



MID AMERICA
MORTGAGE, INC.

Wholesale and Non-Delegated
Correspondent

Government One-Time Close
POLICY & PROCEDURES MANUAL

15301 SPECTRUM DRIVE, SUITE 405
ADDISON, TX 75001

May 2, 2019

Contents

General Description	3
Administration	3
Allowable Features	3
Types of Loans	3
Eligible & Non-Eligible Properties	3
Occupancy Type	3
Maximum Loan Amounts	3
Fees and Payment	4
Borrower's Payments	4
Payment of Interim Interest & Fees	4
Legal Documents Preparation	4
Completion and Draw Schedule	5
Builder Completion	5
Draw Schedule	5
Draw Requests	5
Responsibilities and General Flow	5
Application & Initial Processing	6
Underwriting	7
Closing	8
Funding/Post-Closing	9
Permanent Phase	9

General Description

This product is a fixed rate 15- or 30-year loan which consists of construction and then a permanent phase. The construction phase provides draws with interest accruing on funds disbursed. When construction is complete the loan is converted to a fully amortizing loan for the remainder of the loan period. Because the permanent loan is closed before construction begins, there is no “requalifying” of the borrower when it is time for conversion of the construction portion of the loan to the permanent portion of the loan. This is a true one-time close, therefore, the Borrowers will not need to return to the closing agent once construction is complete.

Administration

MAM has partnered with National Capital Funding, LTD (NCF) to aide in the process of our one-time close products. NCF will register builders, maintain and disburse construction monies, collection of construction documents and oversight of construction phase, and complete payoff and documents for final payoff of construction. National Capital Funding, Ltd. (NCF) provides construction funds administration to Lenders for true one-time close FHA, VA, and USDA construction-to-permanent loans with staged funding designed for manufactured, modular, and site-built housing.

Builder registration form can be found at https://www.ncfunding.net/uploads/5/0/1/3/50131429/ncf_otc_builder_retailer_registration_packet.pdf. All the applicable items on the list should be sent to Builder/Retailer registration with NCF/MAM via e-mail to constructiondocs@midamericamortgage.com or via fax to 281.537.5698. The Builder's/Retailer's Company Name should be in the subject line.

Allowable Features

Types of Loans

FHA, VA, USDA and RD Construction/Permanent Loans. Approve/Eligible only. These loans will be administered through National Capital Funding (NCF).

Eligible & Non-Eligible Properties

Eligible: (Factory Built Homes) Manufactured Homes, Modular Homes, and Site-Built Homes. Panelized Homes are considered Site-Built Homes for purposes of eligibility for the program.

Non-Eligible: Log Homes, Bamboo Homes, Metal Homes, Container Homes, and Post-Frame Homes (e.g., Barndominiums) are not eligible for the program.

Occupancy Type

Owner-Occupied.

Maximum Loan Amounts

FHA follows FHA County Limits

USDA mirrors conforming loan limits.

VA mirrors conforming loan limits*.

* FHA's max total loan is 96.5% of the lesser of acquisition cost or appraised value plus UFMIP. On FHA, if appraised value is \$200K and acquisition cost is \$195K, then max base loan is \$188,175 and total loan with UFMIP is \$191,468. FHA has a max base loan limit depending on the area.

VA's max total loan is 100% of the lesser of acquisition cost or appraised value plus funding fee. If appraised value is \$200K and acquisition cost is \$195K then max base loan is \$195K and max total loan is \$195K plus VA funding fee. VA does not have a base loan limit provided the veteran invests 25% of the difference of lesser of appraised value or acquisition cost and conforming loan limit. For example, if conforming loan limit is \$484,350 and lesser of acquisition cost or appraised value is, \$584,350, then veteran must invest 25% of the \$100K difference, or \$25K. Therefore, max base loan amount is \$469,350 and max total loan is \$469,350 plus VA funding fee. This is considered a VA Jumbo loan since it is above the conforming limit.

Fees and Payment

Borrower's Payments

The Borrower's full PITI payments do not begin until after construction is complete. The borrower is not responsible for construction payments during the construction period.

Payment of Interim Interest & Fees

The construction interest, construction administration fee, construction funding fee, construction underwriting fee, construction closing coordination fee, and construction inspection fees charged will be included in the Retailer's/Builder's price of home. These are all considered Construction Soft Costs and do not count towards maximum contributions/concessions allowed to the Borrower nor are they considered the Borrower's closing costs.

