

# VA :: 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 Department of Veteran Affairs' Lenders Handbook. The base program guidelines can be found on the departments website, on VA Pamphlet 26-7, here:

[http://www.benefits.va.gov/warms/pam26\\_7.asp](http://www.benefits.va.gov/warms/pam26_7.asp)

## AFR's Specifications & Overlays

<b>Channels</b>	<ul style="list-style-type: none"><li>• Broker</li><li>• Correspondent</li></ul>
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	<ul style="list-style-type: none"> <li>◦ Table Funded</li> <li>◦ Non-Delegated UW</li> <li>• AFR must draw/prepare all Correspondent Non-Delegated closing packages</li> </ul> <p><b>Important:</b> Correspondent Delegated UW Transactions are not permitted</p> <p><b>Note:</b> Correspondent Table Funded and Correspondent Non-Delegated partners must complete the AFR One-Time Close Programs webinar and pass a test prior to submitting an OTC transaction.</p>
<p><b>FICO</b></p> <p>Please Note: This section has been highlighted to inform you about recent changes to this program.</p>	<ul style="list-style-type: none"> <li>• 620 Minimum Qualifying Credit Scores for all qualifying Borrowers on base loan amounts up to <b>\$766,550</b></li> <li>• 640 Minimum Qualifying Credit Scores for all qualifying Borrowers on base loan amounts greater than <b>\$766,550</b> <ul style="list-style-type: none"> <li>◦ 620-659: A minimum of 2 qualifying credit scores are required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores.</li> <li>◦ 660+: A minimum of 1 qualifying credit score is required for all required borrowers.</li> <li>◦ Lowest representative score from all borrowers will be used for qualification purposes</li> </ul> </li> </ul>
<b>UW Method</b>	<ul style="list-style-type: none"> <li>• Desktop Underwriter (DU)</li> <li>• Loan Product Advisor (LPA)</li> </ul>
<b>AUS Recommendation</b>	<ul style="list-style-type: none"> <li>• Approve/Eligible – DU</li> <li>• Risk Class Accept - LPA</li> </ul> <p><b>Important:</b> AFR does not permit Refer or Caution AUS Recommendations. Manual underwriting not permitted.</p>
<b>Eligible Terms</b>	<ul style="list-style-type: none"> <li>• 15Yr., 30Yr. Fixed</li> </ul>
<b>Eligible Transaction Types</b>	<ul style="list-style-type: none"> <li>• Purchase</li> </ul>
<b>Eligible Property Types</b>	<p>Primary Residence Only</p> <ul style="list-style-type: none"> <li>• 1 Unit Site Built</li> <li>• Modular Homes</li> <li>• PUDs</li> <li>• New Multi-width Manufactured Housing <ul style="list-style-type: none"> <li>◦ Note: Singlewide not permitted</li> </ul> </li> </ul>

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<p><b>Maximum LTV/CLTV/HCLTV</b></p>	<ul style="list-style-type: none"> <li>• 100% not including the VA Funding Fee</li> </ul>
<p><b>Maximum DTI</b></p>	<ul style="list-style-type: none"> <li>• Approve/Eligible - Follow AUS findings</li> </ul>
<p><b>Maximum Loan Amount</b></p> <p><b>Please Note: This section has been highlighted to inform you about recent changes to this program.</b></p>	<p>AFR has 2 specific loan amount buckets for VA Fully Amortizing Fixed Loans</p> <ul style="list-style-type: none"> <li>• Standard, which includes base loan amounts up to <b>\$766,550</b></li> <li>• Jumbo, which includes base loan amounts above <b>\$766,550</b></li> </ul> <p>AFR utilizes the Conventional conforming loan limits table. VA Maximum loan amounts can be found here: current years <a href="#">FHFA baseline conventional conforming loan limit</a> for a 1-unit property.</p> <ul style="list-style-type: none"> <li>• Veterans with full entitlement may purchase a home for up to \$1.5MM without a down payment.</li> <li>• The Veteran will still be subject to the increased VA Funding Fee, which could affect the down payment amount slightly.</li> <li>• Important: There may be a Price Adjustment for loan sizes that are considered Jumbo. Please see the daily rate sheets for details.</li> <li>• AFR Overlays for VA Jumbo <ul style="list-style-type: none"> <li>◦ AFR requires additional overlays for VA Jumbo loans. Applications for a VA Jumbo Loan must have all overlays outlined in this matrix and: <ul style="list-style-type: none"> <li>◦ 25% guaranty, and</li> <li>◦ Maximum Base Loan Amount of \$1.5 million. Loan Amounts greater than \$1.5 million require prior AFR approval.</li> </ul> </li> </ul> </li> </ul>
<p><b>Appraisal</b></p>	<p><b>Note:</b> The appraised value determined by the Appraiser must be the “as completed” appraised value of the Property after completion of construction</p>
<p><b>AFR OTC Restrictions</b></p>	<p>Follow all overlays outlined in the VA Fully Amortizing Fixed Program <u>and</u>:</p> <ul style="list-style-type: none"> <li>• Correspondent Delegated UW transactions are <b>not</b> permitted</li> <li>• Correspondent Table Funded and Correspondent Non-Delegated partners must complete the AFR One-Time Close Programs webinar and pass a test prior to submitting an OTC transaction.</li> <li>• AFR must draw/prepare all Correspondent Non-Delegated closing packages</li> <li>• 620 Minimum qualifying credit score.</li> <li>• The Borrower <u>cannot</u> perform any of the work (“Self-Help” is not permitted)</li> <li>• Singlewide Manufactured housing is not permitted</li> </ul>

