

## RESTRICTED USE PROGRAM

All loan originators must complete Flagstar's Construction Loan training course prior to originating any loans under this program. Originators will not be able to register construction transactions without having completed the course.

PRIMARY RESIDENCE – CONFORMING CONSTRUCTION/CONSTRUCTION-PERM				
Property Type	Maximum LTV	Maximum CLTV	Minimum Credit Score	Underwriting Engine & AUS Response
1-Unit PUD Site Condo Modular	89.99%	Subordinate Financing Not Allowed	680	DU – <i>Approve/Eligible</i>
	70%		660	

SECOND HOME CONSTRUCTION/CONSTRUCTION-PERM <sup>1</sup>				
Property Type	Maximum LTV	Maximum CLTV	Minimum Credit Score	Underwriting Engine & AUS Response
1-Unit PUD Site Condo Modular	80%	Subordinate Financing Not Allowed	680	DU – <i>Approve/Eligible</i>

PRIMARY RESIDENCE – HIGH BALANCE CONSTRUCTION/CONSTRUCTION-PERM				
Property Type	Maximum LTV	Maximum CLTV	Minimum Credit Score	Underwriting Engine & AUS Response
1-Unit PUD Site Condo Modular	89.99%	Subordinate Financing Not Allowed	700	DU – <i>Approve/Eligible</i>

SECOND HOME – HIGH BALANCE CONSTRUCTION/CONSTRUCTION-PERM				
Property Type	Maximum LTV	Maximum CLTV	Minimum Credit Score	Underwriting Engine & AUS Response
1-Unit PUD Site Condo Modular	80%	Subordinate Financing Not Allowed	700	DU – <i>Approve/Eligible</i>

1. Loans with a credit score of less than 700 must be requalified at completion of construction.

## PROGRAM SUMMARY

Conforming one-time close, **nine- or twelve-month** construction term program allowing for payment of interest-only during construction. Major remodels and tear downs are ineligible. Note to be modified upon completion of improvements to a fully amortized principal and interest payment. Soft costs (architectural, engineering and permit fees) may be financed. Closing costs may only be financed if the loan purpose type is considered a rate/term refinance as defined in the [Loan Registration](#) section. Full third-party builder contracts only. All loans close in the name of Flagstar Bank.

## PRODUCTS OFFERED

Product Name	Term	Construction/Interest-Only Period	Loan Term for Registration
One-Close Construction 30-Yr Conforming (9-mo Const)	30 years	9 months	369
One-Close Construction 30-Yr Conforming (12-mo Const)	30 years	12 months	372
One-Close Construction 15-Yr Conforming (9-mo Const)	15 years	9 months	189
One-Close Construction 15-Yr Conforming (12-mo Const)	15 years	12 months	192
One-Close Construction 30-Yr High Balance (9-mo Const)	30 years	9 months	369
One-Close Construction 30-Yr High Balance (12-mo Const)	30 years	12 months	372
One-Close Construction 15-Yr High Balance (9-mo Const)	15 years	9 months	189
One-Close Construction 15-Yr High Balance (12-mo Const)	15 years	12 months	192

## LOAN REGISTRATION

- Purpose type – Two loan purpose types are available for use under specific circumstances based on the borrower’s ownership status of the lot at the time of the first advance of construction financing.
  - “Construction” purpose type is used if the borrower is not the owner of record at the time of loan application and the borrower will not take title prior to the first advance of construction funds (purchase)
  - “Construction Permanent” purpose type is used if the borrower is the owner of record prior to the first advance of construction funds, regardless of length of time owned or how title was acquired (rate/term refinance)
- Loan term selection per table above
- Prior to selecting interest rate the Construction Worksheet must be completed. The worksheet can be accessed by clicking on Add Loan Purpose Info within the loan registration module
- Year built should be entered as the current year
- Select Proposed in the building status field
- All Loan Estimates will be prepared by Flagstar Disclosure Management

## CONSTRUCTION TO PERM

Construction to Perm loans are treated as a rate/term refinance.

