

GSF MORTGAGE CORPORATION

# SINGLE CLOSE CONSTRUCTION OVERVIEW

GSF Mortgage Corp. has the expertise, experience and efficiency to administer true Single Close USDA, VA and FHA loan programs.



# Who is GSF Mortgage?



GSF Mortgage is a Fannie Mae and Freddie Mac Direct Lender as well as a Ginnie Mae Issuer, meaning that we have direct access to nearly every mortgage product available. We have been in business since 1995 and pride ourselves on consistency and integrity.

Our teams are trained at the highest level to offer USDA, VA and FHA Single Close Construction loans.

National Capital Funding (NCF) has provided construction administration services for the last 15 years. Their ability to administer the true Single Close FHA, USDA, and VA construction to perm loans with staged funding provides you with the security of knowing that the borrowers permanent loan will not only be approved, but closed prior to the start of construction. Because the permanent loan is in place before construction begins, there is no "re-qualifying" the borrower.



# Who can apply?



## ELIGIBILITY

### LOAN TYPES

- FHA, VA and USDA. FNMA (roll out estimated January 2018)
- Min FICO: FHA (640) VA (620), USDA (640), FNMA (TBD)
- Max LTV no overlays. FNMA (TBD)
- Max loan amount, agency limits
- Loan terms, 30 and 15 year fixed only
- 3.5% down payment or 100% financing options available

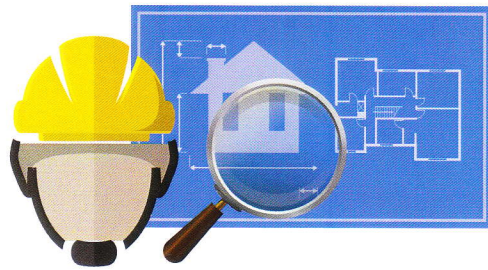
### ELIGIBLE PROPERTIES

- Manufactured, Modular, Stick Built
- FNMA – does not permit manufactured homes
- Single family, 1-2 unit owner occupied.

Contact your local GSF Mortgage Loan Officer for more details.



# How does it work?



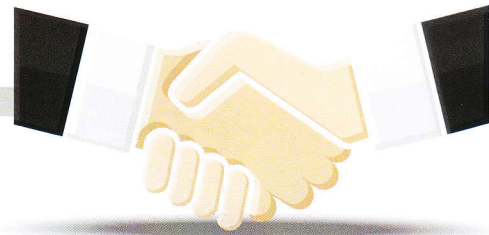
**1** BUILDER APPROVAL



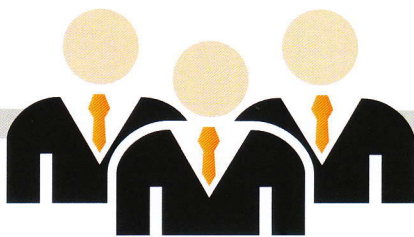
**2** CONTRACT PREPARATION



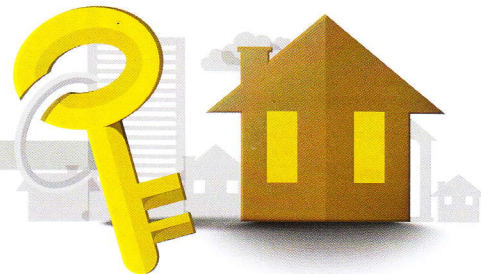
**4** GSF MORTGAGE CORP. WILL UNDERWRITE THE BORROWERS CREDIT PACKAGE



**3** CONTRACT SIGNED



**5** THE DRAW ADMINISTRATOR WILL UNDERWRITE THE CONSTRUCTION PROJECT



**6** LOAN CLOSSES

After loan closing, the draw administrator will handle the construction administration including draw requests and inspections. They will follow the project through completion. Borrowers will need to sign off on final draw.

