



Conventional One-Time Close Construction Conversion

PROGRAM SPECIFICATIONS																											
Description	Construction and Permanent financing in one Mortgage. Single closing, where the consumer pays interim construction financing on an interest only basis during the construction phase. Reverification of employment is required prior to converting to Permanent Financing.																										
Channels	<ul style="list-style-type: none"> • Broker • Correspondent Non-Delegated and Table Funded Note: AFR must administer the Interim Construction Financing and provide the Permanent Financing.																										
FICO and LTV/TLTV/HCLTV	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="background-color: #4F81BD; color: white;">Minimum Score is the minimum qualifying credit score for all qualifying Borrowers</td> </tr> <tr> <td colspan="2" style="background-color: #4F81BD; color: white;">Site-Built, Modular or Manufactured Housing Primary Residences</td> </tr> <tr> <td style="background-color: #4F81BD; color: white;">LTV/TLTV/HCLTV Ratios</td> <td style="background-color: #4F81BD; color: white;">Minimum Score</td> </tr> <tr> <td>< or = to 80%</td> <td>700</td> </tr> <tr> <td>>80% to 90%</td> <td>720</td> </tr> <tr> <td colspan="2" style="background-color: #4F81BD; color: white;">Site-Built or Modular Second Home</td> </tr> <tr> <td>< or = to 70%</td> <td>700</td> </tr> <tr> <td>>70% to 80%</td> <td>720</td> </tr> <tr> <td colspan="2" style="background-color: #4F81BD; color: white;">CHOICEHome – Primary Residences</td> </tr> <tr> <td style="background-color: #4F81BD; color: white;">LTV/TLTV/HCLTV Ratios</td> <td style="background-color: #4F81BD; color: white;">Minimum Score</td> </tr> <tr> <td>< or = to 80%</td> <td>700</td> </tr> <tr> <td>> 80% to 95%</td> <td>720</td> </tr> <tr> <td>Max of 97% if combined with Home Possible or HomeOne mortgages</td> <td>720</td> </tr> </table>	Minimum Score is the minimum qualifying credit score for all qualifying Borrowers		Site-Built, Modular or Manufactured Housing Primary Residences		LTV/TLTV/HCLTV Ratios	Minimum Score	< or = to 80%	700	>80% to 90%	720	Site-Built or Modular Second Home		< or = to 70%	700	>70% to 80%	720	CHOICEHome – Primary Residences		LTV/TLTV/HCLTV Ratios	Minimum Score	< or = to 80%	700	> 80% to 95%	720	Max of 97% if combined with Home Possible or HomeOne mortgages	720
Minimum Score is the minimum qualifying credit score for all qualifying Borrowers																											
Site-Built, Modular or Manufactured Housing Primary Residences																											
LTV/TLTV/HCLTV Ratios	Minimum Score																										
< or = to 80%	700																										
>80% to 90%	720																										
Site-Built or Modular Second Home																											
< or = to 70%	700																										
>70% to 80%	720																										
CHOICEHome – Primary Residences																											
LTV/TLTV/HCLTV Ratios	Minimum Score																										
< or = to 80%	700																										
> 80% to 95%	720																										
Max of 97% if combined with Home Possible or HomeOne mortgages	720																										
AUS Recommendation	<ul style="list-style-type: none"> • Accept/Accept – LPA <ul style="list-style-type: none"> ○ LP must show as Construction Conversion <ul style="list-style-type: none"> ▪ Purchase ▪ Refinance “No Cash-Out” 																										
Maximum DTI	<ul style="list-style-type: none"> • Follow LPA 																										
Eligible Terms	<ul style="list-style-type: none"> • Fully amortizing 15-, 20- or 30- year fixed-rate Mortgage 																										
Mortgage Insurance	<ul style="list-style-type: none"> • Follow LPA • MI coverage must be active on the date of closing, to include the construction period <ul style="list-style-type: none"> ○ Follow specific PMI company requirements <ul style="list-style-type: none"> ▪ Genworth ▪ Essent ▪ National ▪ MGIC • MI Options <ul style="list-style-type: none"> ○ Borrower Paid Monthly Option <ul style="list-style-type: none"> ▪ MGIC ▪ National <p style="margin-left: 20px;">Note: An MI reserve must be collected in prepaids equal to the estimated build time in months.</p> ○ Borrower Paid Single Premium Option available for all listed MI companies 																										
Eligible Property Types	<ul style="list-style-type: none"> • 1- Unit or Modular Primary Residence or Second home • Manufactured Housing – Primary Residence • FHLMC CHOICEHome – Primary Residence Note: Newly built or constructed 1 unit, Modular, or a newly purchased manufactured home that has never been attached to a foundation.																										
Eligible Borrowers	<ul style="list-style-type: none"> • The Borrower(s) on the Permanent Financing must be the Borrower(s) on, and obligated to repay, the interim construction financing. • A Borrower may be omitted in the event of death or divorce, or • A Borrower who is a Related person may be added, provided that all Borrower(s) on the Permanent Financing are owner-occupants of the Mortgaged Premises and considered in the underwriting of the Permanent Financing. 																										

