

## VA One-Time Close Program Outline and Acknowledgement Agreement For Manufactured / Modular / Site-Built Homes

By participating in Homeside Financial, LLC and any of its successors and/or assigns (hereafter referred to as "Lender") One-Time Close (OTC) program, Builder/Retailer, and Borrowers understand and agree, in addition to any other agreements or requirements that Lender may require, to comply with the following guidelines and terms:

1. The Builder/Retailer agrees to a building timeframe of no longer than 12 months and Lender agrees to disburse up to 5 construction draws.
  - Extensions (in the event construction is not fully satisfactorily completed within 12 months):
    - Lender must approve all requests for extensions;
    - Requests for extensions should be made as soon as the Builder/Retailer is aware that they will not complete the project in the original timeline, but in no cases, less than 2 weeks prior to the agreed-to completion date;
    - Builder/Retailer will be charged additional interest for each extension period calculated by multiplying:
      - Cumulative balance drawn by the Builder/Retailer during the period; by
      - A daily rate of interest derived as 11% divided by 360; by
      - Actual number of days between the end of the prior period and the final disbursement
        - Sample calculation B1 – construction takes 22 days longer than originally agreed to and during those 22 days the cumulative drawn balance remained at \$140,000.00; additional interest is calculated as  $[\$140,000.00 * 11\% / 360 * 22] = \$941.11$  deducted from the final disbursement.
        - Sample calculation B2 – construction takes 57 days longer than originally agreed to with a cumulative drawn balance of \$88,000.00 for 17 days and \$99,000.00 for 40 days; additional interest is calculated as  $[\$88,000.00 * 11\% / 360 * 17] + \$99,000.00 * 11\% / 360 * 40] = \$1,667.11$  deducted from the final disbursement.
2. Builder's/Retailer's Paid Construction Interest Responsibility
  - The **Construction Interest** is calculated by taking half the **Loan Amount** and multiplying it by the Note Rate
    - $(\text{Loan Amount} * 50\%) * (\text{Note Rate}) = [\text{Construction Interest}]$

**Step-by-Step:**

  - A. Calculate half (50%) of the [Loan Amount]. This is what we use as the average estimate of what will be drawn.
  - B. The [Note Rate] is an annual interest rate.
  - C. Multiply the two numbers (step 1 and step 2) together to get the interest amount for 12 months of construction.

**Example:**  
For this example, we will use a Loan Amount of \$300,000, a 6% Note Rate and assume 12 months for the construction.

  - A. Take half of the [Loan Amount]:  
 $(300,000 * 50\%) = \$150,000$
  - B. Multiply by the Note rate.  
 $\$150,000 * 0.06 = \$9,000$
3. The Builder/Retailer and Borrowers understand and agree the Builder/Retailer is responsible for delivering a home completed in accordance with VA guidelines. The Builder/Retailer warrants all utilities (water, sewer, electrical, plumbing) are 100% functional at the time of delivery.
4. Certificate of Occupancy (COO) and/or equivalent:
  - Must be delivered and reviewed to be found acceptable by Lender.
  - Completed within 2 weeks of the expiration of the construction period or an extension fee shall apply
5. Only Fixed Cost Building Contracts are permitted
6. Builder/Retailer must provide detailed cost of construction breakdown (cost takeout) and full materials list
7. Prior to ordering a proposed construction appraisal, the following is required based on construction type:
  - Complete set of Plans and Specifications, to include floor plans and elevations (front, rear, and side), signed by Borrower(s) and Builder/Retailer
  - Initial Site Plan must show lot dimensions, setbacks, easements adjoining roads, location of house, driveway and location of garage. If applicable, location of septic system and well to include distances.
  - Executed Builder/Retailer Sales Contract
  - Executed 3<sup>rd</sup> Party land Sales Contract (if applicable)
  - All reports and available information (i.e. Title report, environmental reports or studies and inspection reports)
  - HUD 92541 Builder/Retailer Certification of Plans and Specifications form (for VA loans)