# Builder Approval



## SEND THE FOLLOWING ITEMS TO YOUR LOAN OFFICER

- Complete Builder/Retailer Summary Application and Contractor's Performance Agreement
- Builder/Retailer's License
- Certificate of Insurance for General Liability and Workers Compensation (or letter explaining why it's not required)
- Certificate of insurance for inland marine coverage, or builder's risk/course of construction insurance will be required on every loan
- For site built, 2 years federal tax returns, year to date profit & loss statement, current balance sheet or personal financial statement, and executive summary with overview of experience and history on company and principals
- For USDA approval, complete authorization for background check and credit check for personal and business

## CONTRACT PREPARATION

Provide the builder costs, land payoff/purchase price, and cost of improvements to GSF Mortgage. A cost analysis will be performed and a purchase price will be determined by adding soft construction costs to the builder costs, land purchase and improvements.

A detailed list of costs will be provided showing what the purchase price will need to be set at based on the estimated time from closing to completion of the project.

## CONTRACT SIGNED

Once a purchase price is determined, the builder can write and execute the contract with the borrower. Provide signed contract to GSF Mortgage Corp. and loan will be disclosed and the loan approval process can begin.

GSF can approve borrowers prior to contract execution with our Finance First Pre-Approval program. If a contract is written within 30 days of entry into our Finance First Pre-Approval Program, GSF will pay for the cost of the borrower's appraisal up to \$500 at closing.

# YOU CONTROL THE MONEY WITH Line Item Percentage of Completion



## HERE'S HOW IT WORKS...

### COSTS YOU LISTED ON THE CONSTRUCTION COST BREAKDOWN FORM

Foundation: \$5,000

Driveway: \$1,000

Septic System: \$6,000

### INSPECTION REPORT SHOWS THE FOLLOWING

Foundation: 100%

Driveway: 80%

Septic System: 50%

### DRAWS WOULD BE AS FOLLOWS

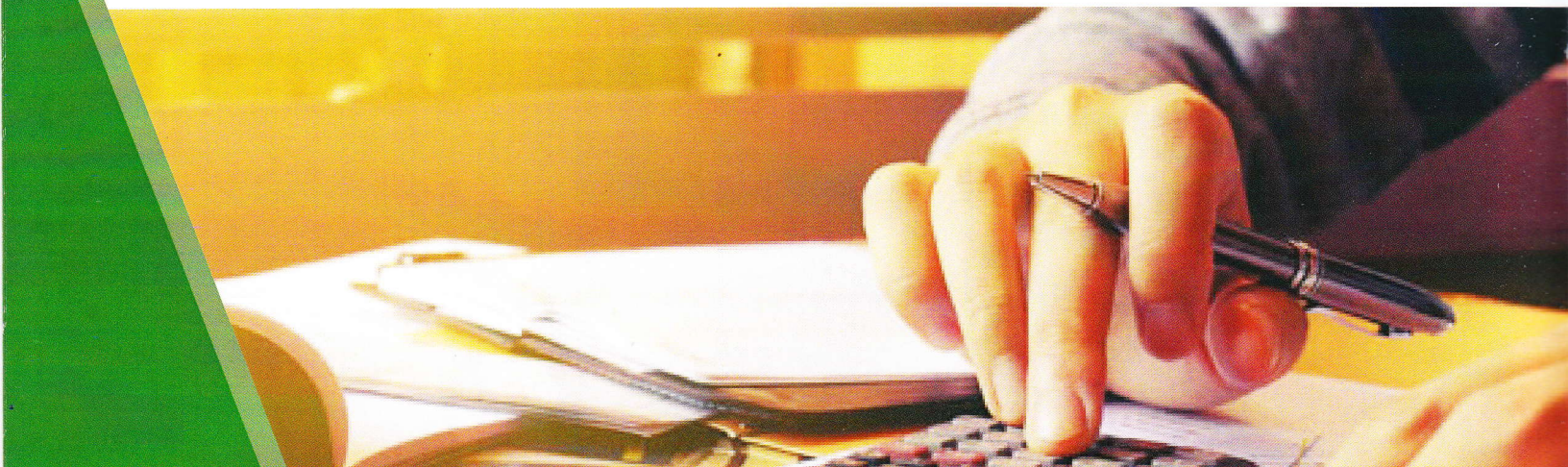
Foundation: \$5,000 (100% x \$5,000)

