

CP 1x 10/1 LIBOR ARM 275 5/2/5 Caps – 2.75 Margin

CP 1x 10/1 TBILL ARM 275 5/2/5 Caps - 2.75 Margin

**GENERAL:**

- A One Time Closing – If the Property is not completed by the Completion Date, Note Holder may, at Note Holder's option, modify the Note based upon Note Holder's then current underwriting guidelines and pricing for loans of the type evidenced by the Note and secured by the Property of the type described in the Security Instrument. The Note Holder may require Borrower to verify employment and submit other documentation, require a new appraisal of the property, and require a new credit report on each Borrower in order to modify the Note. The failure of the Borrower to qualify for and enter into a modification agreement acceptable to Note Holder (the "Modification Agreement") in accordance with the provisions of Section C of "Modification Agreement" in the time periods prescribed by Note Holder will constitute a default under the Note, Renovation Addendum and the Security Instrument.
- The initial submission to underwriting for loan approval should reflect maximum financing. Loan amount may not increase once the renovation loan has closed.
- A DU re-submission with updated credit and credit documents must be completed prior to the loan modifying. The DU re-submission must maintain an "Approved Eligible" status.
- The Borrower on the permanent loan must be the Borrower on the interim renovation loan. A Borrower may not be added or removed.

**OPTION TO MODIFY INTEREST RATE TO FIXED RATE:**

- On or before the Completion Date, provided Borrower qualifies under Note Holder's then current underwriting guidelines, Borrower may modify the Note pursuant to a Modification Agreement to modify the interest rate to a new fixed rate and modify the monthly payment, and monthly payment date. Prior to modification approval of the loan, the Note Holder may require the Borrower to verify employment, submit other documentation, require new appraisal of the property and require a new credit report on each Borrower in order to modify the Note. The date the interest rate changes pursuant to the Modification Agreement is referred to as the "Conversion Date." The Note Holder will determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that Borrower is expected to owe on the Conversion Date in full on the maturity date of the Note as modified at the new fixed interest rate in substantially equal payments. The result of this calculation will be the new amount of the monthly payment. Beginning with the first monthly payment after the Conversion Date, Borrower will pay the new amount as the monthly payment until the new maturity date. If Borrower does not qualify for a fixed interest rate at completion date, Note Holder may, at Note Holder's option, modify the Note based upon Note Holder's then current underwriting guidelines and available products and pricing for loans of the type evidenced by the Note and secured by the Property of the type described in the Security Instrument.
- Original loan cannot be a Jumbo that converts to Conforming.



**AMORTIZATION:**

15 and 30 Years.

**RENOVATION PERIOD:**

Commences on the date of the interim renovation loan closing and ends on the date the renovation loan is modified. Note the loan cannot modify until the property is complete and an acceptable Final Inspection and Recertification of Value (Fannie Form 1004D) have been received and approved. Initial term of renovation can never exceed 12 months. Extension of an additional 4 months on the renovation loan is possible with Crescent Approval. The extension of the renovation term must be in writing and signed by both the borrower(s) and Renovation Lender. Note: When an extension past the initial 12 months is allowed, the term of the permanent mortgage will be reduced by 1 year (i.e. 348 months).

**AGE OF CREDIT AND APPRAISAL DOCUMENTS:**

Single-closing transactions with credit and appraisal documents dated more than 4 months but not exceeding 18 months old at the time of the conversion to permanent financing are eligible for delivery if all of the following conditions were met at the time of the original closing of the construction loan:

- The documents were dated within 120 days of the original closing date of the renovation loan.
- The LTV, CLTV, and HCLTV ratios do not exceed 70%.
- The borrower has a minimum credit score of 700.
- The loan was underwritten through DU and received an Approve/Eligible recommendation. Note Crescent requires DU approval on all One-Time Close Renovation loans.

If all of the above conditions are not met, the lender must obtain updated credit and/or appraisal documents and requalify the borrowers before the mortgage loan is approved for modification. Credit documentation cannot be more than 120 days old at the renovation Note date and no more than 120 days old at the time of modification. The standard for age of appraisal is 12 months, but the appraisal is stale dated after 120 days and would need a 1004D (Recert of Value). The appraisal or 1004D would have to be within 120 days at initial closing as well as at modification. All loans will be run through DU – Document accordingly. Final modification approval will require rerun of DU to update credit, assets, income, and all relative Documentation. Must be cleared 72 hours prior to modification. documentation must be within 120 days at the time of modification. (Any approval over 10 days of modification may require soft pull of credit and a verbal update of employment).

All other guidelines, if not addressed in these parameters for income, assets, etc., must meet FNMA and CMC Guidelines at time of modification.