- Complete construction worksheet (Add Loan Purpose Info)
- Go to the Real Estate Owned section
  - Using drop down for indicator select “SUBJECT OF LOAN”
  - Using drop down for Disposition select “RETAINED-WILL BECOME PRIMARY OR ADDITIONAL RESIDENCE”
  - Enter the Estimated as completed Value in the Present Market value field. Note: the Amt of Mtgs Liens field currently shows the value of the land. This will be updated once the Liabilities Section has been completed
- In the Liabilities screen
  - Enter the Builder’s Price to Build plus Unpaid Balance of Lot from the Construction Worksheet in the Balance field. The Amt of Mtgs liens field will update on the REO screen
  - Be sure the paid by close box is selected
- Check Details of Transaction screen to verify that “line d” reflects the cost of construction + outstanding lot lien balance

- Select Complete Registration to go to the products screen

See [EXHIBIT A](#) for further detail.

### **MAXIMUM LOAN AMOUNT CONFORMING**

#### MAXIMUM

Conforming loan limits

### **MAXIMUM LOAN AMOUNT HIGH BALANCE**

#### MAXIMUM

Subject to high-cost county loan limits

#### MINIMUM

Maximum conforming loan limits plus \$1

### **ELIGIBLE PROPERTY TYPES**

- 1-unit site-built homes
- Planned unit development (PUD)
- Modular home (constructed in sections off-site, but when installed at the site takes on the characteristics of a site-built home)
- Site condominium (detached), must be fee simple interest for land and dwelling
- Rural Properties
- Properties where construction has already begun.
  - Confirmation is required that Flagstar's first lien position is insurable by the title insurance provider for all construction completed prior to the closing of the loan.
- Properties with up to 20 acres
  - For properties >10 to 20 acres
  - Maximum 35% land to value
  - No income producing attributes

### **INELIGIBLE PROPERTY TYPES**

- Manufactured homes
- 2-4 unit properties
- Lots in excess of 20 acres
- Log homes

### **INELIGIBLE BORROWERS**

Non-occupant co-borrowers

### **TEMPORARY BUYDOWNS**

Not allowed

**MINIMUM CREDIT SCORES:**

Refer to eligibility grid above

**QUALIFYING RATE:**

Note rate, fully amortizing over 30 or 15 years

**QUALIFYING RATIOS**

Per DU

**NUMBER OF PROPERTIES FINANCED**

If the mortgage is secured by a second home and the borrower owns more than 6 financed properties, refer to the [Conventional Underwriting Guidelines](#).

**TAX AND INSURANCE ESCROW**

Escrows will be collected at time of closing for taxes and insurance. When the actual real estate tax amount is not available because the property is new construction (or major renovation), the qualifying taxes must be based on the total acquisition cost based on the value of the land plus purchase price and improvements. Refer to the [Conventional Underwriting Guidelines](#) for calculation method.

During construction, the borrower will make interest-only payments on the funds disbursed along with taxes and insurance. When the house is complete, the borrower's payment will be modified to principal, interest, taxes and insurance. Mortgage insurance will be activated and the premium included in the modified monthly payment. This process will not affect those loans for which an escrow waiver is obtained.

Borrower must carry a builder's risk policy until the property is eligible for standard homeowner insurance policy.

**PRICING**

Refer to the [Construction Price Indication Sheet](#) for details.

**CONSTRUCTION INTEREST RATE**

Add 0.75% to permanent interest rate

**FEES**

Refer to the [Construction & Renovation Lending](#) for fee requirements.

**ADDITIONAL FEES FOR TEXAS LOANS**

Loans in Texas should take additional attorney fees into consideration when issuing initial disclosures and may include a doc prep fee and fee for the preparation of mechanics lien note.

**CONSTRUCTION GUIDES**

Executed borrower acknowledgement must be in the loan file. The construction guide and supporting documentation can be found under [Construction Forms](#).

Borrower and contractor must also be supplied with the appropriate State Statutory Form package and State Draw Requirement Letter. These can be found under [Construction Forms](#).

## FILE SUBMISSION

### BUILDER/PROJECT PACKAGE

Builder/project packages must be submitted to:

Granite Loan Management, LLC  
10770 Briarwood Ave., Suite 280  
Centennial, CO 80112  
Phone: (866) 380-9657  
Fax: (800) 919-8912  
Email: customerservice@graniteriskmanagement.com

### CREDIT PACKAGE:

Credit packages must be submitted to underwriting through paperless loan submission.

## APPRAISAL

All appraisals must be ordered through Flagstar's **system** from an approved Appraisal Management Company even if the customer has AIR Compliant status. Please refer to the [Construction and Renovation Guide](#).

## UNDERWRITING

All loans must meet Fannie Mae underwriting criteria as set out in Flagstar Bank's current Residential Underwriting Guidelines if not addressed within this document. All loans must be underwritten by Flagstar.

