



VA ONE-TIME CLOSE (“OTC”) PROGRAM

PROGRAM SPECIFICATIONS	
Description	<p>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 program allows American Financial Resources, Inc. the ability to offer our Wholesale clients this unique loan product.</p> <p>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.</p> <p>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.</p>
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ◦ Non-Delegated <ul style="list-style-type: none"> ▪ AFR must draw/prepare all Correspondent Non-Delegated closing packages <p>Important: Correspondent Delegated UW transactions are not permitted Note: Correspondent Non-Delegated partners must complete the AFR One-Time Close Programs webinar and pass a test prior to submitting an OTC transaction.</p>
FICO	<p>Minimum FICO and Loan Amounts:</p> <ul style="list-style-type: none"> • At or under the CLL, Minimum FICO 620 • > CLL up to 1.5 million, Minimum FICO 640 <p>Minimum FICO waterfall:</p> <ul style="list-style-type: none"> • 1 credit score required for all qualifying borrowers, • Use the middle score if 3 credit scores, or • The lower of two if 2 credit scores. • The lowest representative score of all Borrowers will be used for qualification purposes. <p>Note: if the Borrower has only 1 score the minimum FICO score is 660.</p>
UW Method	<ul style="list-style-type: none"> • Desktop Underwriter (DU) • Loan Product Advisor (LPA)
AUS Recommendation	<ul style="list-style-type: none"> • Approve/Eligible (DU) • Risk Class Accept (LPA)
Eligible Terms	<ul style="list-style-type: none"> • 15Yr. and 30Yr. Fixed
Eligible Transaction Types	<ul style="list-style-type: none"> • Purchase
Eligible Property Types	<p>Primary Residence Only:</p> <ul style="list-style-type: none"> • 1 Unit Stick Built Housing (Temporary suspension 12/31/2024) • Modular • New Manufactured Housing <ul style="list-style-type: none"> ◦ Single-wide ◦ Multi-wide • Barndominium
Maximum LTV	100% not including the VA Funding Fee
Maximum DTI	<ul style="list-style-type: none"> • Approve/Eligible recommendations: <ul style="list-style-type: none"> ◦ Follow AUS findings (DU/LPA) ◦ Maximum 65% with Approve/eligible AUS Recommendation (DU or LP) and meeting VA requirements over 41% (see Chapter 4, Topic 9)
Maximum Loan Amount	AFR has 2 specific loan amount buckets for VA Fully Amortizing Fixed Loans



	<ul style="list-style-type: none"> Standard, which includes base loan amounts up to the current years FHFA base line conventional Conforming loan limit. Jumbo, which includes base loan amounts above the current years FHFA base line Conventional Conforming loan limit. <p>AFR utilizes the Conventional conforming loan limits table. VA Maximum loan amounts can be found here: current years FHFA baseline conventional conforming loan limit for a 1-unit property.</p> <ul style="list-style-type: none"> Veterans may purchase a home for up to \$1.5MM without a down payment. The Veteran will still be subject to the increased VA Funding Fee, which could affect the down payment amount slightly. Important: There may be a Price Adjustment for loan sizes that are considered Jumbo. Please see the daily rate sheets for details. AFR Overlays for VA Jumbo <ul style="list-style-type: none"> 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"> AUS Approve Eligible recommendation only; refers are not permitted, 25% guaranty, and Maximum Base Loan Amount of \$1.5 million. Loan Amounts greater than \$1.5 million require prior AFR approval.
Appraisal	Note: The appraised value determined by the Appraiser must be the “as completed” appraised value of the property after completion of construction
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.
Guidelines	http://www.benefits.va.gov/warms/pam26_7.asp
Forms	See FORMS Section in the Resource Center
OVERLAYS	
<p>Follow all overlays outlined in the VA Fully Amortizing Fixed Program <u>and</u>:</p> <ul style="list-style-type: none"> Correspondent Delegated UW transactions are not permitted Correspondent Non-Delegated partners must complete the AFR One-Time Close Programs webinar and pass a test prior to submitting an OTC transaction. AFR must draw/prepare all Correspondent Non-Delegated closing packages 620 Minimum qualifying credit score. The Borrower <u>cannot</u> perform any of the work (“Self-Help” is not permitted) 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: <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 VA, state, and local requirements. 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 with the construction of a one-unit single-family site-built primary residence. <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Maximum of \$250,000 disbursement at closing for land acquisition or payoff. Permit Requirements Prior to Closing <ul style="list-style-type: none"> AFR will require ONE of the following before closing: <ul style="list-style-type: none"> Approved Building Permit: Issued by the local building authority for the proposed plan on file. 	



- Perc test (percolation test) and Timeline Confirmation: A perc test supporting the appropriate bedroom count for the project, along with a letter from the local building department confirming that the permit will be issued within 90 days. *(Note: The total construction timeline must account for the estimated permit wait time plus the build time, with the entire project not exceeding 12 months.)*
 - Special Provision for projects pending permit issuance post initial loan closing:
 - If permits are approved but require payment prior to being issued, an initial disbursement can be arranged at closing to cover the permit fees and any associated costs. This includes, but is not limited to:
 - ✓ Impact fees,
 - ✓ State or local tax stamps, and
 - ✓ Other fees required by the local authority to be paid prior to issuance of permit.
 - NO additional funds or subsequent draws will be dispersed to the builder/retailer, contractor or any other party until the building permits are issued for the project.
 - If permits are not obtained prior to closing the initial disbursement for land is capped at a maximum of \$75,000.
- AFR requires a minimum five percent (5%) contingency of the total cost to construct 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.
- 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.
- While the VA allows Veterans to act as their own contractor or builder, AFR will not permit this under our program. However, a credit committee exception can be requested, but the Veteran must be, at minimum, an experienced builder, or a licensed general contractor with a history of completing similar size projects.
- Site-Built temporary suspension 12/31/2024