

USDA :: One-Time Close Construction Guidelines

Overview

American Financial Resources, Inc. (AFR) offers Construction to Permanent loans for new manufactured, modular homes, and one unit stick built homes. Our One Time Close program provides construction financing, lot purchase and Permanent loan, all wrapped up in one loan. Why worry about re-qualifying, re-appraisals or incurring additional costs?

AFR provides interim financing and administration for true one-time close staged funded construction-to-permanent loans. Designed for manufactured housing, modular housing, and stick built housing, this programs allows American Financial Resources, Inc. the ability to offer our Wholesale clients this unique loan product.

American Financial Resources, Inc. (AFR) underwrites and approves the permanent portion of the loan before the construction begins. The construction portion of the loan is also underwritten and approved. When all conditions for closing are cleared with AFR, other than the final construction related conditions, the closing will be coordinated. Once closed, construction can begin.

Because the permanent loan is closed before construction begins, there is no “re-qualifying” the borrower. This is a true one-time close; therefore, the borrowers will not need to return to the settlement agent for a second closing once construction is complete.

Base Program Guidelines

AFR’s loan program is based on the USDA’s Single Family Housing Guaranteed Loan Program. The base program guidelines can be found on the departments website, on HB-1-3555, here: <https://www.rd.usda.gov/resources/directives/handbooks>

AFR's Specifications & Overlays

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	<ul style="list-style-type: none"> • Correspondent <ul style="list-style-type: none"> ◦ Table Funded ◦ Non-Delegated (UW) <ul style="list-style-type: none"> ◦ AFR must draw/prepare all Correspondent Non-Delegated and TF closing packages ◦ Delegated (UW) <ul style="list-style-type: none"> ◦ USDA/RD Conditional Commitment at Initial submission ◦ Loan Note Guarantee required within 45 days of initial funding <p>Note: Correspondent Table Funded, Correspondent Non-Delegated and Delegated partners must complete the AFR One-Time Close Programs webinar and pass a test prior to submitting an OTC transaction.</p>
FICO	<ul style="list-style-type: none"> • 640 Minimum qualifying credit score for all qualifying borrowers • 2 credit scores required for all qualifying borrowers
UW Method	<ul style="list-style-type: none"> • Guaranteed Underwriting System (GUS)
GUS Recommendation	<ul style="list-style-type: none"> • Accept/Eligible • Important: AFR does not permit Refer recommendations or manual underwrites on this program
Eligible Terms	<ul style="list-style-type: none"> • 30 Yr. Fully Amortizing Fixed
Eligible Transaction Types	<ul style="list-style-type: none"> • Purchase
Eligible Property Types	<p>The security property must be owned and occupied by the applicants as their principal residence</p> <ul style="list-style-type: none"> • 1 Unit Stick Built Housing • PUDs (3555.207) • Modular Homes • Multi-width New Manufactured Housing <p>Important:</p> <ul style="list-style-type: none"> • The following property types are not permitted: <ul style="list-style-type: none"> ◦ Single Width Manufactured Housing (AFR Overlay)

