



# ONE TIME CLOSE CONSTRUCTION PERM – LP ONLY

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

**PRODUCT CODES:**

One Time CP 15YR, One Time CP 30 YR.

**PURPOSE:**

To construct Borrower’s primary or second residence – with credit approval prior to start of construction. Correspondent will monitor all inspections/draws during the construction period. Crescent does not lend money for the construction, only permanent financing. All one-time close construction loans must be closed with documents completed by the Crescent Closing Department. This is required even though the correspondent customer will fund the construction loan and monitor the loan during the construction period. Product used for ground-up construction only, no renovations.

**VERY IMPORTANT** – THE LOAN WILL BE RUN THROUGH LP PRIOR TO START OF CONSTRUCTION AND MUST REFLECT A RISK CLASSIFICATION OF “ACCEPT.”

**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 and Super Conforming permitted

**MAXIMUM LTV/CLTV:**

<b><u>CONFORMING LOANS</u></b>			
<b>LTV</b>	<b>CLTV</b>	<b>HCLTV</b>	<b>MINIMUM FICO</b>
<b>PRIMARY RESIDENCE</b>			
90	90	90	>80% to 90% - 720 ≤80% - 700
<b>SECOND HOME</b>			
80	80	80	>70% to 80% - 720 ≤70% - 700



**SUPER CONFORMING LOANS**

A Jumbo Conforming loan that could exceed the conforming loan limits in certain high cost areas. You may go to the FHFA website to check for high cost areas in your market. Loan amount may not exceed lesser of the published limit for the geographic area where the subject property is located or 1 million dollars.

**FOR LOAN AMOUNTS ABOVE CONFORMING UP TO FREDDIE MAC SUPER CONFORMING LIMIT (DESIGNATED AREAS ONLY)**

LTV	CLTV	HCLTV	MINIMUM FICO
PRIMARY RESIDENCE			
90	90	90	>80% to 90% - 720 ≤80% - 700
SECOND HOME			
80	80	80	>70% to 80% - 720 ≤70% - 700

**SPECIAL REQUIREMENTS FOR HIGH BALANCE LOANS:**

- All borrowers must meet FICO score requirements.
- Texas – must comply with 50(a)(6) and LTV is limited to 80%.



### **YOUR BANK'S INTEREST RATE:**

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

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

C/P 1x 5/1 LIBOR ARM 275 2/2/5 Caps – 2.75% Margin

C/P 1x 5/1 TBILL ARM 275 2/2/5 Caps – 2.75% Margin

C/P 1x 7/1 LIBOR ARM 275 5/2/5 Caps – 2.75% Margin

C/P 1x 7/1 TBILL ARM 275 5/2/5 Caps – 2.75% Margin

C/P 1x 10/1 LIBOR ARM 275 5/2/5 Caps – 2.75% Margin

C/P 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, Construction Addendum and the Security Instrument.
- The initial submission to underwriting for loan approval should reflect maximum financing. Loan amount may not increase once the construction loan has closed.
- A LP re-submission with updated credit documents may be needed prior to the loan modifying. The LP re-submission must maintain an "Accept" status.
- The Borrower on the permanent loan must be the Borrower on the interim construction 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.

**CONSTRUCTION PERIOD:**

Commences on the date of the interim construction loan closing and ends on the date the construction 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. Term of construction cannot exceed 12 months.

The Interim Construction Financing must meet all the following requirements:

- The Interim Construction Financing must not provide for an interest reserve account;
- The payment history on the Interim Construction Financing cannot have any delinquencies in the past 12 months or since the Note Date of the Interim Construction Financing if less than 12 months;
- The Interim Construction Financing must require a minimum payment of interest only during the construction phase.

**AGE OF CREDIT AND APPRAISAL DOCUMENTS:**

Single-closing transactions with credit and appraisal documents dated more than 4 months but not exceeding 12 months old at the time of the conversion to permanent financing are eligible.

Credit documentation cannot be more than 120 days old at the construction Note date and no more than 365 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 LP – Document accordingly. Final modification approval may require rerun of LP to update credit, assets, income, or other documentation. Must be cleared 72 hours prior to modification.