Interim Interest Rate: Interim interest only accrues on funds disbursed, not the full loan amount. Interim rate is currently 8.0% on Site-Built Homes and 9.95% on Manufactured and Modular Homes.

Interim Fees or Construction Soft Costs:

- Construction Administration Fee is 2.25% of the total loan note amount
- Construction Closing Coordination Fee is \$275.
- Construction Underwriting Fee is \$250.
- Construction Inspection Fee is \$525 for manufactured/modular and \$875 for site-built.

Legal Documents Preparation (closing docs)

Closing documents are provided through NCF. The attorney firms we use to prepare the closing documents charge \$300 outside of Texas and \$400 inside of Texas. Unlike the interim fees, this fee must be disclosed on the LE/CD in most cases.

Completion and Draw Schedule

Builder Completion

Retailer/Builder must provide and be responsible for turnkey completion services. Borrower cannot be responsible for any construction items. Therefore, the Retailer/Builder must act as the Construction Coordinator/General Contractor for the home and all improvements including site work to be completed on the project.

Draw Schedule

At loan closing, MAM will fund closing costs and land cost/payoff (if applicable). Shortly after closing, NCF will fund construction soft costs and can fund manufactured/modular home manufacturer's invoice on Retailer's unit cost (upon request prior to close and provided the unit is offline, a factory invoice is available, and the proper insurance coverage is in place). NCF does not typically fund an upfront draw to the Retailer/Builder for improvement work, however, interim draws are available to the Retailer/Builder after closing for work in place. In most cases, construction draws are based on the line-item percentage of completion method. Funds are only released for work in place and/or for the manufacturer's unit invoice. In most cases, a minimum of 20% of the construction contract on manufactured/modular home deals and 10% of the construction contract on site-built home deals will be funded upon completion of construction at the final draw.

Draw Requests

Requests by the Retailer/Builder are made by phone, fax, or e-mail directly to NCF's Construction Draw Dept. The program offers up to three draws to the Retailer for manufactured/modular housing and up to five draws to the Builder for site-built housing after closing and including the final draw. Additional draws may be allowed at a cost to the Retailer/Builder of \$175 per draw. Upon receipt of a draw request, NCF will have an independent firm inspect the property and return to them photos and a report with the percentage of completion of each improvement item shown on the Construction Cost Breakdown that the Retailer/Builder completed prior to closing. NCF will match each line item's percentage of completion with the budgeted amount shown on the Construction Cost Breakdown to determine that draw's dollar amount. All funds will be disbursed directly to the Retailer/Builder, other than the manufactured/modular home unit invoice, which will be paid directly to Manufacturer or Floorplan Financing Source, unless Retailer can provide proof that they have already paid it themselves. NCF does not typically disburse draws to individual subcontractors that the Retailer/Builder may be utilizing.

Responsibilities and General Flow

Post-closing and during construction phase, NCF is Builder's direct contact for all matters related to construction including draws and collection of final construction related conditions.

For loans administered through NCF, the file will undergo two underwrites:

- MAM underwrites and approves the permanent portion of the loan before the construction begins.
- NCF underwrites and approves the construction portion of the loan.

Underwriting will require the Builder and Project approval prior to submission, so we can decision the loan based on correct figures and approvals from NCF – we will want the NCF Calculation Results in the file at time of initial submission.

When all conditions for closing are cleared, other than the final construction related conditions, NCF will help coordinate the closing with MAM. The Const/Perm Loan then closes in MAM's name. NCF's closing documents include the documents for both the construction portion and the permanent of the loan. Once closed and recorded, construction can begin.

Application & Initial Processing

After the Loan Officer receives an initial TBD application and the construction information from the builder or borrower, Loan Officer/Processor (LO) submits one-time close Calculation Request Form to NCF. This must be completed (step 1) prior to submission or registration of a One Time Close file to MAM's underwriting team.

The calculation form can be completed online at <https://www.ncfunding.net/otc-calculation-request-form.html> or by emailing the form to request@ncfunding.net. The submission of the calculation form should include a breakdown of fees associated with MAM's side of the loan. These fees might include:

- Processing
- Appraisal
- Admin/Origination
- Discount
- Flood
- Credit Report
- Survey

Upon receipt of the form and fee breakdown, NCF will prepare the Calculation Results which will show the LO how to properly structure the Loan and Builder's Contract.