This information is provided for the use of mortgage professionals only and is not intended for distribution to consumers or other third parties. Guidelines, rates and fees are subject to change without notice. NMLS#2826. Corporate Headquarters – 9 Sylvan Way, Parsippany, NJ 07054.



Revised
06/21/19



Appraisal	<ul style="list-style-type: none"> Appraiser’s opinion of value must provide the “as completed” value Plans and specification must be provided to the appraiser Follow Guide Chapter 5601 Appraisal update and/or Completion report (form 442) 																		
Reverification of Employment Guide section 5302.2	<p>Within 10 days of converting to Permanent Financing:</p> <ul style="list-style-type: none"> Verbal or written VOE or a paystub dated within 30 days Self-employed; verification of existence of the Borrower’s business through a third-party source. Reverification of employment is not required if the LTV/TLTV/HLTV is less than or equal to 70%. <p>Note: Any Credit and Capacity documentation greater than 365 days at the time of converting to permanent financing will require requalifying the Borrower’s.</p>																		
Eligible Transaction Types and Ownership Requirements	<ul style="list-style-type: none"> Purchase <ul style="list-style-type: none"> Site-Built, Modular and CHOICEHome, Borrower <i>is not</i> the owner of record of the land prior to closing; or Manufactured Home, Borrower is not the owner of record or owned the land less than 12 months prior to closing. Refinance, No cash-out <ul style="list-style-type: none"> Site-Built, Modular and CHOICEHome, Borrower <i>is</i> the owner of record and no ownership seasoning requirements; or Manufactured Home, at least one Borrower <i>is</i> the owner (on title) of record of the land for more than 12 months prior to closing. <p>Note: CHOICEHome, the Borrower is not required to have been on title for 12 months.</p>																		
Establishing Value for LTV/TLTV/HLTV	<table border="1"> <thead> <tr> <th data-bbox="613 911 971 932">Purchase</th> <th data-bbox="976 911 1497 932">Value</th> </tr> </thead> <tbody> <tr> <td data-bbox="613 938 971 1010">1-unit site-built and Modular</td> <td data-bbox="976 938 1497 1010">Lesser of: Purchase price (purchase price of the Land and total construction Costs), or Appraisal value, as completed</td> </tr> <tr> <td data-bbox="613 1016 971 1115">1-unit MH Land Owned < 12 Months</td> <td data-bbox="976 1016 1497 1115">Lesser of: The purchase price of the MH, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or Appraised value of the Mortgaged Premises, as completed.</td> </tr> <tr> <td data-bbox="613 1121 971 1192">CHOICEHome</td> <td data-bbox="976 1121 1497 1192">Lesser of: Purchase price of CHOICEHome and purchase price of the land, or the current appraised value of the CHOICEHome and land.