Driveway: \$800 (80% x \$1,000)

Septic System: \$3,000 (50% x \$6,000)

Total Interim Draw: \$8,800

- Your discretion when or if to take interim draws.
- Collateral inspection required when a draw for site improvements is requested. This will be paid for by the draw administrator.
- Draw can be used to payoff manufacturer's invoice cost of home (if not paid at closing). No collateral inspection required if paying home only.
- Fund up to 80% of the contract price prior to final draw.
- If project is completed early, the extra interest will be paid to you.
- Land will be paid for at closing.



# Cost Analysis Example



## GIVEN THE FOLLOWING INFORMATION

Type of Home	Modular
Type of Loan	FHA
Currently Own Land?	No
Base Home Sales Price	\$100,000.00
Cost of Improvements	\$50,000.00
Land Cost/Payoff	\$25,000.00
<b>TOTAL HARD COSTS</b>	<b>\$175,000.00</b>

What Builder needs to net  
Septic, Well, Etc.

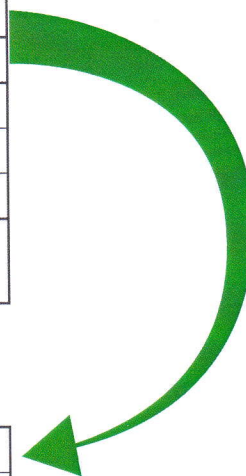
## BREAKDOWN OF BUILDER'S/RETAILER'S CONTRACT PRICE

Base Home Sales Price	\$100,000.00
Cost of Improvements	\$ 50,000.00
Contribution to Buyer's CCs/Prepays	\$9,885.14
Prepays: \$2898.55   Discount: \$0   CC: 6986.59	
Builder's/Retailer's Closing Costs	\$0
Construction Financing (Soft) Costs	\$5,085.96
Estimated Construction Interest	\$2,898.90
<b>FINAL CONTRACT PRICE</b>	
HOME 7 IMPROVEMENTS	\$167,870.00
Land Contract Price	\$25,000.00
<b>TOTAL ACQUISITION COST OF THE PROPERTY</b>	<b>\$192,870.00</b>

Calculated on closing date and completion date

## RETAILER'S/BUILDER'S CONTRACT MUST REFLECT...

Final Contract Price	\$167,870.00
Comment that the Builder/Retailer agrees to pay Buyer/s Closing Costs/ Prepays of	\$9,885.14



# Tips for Contracts



1. Allowances are not allowed. Contingency reserves can be used instead, typically 10%.
2. Draws are not based on milestones, they are based on line item percentages.
3. Contracts must be "As is".
4. Financing for the builder or employees of the builder are not allowed.
5. Log homes, Bamboo Homes, and metal homes are not currently eligible for the program.
6. Max loan amount is within conforming loan limits.
7. Owner occupied properties only.
8. Builder/Retailer must provide and be responsible for turnkey completion services. The borrower cannot be responsible for any construction items.
9. Builder/Retailer must act as the Construction Coordinator/General Contractor for the home and all improvements including site work to be completed on the project.
10. Upgrades are not allowed after closing. If the borrowers request upgrades, those will have to be paid by the borrower out of pocket.





# Required Documents



## FOR UNDERWRITING

- Set of blueprints/plans with both builder's and borrower's signatures
- Specs/description of materials
- (HUD-92005 or VA 26-1852): must be signed/dated by both builder and borrower(s)
- Elevation certificate if property is in a flood zone
- Initial boundary survey of lot (if required by the settlement agent prior to closing)
- Proposed plot plan completed by builder: Must show proposed placement of home, septic, and well on property and distances between each site-built home
- Construction draw disclosure
- Disbursement authorization and appointment of agent: If not executed, borrower's approval will be required for each interim draw agreement regarding payment of interest FHA/VA
- Construction/permanent loan disclosure
- Builder's Certification: If FHA use HUD-92541, items 2 through 7 must be marked. If VA, use either HUD-92541 or VA Builder's Certification per guidelines
- Permits: \_\_\_ Building \_\_\_ Well \_\_\_ Septic (when available)
- Subcontractor Bids: \_\_\_ Foundation \_\_\_ Well \_\_\_ Septic (if available)
- Copy of check(s) for borrower's deposits to builder and/or land seller
- Land/lot acquisition contract
- Construction cost breakdown
- Manufacturer's invoice
- Structural Engineer's Certification of the foundation plans (for manufactured only)
- Initial boundary survey of lot
- FHA construction/permanent loan disclosure