The NCF Calculation Results will aid in the structure of the construction contract and loan amount based on the costs and expected net to the Builder/Retailer in the transaction. Included in the results will be the following forms:

- **Construction/Permanent Loan Information Sheet:**
 - This is a summary of the transaction detailing how the construction contract price was arrived, acquisition cost, loan amount needed, cash needed to close, etc.
- **Individual Deal Worksheet:**
 - This is a breakdown of every fee and cost used to arrive at the results. This is used primarily for helping you complete your Fees Worksheet and permanent period Loan Estimate properly.
- **Construction Cost Breakdown:**
 - Pre-filled with the contract information and ready to be fully completed and signed by Builder/Retailer

- **Purchase Agreement/Construction Contract Worksheet:**
 - Pre-filled with the breakdown of the contract price, shows estimated net for the home and improvements to the Builder/Retailer, and ready to be signed by the Builder/Retailer

If the listed Closing Agent on the form is one NCF has not worked with before, NCF will contact them to explain NCF's one-time close loan and draw process and get their fees based on that conversation.

Typical Calculation Request turnaround time is within 24 hours. Expect turnaround time to be longer on deals with Closing Agent's NCF has yet to work with and, therefore, must call to explain the process and get their fees based on our program requirements and process.

If at any time the fees/costs used change, please notify NCF at request@ncfunding.net to let them know what costs have changed. One minor change can affect everything, so it's imperative that changes be made before you get too far along in the deal. You do not need to resubmit a new Calculation Request Form when changes are needed, just detail in an e-mail what items you need changed. Until the loan is submitted to MAM's underwriting department, communication should be had with NCF.

MAM cannot issue any exceptions or allow what NCF will not allow. LO's and Processors should work with NCF and not MAM Underwriters on the Builder, project and construction piece.

LO discloses loan based on NCF Calculation Results and submits Credit Underwriting Loan Package to MAM's underwriting team for review. These are done through the normal queue's inside Mortgage Machine.

Underwriting

The loan will go through both MAM's underwriting and NCF's construction underwriter. After the LO submits to MAM's underwriting, the LO can begin to put together the underwriting submission to NCF. LO submits Construction Underwriting Loan Package to Mid America Mortgage (constructiondocs@midamericamortgage.com) for construction underwriting review and works directly with MAM/NCF to clear all conditions which are the responsibility of the LO.

Before submitting to MAM/NCF for construction underwrite, be sure:

1. Credit Approval back from MAM with conditions you know you can overcome,
2. Appraisal back and final Calculation Results either updated or confirmed, and
3. Only missing 5 items or fewer from NCF's Construction Underwriting Submission Checklist.

It won't speed up the process or save time by submitting an incomplete package to NCF.

Once the above are complete, the construction underwrite package and forms are to be submitted to Mid America Mortgage via email to constructiondocs@midamericamortgage.com. There are two difference checklists based on a Modular Home or a Site-Built Home.

- Checklist for Modular/Manufactured:
https://www.ncfunding.net/uploads/5/0/1/3/50131429/ncf_otc_forms_packet_mh.pdf
- Checklist for Site-Built:
https://www.ncfunding.net/uploads/5/0/1/3/50131429/ncf_otc_forms_packet_sb.pdf

The full color appraisal must be emailed to appraisal@ncfunding.net.

Upon review, NCF's Construction Underwriting Analysis with any outstanding conditions will be issued and sent to you via e-mail. Typical construction underwriting turnaround time is 3 business days. Typical construction conditions review is 1 business day.

Closing

MAM's Underwriter issues "Clear to Close" and file moves to MAM's Closing Dept. MAM's underwriter will not issue clear to close until all conditions with NCF have been cleared.

