

## USDA ONE-TIME-CLOSE CONSTRUCTION LOAN PRODUCT

The USDA One-Time-Close Construction (OTC) loan product offers borrowers 100% financing for building their home. This product is fully amortized when the rate is locked and the borrower begins to make PITI payments as usual at the close of the loan. There is no modification of the loan once construction is complete.

The borrower is required to establish a payment reserve. The reserve will include PITI payments with the number of months based on the builder's average build time. The payment reserve can be financed if the LTV allows. Any reserves remaining upon completion of the home will be placed against the principle balance of the loan. Please see the USDA OTC matrix at the end of this guide for more information on the products. **Please note, the USDA Construction products allow for fixed price contracts only.**

### Originating the Loan

#### Fully Amortized (PITI)

This loan will be set up and locked as you would any normal USDA purchase or refinance in Encompass, with a few additional steps. Choose the following loan program in OB to get started:

- **GMFS-USDA Construction 30 Yr**
  - Be sure to select "Yes" under the Construction drop down box to access the loan program in OB

**Property Information**

Occupancy	Property Type	Number of Units	Number of Stories
Primary Residence	Single Family	1 Unit	1
State	County	Construction	
Louisiana (LA)	East Baton Rouge	Yes	
Property Zip			
70816			

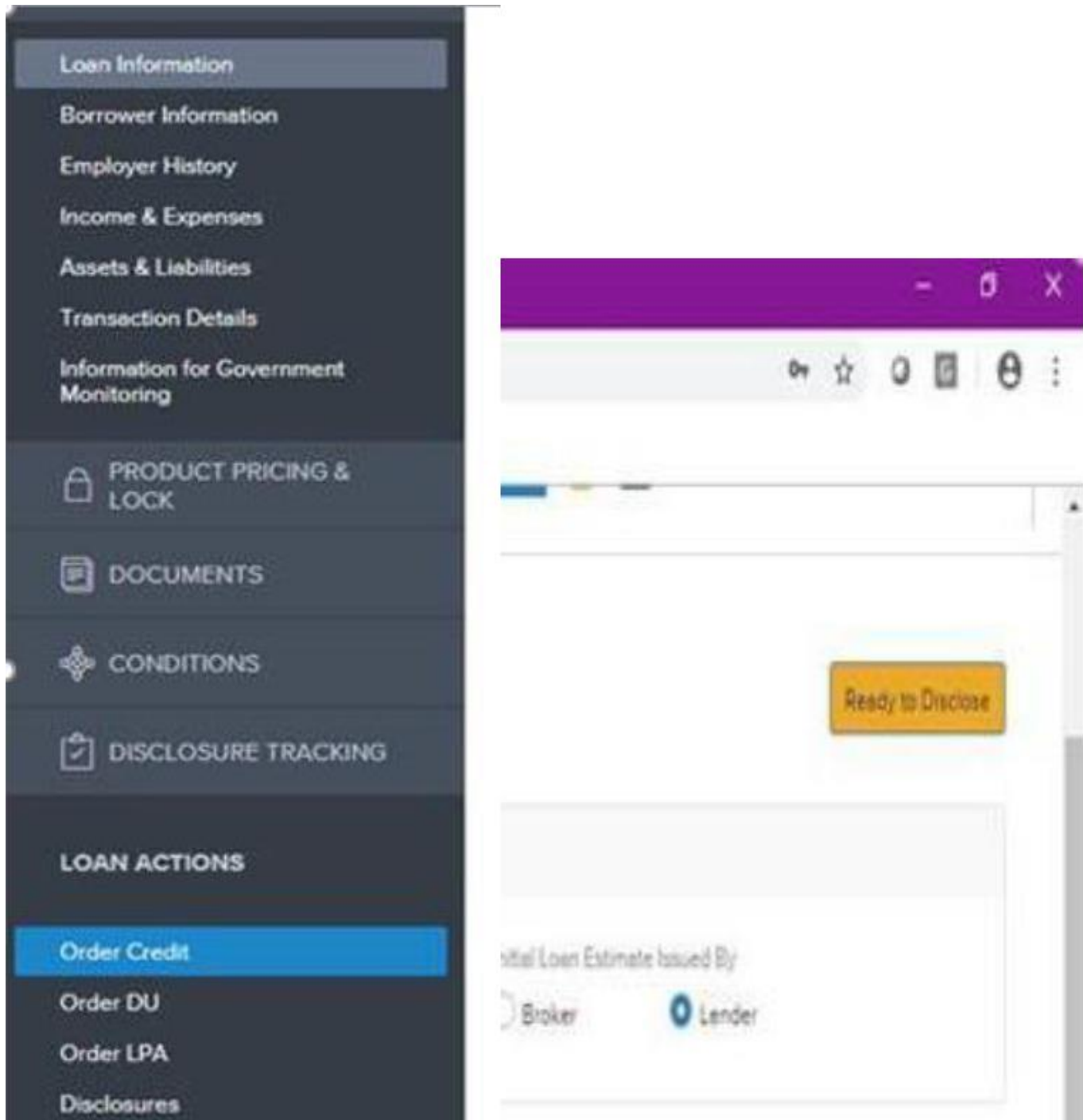
**Payment Reserve:** The recommended reserve is based on the average build time of the builder. If the build takes longer than the months collected for the payment reserve, your borrower is responsible for taking over the payments regardless of the status of the build. Payment reserves can be financed if LTV allows. If the payments are financed and not all used, they will be placed towards principle at the end of the build. If the borrower brings their payment reserve to closing in cash and they are not all used, borrower can get those funds reimbursed when the home is complete.