# Required Documents



## PRIOR TO FINAL DRAW

- \*Affidavit of Commencement (Texas only, if not signed at closing)
- \*Affidavit of Completion and Indemnity signed by retailer in the presence of a notary.
- \*Affidavit of Completion and Acceptance signed by borrower(s) in the presence of a notary.
- \*Final waiver and release of lien signed by retailer in the presence of a notary.
- \*Borrower's Certification that construction loan is fully drawn down.
- \*HUD 92544 Warranty of Completion signed by retailer and borrower(s)
- \*Modification Agreement (if necessary) signed by borrower(s) in the presence of a notary.
- Final "As Built" Placement Survey showing home location on property (if required by the settlement agent to issue final title policy with no survey exceptions)
- \*\*Initial Compliance Inspection (commonly referred to as an open hole or pre-pour inspection) or evidence of a HUD approved 10 year warranty
- HUD-NPMA-99-A Subterranean Termite Treatment Builder'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)
- Local authority's approval of well or acceptable well water test results including lead, nitrites, total coliforms, and E. coli/fecal coliforms (if private well)
- Local authority approval of individual septic system
- Professional drawing, plat or survey showing location and distances between well, septic tank and drain field, and property lines (if both well and septic)

\*Forms provided by draw administrator to retailer

\*\*On modular homes only, if the local authority issues both a building permit and permanent certificate of occupancy, they can be used in lieu of the initial compliance inspection/ HUD approved 10 year warranty and final compliance inspection.

# Tips for successful appraisals



1. Provide a list of appraisers that know the market and are familiar with the requirements of new construction appraisals. Your lender's AMC may be able to set up appraisal panels specifically for new construction homes.
2. Meet the appraiser at the home/site. Provide information about the home options and provide a list of homes your company has sold to date in the community. This is the best way to ensure the appraiser doesn't just do a drive by of the lot and potentially miss key property specifics.
3. You can challenge inaccurate reports. If you find inaccuracies, report them to the lender who can decide how to proceed.
4. Educate your buyers when they are making their selections. Some upgrades increase the price of the home, but those upgrades don't always factor into a higher appraised value.
5. Don't push upgrades. If the appraised value doesn't come in high enough, the borrower will have to come up with the extra money to pay the difference. That may not be possible in today's market.
6. Make sure energy efficiency is valued on the appraisal. New homes with energy-saving features save homebuyers money and a lot of borrowers are looking for those features and will pay a little more to have those features.
7. Make sure the appraisal is requested early in the construction process. GSF Mortgage will typically order the appraisal after receipt of the signed loan application from the borrower. Be sure that the loan officer has all the appropriate documents (plans, specifications, list of upgrades, and information regarding the lot purchase)
8. Put your homes on MLS. MLS is one of the first places appraisers will look for comparable sales data. If your homes are not listed on MLS, the appraiser may miss out on some recent, available comparable sales data. Make sure what you are listing on MLS is accurate, reliable information.
9. Communicate with the appraiser. Provide the following information:
  - a. Market and absorption information
  - b. Sales information for the community
  - c. Specifications for the property
  - d. Energy-efficiency features of the home
  - e. Details on what materials were selected and why
  - f. Buyer response to the material selections



**(800) 444-RATE | [GoGSF.com](http://GoGSF.com)**

This is not an offer to make a loan or to make a loan on any particular terms. All loan applicants must qualify under the underwriting requirements and satisfy all contingencies of loan approval. GSF Mortgage Corp. NMLS# 1018  
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