MAMs Closing Dept. prepares file for closing the same as any other file with the exception of drawing closing docs. Please follow the normal MAM closing process with your assigned MAM Account Manager. MAM's Closer will not prepare or draw closing docs. Instead, The broker correspondent will complete NCF's Doc Prep Worksheets and submit to NCF's Closing Dept. (closing@ncfunding.net) (please CC the Mid America Mortgage Account Manager as well) along with remaining conditions needed by NCF not typically provided by LO, including, but not limited to:

- Final 1003 and, if applicable, HUD/VA Addendum to be signed at closing
- Last disclosed construction period LE and permanent period LE and initial disclosed construction period CD and permanent period CD
- Loan Approval/Clear to Close
- Final AUS Findings
- Any additional documents MAM wishes to be signed at closing

Doc Prep Worksheet is found at:

https://www.ncfunding.net/uploads/5/0/1/3/50131429/ncf_otc_doc_prep_worksheets.pdf.

Upon receipt, review, and acceptance of all items, NCF will issue Clear to Close. File will be able to close a minimum of 4 business days from this point. NCF will contact Builder for information such as signor and anticipated completion date. That date will determine the first payment date. NCF will then submit closing doc request to doc vendor.

Typically, within 24 hours, NCF will receive closing docs back from vendor and will review for accuracy. Once approved, NCF will then forward closing docs and other items to be signed at closing to the Closing Agent and the MAM's Closer. Closing Agent is instructed to review closing docs and instructions, then prepare and send to Lender's Closer their final fees/costs, so MAM's Closer can prepare the final CD.

MAM's Closer to prepare final CD with Closing Agent's final fees and submit final CD to NCF's Closer only (at this point) for review. NCF's Closer will review and provide instructions for any needed corrections. Once MAM's Closer has made all corrections

needed to CD and CD has been approved by NCF's Closer, MAM's Closer to obtain final approval on their end and forward final CD to Closing Agent for use at closing.

After MAM's Closer has confirmed to NCF's Closer that CD is finalized and approved by all, NCF's Closer will prepare and forward a Funding Advice to MAM detailing the wire amount MAM is to send to Closing Agent. After this, the loan closes.

The loan closes with the borrower only paying the down payment and closing costs. Lot equity can be used as down payment. Escrows will be collected at closing. Any commissions being paid by the builder to a realtor per the contract would be funded in the builder's final draw upon completion. Any commissions paid by the land seller would be paid at closing as the land is being paid off at this time.

Funding/Post-Closing

Post-closing and during construction phase, NCF is Builder's direct contact for all matters related to construction including draws and collection of final construction related conditions.

Closing Agent to provide NCF's Closer with specific list of funding docs for NCF's funding approval. The basic requirements are the Note, Construction Loan Agreement, Form 1003, and Security Instrument. MAM may also need to see certain items from closing to issue their funding approval, but NCF's Closer/Funder needs to be the point person to instruct the Closing Agent to disburse the closing.

Closing Agent to forward original signed closing package to MAM. MAM will conduct the post-closing review as they would on any other file. At this point, the only items that should be missing from MAM's file are the construction related conditions which NCF will provide to MAM at the completion of construction.

MAM will prepare and send NCF Funding Dept. (funding@ncfunding.net) a Payoff Demand for the amount of the loan disbursed at closing (including wire to title and fees net funded by Lender). A minimum of 3 business days after funding of the close, NCF will instruct Construction Funding Source to payoff/purchase loan from MAM. NCF will provide MAM with Assignment to "blank" for signature and delivery instructions, so the original assignment and original Note can be overnighted to Construction Funding Source.

Permanent Phase

Upon completion a final inspection will be done along with setting up the escrow account and the loan will be modified to the permanent rate locked in at closing. Escrows must be collected at closing!

There is not a second closing or a modification close.

Once construction is complete and NCF has obtained all required construction related documentation from Builder, NCF will forward to MAM's Post-Closing Department the final construction related conditions.

NCF will also instruct Construction Funding Source to overnight original Note to MAM and NCF will overnight original Modification Agreement to Lender for signing along with instructions for MAM to send to Closing Agent for recording (fee should have already been collected by Closing Agent at closing for this expense).

MAM will review final construction related conditions upon receipt from NCF and within 2- 3 business days fund the total loan amount (plus/minus prepaid interest based on date of funding and first payment date) to the Closing Agent.

Upon confirmation MAM has funded the Loan, NCF will prepare final disbursement instructions for Closing Agent to fund final draw to builder and payoff the Construction Funding Source, thereby, completing the loan process.

MAM can ship the file to their investor for purchase.