</td> </tr> <tr> <td data-bbox="613 1199 971 1297">Gifted or Inherited land</td> <td data-bbox="976 1199 1497 1297">If the Borrower acquired the land as a gift or by inheritance, the value of the land as reported on the appraisal may be used in lieu of the purchase price of the land.</td> </tr> <tr> <th data-bbox="613 1304 971 1325">Refinance</th> <th data-bbox="976 1304 1497 1325">No Cash-out</th> </tr> <tr> <td data-bbox="613 1331 971 1381">1-unit site-built and Modular</td> <td data-bbox="976 1331 1497 1381">Appraised Value of the Mortgaged Premises, as completed</td> </tr> <tr> <td data-bbox="613 1388 971 1438">1-unit MH Land Owned > 12 Months</td> <td data-bbox="976 1388 1497 1438">Appraised Value of the Mortgaged Premises, as completed</td> </tr> <tr> <td data-bbox="613 1444 971 1486">CHOICEHome</td> <td data-bbox="976 1444 1497 1486">Appraised Value of the Mortgaged Premises, as completed</td> </tr> </tbody> </table>	Purchase	Value	1-unit site-built and Modular	Lesser of: Purchase price (purchase price of the Land and total construction Costs), or Appraisal value, as completed	1-unit MH Land Owned < 12 Months	Lesser of: The purchase price of the MH, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or Appraised value of the Mortgaged Premises, as completed.	CHOICEHome	Lesser of: Purchase price of CHOICEHome and purchase price of the land, or the current appraised value of the CHOICEHome and land.	Gifted or Inherited land	If the Borrower acquired the land as a gift or by inheritance, the value of the land as reported on the appraisal may be used in lieu of the purchase price of the land.	Refinance	No Cash-out	1-unit site-built and Modular	Appraised Value of the Mortgaged Premises, as completed	1-unit MH Land Owned > 12 Months	Appraised Value of the Mortgaged Premises, as completed	CHOICEHome	Appraised Value of the Mortgaged Premises, as completed
Purchase	Value																		
1-unit site-built and Modular	Lesser of: Purchase price (purchase price of the Land and total construction Costs), or Appraisal value, as completed																		
1-unit MH Land Owned < 12 Months	Lesser of: The purchase price of the MH, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or Appraised value of the Mortgaged Premises, as completed.																		
CHOICEHome	Lesser of: Purchase price of CHOICEHome and purchase price of the land, or the current appraised value of the CHOICEHome and land.																		
Gifted or Inherited land	If the Borrower acquired the land as a gift or by inheritance, the value of the land as reported on the appraisal may be used in lieu of the purchase price of the land.																		
Refinance	No Cash-out																		
1-unit site-built and Modular	Appraised Value of the Mortgaged Premises, as completed																		
1-unit MH Land Owned > 12 Months	Appraised Value of the Mortgaged Premises, as completed																		
CHOICEHome	Appraised Value of the Mortgaged Premises, as completed																		