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	<ul style="list-style-type: none"> ◦ Site Condominiums (AFR Overlay) ◦ Purchase of an existing manufactured home (USDA restriction) ◦ Condominiums (USDA restriction) ◦ 2, 3 and 4 Units (USDA restriction) ◦ Unique/Niche Construction Types ◦ Log Homes, Bamboo Homes, Metal Homes, Tiny Homes, Storage Container Homes, Barndominiums, etc. <ul style="list-style-type: none"> • See Property Section below in the Overlay section for more information
Maximum LTV/CLTV/HCLTV	<p>100% of market value</p> <p>See Chapter 7</p>
Eligible Loan Costs	<p>Loan costs which may be included in the loan amount are subject to the maximum loan to value</p> <p>See Chapter 12.15 for Eligible Loan Costs</p>
Maximum Loan Amount	<ul style="list-style-type: none"> • The fair market value of the proposed (to-be constructed) subject property will be utilized to establish the maximum loan amount. • Land value is based on the value as reported in the Appraisal Report, with no seasoning requirement. • See Chapter 7.2 for Maximum Loan Amount • Maximum loan amount is the current years FHFA baseline conventional conforming loan limit for a 1-unit property.
Maximum DTI	<ul style="list-style-type: none"> • Follow GUS Findings
Age of Documents	<p>Credit and Verification Documents:</p> <ul style="list-style-type: none"> • Must be dated within 120 days of the original closing date to be valid <p>Appraisals</p> <ul style="list-style-type: none"> • Valid for 150 days
Appraisal	<p>Note: The appraised value determined by the Appraiser must be the “as completed” appraised value of the property after completion of construction</p>
Guarantee Fee	<p>USDA Rural Development guaranteed home loans obligated in fiscal year 2017 (October 1, 2016 through September 30, 2017) will be subject to the following fee schedule:</p> <ul style="list-style-type: none"> • Upfront Guarantee Fee: 1%

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	<ul style="list-style-type: none"> • Annual Fee: 0.35% • Important: Annual Fee must be escrowed for 12 months
Income Limits	<p>The Borrower's adjusted income may not exceed the Rural Development limit for the area</p> <ul style="list-style-type: none"> • Income Eligibility <ul style="list-style-type: none"> ◦ http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11 • Income Limits <ul style="list-style-type: none"> ◦ https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf
Property Eligibility	<ul style="list-style-type: none"> • https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp
Contractor/Builder Requirements	<ul style="list-style-type: none"> • Clients must forward the completed OTC Contractor/Builder Registration Packet in the FORMS library and all applicable documents to otc@afrwholesale.com and receive confirmation from AFR that the builder is registered prior to registering the loan.
Geographic Restrictions	<ul style="list-style-type: none"> • New York State (Suspended 12/21/2022) • Hawaii <ul style="list-style-type: none"> ◦ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. • AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3rd party for document preparation and require 48 hours for both title review and to generate a closing package.
Credit	<ul style="list-style-type: none"> • 2 credit scores required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores. Lowest representative score from all borrowers will be used for qualification purposes. • Non-traditional credit/credit reference letters are not permitted with the exception of Correspondent Delegated UW transactions with a GUS Accept recommendation • Housing History 0x30 for 12 months
Property	<ul style="list-style-type: none"> • The following property types are not permitted: <ul style="list-style-type: none"> ◦ 2-4 Unit properties ◦ Single-width Manufactured Housing ◦ Site Condominiums ◦ Co-Ops ◦ Income Producing Properties ◦ Unique/Niche Construction Types ◦ Off Grid

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	<ul style="list-style-type: none"> ◦ Log Homes, Bamboo Homes, Metal Homes, Tiny Homes, Storage Container Homes, Barndominiums, etc. ◦ Properties with commercial influence are subject to additional review. • Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable • Non-traditional heating methods (solar, wood burning stoves, etc.) without a heating back up source are not permitted. Off grid properties are not permitted. • AFR requires a disaster report completed by a licensed appraiser on all properties on all transactions in a Presidentially Declared Disaster Area up to 60 days from the date of the disaster declaration. • Financing for a Site without a Dwelling is not permitted (Land Loans) • AFR does not permit the use of a plat mat in lieu of a survey if a survey is required • AFR will not submit documents for “re-designation of ineligible areas” • AFR follows the Appraisal Guidelines in the 3555-1 Chapter12 • AFR does not permit the installation or construction of a pool unless all the following are met: <ul style="list-style-type: none"> ◦ The pool contractor is a subcontractor of the General Contractor or the General Contractor is building the pool; ◦ The property state is one of the following: Nevada, Arizona, New Mexico, Texas, Louisiana, Mississippi, Alabama, Florida, or Georgia; ◦ Must be an in-ground pool, above-ground pools are not permitted, and ◦ Follow all USDA, state and local requirements. • If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional. • AFR permits the construction of an Accessory Dwelling Unit (A.D.U.) if accompanied with the construction of a one-unit single-family site-built primary residence: <ul style="list-style-type: none"> ◦ AFR does not permit the ADU to be a Manufactured House, or ◦ Converting an existing outbuilding on the property to an A.D.U. • Proposed Site-Built times less than 8 months will require additional AFR review.
<p>Income</p>	<ul style="list-style-type: none"> • AFR does not permit amended tax returns if they are dated 90 days of application date. All amended tax returns must be more than 90 days of the application date and acknowledged (stamped and signed by the IRS or with the transcripts) • Employer Assistance is not permitted • AFR requires a minimum of 2 years for the length of self-employment to use as income. • AFR requires 2 years receipt of OT and Bonuses to be used as qualifying income; anything less than 2 years will not be eligible for income. • AFR does not permit voluntary agreements for child support, maintenance and alimony. • Marijuana income is unacceptable income regardless of state law.
<p>Ownership Types</p>	<p>The following are ineligible for submitting/delivery to AFR:</p>