**MORTGAGE INSURANCE:**

**Essent, Radian, Arch, and MGIC are the only approved MI companies for this product.**

- MI certificate will only extend from 12 months from the issue date to loan modification.
- MI Certificate must specifically state that the loan is a renovation-to-permanent loan with a 12 month commitment
- Updated credit documents must be provided to MI company prior to modification
- Renovation loan can have no late payments during renovation phase
- Copy of certificate of occupancy must be obtained where available

**FLOOD INSURANCE DURING RENOVATION:**

If the subject property is located in a Special Flood Hazard Area (SFHA) flood insurance IS REQUIRED during the renovation phase.

**SECONDARY FINANCING:**



It is very critical that all secondary liens are re-subordinated at the time of modification to ascertain Crescent will be first lien position and the underwriter has reviewed the terms of the second, prior to modifying.

**CONFORMING LOANS:**

**LIMITED CASH OUT REFINANCE:**

To treat as a Limited Cash Out Refinance transaction, the borrower must be the owner of record on the home before **closing of the renovation loan**. The borrower is allowed in this case to use proceeds from the renovation financing to pay off any existing liens on the home and finance the renovation of the property. You will be able to use the appraised value on a Limited Cash Out Refinance transaction regardless of how long the borrower was the owner of record prior to the application date of the renovation loan.

When treating as a Limited Cash Out Refinance, the loan should be entered in DU as a Construction-Permanent. The interim renovation loan should be listed as a mortgage in the liabilities section and marked to be paid at closing. The property should be shown in the REO section and matched to the renovation loan liability.

**CASH OUT REFINANCE:**

Cash Out transactions are not eligible on the ONE TIME CLOSE Renovation-Perm loans.

**PURCHASE:**

The loan must be treated as a Purchase Transaction if the borrower is not the owner of record on the home **before close of the renovation loan**.

The LTV ratio when treating as a Purchase Transaction is calculated by dividing the loan amount of the renovation financing by the LESSER of:

- a. Purchase price (sum of cost to construct and the sales price of the home), OR
- b. As completed appraisal value of the property (home and improvements).

When treating as a purchase the loan should be entered in DU as a Construction loan (not Construction-Perm). In the Details of Transaction on the 1003:

Line a. Purchase Price: Enter the cost of renovation

Line c. Land: If the home was purchased separately, the sales price of the home is entered here. The borrower must use his or her funds to make the minimum required down payment unless:

- a. The LTV/CLTV/HCLTV is less than or equal to 80% OR
- b. This is a primary residence and meets the Fannie Mae requirements for use of gifts

**Qualifying Rate:** Crescent Mortgage par fixed rate at the time of initial submission to DU. Actual locked rate will be used on the DU run at modification.

**Modification:** Can only modify one Note. The original Note may be an ARM that can modify to a fixed rate.

**Credit:** DU “Approve” only  
No Manual Underwrite.

**QUALIFYING RATE:** Crescent’s 45-day fixed par rate. (Loan will be re-run in DU at time of modification at the new modified rate and must maintain DU “Approve Eligible” message).

**INELIGIBLE DU PRODUCTS:**

- |               |                      |
|---------------|----------------------|
| Buydowns      | My Community         |
| Interest Only | Streamline Refinance |
| ARMS          | Homepath             |

**CLOSING DOCUMENTS AND EXHIBITS:**

- Original Note
- Title Policy – (Full Loan Amount Coverage)



- Construction/Perm Note Rider
- Security Instrument
- Rider to Security Instrument – (C & P Rider)
- Construction Lenders Construction Loan Agreement
- Loan Estimate(s), Closing Disclosure(s), and any intervening Change-In-Circumstance forms
- Plan Disclosure
- PUD Rider, etc.
- Builder's Risk Policy
- Loan Modification Worksheet

**FEES:**

All fees, with the exception of the establishment of the escrow account, must be collected at the initial closing. However, all fees must be disclosed to the consumer to meet the TRID requirements in the initial & closing disclosures.

CMC collects our administrative fee at initial closing and \$250.00 modification fee at loan modification. The \$240.00 update for appraisal at modification may be collected up front at modification.

**FINAL SETTLEMENT AT MODIFICATION – REQUIRED DOCS:**

- Updated credit documents and an updated DU run.
- MERS
- POA
- Loan Modification Agreement Executed
- Updated Title Policy
- Escrow Account is established
- Homeowners Policy with CENLAR as Loss Payee
- Tax Affidavit by Closing Attorney
- Clear Final Inspection with Form #1004D, including Summary Appraisal Update Report completed and signed by appraiser – (will be additional charge of \$240.00 must be reflected in the original Closing) with photos at modification, certification from appraiser, he reviewed all plans, specs. and change orders and value has not changed. Since the original appraisal was done.
- Certificate of Occupancy (if applicable)
- Crescent Funds Loan (Purchases from Renovation Lender)

**DELEGATED UNDERWRITING NOT AVAILABLE - GUIDELINES SUBJECT TO CHANGE**