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- AUS Refer Recommendations are not permitted
- AFR requires a Final Inspection performed on the VA Form 26-1839 accompanied by interior and exterior pictures of the subject property
- AFR does not permit the use of a DPA to be used in conjunction with One Time Close Programs.
- AFR does not permit change orders.
- AFR does not permit the borrower to pay construction interest; this must be charged directly to the builder/retailer.
- AFR does not permit the installation or construction of a pool unless all the following are met:
  - 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 VA, 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 are required and must be completed by an appropriately licensed professional.
- AFR does not permit cash back from equity in the project, or funds provided by another party.
- AFR permits the construction of an Accessory Dwelling Unit (A.D.U.) if accompanied by the construction of a one-unit single-family site-built primary residence.
  - AFR does not permit the A.D.U. to be a Manufactured Home, 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.
- Site-Built, Modular and Manufactured homes:
  - Maximum of \$250,000 disbursement at closing for land acquisition or payoff.
- Building permits (where required by the jurisdiction):
  - When land is owned by the Builder/Retailer or Applicant, building permits are required prior to closing.
  - When land is owned by a 3<sup>rd</sup> 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.
- AFR requires a minimum five percent (5%) contingency of the total cost to construct to be built into the contract price.
  - Loan Amounts above \$1mm require a minimum ten percent (10%) contingency of the total cost to construct to be built into the contract price
  - Manufactured Home transactions do not require a contingency reserve provided the base loan amount is under \$1mm. If above \$1mm, a minimum ten percent (10%) contingency of the total cost to construct must be built into the contract price.
- Lagoons, cesspools, seepage pits, or effluent (and similar) types of septic systems are not permitted.

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	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Geographic Restrictions</b></p>	<ul style="list-style-type: none"> <li>• New York State (Suspended 12/21/2022)</li> <li>• Hawaii <ul style="list-style-type: none"> <li>◦ 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 except for Correspondent Delegated UW transactions.</li> </ul> </li> <li>• AFR requires the use of AFR’s Texas counsel on all Texas transactions except for Correspondent Delegated loans. AFR utilizes this 3<sup>rd</sup> party for document preparation and require 48 hours for both title review and to generate a closing package.</li> </ul>
<p><b>Credit</b></p> <p><b>Please Note: This section has been highlighted to inform you about recent changes to this program.</b></p>	<ul style="list-style-type: none"> <li>• AFR requires a 620 minimum qualifying credit score required for all qualifying borrowers.</li> <li>• 640 Minimum Qualifying Credit Scores for all qualifying Borrowers on base loan amounts greater than the Conventional conforming loan limits table. VA Maximum loan amounts can be found here: current years <a href="#">FHFA baseline conventional conforming loan limit</a> for a 1-unit property.</li> <li>• Non-traditional credit not permitted; with the exception of CDE loans with an AUS Approve Eligible Recommendation.</li> <li>• Significant Derogatory Credit (Bankruptcy, Foreclosure) waiting periods less than 2 yrs. from the resolution of the event to application must be approved by the credit committee.</li> <li>• AFR does not permit a transaction with an identity of interest when the current loan is in foreclosure.</li> <li>• New secondary financing not permitted</li> <li>• AFR Policy on Federal Tax Liens: <ul style="list-style-type: none"> <li>◦ AFR requires the borrower to provide proof they are in an approved repayment plan and must have made at least 1 payment for the debt to remain open.</li> <li>◦ All payments must be made on time. (0x30 Max).</li> <li>◦ Monthly payment must be included in the debt-to-income ratios.</li> <li>◦ Tax liens may remain unpaid provided the lien holder subordinates the tax lien.</li> </ul> </li> <li>• Housing History: <ul style="list-style-type: none"> <li>◦ DU/LPA must be an Approve/Eligible or Accept/Eligible. If the automated underwriting results do not recognize the mortgage history, including, but not limited to situations where the mortgage is not reporting on credit or if the underwriter manually downgrades the file, mortgage late payments within the previous 12 months are not allowed. Regardless of the automated underwriting decision, an application with a recent mortgage late payment is still subject to the Underwriter’s review and approval.</li> <li>◦ As a reminder, if, in AFR’s judgement, the applicant does not have the ability or willingness to repay the loan, we may deny the file even if the application meets the written guidelines.</li> </ul> </li> </ul>
<p><b>Property</b></p>	<ul style="list-style-type: none"> <li>• AFR does not permit the use of a plat mat in lieu of a survey if a survey is required</li> </ul>