**Refinance (borrower already owns the lot, financed or not):** You will need to include a debt for the cost of construction and needs to be tied to the subject property. If your borrower has a land loan, this debt will also need to be tied to the subject property. The payment reserve is the PITI payment multiplied by 12, or the amount of months the builder states it will take to build the home (recommended). This will be listed as a closing cost. The builder can elect to fill out a letter of explanation with their average build time. If so, the payment reserve can be based off the builder's LOX.

**Purchase (borrower is purchasing the lot when closing the construction loan):** The cost of construction and the cost of the lot will need to be combined as the purchase price. The payment reserve is the PITI payment multiplied by 12, or the amount of months the builder states it will take to build the home (recommended). This will be included in your acquisition cost. The builder can elect to fill out a letter of explanation with their average build time. If so, the payment reserve can be based off the builder's LOX.

## Disclosing

Click request disclosures in the portal [add screenshot] once the file is registered with GMFS. Be sure the OTC Construction Disclosing Request form is uploaded into the file. The correct closing cost template will be selected as the file is set up by GMFS for disclosures. You will receive a copy of the LE to review and approve prior to disclosures being sent to the customer.



**GUS**

- 1) Complete the 3.4 Export to GUS
- 2) Go through the screens and update as you would with a normal purchase.

ONE TIME CLOSE SCREENS  
(Enter manually)  
LOAN AND PROPERTY INFORMATION

Loan Amount is the TOTAL loan amount (includes payoff to builder, closing cost, payment reserves, etc.)

Loan Purpose is PURCHASE

**Loan And Property Information**

✓ Loan And Property Information

Loan Amount (P)

\$196,969.00

Loan Purpose (P)

Purchase

Refinance

Property Address

LENDER LOAN INFORMATION

When you click the box for Construction-Conversion/Construction-to-Permanent additional fields will appear. Choose Single Close and complete the Construction/Improvements Costs and Original Cost of Lot

Lender Loan Information

Withdraw App

✓ Property and Loan Information

Lender Loan Number (F)

10176894

Community Property State

At least one borrower lives in a community property state

The property is in a community property state

Transaction Detail

Conversion of Contract for Deed or Land Contract

Renovation

Construction-Conversion/Construction-to-Permanent

Single-Closing (P)

Two-Closing (P)

Construction/Improvement Costs (F)

\$0.00

Original Cost of Lot (F)

\$0.00

Energy Improvement

## Additional Data Screen

Purchase is – Choose New from drop down box

The screenshot shows a web interface with a navigation bar at the top containing 'Agency', 'Borrower Information', and 'Assets and Liabilities'. Below this is a section titled 'Additional Data'. A dropdown menu labeled 'Purchase is (P)' is open, showing 'New' as the selected option. To the right of the dropdown, there are two radio buttons: 'Yes' (selected) and 'No'.

### Contractor

Contractor will need to be verified. Use the Contractor Profile Report and send to [constructionhelpdesk@gmfs lending.com](mailto:constructionhelpdesk@gmfs lending.com) once completed for review and approval.

### Construction Contract-Fixed Price only for this product

The contract between your borrower and builder must be signed by both parties. The contract must be a fixed price contract and include the following information:

- State the agreed-upon cost of construction
- Contractor is carrying general liability and worker's comp insurances, and must state if providing builder's risk insurance or if the borrower is responsible for this insurance.
- Contractor will be required to complete the work in compliance with the contract and all applicable government regulations (such as building codes and zoning restrictions).
- Contractor will be required to obtain the necessary building permits, including a certificate of occupancy upon completion of the home.
- The contract must provide for appropriate remedies for resolving disputes.

