



FHA ONE-TIME CLOSE PROGRAM

PROGRAM SPECIFICATIONS	
Description	<p>American Financial Resources, Inc. (AFR) offers Construction to Permanent loans for <u>new</u> 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?</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>
FICO	<ul style="list-style-type: none"> • Minimum 620 FICO for all qualifying borrowers <ul style="list-style-type: none"> ○ 620-659: A minimum of 2 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. Lowest representative score from all borrowers will be used for qualification purposes. ○ 660+: A minimum of 1 credit score is required for all required borrowers.
UW Method	<ul style="list-style-type: none"> • Desktop Underwriter (DU) • Loan Prospector Advisor (LPA)
AUS Recommendation	<ul style="list-style-type: none"> • (DU) Approved/Eligible • (LPA) Risk Class Accept <p>Important: AFR does not permit Refer or Caution AUS recommendations</p>
Eligible Terms	<ul style="list-style-type: none"> • 15 Year Fixed • 30 Year Fixed • Maximum loan amount \$647,200, the current <u>years FHFA baseline conventional conforming loan limit for a 1-unit property.</u>
Eligible Transactions	<ul style="list-style-type: none"> • Construction-Conversion/Construction to Permanent <ul style="list-style-type: none"> ○ Single-Closing
Eligible Property Types	<ul style="list-style-type: none"> • 1 Unit Stick Built Housing • PUDs <p>Note: Condominiums and Townhomes are not permitted</p>
Initial Draw	<ul style="list-style-type: none"> • Lot purchase and 10% of Cost to Construct
Maximum LTV/CLTV/HCLTV	<ul style="list-style-type: none"> • 96.5% LTV
Maximum DTI	<ul style="list-style-type: none"> • Follow AUS findings
Documentation Type	<ul style="list-style-type: none"> • Integrated/Blended Disclosures • Construction to Permanent loan with interest only payment (construction interest) made by the Borrower(s) during construction, disclosed as a single close transaction. <ul style="list-style-type: none"> ○ No separate Construction LE and CD ○ Follow Appendix D to Part 1026 – Multiple Advance Construction Loans; Part II, Construction and Permanent Financing Disclosed as one Transaction (A)(1) ○ Permanent loan and construction interest rate must be the same Fixed Rate. • Must be submitted to the AFR Loan Center. • Fees disclosed on Loan Estimate: Admin Fee, Tax Service and Inspections. <ul style="list-style-type: none"> ○ Admin fees are not allowed in the states of NJ and IA
Geographic Restrictions	<ul style="list-style-type: none"> • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the states of Alaska or Hawaii and does not permit OTC loans with a subject property in Alaska or Hawaii.
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>
Title update	<ul style="list-style-type: none"> • Prior to the final draw release, a title update is required
UW Guidelines (4000.1)	<p>http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1_4000.1_I.A.8.j</p>
Forms	<p>See FORMS Section in the Resource Center</p>
Program Specific	<ul style="list-style-type: none"> • 620 minimum qualifying credit score • Correspondent Delegated UW not permitted • All Correspondent Non-Delegated closing packages will be drawn/prepared by AFR • The Borrower <u>cannot</u> perform any of the work (“Self-Help” is not permitted) • AFR requires a Final Inspection performed on the HUD Form 92051 accompanied by interior and exterior pictures of the subject property • AFR Construction to Perm Loan Disclosure not required • AFR Disbursement Authorization and Appointment of Agents not required





