



Fannie Mae One-Time Close Construction

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 Note: AFR must administer the Interim Construction Financing and provide the Permanent Financing.		
Minimum FICO	<ul style="list-style-type: none"> • 700 minimum qualifying credit score for all qualifying Borrowers • A minimum of two scores are required per borrower. If three scores are provided, the middle score will be used. If two scores are provided, the lower of the two is used; • The lower of the Borrower or Co-Borrower score, as determined above and by the credit report, will be viewed as the credit score for the loan; • Loans with mortgage insurance refer to the applicable MI Company's guidelines for MI credit score requirements. 		
UW Method	<ul style="list-style-type: none"> • Desktop Underwriter (DU) 		
AUS Recommendation	<ul style="list-style-type: none"> • DU - Approved/Eligible • DU must indicate Construction to Permanent in findings and loan purpose as: <ul style="list-style-type: none"> ○ Purchase, or ○ Limited Cash Out Refinance 		
Eligible Terms	<ul style="list-style-type: none"> • 15, 20, 30 Year Fixed Rate • Maximum loan amount based on the current years FHFA baseline conventional conforming loan limit for a 1-unit property. 		
Eligible Transaction Types	<ul style="list-style-type: none"> • Construction to Permanent (Single Closing) 		
Eligible Property Types	Primary: <ul style="list-style-type: none"> • 1 Unit Stick Built – Temporarily suspended as of 10/27/2022 • Modular Homes • Single or Multi-wide manufactured Housing • MH Advantage Second Home: <ul style="list-style-type: none"> • Modular or Multi-Wide manufactured homes. Note: Newly built or constructed 1 unit (detached), Modular, or a newly purchased manufactured home that has never been attached to a foundation.		
Maximum LTV/CLTV/HCLTV	<ul style="list-style-type: none"> • 95% - Primary Residence • Second Home: <ul style="list-style-type: none"> ○ 90%, Modular and Multi-Wide Manufactured homes Note: High-Cost Loan amounts are not permitted for any property type.		
Maximum DTI	<ul style="list-style-type: none"> • Determined by DU 		
Age of Documents	<ul style="list-style-type: none"> • Income and asset documentation used for qualifying must be within 30 days of the Note date <ul style="list-style-type: none"> ○ Except assets that are reported on a quarterly basis • Income documented for military leave and earning statement (LES), Social Security, Retirement, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments will follow Fannie Mae or Freddie Mac Seller Guides pertaining to age of documents. 		
Eligible Transaction Types and Ownership Requirements	<ul style="list-style-type: none"> • Purchase <ul style="list-style-type: none"> ○ All property types, Borrower is not the owner of record of the land prior to closing. • Refinance, Limited Cash Out Refinance <ul style="list-style-type: none"> ○ All property types, Borrower is the owner of record at time of closing and no ownership seasoning requirements. 		
Calculating LTV Ratio	Transaction Type	Lot Ownership	LTV Ratio Calculation
	Purchase all property types	The borrow is not the owner of record of the lot at the time closing.	Site Built and Modular - lesser of: <ul style="list-style-type: none"> • Purchase price (purchase price of the land and total construction costs), or Appraised value, as completed. MH and MH Advantage Lesser of: <ul style="list-style-type: none"> • The sales price of the MH, plus construction cost and sales price of the lot, or, Appraised

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			value of the Mortgaged Premises, as completed.
	Limited Cash-out Refinance all property types	The borrower is the owner of record of the lot at the time of closing.	Appraised Value of the Mortgaged Premises (the lot/land and improvements), as completed.
	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. Obtain appropriate documentation to verify the acquisition and transfer of ownership of the land.		
Mortgage Insurance	<ul style="list-style-type: none"> Follow DU MI coverage must be active on the date of closing, to include the construction period. An MI reserve must be collected in prepaid equal to the estimated build time in months. <ul style="list-style-type: none"> Follow specific PMI company requirements <ul style="list-style-type: none"> MGIC National Enact Arch Borrower Paid Single Premium Option available for all listed MI companies		
Ineligible Mortgages	<ul style="list-style-type: none"> FHA VA Section 502 GRH Section 184 Native American Community Land Trust MH with any resale restrictions 		
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. 		
Appraisal	<ul style="list-style-type: none"> Appraiser's opinion of value must provide the "as completed" value Plans and specifications must be provided to the appraiser Follow Guide Chapter B4-1.2-02 Appraisal form 1004D – Update and Completion 		
Reverification of Employment	Within 10 days of converting to Permanent Financing: <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. Note: Any Credit and Capacity documentation greater than 365 days at the time of converting to permanent financing will require requalifying the Borrower's.		
Construction on Land Owned	<ul style="list-style-type: none"> Current mortgage liens encumbered by land and improvements are not eligible. Only unimproved lot/land liens maybe paid off in the transaction. Tear down and rebuilds are not permitted. 		
Calculating Construction Costs	Purchase: <ul style="list-style-type: none"> Purchase or acquire the land Pay construction costs MH, acquire the MH, and pay construction costs, including costs to install and anchor the MH on a permanent foundation system Refinance: <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 cost to install and anchor the MH on a permanent foundation system on land owned by the Borrower Eligible Costs: <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 		

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	<ul style="list-style-type: none"> • 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
Required Documentation of Construction	<ul style="list-style-type: none"> • Evidence to support that Mortgage is a Construction to Permanent • 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.
Interim Construction Financing	<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 • The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the Land or the Improvements.
Documentation Type	<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 Underwriting Transmittal comments must indicate Purchase or LCOR.
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 states of Hawaii and does not permit loans with a subject property in Hawaii. • 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.fanniemae.com/content/guide/sel120419.pdf
Forms	See FORMS Section in the Resource Center
OVERLAYS	
<ul style="list-style-type: none"> • Follow all overlays outlined in the Fannie Mae Fully Amortizing Fixed Rate and High Balance Program Matrix including: • Correspondent Delegated transactions are not eligible • 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 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 ◦ Follow all other GSE, state and local requirements • AFR does not permit the Builder to also be the Borrower • AFR does not permit the construction of an Accessory Dwelling Unit (A.D.U.) 	

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- Proposed Site-Built times less than 8 months will require additional AFR review.
- Site-Built, Modular and Manufactured homes:
 - Maximum of \$250,000 disbursement at closing for land acquisition or payoff.
- Permit Requirements Prior to Closing
 - AFR will require ONE of the following before closing:
 - 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 10 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.
- Maximum of 10 months for construction completion.
- Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied, follow revised General QM definition [1026.43\(e\)\(s\)\(vi\)](#) effective March 1, 2021 and adhere to the limits on points and fees as defined in [1026.43\(e\)\(3\)\(i\)](#).
- AFR will not originate loans as a high cost or predatory mortgage loans and will comply with all state/county requirements pertaining to high cost and predatory mortgage loans.
- AFR requires a minimum five percent (5%) contingency of the total cost to construct be built into the contact price.
 - Manufactured Home transactions do not require the 5% contingency reserve.
- Investment properties are not permitted.
- 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.
- Maximum loan amount based on the current years [FHFA baseline conventional](#) conforming loan limit for a 1-unit property (806,500).

Disclaimer: All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow Fannie Mae guidelines outlined in the Fannie Mae Single Family Seller Guide.