8. Plans and specifications requirements:
- **Manufactured Homes:** floor plan, elevation drawings to include front, rear and sides of home, engineer certified foundation/pier plan along with site letter indicating the HUD requirements being met. **NOTE VA REQUIRES MECHANICALS PRIOR TO CLOSING**
  - **Modular Homes:** floor plan, foundation plan and elevation drawings to include front, rear and sides of home. Mechanical plans (HVAC, Plumbing and electrical) can be provided post-closing along with copies of the permits. prior to funding by acknowledging this agreement. **NOTE VA REQUIRES MECHANICALS PRIOR TO CLOSING**
  - **Site built** floor plan, foundation plan and elevation drawings to include front, rear and sides of home. Mechanical plans (HVAC, Plumbing and electrical) can be provided post-closing along with copies of the permits. prior to funding by acknowledging this agreement. **NOTE VA REQUIRES MECHANICALS PRIOR TO CLOSING**
  - **VA Loans** The contractor/builder and the Borrower have discussed the Mechanical (HVAC, plumbing, and electrical) plans/design. The contractor/builder and Borrower agree and are satisfied with the outlined mechanical plan and the costs are incorporated into the final building proposal/costs. The mechanical plans for those systems will be made available post-closing to the Lender along with a copy of the permits for those systems. Mechanical design plans must be provided, to underwriting for their review prior to closing.
9. Building Permits:
- **Are required prior to disbursement of any draws**
  - Are required where applicable per county and state requirements
  - A copy of the building permit must be provided to Lender before work commences
10. New or Existing Construction projects which have begun prior to closing and funding are **ineligible** for this program
11. Lender requires first lien priority.
12. Mechanics and/or Materialmen's liens:
- If present, are not eligible for this program
  - In the event that Lender becomes aware of such lien, the Builder/Retailer shall pay all costs necessary to remove any such liens and shall reimburse and indemnify Lender.
13. Lender may request sub-contractor's lien waivers from Builder/Retailer prior to disbursement of any funds. The Builder/Retailer and Borrowers understand and agree the Builder/Retailer is responsible for delivering a home completed in accordance with VA guidelines. The Builder/Retailer warrants all utilities (water, sewer, electrical, plumbing) are 100% functional at the time of delivery.
14. Oregon Specific Requirements:
- Builder/Retailer will submit a list of all sub-contractors utilized on the construction project. Lien waivers will be required from each sub-contractor, as services are provided. Such costs to be paid by the Builder/Retailer.
  - An Early Issue Title Policy will be required. The cost associated with this policy is the **responsibility of the Borrower**. This fee will be collected at closing/funding and held in escrow until the completion of the construction project.
15. Construction Matters
- Lender will only discuss construction matters with the Builder/Retailer who has executed this acknowledgment and is the general contractor for the construction project.
  - Lender will NOT discuss construction matters with any subcontractor.
  - Lender does not hire or recommend sub-contractors for any construction projects nor does it endorse the Builder/Retailer, general contractor, sub-contractor or any other party involved in the construction project.
  - The Builder/Retailer is expected manage and resolve all sub-contractor matters.
  - The Borrower(s) is/are solely responsible for resolving all construction issues with the Builder/Retailer.
  - Lender's communication with the Builder/Retailer is limited to draw disbursements and inspections and is not directly related to the progress of the construction and or the quality or workmanship of the project.
16. All funds disbursed during construction by Lender shall be disbursed to the Builder/Retailer in accordance with the agreed upon draw schedule.
- Builder/Retailer is responsible for payment to any sub-contractors involved with the construction project.
  - Lender does not disburse funds directly to any sub-contractor.
  - Borrower(s) may not receive funds from Lender or the Builder/Retailer in return for work performed by Borrower(s).
  - Borrower(s)' may not participate as a sub-contractor.
17. Water Well (existing or to be constructed):
- Any existing Water Well or well to be constructed must meet VA new construction guidelines.
  - Public water is required to be available at lot boundary.
  - If public water is not available a developed well is required on the site prior to a final inspection/certification of occupancy as applicable.
  - Water Well Installation estimate from Well installer is required prior to closing, *unless permits are available at closing.*

- Only drilled Wells are acceptable
- Newly drilled Water Wells require either a county well certification or a private company report dated within six (6) months of closing – documenting acceptable well flow and water purity.
- If a Water Wells exists a water potability test is required (Bacteria / E-coli, Total Coliforms, Lead, Nitrate, and Nitrite)
- Verification will be made on all Water Wells (existing or new) of the required distances from property lines and built structures
- Existing Water Wells must comply with FNMA/FHA new Construction Water Well guidelines for potability and flow test requirements and meet county/state requirements.
- A Well located within the foundation walls of New Construction is not acceptable except in arctic or sub-arctic regions.

