



## Freddie Mac One-Time Close Construction

PROGRAM SPECIFICATIONS	
<b>Description</b>	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.
<b>Channels</b>	<ul style="list-style-type: none"> <li>• Broker</li> <li>• Correspondent Non-Delegated</li> <li>• Table Funded</li> </ul> Note: AFR must administer the Interim Construction Financing and provide the Permanent Financing.
<b>Minimum FICO</b>	<ul style="list-style-type: none"> <li>• 700 minimum qualifying credit score for all qualifying Borrowers</li> <li>• 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;</li> <li>• 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;</li> <li>• Loans with mortgage insurance refer to the applicable MI Company's guidelines for MI credit score requirements.</li> </ul>
<b>LTV/TLTV/HCLTV</b>	<ul style="list-style-type: none"> <li>• Maximum LTV 95%               <ul style="list-style-type: none"> <li>○ Primary or Second Home- Modular</li> <li>○ Multi-wide Manufactured Housing-Primary Residences</li> <li>○ Site Built is suspended as of 10/27/2022</li> </ul> </li> <li>• FICO               <ul style="list-style-type: none"> <li>➢ 700</li> </ul> </li> <li>• CHOICEHome – Primary Residences               <ul style="list-style-type: none"> <li>○ LTV/TLTV/HTLTV Ratios &amp; Minimum FICO Scores:                   <ul style="list-style-type: none"> <li>➢ &lt; or = to 80%                       <ul style="list-style-type: none"> <li>➢ 700</li> </ul> </li> <li>○ &gt;80% to 95%                       <ul style="list-style-type: none"> <li>➢ 720</li> </ul> </li> <li>○ Max of 97% if combined with Home Possible or HomeOne mortgages                       <ul style="list-style-type: none"> <li>➢ 720</li> </ul> </li> </ul> </li> </ul> </li> </ul>
<b>UW Method</b>	<ul style="list-style-type: none"> <li>• Loan Product Advisor (LPA)</li> </ul>
<b>AUS Recommendation</b>	<ul style="list-style-type: none"> <li>• LPA Risk Class Accept</li> <li>• LPA must indicate Construction to Permanent and Loan Purpose as:               <ul style="list-style-type: none"> <li>○ Purchase, or</li> <li>○ Refinance "No Cash-Out"</li> </ul> </li> </ul>
<b>Eligible Terms</b>	<ul style="list-style-type: none"> <li>• Fully amortizing 15-, 20- or 30- year fixed-rate Mortgage</li> <li>• Maximum loan amount based on the current years <a href="#">FHFA baseline conventional conforming loan limit</a> for a 1-unit property.</li> <li>• Supper Conforming loan amounts not permitted</li> </ul>
<b>Eligible Transaction Types</b>	<ul style="list-style-type: none"> <li>• Construction Conversion (Single Closing)</li> </ul>
<b>Eligible Property Types</b>	Primary or Second home <ul style="list-style-type: none"> <li>• 1 Unit Stick Built – Temporarily suspended as of 10/27/2022</li> <li>• Modular Homes</li> </ul> Primary Only: <ul style="list-style-type: none"> <li>• Multi-wide Manufactured Housing</li> <li>• FHLMC CHOICEHome</li> <li>• Barndominium</li> </ul> Note: Newly built or constructed 1 unit (detached), Modular, or a newly purchased manufactured home that has never been attached to a foundation.
<b>Maximum DTI</b>	<ul style="list-style-type: none"> <li>• Follow LPA</li> </ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>• Income and asset documentation used for qualifying must be <b>within 30 days</b> of the Note date               <ul style="list-style-type: none"> <li>○ Except assets that are reported on a quarterly basis</li> </ul> </li> <li>• 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.</li> </ul>