- Project/builder will be reviewed by Granite Loan Management, LLC
- Cost to construct must be documented by fully executed "arm's length" third-party builder contract (or up to two contracts for modular). No manufactured homes
- Fourth-party transactions are not eligible
- No alternate credit history
- The LTV ratio will be calculated as follows:
  - Construction purpose type (borrower not owner of record of lot):
    - Divide loan amount by the lesser of the total acquisition cost (sum of the cost of construction plus the purchase price of the lot) or the as completed appraised value of the property (lot and improvements)
  - Construction to Perm purpose type (borrower is owner of record):
    - Divide loan amount by the as completed appraised value of the property (lot and improvements)
  - All payments made by the borrower directly to builder, or purchases of materials outside of the builder's contract, will not be considered in the total acquisition cost calculation
- If the lot was acquired within 120 days of loan application, acquisition funds must be documented
- Sweat equity will not be accepted
- \$2,000 or 2% cash back to borrower is not eligible on this program
- Escrows will be collected at time of closing for taxes and insurance. The amount collected will be based on the current assessed value of the vacant land and the current tax rate. During construction, the borrower will make interest-only payments on the funds disbursed along with taxes and insurance. When

the house is complete, the borrower's payment will be modified to principal, interest, taxes and insurance. This process will not affect those loans for which an escrow waiver is obtained

- All new construction properties require 5% contingency funds based on the total cost of improvements, excluding the cost/value of the land; the contingency may only be waived if the borrower can document 10% additional reserves after the down payment
- Interest Reserve Accounts to pay interest during the Construction Period are not eligible. Borrower must make an interest-only payment during the construction period
- Credit documents must be dated within 120 days of the closing date
- Appraisal must be dated within 120 days of the closing date

### DU FINDINGS/RISK ELIGIBILITY: FOR CONSTRUCTION TO PERM

- DU response must reflect Approve/Eligible. Approve/Ineligible findings are acceptable only if the reason for ineligibility is for detached condominium as a property type
- See Exhibit A for REO entries
- Findings must reflect
  - "This loan casefile has been underwritten as a limited cash-out refinance"
  - "For single-closing construction-to-permanent financing, special feature code 151 must be provided at delivery"

### SPECIAL FEATURE CODES

- Loan must include Special Feature Code 151
- If the borrower purchased the property prior to the closing of the construction loan transaction, Special Feature Code 007 must be added by the underwriter
- Properties secured by a site condo must include SFC 917

## RESERVES

Per DU

## MORTGAGE INSURANCE

Mortgage insurance commitment must be issued prior to closing of loan and be for a minimum of 12 months. Mortgage insurance providers may have additional restrictions not listed within the document. Due to rapid changes within the industry, please refer to each mortgage insurance company's website for complete details.

### STANDARD MORTGAGE INSURANCE GUIDELINES

All loans above 80% LTV require mortgage insurance coverage according to the following guidelines.

LTV	30-Year	15-Year
85.01 – 89.99%	25%	12%
80.01 – 85%	12%	6%

Mortgage insurance is to be obtained from either Enact (fka Genworth) or National MI and must be activated at completion of construction and prior to shipping.

Mortgage insurance effective date must be entered to match the expected end of the construction term to ensure proper disclosures and servicing boarding.

## NEW YORK PROPERTIES

See [Conventional Underwriting Guidelines](#).

## **FLOOD INSURANCE**

A flood policy is required for any loan in a flood zone.

- The full policy must be issued prior to building vertically
- This may take up to 30 days for the agent to provide
- No exceptions will be issued.

## **TITLE INSURANCE**

Long-form title insurance must be obtained for all construction loans; short-form title policies are not acceptable.

Title updates are required at the time of each draw. Ensure when you request your title quote that the title company understands the quote is for a construction loan. Long-form title is required, and the title quote must include the cost of endorsements required with each draw.

For properties located in Illinois, all title commitments, updates and final policies must be provided by:

- First American Title
- Fidelity National Title
- Chicago Title
- Attorneys Title Guaranty

For a smoother draw process with your construction loans you may wish to use one of these companies in all eligible states.

## **EXTENSIONS OF CONSTRUCTION PERIOD**

Refer to the [Construction & Renovation Lending](#) for fee requirements.

## INTEREST RATE MODIFICATION REQUESTS

During times of improved market rates available at the completion of construction, an interest rate modification may be eligible by request. Modifications must be requested prior to conversion of the loan to the fully amortized period. Contact the Construction Department for the current policy as project nears completion of construction.