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	<ul style="list-style-type: none"> • Life Estate • Blind Trusts • Irrevocable Trusts • 1031 Exchanges • LLCs, Corporations and Partnerships • Community Land Trusts • American Indian Land
<p>Compliance</p>	<ul style="list-style-type: none"> • AFR does not close and/or purchase any New York loan that is a subprime home loan. All NY Loans must be tested the time the commitment is prepared. • If the APR at the time of commitment cannot be determined AFR will not proceed with or purchase a loan with a client code of TF or C. • Any loan that is classified as Rebuttable Presumption or a Higher-Priced Mortgage Loan (HPML) must have all HPML provisions applied. AFR follows Regulation Z requirements for HPML/HCML transactions. <ul style="list-style-type: none"> ◦ Loans must have an ability to repay (loan must be a full income/credit qualifying transaction) ◦ Loan must have an established escrow account (with the exception of Condos and PUDs where the consumer must participate in a governing association that is required to purchase a master policy insuring all dwellings) – see the TILA HPML Escrow Rule for more guidance ◦ Loan cannot have a prepayment penalty (AFR does not permit prepayment penalties) • File remains subject to all Qualified Mortgage (“QM”) and Ability-to-Repay (“ATR”) underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM. • All loans must provide evidence of the borrower’s compliance of QM/ATR with a compliance report. • All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. • AFR will not originate loans as a high cost or predatory mortgage loan • AFR will comply in all respects with CFPB’s Rule on TILA-RESPA Integrated Disclosures. AFR will not originate, close, fund, or purchase any loan that does not adhere to the Rule.
<p>Miscellaneous</p>	<ul style="list-style-type: none"> • AFR does not permit the use of a DPA to be used in conjunction with One Time Close Programs • Funded Buy down Accounts not permitted • Site-Built, Modular and Manufactured homes: <ul style="list-style-type: none"> ◦ Maximum of \$250,000 disbursement at closing for land acquisition or payoff. • Building permits (where required by the jurisdiction): <ul style="list-style-type: none"> ◦ When land is owned by the Builder/Retailer or Applicant, building permits are required prior closing. ◦ When land is owned by a 3rd party, AFR’s Construction Management Team can review submitted documentation for an exception. If an exception is granted the initial disbursement is a maximum of \$75,000.

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Please Note: This section has been highlighted to inform you about recent changes to this program.

- AFR requires a minimum five percent (5%) contingency of the total cost to construct be built into the contract price.
 - Manufactured Home transactions do not require the 5% contingency reserve.
- Lagoons, cesspools, seepage pits or effluent (and similar) types of septic systems are not permitted.
- **Earnest Money Deposits (EMDs) must be allocated on the Cost Break Down sheet (or contract) and part of the budget toward soft costs and/or materials. Draws cannot be requested until the deposit money is exhausted.**

Note: All overlays above are subject to change by AFR without notice.