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	<ul style="list-style-type: none"> <li>• AFR has a maximum of 2% Deductible of the policy coverage for HOI.</li> <li>• AFR requires a disaster report completed by a licensed appraiser on all properties on all transactions in a Presidentially Declared Disaster Area with individual assistance. If the loan is closed, AFR may require this report up to 60 days after the date of the disaster declaration. If the loan has not already closed and funded, AFR will not close or fund until the inspection report is completed to AFR's satisfaction. In all cases, the inspection must be dated after the affected incident period. The disaster report must comply with applicable agency guidelines. On a case-by-case basis AFR may allow a loan to close and fund if the incident period was declared more than 14 days prior to the scheduled closing date. Originators are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred. This is regardless of whether a property was included in the area covered by the declaration. If an originator has reason to believe that a property might have been damaged in a disaster the originator must work with AFR to ensure that the property is free from damage. Please note, that due to the nature of natural disasters AFR may amend this policy and add additional restrictions at any time without notice.</li> <li>• The following property types are not permitted: <ul style="list-style-type: none"> <li>◦ 2 Units</li> <li>◦ 3 Units</li> <li>◦ 4 Units</li> <li>◦ Co-Ops</li> <li>◦ Manufactured Housing Units built prior to June 15, 1976</li> <li>◦ Manufactured Housing in a Condominium Project</li> <li>◦ Manufactured Housing that has been traded</li> <li>◦ Mixed- Use</li> <li>◦ Under Construction</li> <li>◦ Off Grid</li> <li>◦ Properties with commercial influence are subject to additional review.</li> <li>◦ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable</li> </ul> </li> <li>• AFR will not permit properties with more than 100 acres</li> <li>• 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.</li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• All loans that have a purchase money grant/silent (or soft) second must get an approval from the AFR Title Review prior to underwriting approval/AFR purchase</li> <li>• Sweat Equity not permitted</li> <li>• Private Savings Clubs or Pooled Savings Accounts are not permitted</li> <li>• Cash on hand is not permitted</li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>• Employer Assistance Plans not permitted</li> <li>• Employer Differential Payments not permitted</li> </ul>

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	<ul style="list-style-type: none"> <li>• AFR requires a minimum of 2 years for the length of self-employment to use as income.</li> <li>• AFR does not permit voluntary agreements for child support, maintenance and alimony.</li> <li>• 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.</li> <li>• Marijuana income is unacceptable income regardless of state law.</li> <li>• 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)</li> </ul>
<p><b>Programs</b></p>	<p>AFR does <b>not</b> participate in the following Programs:</p> <ul style="list-style-type: none"> <li>• Energy Efficient Mortgages (EEMs)</li> <li>• Adjustable Rate Mortgages (ARMS)</li> <li>• Graduated Payment Mortgages (GPM)</li> <li>• Growing Equity Mortgages (GEMs)</li> <li>• Loans Involving Temporary Interest Rate Buydowns</li> <li>• Farm Residence Loans</li> <li>• Native American Direct Loan (NADL)</li> <li>• Specially Adapted Housing (SAH) Grant</li> <li>• Special Housing Adaptation (SHA) Grant</li> <li>• Supplemental Loans</li> </ul>
<p><b>Ownership Types</b></p>	<p>The following are ineligible for submitting/delivery to AFR:</p> <ul style="list-style-type: none"> <li>• Life Estate</li> <li>• Blind Trusts</li> <li>• Irrevocable Trusts</li> <li>• 1031 Exchanges</li> <li>• LLCs, Corporations and Partnerships</li> <li>• Community Land Trusts</li> </ul>
<p><b>Compliance</b></p>	<ul style="list-style-type: none"> <li>• 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. <ul style="list-style-type: none"> <li>◦ 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, C or CDE.</li> </ul> </li> <li>• Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied and must meet VA residual income guideline requirements</li> <li>• Any loan that is classified as a Higher-Priced Mortgage Loan (HPML) must have all HPML provisions applied.</li> <li>• 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. AFR will also require all VA loans to follow specific ATR/QM provisions specified by VA.</li> </ul>

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	<ul style="list-style-type: none"> <li>• All loans must provide evidence of the borrower’s compliance of QM/ATR with a compliance report. Note: Delegated Correspondents must provide a compliance report evidencing compliance.</li> <li>• All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. Note: Delegated Correspondents must provide a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements.</li> <li>• AFR will not originate loans as a high cost or predatory mortgage loan</li> <li>• 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.</li> </ul>
<p><b>Miscellaneous</b></p>	<ul style="list-style-type: none"> <li>• AFR requires a 25% guaranty on all VA loans <ul style="list-style-type: none"> <li>◦ AFR will not permit joint loans made to a veteran and one or more nonveterans (non-spouse) or the veteran and one or more veterans (not spouse) who will not be using their entitlement.</li> </ul> </li> <li>• Temporary Interest Rate Buydowns not permitted</li> <li>• Prepayment penalties are not permitted</li> </ul>

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