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**Revised**  
**3/19/2024**



<b>Eligible Transaction Types and Ownership Requirements</b>	<ul style="list-style-type: none"> <li>• Purchase <ul style="list-style-type: none"> <li>◦ All property types, Borrower <b>is not</b> the owner of record of the land prior to closing.</li> </ul> </li> <li>• Refinance, No cash-out <ul style="list-style-type: none"> <li>◦ All property types, Borrower is the owner of record at time of closing and no ownership seasoning requirements.</li> </ul> </li> </ul>		
<b>Calculating LTV Ratio</b>	<b>Transaction Type</b>	<b>Lot Ownership</b>	<b>LTV Ratio Calculation</b>
	Purchase: 1-unit site built or Modular	The borrower is not the owner of record of the lot at the time of closing.	Lesser of: Purchase price (purchase price of the Land and total construction Costs), or Appraisal value, as completed.
	Purchase: CHOICEHome	The borrower is not the owner of record of the lot at the time of closing.	Lesser of: Purchase price of CHOICEHome and purchase price of the land, or the current appraised value of the CHOICEHome and land.
	Purchase: MH	The borrower is not the owner of record of the lot at the time of closing.	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.
	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, as completed.
<b>Gifted or inherited land</b>			
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.			
<b>Mortgage Insurance</b>	<ul style="list-style-type: none"> <li>• Follow LPA</li> <li>• MI coverage must be active on the date of closing, to include the construction period.</li> <li>• An MI reserve must be collected in prepaid equal to the estimated build time in months. <ul style="list-style-type: none"> <li>◦ Follow specific PMI company requirements <ul style="list-style-type: none"> <li>▪ MGIC</li> <li>▪ National</li> <li>▪ Genworth</li> <li>▪ Arch</li> </ul> </li> </ul> </li> </ul> <p>Borrower Paid Single Premium Option available for all listed MI companies</p>		
<b>Ineligible Mortgages</b>	<ul style="list-style-type: none"> <li>• FHA</li> <li>• VA</li> <li>• Section 502 GRH</li> <li>• Section 184 Native American</li> <li>• Community Land Trust</li> <li>• Mortgage secured by property subject to income-based resale restrictions</li> </ul>		
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• The Borrower(s) on the Permanent Financing must be the Borrower(s) on, and obligated to repay, the interim construction financing.</li> <li>• A Borrower may be omitted in the event of death or divorce, or</li> <li>• 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.</li> </ul>		
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• Appraiser's opinion of value must provide the "as completed" value</li> <li>• Plans and specifications must be provided to the appraiser</li> <li>• Follow Guide Chapter 5601</li> <li>• Appraisal update and/or Completion report (form 442)</li> </ul>		
<b>Reverification of Employment</b>	<p>Within 10 days of converting to Permanent Financing:</p> <ul style="list-style-type: none"> <li>• Verbal or written VOE or a paystub dated within 30 days</li> <li>• Self-employed; verification of existence of the Borrower's business through a third-party source.</li> </ul> <p><b>Note:</b> Any Credit and Capacity documentation greater than 365 days at the time of converting to permanent financing will require requalifying the Borrower's.</p>		
<b>Construction on Land Owned</b>	<ul style="list-style-type: none"> <li>• Current mortgage liens encumbered by land and improvements are not eligible. Only unimproved lot/land liens maybe paid off in the transaction.</li> <li>• Tear down and rebuilds are not permitted.</li> </ul>		
<b>Calculating Construction Costs</b>	<p><b>Purchase:</b></p> <ul style="list-style-type: none"> <li>• Purchase or acquire the land</li> <li>• Pay construction costs</li> <li>• MH, acquire the MH, and pay construction costs, including costs to install and anchor the MH on a permanent foundation system</li> </ul> <p><b>Refinance:</b></p>		

