



## One Time Close Construction Permanent Program

- i Your institution makes the Construction loan, Magnolia Bank makes the permanent
- i Borrower has the benefit of reduced closing costs (one vs two)
- i Single-closing may close as either a purchase Transaction or a limited Cash out refinance
  - o Purchase – borrower does not own lot prior to loan application
  - o Limited cash out – borrower has legal title to lot prior to application
- i Modify to 15 or 30 years fixed Rate
- i Eligible for Primary Residences and Second Homes in vacation type settings

**One Time Close Option 1:** Loan must be resubmitted to DU and the documents updated per DU Findings at the time of Modification and receive and approved Eligible, calculate LTV/CLTV, MI per DU on LTV's above 80%.

- o Modify to eligible LTV (MAX LTV 90%) based on appraised value for a refinance transaction or cost for a purchase transaction
- o Modify to a 30 or 15 year fixed rate mortgage
- o 680 minimum Credit Score

**One time Close Option 2:** Loan is not resubmitted to DU at time of Modification. All original documentation is valid for 12 months. Verbal VOE to be performed prior to modification.

- o Modify to 70% LTV based on appraised value or cost for a purchase transaction
- o Modify to a 30 or 15 year fixed rate mortgage
- o 700 Credit score required
- o Up to 12 months for completion and modification



## Single Close Construction-to-Permanent Loan

**Product Description:** A Single Close Construction Permanent Program will allow the financing of the primary home or Second home construction ( in resort or vacation areas only) This is a one- time close loan with two phases to the construction Permanent process:

Phase 1: Your institution make the temporary construction loan, make disbursements based on the amount of construction completed and collect interest only payments on the amount disbursed

Phase 2: Upon completion of the construction, modify the loan into a permanent financing where the borrower will make payments in accordance with the terms of the modified Note

**Max Loan Amounts and LTV Limits:** FNMA Agency Conforming Limits  
Max LTV 90%

**Appraisal:** Full Appraisal is required at the time of the construction loan  
A second appraisal or Recertification of Value at time of  
Modification to permanent financing may be required

**Assets / Reserves:** Per DU Findings

**Assumability:** Loans are not assumable

**AUS Findings:** All loans are to be run through DU. The AUS must reflect  
"Approved / Eligible" No Manual Underwrites

Borrower Eligibility:	<p>Borrower must be on title at time of closing of the modification</p> <p>Borrower must have no affiliation with the seller, developer, builder or realtor on the transaction</p> <p>Non-Arm's Length transactions are not permitted</p> <p>The borrower cannot act as the contractor, NO Self Builds</p> <p>The borrower on the final modification must be the same borrower on the initial interim construction financing and be obligated on all financing related to the property transaction. Under certain circumstances a borrower may be deleted (death, divorce)</p> <p>The Builder / Developer must not be obligated to repay the interim Construction Financing or any mortgage on the land or improvements</p>
Construction Period:	<p>Commences on the date of the interim construction closing and ends on the date construction is loan is modified. Maximum construction period is 12 months, no exceptions</p>
Contractor Requirements:	<p>No Self Builds</p> <p>All constructions must be completed by a licensed general contractor</p>
Credit Documents:	<p>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 if all the following conditions were met at the time of the original closing of the construction loan:</p> <ul style="list-style-type: none"> <li>i The documents were dated within 120 days from the original closing dated of the construction loans</li> <li>i The LTV, CLTV, HCLTV ratios do not exceed 70%</li> <li>i The borrower has a minimum credit score of 700</li> <li>i The loan was underwritten through DU and received and Approved / Eligible recommendation</li> </ul>

Manual Underwriting is NOT permitted

If all the above conditions were not met, the lender must obtain updated credit and or appraisal documents and requalify the borrower before the mortgage loan is modified.

#### Allowable Age of Credit Documents

Credit documents include credit reports and employment, income and asset documentation for all mortgage loans, the credit documents must be no more than 120 days old on the date of the note is signed. If the documentation are older than allowed, the lender must updated the income, assets, employment documentation and appraisal must not be more than 120 days old at the time of the construction Note date and not more than 120 days old at the time of Modification

Loans must be submitted to DU and receive and "Approved / Eligible"

The loan approval must not be more than 30 days before the closing date of the initial construction loan. AUS must be re-run within 10 days of modification

Property / Appraisal must meet FNMA guidelines

Credit Score: Borrower must have a minimum score of 680 on loans with LTV/CLTV's greater than 70%

DTI: The Max DTI is 41%

Derogatory Debt: Borrowers with history of serious derogatory credit are not eligible for the program. ie. Foreclosure, Deed in Lieu, Short Sale or Bankruptcy in the past 7 years

Down Payment: Per standard Conforming program guidelines

LTV Calculations: Purchase Transactions – When the borrower is not the owner of record of the lot at time of construction loan application, loan is treat as a purchase.

The LTV is calculated by dividing the loan amount of the construction – to- permanent financing by the lesser of:

Acquisition cost (sum of the cost to build plus the cost of the lot, OR as completed appraised value of the property)

Limited Cash-Out Refinance Transaction – When the borrower is the owner of the lot at the time of the construction loan application:

The LTV ratio is calculated by dividing the loan amount divided by the completed appraised value

Mortgage Insurance:

Standard Coverage applies, MGIC / UG approve companies

MI Certificate will only extend for 12 months, from date of issue to Loan Modification

MI Certificate needs to specifically state the loan is a construction – permanent with a 12 month commitment

Updated credit documents must be provided to the MI Company prior to Modification

Construction Loan can have no late payments

Multiple Financed Properties:

Each borrower individually and all borrowers collectively must not own and or be obligated on more than 4 1- 4 family residential properties including the subject property

Non-Arm's Length Transactions:

Not Permitted

Qualifying Ratios:

Per DU

NOTE: Borrower must qualify with current housing payment plus proposed new housing payment unless in temporary housing less than 12 months with no other housing debt

Subordinate Financing:

Not Permitted