## **STATE ELIGIBILITY**

State/Territory	Restriction
Puerto Rico	Not eligible
Virgin Islands	Not eligible

## **CLOSING DOCUMENTATION**

Closing Disclosures and closing documents will be prepared by Closing Services. Interim interest is not collected at closing. Loans closing within the first 7 days of the month cannot be closed with an interest credit.



## One-Close Construction

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Maximum draw request from builder at closing is capped at 10% or \$50,000 of the total cost to build, whichever is less. No further draws can occur until closing package has been received and post-closed by Flagstar Bank (usually 10 business days).



**EXHIBIT A**

When registering a Construction to Perm loan, after completing the Loan Purpose screen, some of the information must be manually entered into the REO and LIABILITIES screens. The Estimated “As completed” Appraisal is the present market value on the REO screen. The Unpaid Balance of Lot plus Builder’s Price to Build from the Construction worksheet is entered in the Liabilities balance field and marked as Paid by Close.

Additional Loan Information <span style="float: right;">✔ -</span>					
<b>Construction Worksheet</b>					
<b>Section A. Land Value</b>					
PURCHASE PRICE OF LOT \$ 50,000.00	ACQUIRED SEPARATELY	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	APPLICABLE LAND VALUE \$ 50,000.00	FOUNDATION COMPLETE No ▼	PROPERTY LOCATION PLATTED ▼
<b>Section B. Construction Costs &amp; Improvements</b>					
BUILDER'S PRICE TO BUILD \$ 350,000.00	INSPECTIONS 1	COST OF INSPECTION \$ 175.00	INSPECTION TOTAL \$ 175.00	TITLE UPDATES 1	
COST OF UPDATE \$ 175.00	TITLE TOTAL \$ 175.00	REQUESTED DRAWS 0			
OTHER Granite Loan Management				TOTAL \$ 1,600.00	
OTHER #2 Survey				TOTAL \$ 750.00	
OTHER #3 Enter Description				TOTAL \$ 0.00	
OTHER #4 Enter Description				TOTAL \$ 0.00	
OTHER #5 Enter Description				TOTAL \$ 0.00	
TOTAL CONSTRUCTION COSTS <b>\$ 352,700.00</b>					
<b>Section C. Loan Amount</b>					
TOTAL ACQUISITION COST \$ 402,700.00	ESTIMATED APPRAISAL \$ 400,000.00	LESSER OF ACQUISITION COST \$ 400,000.00	BASE LOAN AMOUNT \$ 300,000.00	CLTV 75.00	

**Real Estate**



JOHN HOMEOWNER

**Property**

INDICATOR SUBJECT OF LOAN	PROPERTY ADDRESS 5151 Corporate Drive	PROPERTY ZIP CODE 48098	PROPERTY CITY Troy	PROPERTY STATE MICHIGAN
USE A NET RENTAL? YES NO	IS PROPERTY FREE AND CLEAR? YES NO	DISPOSITION RETAINED-WILL BECOME PRIM/	PROPERTY TYPE SINGLE FAMILY	PRESENT MARKET VALUE \$ 400,000.00
MORTGAGE LIEN AMOUNT \$ 400,000.00	MORTGAGE PAYMENT \$ 1,100.00	GROSS RENTAL INCOME \$ 0.00	VACANCY / EXPENSE PERCENTAGE 0	INSURANCE, MAINTENANCE, TAXES \$ 0.00
NET RENTAL INCOME \$ 0.00				

**Liabilities**



JOHN HOMEOWNER

**Liability**

PAID BY CLOSE? YES NO	USE NET RENTAL / SUBJECT NET CASH YES NO	ACCOUNT TYPE CONVENTIONAL REAL ESTATE	ASSOCIATED PROPERTY 5151 Corporate Drive	INSTALMENT SUB TYPE -SELECT-
MORTGAGE TYPE -SELECT-	ORIGINAL LOAN PURPOSE -SELECT-	MONTHLY PAYMENT \$ 1,100.00	BALANCE \$ 400,000.00	PURCHASE SECOND MONEY -SELECT-
CREDITOR NAME Enter name	CREDITOR ACCOUNT NUMBER Enter account number	CREDITOR ADDRESS Enter address	CREDITOR ZIP CODE Enter zip code	CREDITOR CITY Enter city
CREDITOR STATE -SELECT-	REASON FOR OMISSION -SELECT-	MONTHS LEFT TO PAY <b>364</b>		