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	<ul style="list-style-type: none"> <li>• Pay off any existing liens on the land</li> <li>• Pay all closing Costs</li> <li>• Pay construction costs for the site-built home</li> <li>• 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</li> </ul> <p><b>Eligible Costs:</b></p> <ul style="list-style-type: none"> <li>• Materials, cost of labor associate with construction</li> <li>• Energy-efficient components, systems and installation</li> <li>• Grading, seed/sod, and other site improvements such as decks, porches, landscaping, etc.</li> <li>• Architectural, engineering, survey and legal fees</li> <li>• Water and sewer tap fees</li> <li>• Access fees to other utilities (gas, electric, telephone, and cable)</li> <li>• Utilities during construction</li> <li>• Permits, inspection and recording fees</li> <li>• Costs associated with construction loan including interest and points</li> <li>• If a refinance, closing costs associate with permanent mortgage</li> </ul> <p><b>May be included if common to area:</b></p> <ul style="list-style-type: none"> <li>• Kitchen appliances</li> <li>• Intercom system</li> <li>• Wiring for media system, computer, cable or satellite that is hard-wired and made part of the premise</li> <li>• Security system</li> <li>• Water treatment system that is a part of the property’s plumbing system</li> </ul> <p><b>May not be included:</b></p> <ul style="list-style-type: none"> <li>• If purchase, any financing costs for permanent Mortgage</li> <li>• Furniture</li> <li>• Electronics and home entertainment equipment that is not hard-wired and part of the premises (televisions, monitors, stereos, speakers, computers, satellite dishes, etc.)</li> <li>• Monthly maintenance fees</li> <li>• Other personal items</li> </ul>
<p><b>Required Documentation of Construction</b></p>	<ul style="list-style-type: none"> <li>• Evidence to support that Mortgage is a Construction Conversion,</li> <li>• Sufficient Documentation to validate actual cost to construct (e.g. purchase contracts, plans and specification, receipts, invoices, lien waivers, etc.)</li> <li>• Documentation showing your calculation of the purchase price and/or cost to construct</li> <li>• All settlement/Closing Disclosure Statement forms or other Mortgage closing statements for Interim Construction Financing and Permanent Financing</li> </ul> <p>In addition, the Mortgage file must contain the following documentation, when applicable:</p> <ul style="list-style-type: none"> <li>• For a Mortgage secured by a Manufactured Home, the manufacture’s invoice and the Manufactures Home Purchase Agreement.</li> <li>• 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.</li> <li>• 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</li> </ul>
<p><b>Interim Construction Financing</b></p>	<ul style="list-style-type: none"> <li>• Interest reserve accounts are not permissible;</li> <li>• Payment history must have no 30-day or more delinquencies in the past 12 months</li> <li>• Proof of payment history</li> <li>• The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the Land or the Improvements.</li> </ul>
<p><b>Documentation Type</b></p>	<ul style="list-style-type: none"> <li>• Integrated Documentation</li> <li>• 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"> <li>○ Follow <a href="#">Appendix D to Part 1026</a>; Multiple_Advance construction Loans; Part II, Construction to Permanent Financing Disclosed as one Transaction (A)(1)</li> <li>○ Permanent loan and construction interest rate must be the same Fixed Rate</li> </ul> </li> <li>• Final 1003 must reflect the transaction as a Purchase or a No Cash-Out refinance.</li> <li>• Final Underwriting Transmittal must reflect Purchase or No Cash-Out and underwriter comments must reflect Construction Conversion.</li> </ul>
<p><b>Geographic Restrictions</b></p>	<ul style="list-style-type: none"> <li>• New York State (Suspended 12/21/2022)</li> </ul>

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	<ul style="list-style-type: none"> <li>• Hawaii             <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> <li>• AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3<sup>rd</sup> party for document preparation and require 48 hours for both title review and to generate a closing package.</li> </ul>
<b>Guidelines</b>	<a href="http://www.freddiemac.com/singlefamily/guide/">http://www.freddiemac.com/singlefamily/guide/</a>
<b>Forms</b>	See FORMS Section in the Resource Center

## OVERLAYS

- Follow all overlays outlined in the Freddie Mac Fully Amortizing Fixed Rate Program Matrix including:
- 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 unless all the following are met:
  - 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
- Proposed Site-Built times less than 8 months will require additional AFR review.
- AFR does not permit the construction of an Accessory Dwelling Unit (A.D.U.)
- Site-Built, Modular and Manufactured homes:
  - Maximum of \$250,000 disbursement at closing for land acquisition or payoff.
- Building permits (where required by the jurisdiction):
  - When land is owned by the Builder/Retailer or Applicant, building permits are required prior closing.
  - When land is owned by a 3<sup>rd</sup> party, AFR's Construction Management Team can review submitted documentation for an exception. If an exception is granted the initial disbursement is 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 \$766,500

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.