

CHASE HOME MORTGAGE

SINGLE CLOSE CONSTRUCTION PILOT



Committed to the future of rural communities.



Why choose Chase Single Close New Construction?

CLIENTS:

- 100% new construction financing to build a new home to meet their needs!
- Enjoy built in rate protection and free float down option at closing if rates have improved!

LENDERS:

- Offer 100% new construction financing today!
- Reduce risk! Receive Loan Note Guarantee BEFORE construction begins!

BUILDERS:

- No risk of holding the bag if buyers lose job, walk-away, etc.
- No delays! Chase utilizes builders current draw schedules and requests.
- Increase revenue!

SINGLE CLOSE NEW CONSTRUCTION LOANS AVAILABLE!

USDA Rural Development participates with Chase Home Mortgage to offer 100% Single Close New Construction loans! This is an excellent new pilot program which will allow Rural Development to offer the most flexible and innovative 100% new construction loans to our clients.

Who is eligible to participate?

Any lender/broker currently selling directly to Chase, or to a delegated Chase lender. Brokers and banks not currently utilizing Chase or their correspondent lenders may sign up through either channel that is most appropriate for their business.

How will the loan process work?

- #1: The builder will submit Chase Builder Acceptance paperwork to become approved.
- #2: Lender will submit a loan file to Chase Home Mortgage for underwriting and approval. (During the pilot phase lenders will NOT be allowed to underwrite or close their own files.)
- #3: Chase will submit an approved and underwritten loan package to local Rural Development office. A conditional commitment will be issued.
- #4: Chase will close the loan, and pay the lender a yield spread premium based on the total loan amount estimated for the new construction project as well as any additional customary fees the lender may collect. At closing Chase may advance a draw to pay for the purchase of the land (if necessary) and advance up to 10% of construction costs to the builder as a courtesy draw.
- #5: Construction will commence and builder will request draws per their payout schedule. Granite Loan Management will handle payouts and inspections. Inspections will be completed by local state licensed inspectors contracted through Granite Loan Management.
- #6: The client will begin to make interest only payments on the money drawn throughout the construction period, UNLESS the client has arranged for an interest reserve account to cover these payments as part of their loan.
- #7: Construction will end. Lender will execute a loan modification where the actual amount of money used during construction will be amortized for the remainder of the loan term. At this time if interest rates have improved, the client and lender may request to float down to the current rate for the life of the loan (FREE FLOAT DOWN OPTION). Chase will also pay the service release premium to the lender based on the modified loan amount.

BORROWER APPROVAL

Chase will follow 1980-D regulations, yet there are notable guidelines to keep in mind:

- Credit: 620 for primary borrower: lower scores may be approved per Chase
- Ratios: 29/41: ratios waivers may be

approved per Rural Development

- Current homeowner? Client will need to qualify with both payments, hence flexibility in ratios—contract on home is exceptional compensating factor
- No minimum borrower

contribution

- 100% gift funds or gifted land acceptable
- Include all costs up to 100% of proposed appraised value upon completion (2% fee may be rolled in above appraised value)

MANUFACTURED HOMES ARE NOT ELIGIBLE!

WHAT MAY BE FINANCED?

The loan may include:

- **LAND:** Either the whole cost of a new purchase, or the remainder of financing on land already in their ownership. The appraiser will be asked to give an estimate of value based on today's land prices. This is highly beneficial to those who have been paying on the land for a few years, OR if the land was gifted to them through family—they may benefit from appreciation.
- **Construction Contract Costs**
- **Costs outside of contract:** (well, septic, landscaping, driveway, etc.)
- **Other construction fees and costs**
- **Contingency reserve:** There is no minimum reserve required. The maximum contingency reserve allowed is 10%. The client will make interest only payments on money drawn, so they are protected from cost-overruns, yet they will only pay on what is used. Once construction is completed, if there is money left over in the contingency fund it may be utilized for upgrades (granite countertops, or other eligible features, deck, porch, etc.). The remaining contingency may NOT be given to the clients as cash. The loan amount must be reduced.
- **Pre-pays, taxes and insurance, Chase fees, Lender/Broker fees, Interest reserve, and Rural Development Guarantee fee.** Taxes will be based on the current taxes (land), so lenders must counsel the clients to either #1: Be prepared for a payment increase, or #2: Encourage them to pre-pay their escrow accounts towards these future increases. Clients should also be advised that when Chase mails them "escrow refund checks" they should promptly return them to Chase for re-deposit into their accounts.



What happens if the borrower loses their job, backs out the deal, etc.?

- *Chase will continue to work with the builder to complete the home.*
- *The Lender will submit a loss claim to Rural Development.*
- *When the home is sold future recovery may be due to Rural Development from the lender.*

