

TEMPORARY OVERLAYS DUE TO COVID-19

- The Loan Advisor must verify the municipality is open and permitting construction and inspections prior to origination and loan lock; while no documentation is required to register or lock it will remain the responsibility of the customer/originator to retain any documentation used to support.
- Proof that Permits are ready to be picked up prior to loan funding is required
- NEW CONSTRUCTION: 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.
- RENOVATION: All renovation loans require a contingency reserve equal to at least 10% of the cost of renovations and must be included in the cost breakdown

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 – CONSTRUCTION/CONSTRUCTION-PERM					
Property Type	Maximum LTV	Maximum CLTV	Minimum Credit Score	Maximum Project Size ¹	Maximum Loan Amount
1-Unit PUD Site Condo	85%	Subordinate Financing Not Allowed	760	\$1,500,000	\$1,000,000
	80%		720	\$1,500,000	\$1,500,000
	75%		720	\$1,500,000	\$2,000,000

SECOND HOME – CONSTRUCTION/CONSTRUCTION-PERM					
Property Type	Maximum LTV	Maximum CLTV	Minimum Credit Score	Maximum Project Size ¹	Maximum Loan Amount
1-Unit PUD Site Condo	75%	Subordinate Financing Not Allowed	720	\$1,500,000	\$1,000,000
	70%		720	\$1,500,000	\$1,500,000
	65%		720	\$1,500,000	\$2,000,000

1. Project size is defined as soft and hard costs to complete construction. Price of land is not included in construction cost or, therefore, in project size.

PROGRAM SUMMARY

Jumbo One-Close construction program allows for payment of interest-only during construction. 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 not. Full third-party builder contracts only. Teardowns and major renovations are eligible. All loans must be originated through a table-funded TPO transaction.

PRODUCTS OFFERED

Product Name	Term	Construction/ Interest-Only Period	Loan Term for Registration
Jumbo One-Close Construction 30-Year Fixed 12 month	30 years	12 months	372

AMORTIZATION STRUCTURE

- Interest only payment due on outstanding principal balance during construction
- After construction, loan converts to end term of fully amortized payment over 30 years.

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 application
 - Construction purpose type is used if the borrower is not the owner of record at the time of loan application
 - Construction Perm purpose type is used if the borrower is the owner of record, regardless of length of time owned or how title was acquired
- Loan term selection per eligibility grid 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 loans close in the name of Flagstar Bank with the following requirements:

- Flagstar issues initial and all required additional Loan Estimates
- Flagstar underwrites all loans
- Flagstar issues all Closing Disclosures and Closing Packages
- Flagstar funds all loans

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. 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.

LOAN AMOUNTS

MAXIMUM

Refer to Eligibility Grids above

MINIMUM

Conforming High Balance Plus \$1

ELIGIBLE PROPERTY TYPES

- 1-unit site-built homes
- Detached planned unit development (PUD)
- Site condominium (detached). Must be fee simple interest for land and dwelling
- Rural Properties
- Tear-downs & major renovation
- Properties where construction has already begun
 - Subject to title company approval to insure prior to close

QUALIFYING RATE BASED ON FULLY AMORTIZING PAYMENT

- Note rate at fully amortized payment

QUALIFYING RATIOS

- Maximum 40%

TAX AND INSURANCE ESCROW

Refer to *Non-Agency Underwriting Guidelines* guides for calculation method for qualifying taxes.

DRAWS/FEES

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

CONSTRUCTION GUIDES

Executed borrower acknowledgement must be in the loan file. The construction guide and supporting documentation can be found in the 3000 section of the Seller's Guide.

Borrower and contractor must also be supplied with the appropriate State Statutory Form package and State Draw Requirement Letter. These can be found in the 3000 section of the Seller's Guide.

INSURANCE

See *Hazard Insurance Requirements*, [Doc. #4602](#) for insurance requirements during construction.

FILE SUBMISSION

BUILDER/PROJECT PACKAGE

Builder and project packages must be submitted to Granite Loan Management for review.

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: projects@graniteriskmanagement.com

CREDIT PACKAGE

Credit packages must be submitted to Underwriting through paperless loan submission and must include the executed Construction Guide Acknowledgement.

APPRAISAL

All appraisals must be ordered through Flagstar Loantrac from an approved Appraisal Management Company even if the customer has AIR Compliant status. All appraisals will be reviewed by the Appraisal Review Department. **Additional appraisal review products may be required. Refer to the Non-Agency Underwriting Guidelines for all requirements.**

Loan Amount	Appraisal Requirement at Loan Origination
Up to \$2,000,000	One Full Appraisal

All loans require confirmation of final value, full appraisal required at completion of construction for requalification.

UNDERWRITING

See below for product specific criteria. All additional guidelines not addressed below must meet the parameters documented in the [Non-Agency Underwriting Guidelines](#). Product specific criteria may vary from the guidelines only as indicated below.

All loans must be originated through a table-funded TPO transaction.

- All loans are underwritten by Flagstar
- A final appraisal to support LTV and verify mortgage remained current during the construction phase is required.
- 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. No manufactured homes
- Fourth-party transactions are not eligible
- No alternate credit history
- If construction has started it is subject to title company approval to insure prior to close
- 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 builders 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
- Interest Reserve Accounts to pay interest during the Construction Period are not eligible. Borrower must make an interest-only payment during the construction period

RESERVES

Occupancy	Loan Amount	Required Reserves ²
Primary Residence	Up to \$1,000,000	9 months, verified PITI
	\$1,000,001 - \$1,500,000	21 months, verified PITI
	\$1,500,001 - \$2,000,000	27 months, verified PITI
Second Home	Up to \$1,000,000	15 months, verified PITI
	\$1,000,001 - \$1,500,000	21 months, verified PITI
	\$1,500,001 - \$2,000,000	27 months, verified PITI

2. When borrowers have financed properties in addition to the subject property, an additional 6 months PITI reserves are required for each property.

MORTGAGE INSURANCE

Not required

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

Extensions may be granted, pursuant to a change order, if Lender reasonably believes work will not be done by the scheduled completion date. Maximum extension period is six whole months (extensions will not be granted for partial months). Flagstar Bank will charge a Construction Extension Fee of \$1,000 per month if the construction is not completed by the pre-determined completion date.

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

PREPAYMENT PENALTY

None

CLOSING DOCUMENTATION

Interim interest is not collected at closing. Loans closing within the first seven 7 days of the month cannot be closed with an interest credit.

Maximum draw request from builder at closing is capped at 10% or \$100,000 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).

LENDER/SELLER CREDITS

Lender/seller credits must be itemized when requesting funds.

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					
Construction Worksheet					
Section A. Land Value					
PURCHASE PRICE OF LOT \$ 50,000.00	ACQUIRED SEPARATELY	YES NO	APPLICABLE LAND VALUE \$ 50,000.00	FOUNDATION COMPLETE No	PROPERTY LOCATION PLATTED
Section B. Construction Costs & Improvements					
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					
\$ 352,700.00					
Section C. Loan Amount					
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 364		