The following tables provide the minimum distance required between Wells and sources of pollution:

<b>Water Well location Minimum Property Standards for New Construction</b>	
<a href="#">24 CFR § 200.926d(f)(3)(iv)</a> *	
1	Property line / 10 feet
2	Septic tank / 50 feet
3	Absorption field / 100 feet
4	Seepage pit or cesspool / 100 feet
5	Sewer lines with permanent water tight joints / 10 feet
6	Other sewer lines / 50 feet
7	Chemically poisoned soil / 25 feet (reduced to 15 feet where ground surface is protected by impervious strata of clay, hardpan or rock)
8	Dry well / 50 feet
9	Other – refer to local health authority minimums
*Distance requirements of local authority prevail if greater than stated above	
<b>The following provides the minimum standards for Individual Water Supply Systems (wells):</b>	
<b>Individual Water System Minimum Property Standards for New Construction</b>	
<a href="#">24 CFR § 200.926d(f)(1) and (2)</a>	
1	Lead-free piping
2	If no local chemical and bacteriological water
3	Connection of public water whenever feasible
4	Wells must deliver water flow of five (5) gallons per minute over at least a four (4) hour period

18. Sewer/ Septic Systems:

- Public sewer is required to be available at lot boundary
- If public sewer is not available, and an approved septic system has not yet been installed, a Septic Installation Estimate, from the septic installer, is required prior to documents.
- Septic System Installation Estimate from Septic Installer is required unless permit is present at time of closing.

19. Elevation Certificate is required if the property is in a FEMA identified flood zone. Such certification will be required by Lender prior to closing based on construction drawings and a final certification will be required prior to final disbursement

20. Flood Insurance Requirement

- If property is in a FEMA identified flood zone, flood insurance will be required;
- if any part of the security structure on the subject property is constructed in the Special Flood Hazard Area:
  - Proof of flood insurance will be required prior to closing.
  - Failure to provide flood insurance will create a delay in the closing process until provided.

21. Required Inspection Documents: VA

(a) If the local authority performs the required foundation, framing, and final inspections and issues a CO or equivalent, VA will accept the CO for the property as evidence of local authority inspections and satisfactory completion of construction. **Please note that framing inspection is not required on manufactured, or modular homes.**

(b) If the local authority performs the required foundation, framing, and final inspections, but does not issue a CO or equivalent, VA will accept copies of the inspection reports, which verify full compliance with local builder codes, or a written statement from the local authority that states that the required inspections were performed satisfactorily.

(c) If the local authority does not perform the required inspections, the property must be covered by a 10-year insured protection plan that is acceptable to the Department of Housing and Urban Development (HUD), and a 1-year VA builder’s warranty.

- 22. Final inspection. When the property is 100 percent complete, the Lender will contact the original VA appraiser to complete the VA final inspection. If the original VA appraiser is not available, the Lender will contact the RLC of jurisdiction for another VA appraiser to complete the final inspection
- 23. Final Inspection:
  - Lender will order the final inspection when notified by the Builder/Retailer.
  - The cost of the final inspection and any required reinspection(s) is/are the Builder/Retailer’s responsibility
- 24. Change Orders:
  - All change orders shall be submitted to Lender for approval.
  - The cost incurred with the change order will be an expense above and beyond any escrowed construction funds from the loan.
  - Change order expenses must be paid by Borrower directly to Builder/Retailer and will not be included in the escrowed funds for construction.
  - Neither Builder/Retailer, sub-contractor, supplier, nor the Borrower will rely or expect Lender to make payment because of any change order.
- 25. Loan Closings:
 

Will not be scheduled sooner than 2 business days after the Lender Underwriter has approved the loan and issued the “Clear-to-Close”

Evidence of an active builder risk/course of construction policy along with general liability policy are required prior to clearing the loan or closing. Policy will need to cover the Builder/Retailer final contract amount for home and improvements. Homeside Financial, LLC its successors and/or assigns should be listed as loss payee and the policy should be active at time of construction underwrite and valid until builder/retailer receives final disbursement.
- 26. Draw Disbursements are based on the percent of completed work at the time of the request. (*see Construction Draw Schedule Disclosure*):
  - The Builder/Retailer is limited to one (1) draw every 30 days unless approved by Lender.
  - Draw inspections are requested by the Lender’s Construction Department upon notification of completion of a phase of work from the Builder/Retailer.
  - “Date Down” Endorsements will be required at each draw funding. This will be ordered by Lender’s Construction Department.
  - A draw inspection must be completed by a city inspector, fee inspector, original appraiser or an engineer acceptable to Lender.
  - Draw inspections will certify that each item has been satisfactorily completed according to the funding requirements.
  - Draw request forms are provided to the Builder/Retailer by Lender’s Construction Department.
  - Lender Draw Request Form must be completed and submitted to Lender’s Construction Department for approval prior to any draw funds disbursement (draw payment).
  - Manufactured Home Invoice would be considered a draw and is payable directly to the factory or floor plan Lender, pending evidence the home is off line and has the proper insurances in place for transportation to the subject site.