LENDER TOPICS

- The single close loan amount will be based upon the cost of construction, acquisition of land, all fees, etc.
- Chase has designed the "Guaranteed Rural Housing Single Close Construction Worksheet" to assist you in calculating an estimated loan amount. The spreadsheet is automated and is available from your local Rural Development office.
- Chase offers three options for construction timeframes 6,9, or 12 months. Each rate can be locked for 15 days and then the loan must close.
- The maximum interest rate that may be locked is the Fannie Mae 90 day delivery rate plus 120 basis points. You must lock the rate, there is no float to close option.
- Choose your construction timeframe carefully. If you choose 6 months (which is the most popular timeframe for new construction loans) and the construction takes 7 months there is a penalty. Chase will assess a .250 point hit to the lender for every 30 days past the construction timeframe expiration.
- Lenders may pass the .250 point penalty to the builder. Be sure the construction contract is clear on timeframe completion, weather contingencies, etc. The lender will ultimately be responsible for ensuring construction is completed within the chosen timeframe.
- When construction ends the lender must execute a loan modification for the final loan amount throughout the remainder of the 30 year term.
- IF RATES HAVE IMPROVED the lender must request the lower rate for their client at the time of loan modification.
- Submit completed loan modifications to the your Rural Development contact office for processing.
- ALL LOANS MUST BE UNDERWRITTEN AND CLOSED BY CHASE DURING THE PILOT PHASE!
- Lenders are encouraged to network with their real estate and homebuilder partners to sign up builders for the program. FORM A: "Contractor Acceptance Checklist and Questionnaire" is available from your local Rural Development office to distribute to your homebuilders.
- Rural Development is committed to ensuring the pilot states have a successful program. Do not hesitate to contact your local or state office representatives for training, marketing meetings, or other resources you may need.

BUILDER APPROVAL: FORM A

Homebuilders must be approved by Chase. This process is fast and easy. FORM A: "Contractor Acceptance Checklist and Questionnaire" is available through your local Rural Development office. Here are the basics:

- All builders must be licensed General Contractors if required by the state
- 660 credit score required (scores of 620-659 may qualify for an exception)
- Builders with \$10 million in annual sales must have a Dun & Bradstreet Paydex of 60 +
- No criminal records
- 1 year home warranty must be supplied
- References: 3 suppliers, 3 sub-contractors, and 3 previous clients. For builders with a 720 score these references are not checked but are still required for the file.
- Liability insurance of \$600,000 required (**NOT** the \$1 million dollars listed on FORM A)
- Self-build/Sweat Equity NOT allowed
- Builder must fill out the 3 page CONTRACTOR ACCEPTANCE CHECKLIST AND QUESTIONNAIRE
- Builder must submit a W-9 REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION
- Driver's License

Once a builder is approved they are eligible for the Chase Single Close Construction Pilot program nationwide. Turn around time for approval is roughly 5 business days.

FAXI IT! For faster builder approval:

- 3 page Contractor Acceptance form
- W-9 Form
- Driver's License
- Liability Insurance
- Workman's Comp information

Please allow up to 5 business days for approval.

Your local Rural Development office can provide the right Chase contact.

PROJECT APPROVAL

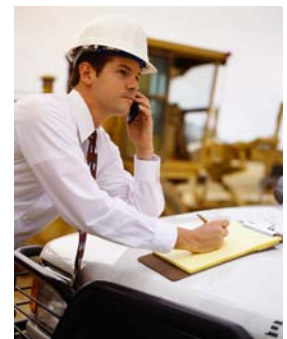
Granite Loan Management will review and approve the proposed project.

- **PLANS & SPECS:** All actual costs must be presented. In the event the client will be getting a reduced price for using a particular electrician, plumber, etc. the reduced rate will not be considered. The client must show full priced bids. If the actual construction costs are lower, the loan amount will be reduced at loan modification.
- **BUDGET:** Chase provides a project review checklist, and a sample line item budget that the client may choose to use. If the builder has their own budget forms these are acceptable.
- **STAGED DISBURSEMENT SCHEDULE:** If the builder has their own disbursement schedule this should certainly be submitted, but the staged disbursement schedule is not required.

Disbursement highlights:

1. Draw requests received on Monday will generally have inspection completed and money wired to builder by Thursday or Friday
 2. For draws that do not require an inspection funds will be wired more quickly
 3. Builders may have more than one draw request submitted at a time
- **COURTESY DRAW AT CLOSE REQUEST:** Chase highly recommends that the builder choose to take a 10% courtesy draw at the time the loan is closed. This will allow Chase a small cushion of time to get the loan loaded into their system. Post closing there is usually a 10 day set up timeframe during which no draws can be processed. The 10% courtesy draw allows the builder to begin work after close.
 - **GRANITE LOAN MANAGEMENT:** This company will assist to coordinate inspections, draw requests, as well as handle any additional paperwork that may be necessary. They will not be dictating the construction process—their mission is to facilitate a seamless construction experience.

In the event a builder does not want money wired to him personally, they may consider an arrangement with their title company. Title companies may receive funds, disperse payouts to subcontractors, and ensure all payouts and lien waivers are released throughout the construction process. Any fees the builder may incur for this convenience may be rolled into the loan as an eligible loan purpose.





Committed to the future of rural communities.

**BUILD YOUR
FUTURE WITH
100% SINGLE
CLOSE FINANCING!**



Property Eligibility:

- **Eligible area**
- **SFH Detached**
- **Owner-occupied**
- **NO Manufactured**
- **No spec homes**
- **No in-ground pools**
- **No Flood Zones—if alternative area not available must get elevation certificate to prove 1st floor is above the 100 year flood plain.**

***PARTNER WITH RURAL DEVELOPMENT TO
OFFER INNOVATIVE 100% NEW
CONSTRUCTION LOANS!***

**CONTACT YOUR LOCAL RURAL DEVELOPMENT
OFFICE TODAY!**



USDA is an equal opportunity provider, employer, and lender. To file a complaint of discrimination write USDA, Office of Civil Rights, 1400 Independence Avenue S.W., Washington, D.C., 20250-9410 or call (800)795-3272 (voice) or (202)720-6382 (TDD).