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	<ul style="list-style-type: none"> • AFR does not permit the installation or construction of a pool. • Lagoons, cesspools, seepage pits or effluent (and similar) types of septic systems are not permitted. • AFR does not permit change orders during the construction period. • 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. • Construction timeframes are limited to 300 days. • Construction of an Accessory Dwelling Unit (A.D.U.) is not permitted.
AFR FHA OVERLAYS	
Borrower	<ul style="list-style-type: none"> • AFR does not permit nonprofit organizations and state and local government agencies to purchase rental properties. • AFR does not permit unrelated borrowers as non-occupant co-borrowers; they must be related by blood, marriage or law. • A borrower may not own more than 4 financed properties
Credit	<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 the two if 2 credit scores. Lowest representative score from all borrowers will be used for qualification purposes. • Manual underwrites is not permitted for FHA OTC transactions. • Mortgage Credit Rejects, Mortgage Sanctions and defaulted CAIVRS are not permitted • Non-traditional credit is not permitted with the exception of Correspondent Delegated UW transactions that have an AUS Approve/Eligible or Accept recommendation. • Housing History 0x30 for 12 months: <ul style="list-style-type: none"> ○ DU/LPA must be an accept. If the AUS does not recognize the mortgage history such as in 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 is not allowed. Regardless of the AUS decision, an application with a recent mortgage late payment is subject to the DE Underwriter's approval. ○ As a reminder, if the DE Underwriter feels the applicant does not have the ability or willingness to repay the loan, they can deny the file even if the application meets the written guidelines. ○ Reminder: Purchase transactions requires a 0x30 housing history. • AFR will permit a private VOR only if 12 months cancelled checks are provided to support documentation. • AFR will be following the guidance announced in ML 2016-08 dated 4/13/16 on calculating student loans. • New secondary financing not permitted
Property	<ul style="list-style-type: none"> • Non-traditional heating methods (solar, wood burning stoves, etc.) <u>without</u> a heating back up source are not permitted. • AFR does not permit the use of a plat mat in lieu of a survey if a survey is required • 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. • AFR has a maximum \$1000 Deductible for Homeowners Insurance • AFR will not permit a property with an individual residential water purification system • The following property types are not permitted: <ul style="list-style-type: none"> • 3 Units • 4 Units • DELRAP Approved Condominiums • Co-Ops • Mixed- Use • Manufactured Housing that has been moved and/or traded • Off Grid • 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 • AFR will not permit properties with more than 100 acres • AFR does not permit the installation or construction of a pool. • 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.





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	<ul style="list-style-type: none"> • AFR requires a 48 hour turn time for title review and to generate closing packages for properties in the state of Louisiana and Texas. AFR requires the use of Sandler Law Group (SLG) for all Texas loans.
Assets	<ul style="list-style-type: none"> • All loans that have a purchase money grant/silent (or soft) second must get an approval from AFR Underwriting management prior to underwriting approval/AFR purchase • AFR does not permit gift funds from a close friend with the exception of gift funds being provided by a documented fiancé or domestic partner • AFR only permits family member to provide a gift of equity, in-laws are not permitted if the spouse is not part of the transaction • Trade Equity not permitted • Sweat Equity not permitted • Trade-Ins not permitted • Private Savings Clubs or Pooled Savings Accounts are not permitted • Cash on hand is not permitted
Income	<ul style="list-style-type: none"> • Employer Assistance Plans not permitted • Employer Differential Payments 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. • 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. • Marijuana income is unacceptable income regardless of state law • 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)
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 • Leasehold – Manufactured Housing <p>Vesting on the title commitment must remain unchanged/unaltered through the life of the loan. Any title transfer must be completed/recorded prior to the application.</p>
Compliance	<ul style="list-style-type: none"> • 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. • Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied. AFR follows FHA Residual Income requirements found in the 4000.1. Note: The residual income requirements are not applicable on Correspondent Delegated UW transactions. • Any loan that is classified as a Higher-Priced Mortgage Loan (HPML) must have <u>all</u> HPML provisions applied. AFR follows Regulation Z requirements for Higher-Priced Mortgage loans. <ul style="list-style-type: none"> ◦ Loans must have an ability to repay (loan must be 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. Note: Correspondent Delegated UW transactions must have a compliance report evidencing compliance. • All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. Note: Correspondent Delegated UW transactions must have a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements. • 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"> • Escrow Waivers not permitted • Temporary Interest Rate Buydowns not permitted • Gap Letters for Title are not permitted





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Disclaimer	<ul style="list-style-type: none">• Prepayment penalties are not permitted All overlays herein are subject to change by AFR without notice. Where AFR is silent the UW must follow FHA guidelines outlined in the 4000.1
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