<p>Construction Conversion Guide Section 4602.5</p>	<p>Purchase</p>	<ul style="list-style-type: none"> • Purchase the land, or for a site-built home, acquire the land • Pay construction costs of the site-built home • MH, acquire the MH, and pay construction costs, including costs to install and anchor the MH on a permanent foundation system
	<p>Refinance</p>	<ul style="list-style-type: none"> • Pay off any existing liens on the land • Pay all Closing Costs • Pay construction costs for the site-built home • MH, acquire the MH and pay construction costs, including costs to install and anchor the MH on a permanent foundation system on land owned by the Borrower
<p>Calculating Construction Costs</p>	<p>Eligible Costs:</p> <ul style="list-style-type: none"> • Materials, cost of labor associate with construction • Energy-efficient components, systems and installation • Grading, seed/sod, and other site improvements such as decks, porches, landscaping, etc. • Architectural, engineering, survey and legal fees • Water and sewer tap fees • Access fees to other utilities (gas, electric, telephone, and cable) • Utilities during construction • Permits, inspection and recording fees • Costs associated with construction loan including interest and points • If a refinance, closing costs associate with permanent mortgage <p>May be included if common to area:</p> <ul style="list-style-type: none"> • Kitchen appliances • Intercom system • Wiring for media system, computer, cable or satellite that is hard-wired and made part of the premise • Security system • Water treatment system that is a part of the property's plumbing system <p>May not be included:</p> <ul style="list-style-type: none"> • If purchase, any financing costs for permanent Mortgage • Furniture • Electronics and home entertainment equipment that is not hard-wired and part of the premises (televisions, monitors, stereos, speakers, computers, satellite dishes, etc.) • Monthly maintenance fees • Other personal items 	
<p>Required Documentation of Construction Guide Section 4602.12</p>	<ul style="list-style-type: none"> • Evidence to support that Mortgage is a Construction Conversion • Sufficient Documentation to validate actual cost to construct (e.g. purchase contracts, plans and specification, receipts, invoices, lien waivers, etc.) • Documentation showing your calculation of the purchase price and/or cost to construct • All settlement/Closing Disclosure Statement forms or other Mortgage closing statements for Interim Construction Financing and Permanent Financing <p>In addition, the Mortgage file must contain the following documentation, when applicable:</p> <ul style="list-style-type: none"> • For a Mortgage secured by a Manufactured Home, the manufacture's invoice and the Manufactures Home Purchase Agreement. • Refinance Mortgage secured by a Manufactured Home, documentation that supports at least one Borrower has been on title of the land for 12 months or more prior to the Effective Date of Permanent Financing. • Appropriate documentation to verify the acquisition and transfer of ownership of the land if the Borrower acquired the land as a gift or by inheritance 	
<p>Interim Construction Financing</p>	<ul style="list-style-type: none"> • Interest reserve accounts are not permissible; • Payment history must have no 30-day or more delinquencies in the past 12 months; • Proof of payment history 	

This information is provided for the use of mortgage professionals only and is not intended for distribution to consumers or other third parties. Guidelines, rates and fees are subject to change without notice. NMLS#2826. Corporate Headquarters – 9 Sylvan Way, Parsippany, NJ 07054.



Revised
06/21/19



	<ul style="list-style-type: none"> The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the Land or the Improvements.
Documentation Type Guide Section 4602.3	<ul style="list-style-type: none"> Integrated Documentation Disclosures must be as Construction to Permanent, with interest only payments (construction interest) made by the Borrower(s) during construction, disclosed as a single close transaction. <ul style="list-style-type: none"> Follow Appendix D to Part 1026; Multiple Advance construction Loans; Part II, Construction to Permanent Financing Disclosed as one Transaction (A)(1) Permanent loan and construction interest rate must be the same Fixed Rate Final 1003 must reflect the transaction as a Purchase or a No Cash-Out refinance. Final Underwriting Transmittal must reflect Purchase or No Cash-Out and underwriter comments must reflect Construction Conversion.
Geographic Restrictions	<ul style="list-style-type: none"> Alaska Hawaii <ul style="list-style-type: none"> AFR does not operate in the states of Alaska or Hawaii and does not permit loans with a subject property in Alaska or Hawaii.
Guidelines	http://www.freddiemac.com/singlefamily/guide/
Forms	See FORMS Section in the Resource Center
OVERLAYS	
<ul style="list-style-type: none"> Follow all overlays outlined in the Freddie Mac Fully Amortizing Fixed Rate Program Matrix Correspondent Delegated transactions are not eligible Correspondent Table Funded and Correspondent Non-Delegated transactions must be purchased prior to construction. Construction administration and conversion to permanent financing must be managed by AFR. AFR does not permit the installation or construction of a pool. AFR does not permit the Builder to also be the Borrower. 	
Disclaimer: All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow Freddie Mac guidelines outlined in the Freddie Mac Single Family Seller Guide.	