**SELLER REPRESENTATION AND WARRANTY:**

Seller must represent and warrant that he/she has no knowledge of changes in a Borrower's credit reputation and/or capacity to repay the Mortgage.

**REVERIFICATION OF EMPLOYMENT:**

Borrower's employment must be reverified no more than 10 days prior to effective date of the permanent financing either with a verbal or written verification of employment. For each self-employed Borrower, verification must be obtained confirming the existence of the Borrower's business through a third-party source no more than 30 calendar days prior to the effective date of the permanent financing.

**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 construction-to-permanent loan with a 12 month commitment
- Updated credit documents (as applicable) must be provided to MI company prior to modification
- Construction loan can have no late payments during construction phase
- Copy of certificate of occupancy must be obtained where available



## **FLOOD INSURANCE DURING CONSTRUCTION:**

If the subject property is located in a Special Flood Hazard Area (SFHA) flood insurance IS REQUIRED during the construction phase. A lender has **two options** for obtaining flood insurance in the connection with buildings in the course of construction:

1. Loan Closing:

*One way for lenders to comply with the mandatory purchase requirement for a loan secured by a building in the course of construction that is located in a SFHA is to **require borrowers to have a flood insurance policy in place at the time of loan origination.***

a) *Elevation and value should be based on drawings/blueprints (estimates)*

b) *Policy should be effective upon the start of construction*

2. Poured foundation/slab and/or receipt of an elevation certificate

*...a lender may allow a borrower to defer the purchase of flood insurance until either a foundation/slab has been poured and/or an elevation certificate has been issued.*

a) *Advances:*

***The lender must require the borrower to have flood insurance in place before the lender disburses funds to pay for building construction (except as necessary to pour the slab or perform preliminary site work, such as laying utilities, clearing brush, or the purchase and/or delivery of building materials).***

b) *Procedures:*

***The lender must have adequate internal controls in place at origination to ensure that the borrower obtains flood insurance no later than when the foundation/slab has been poured and/or an elevation certificate has been issued.***

## **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:**

### **NO CASH OUT REFINANCE:**

To treat as a No Cash Out Refinance transaction, the borrower must be the owner of record on the lot before the closing of the construction loan. The borrower is allowed in this case to use proceeds from the construction financing to pay off any existing liens on the lot and finance the construction of the property.

You will be able to use the appraised value on a No Cash Out Refinance transaction regardless of how long the borrower was the owner of record prior to the date of the construction loan.

The interim construction 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 construction loan liability.

**In Motion the Loan Purpose should be entered as Construction/Permanent. The LP Findings should indicate No Cash-Out Refinance and Construction Conversion.**

### **CASH OUT REFINANCE:**

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

### **PURCHASE:**



The loan must be treated as a Purchase Transaction if the borrower is not the owner of record on the lot before the closing of the construction loan.

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

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

When treating as a purchase the loan should be entered in LP as a Construction Conversion. In the Details of Transaction on the 1003:

Line a. Purchase Price: Enter the cost of construction **PLUS the cost of the land.**

The borrower must use his or her funds to make the minimum required down payment unless:

- a. The LTV/TLTV/HTLTV is less than or equal to 80% OR
- b. This is a primary residence and meets the Freddie Mac requirements for a gift.

**In Motion, the Loan Purpose should be entered as Construction. The LP findings should indicate Purchase and Construction Conversion .**

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

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

Credit: LP "Accept" only – No Manual Underwrite

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

**INELIGIBLE LP PRODUCTS:**

- Buydowns
- Interest Only
- ARMS @ modification

**COMPLIANCE CONSIDERATIONS:**

Please refer to CMC’s published document titled, **“One Time Close Construction to Permanent (1xCP) - Compliance Guidelines”** which is located in the Document Express section of our website in the One Time Construction To Perm folder.

**CLOSING DOCUMENTS AND EXHIBITS:**

- Original Note
- 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
- Title Policy – (Full Loan Amount Coverage)
- 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 (as applicable) and an updated LP 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 Construction Lender)

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

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