**NOTE: It is Lender’s responsibility to obtain written approval from the Borrower before each draw payment is provided to the Builder/Retailer**
- 27. Final Stage Funding Draw will be payable upon Lender’s receipt and approval of (as applicable):
  - all required new construction forms,
  - permits,
  - Official 911 address, generally provided on letter head from the 911 coordinator, county or local government,
    - building permits (required on all site built and modular homes)
    - certificate of occupancy (required on all site built and modular homes)
    - Health Authority Approval Permit if a Well was constructed,
    - Health Authority Approval to Construct Permit for a septic system if one was constructed,
    - Framing inspection is also required on all Site built projects.
    - Final Compliance Inspection: Underwriting requires photos of all exterior sides and interior rooms showing utilities functioning. If manufactured home, photos of HUD tags or on modular homes, photos of Factory Built Unit Certifications “UBC” are required. Inspector to comment if there are any previous homes on site on ALL final inspections.

Final Compliance Inspection			
Loan Program	Appraiser Completes	Compliance Form Needed	Engineer Cert needed if not provided prior to closing
VA	Yes	Appraisal	Yes

- Provide a satisfactory septic inspection by a licensed septic installer or septic company. This should be on letter head signed and dated with installer license number. If you are making repairs to the existing, we will need

county/local approval permits.

- Septic systems to be installed in accordance with county guidelines. Need evidence on county or local letter head indicating it meets requirements.
  - Local Health Authority well water analysis - Bacterial and chemical test to be completed in accordance with HUD Guidelines. Must be tested from same water sample, brought to facility by a 3rd party and include satisfactory results for all of the following Lead, Nitrate, Nitrite, E. coli and Coliform.
  - HUD-NPMA-99-A Subterranean Termite Treatment: Builder/Retailer/Retailer’s Certification and Guarantee completed by Retailer indicating type of treatment used (required in most states)
  - HUD-NPMA-99-B New Construction Subterranean Termite: Soil Treatment Record completed by Pest Control Company (if soil treatment method was used)
  - Builder/Retailer/Retailer to provide Placement survey on all projects: If well and septic are on site the placement survey must show the following distances: well to property line, well to foundation, well to septic, well to closest point of drain field. Distances will need to meet FHA required Min as you indicated on the plot plan at initial closing.
  - Final home owner’s insurance binder Quote from initial closing. Builder/Retailer/Retailer to have homeowner provide insurance binder once construction is complete and is ready to fund.
- Additionally:
- Oregon requires all necessary lien waivers and affidavits of completion as well as the Early Issue Title Policy.
  - This list is intended to be comprehensive but may be subject to change based on loan type (VA).

28. New pool construction is ineligible for this program

29. Survey Requirements

- In States that require surveys, Lender requires an initial and final placement survey.
- In the event the title company requires a final placement survey, Lender will require a placement survey
- In the event the title company does not require a placement survey and does not have an exception within schedule B, Lender will accept a signed placement survey affidavit
- Final placement survey required at completion prior to loan modification (see above bullets)

**Construction Draw Schedule Details:**

**Flexibility**

- Builder may take 1 draw every thirty (30) calendar days
- The Builder may complete the build tasks listed on their Construction Draw Schedule Disclosure in any order
- Build Tasks from the Draw Schedule are paid on a line item(s) percentage complete basis
- Material only tasks will not be paid until the corresponding labor is complete
- Contractual allowances are not permitted

Prior to commencement of construction, the Borrower and Builder/Retailer acknowledge and agrees to the terms and conditions and associated charges of the Construction-to-Permanent (C-to-P) Loan guidelines contained herein.

Builder/Retailer understands that any variance in compliance with the requirements of this agreement and any of the construction loan agreement can delay Lender’s ability to disburse funds. Unless applicable state law prohibits otherwise, compliance with the loan documents is required. Failure to comply may result in additional charges to the Builder/Retailer to bring the construction into compliance with this agreement and the Construction Loan Agreement.

Borrower explicitly agrees and understands that Lender or its agent’s may, in its sole and exclusive, in connection with this transaction may share my non-public personal information with the Builder/Retailer their successors, assigns or agents.

**Builder/Retailer Performance Agreement**

I/We, the undersigned, hereby agree that in the event of default by applicant(s) under loan documents executed to finance construction of improvements we shall, at your option and direction, continue performance under our agreement with such applicant(s), provided that we are compensated for all work after said direction by you, your successors and/or assigns or purchaser in accordance with the agreement with the applicant(s).

Subject Property Address

Builder/Retailer signature

Date

Borrower signature

Date