



USDA ONE-TIME CLOSE CONSTRUCTION

PROGRAM SPECIFICATIONS	
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ◦ 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 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 • 1 credit score 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.
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 (Temporary suspension 12/31/20024) • Modular Homes • Single-wide New Manufactured Housing • 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"> ◦ 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 <ul style="list-style-type: none"> ▪ Log Homes, Bamboo Homes, Metal Homes, Tiny Homes, Storage Container Homes, Barndominiums, etc. • See Property Section below in the Overlay section for more information
Maximum LTV/CLTV	100% of market value See Chapter 7
Eligible Loan Costs	Loan costs which may be included in the loan amount are subject to the maximum loan to value See Chapter 12.15 for Eligible Loan Costs
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 USDA Area Loan Limits.
Maximum DTI	<ul style="list-style-type: none"> • Follow GUS Findings
Age of Documents	Credit and Verification Documents: <ul style="list-style-type: none"> • Must be dated within 120 days of the original closing date to be valid Appraisals <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 for the current fiscal will be subject to the following fee schedule:</p> <ul style="list-style-type: none"> Upfront Guarantee Fee: 1% Annual Fee: 0.35% <ul style="list-style-type: none"> 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	http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&NavKey=property@11
Contractor/Builder Requirements	Clients must forward the completed OTC Contractor/Builder Registration Packet in the FORMS library and all applicable documents to otc@afrawholesale.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.
Guidelines	https://www.rd.usda.gov/resources/directives/handbooks HB-1-3555 <ul style="list-style-type: none"> Chapter 12 Section 7
Forms	See FORMS Section in the Resource Center
OVERLAYS	
Credit	<ul style="list-style-type: none"> 640 Minimum qualifying credit score for all Borrowers 1 credit score 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 0x30 Housing History required (mortgage/rent)
Property	<ul style="list-style-type: none"> The following property types are not permitted: <ul style="list-style-type: none"> Site Condominiums Co-Ops Income Producing Properties Off Grid Unique/Niche Construction Types <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. <ul style="list-style-type: none"> 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 Update guideline in the 3555-1: Appraisals are valid for 150 days unless accompanied by an appraisal update on Form 1004D, which will extend total validity period of appraisal to 240 days. 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;



	<ul style="list-style-type: none"> ○ 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. • 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. • Stick-Built temporary suspension 12/31/2024
Income	<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 does not permit voluntary agreements for child support, maintenance and alimony. • Marijuana income is unacceptable income regardless of state law.
Ownership Types	<p>The following are ineligible for submitting/delivery to AFR:</p> <ul style="list-style-type: none"> • Life Estate • Blind Trusts • Irrevocable Trusts • 1031 Exchanges • LLCs, Corporations and Partnerships • Community Land Trusts • American Indian Land
Compliance	<ul style="list-style-type: none"> • AFR's Net Tangible Bet Policy/Recoupment Policy <ul style="list-style-type: none"> ○ See AFR Resource Center for AFR Policy/State Requirements/Forms ○ When a state has a more restrictive recoupment policy, this policy must be met • 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"> ○ 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 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.
Miscellaneous	<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. • 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. <i>(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.)</i>○ Special Provision for projects pending permit issuance post initial loan closing:<ul style="list-style-type: none">▪ 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:<ul style="list-style-type: none">✓ 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. <ul style="list-style-type: none">• AFR requires a minimum five percent (5%) contingency of the total cost to construct be built into the contract price.<ul style="list-style-type: none">○ 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.
Disclaimer	<ul style="list-style-type: none">• All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow all guidelines outlined in the Guaranteed Rural Housing Loan Program Technical Handbook (HB-1-3555).