### Appraisal

Order as you would a normal construction appraisal. Send the contract for construction and plans with the order.

### Fees:

- **Admin Fee:** – This is for work we do on the backend of the loan. Inspections, draws, etc. This is a construction department fee and not to be cut. Check with the construction department on the cost of this fee.
- **Construction Inspections Fee**
- **Final Inspection:** 1004D – Ordered with a recertification of value.
- **Final Title Update:** Required to ensure no liens are placed on the property prior to releasing funds for the final draw.
- **Payment Reserve:** A payment reserve of up to 12 months is required by USDA. The reserve can be built into the contract to build. If all reserves are financed and not used, the funds will be placed against the principle balance

of the loan upon completion of the home. If all reserves are brought by borrower in cash, the borrower can elect to get those funds back after the build is complete.

- **Survey** – A slab survey is required.

#### **Required items before we will issue the Construction Lender Approval:**

- Contractor verified by Construction Department. Must submit Contractor Profile Report with a copy of General Liability and Worker’s Comp Insurance. This process usually takes roughly a week so it is recommended prior to going into UW.
- Signed contract between borrowers and contractor.
- Must have the “subject-to” appraisal.

#### **Draw Process :**

- Borrower or builder requests draw
- Inspection is ordered
- We receive inspection report within 24 hours after completed.
- Funds are disbursed via wire directly to builder after borrower approval is received

#### **Things to note:**

- Builder’s risk required during construction.
- Quote for HOI due during origination, full premium plus cushion will be collected and placed into escrow for payment upon completion of the home and to establish the escrow account.
- If flood insurance is required, policy must be bound and put into place at the time of closing.

#### **Completion of Construction**

- Certificate of Occupancy, final inspection by appraiser (1004D) and final endorsement to the title policy are obtained and placed into the loan file. CO and final inspection to be obtained prior to final funding.
  - If a building permit and CO is not issued, then additional documents must be filled out by the builder.
    - HUD 92541, HUD 92544 and a 10 year insured builder warranty.
- Builder to complete forms 99a and 99b prior to final funding, complete forms placed in the loan file.
- GMFS to complete the Approved Lender Certification and place in the loan file
- If there are funds remaining from the payment reserve these funds are to be placed toward the principal balance of the loan and a loan history obtained from the servicer then placed in the loan file.
- USDA UW to finalize the single-close transaction by completing the “Single Close Construction/Rehab” page in the Lender Loan Closing (LLC) system.

**These procedures will be updated as this product evolves. Please check back each time you do a USDA OTC loan for updates.**

Contact the Construction Help Desk for questions at [constructionhelpdesk@gmfslending.com](mailto:constructionhelpdesk@gmfslending.com).





**GMFS USDA New Construction Loan Program  
Product Eligibility Matrix  
January 2023**

Occupancy	Loan Purpose	Property Type	Maximum LTV	Maximum Loan Amount	Minimum FICO
Primary Residence	Construction to Permanent	Single Family	100%	Standard USDA guidelines	660

BORROWER ELIGIBILITY REQUIREMENTS	
Loan Programs	USDA 30 year fixed-Fully Amortized Option-No modification required
States Product is Available in at this time	Louisiana, Mississippi, Georgia, Alabama, North Carolina, South Carolina, Texas, Tennessee
Appraisal Requirements	Full "subject to completion per plans and specs" appraisal is required.
Credit Requirements and Debt-to-Income Ratios	Minimum FICO 660 with GUS accept. No manual underwrites allowed.
Finance Type	Purchase or refinance of land is allowed
Eligible Properties	Primary residence, single-family dwellings.
Builder Qualifications	Builder must be licensed and insured according to state laws. GMFS to verify each builder.
Payment Reserve to cover payments while home is under construction.	The payment reserve can be financed from the loan if LTV allows. Fully Amortized requires a minimum of 6 months PITI payment reserve. If the payment reserve is financed, any remaining funds in the payment reserve will be placed toward the principle balance of the loan.
Construction Loan Terms	Rate will be locked at time of origination. No modification will be required.  Fixed price contract only.
Insurance	Builder's risk required during construction.  Quote for HOI due during origination, full premium based on the quote will be collected at closing and then funded from loan once construction is complete to bind HOI.  If flood insurance is required, policy must be bound and put into place at the time of closing.
Construction Loan Related Fees	<ul style="list-style-type: none"> <li>Construction Administration Fee</li> <li>Construction Inspections</li> <li>Final Inspection, including recert of value</li> <li>Title Update</li> <li>Survey Fee</li> </ul>