

VA Construction Loan - updated 7/14/20

Owner Occupied

Credit Score	660
Loan Type	Purchase
Max LTV	100% (loans over \$500,000 need management approval for maximum financing)
Max Loan Amount	Maximum loan amount for construction loans is limited to: the lesser of VA reasonable value or the acquisition costs <u>plus</u> cost to energy efficiency improvements up to \$6000 <u>plus</u> the VA funding fee
Acquisition Costs	Acquisition costs include - Contract to build + Cost of lot + Interest Reserve + Contingency reserve + Permits (if not included in contract to build)
Funding Fee	Required per funding fee table
Net Disposable Income	Must follow internal net disposable income guidelines
Job Stability COVID overlay	If job at hotels, airplane, airports, retail or any position in restaurant industry then must be employed for 90 days without gaps, furlough or layoff. No exceptions.
Max DTI & residual income	Residual income in accordance with regional tables & Maximum of 43% DTI (regardless of compensating factors)
Term	30, 20, or 15 year fixed rate - If a 30 year term and construction takes 9 months, then remaining balance is amortized over 351 months at modification time.
Minimum reserves	over 95% LTV = 2 months 95% or under = 0 mos.
AUS	LPA Accept or DU Approve/Eligible

Additional Information

Eligible Properties	Detached and Attached SFR, Detached and Attached PUD
Ineligible Properties	Condotel, Manufactured Home, Condominium, 2 to 4 unit
Max Number of financed properties	Maximum of 1 home
Builder/Contractor	Borrower to select licensed general contractor. Borrowers or relatives may not perform any repairs included in Bid. No self help allowed. The builder must have a valid VA builder ID number.
Builder/Contractor Acceptance	Completed and approved prior to the appraisal being performed. VA requires 3 documents submitted to them to get the builder registered - Builders information & certification, VA Form 26-421 and VA Form 8791. See for all three forms - https://www.benefits.va.gov/HOMELANS/appraiser_cv_builder_info.asp
Builder/Contractor Acceptance Criteria	Must be full time in the construction business, in business for 3 years, vendor references must be current, & business credit report will be ordered.
Appraisal	Order through WebLGY "based on plans and specs", final inspection once property is complete must be done by original VA appraiser
Pricing	Price in pricing engine per score and LTV... choose 30 day rate + 1 to RATE, Lock in ENC, lock period is 9 months
Construction Period	Construction period of 9 months - interest only payments during construction, term is total of 360 months
Extension Fees	.50 of the original loan amount past rate lock expiration date
Fees on Construction Loan	1% Origination fee, \$850 CP Admin Fee, \$575 Processing fee, \$550 Underwriting fee, \$300 Modification fee
Maximum Construction Fee per VA	The maximum construction fee is 2% of the loan, provided that the majority portion (51% or more) of the loan proceeds are paid out by the lender during the actual progress of the construction. If the portion for construction is less than 51% then a 1% or less construction fee is allowed (in conjunction with the normal 1% allowed)
Mortgage payments	No payments are made during construction, instead an interest reserve account must be set up at closing to pay for interest during the construction period
Interest Reserve	Interest reserve account is added to the purchase price (because it can be added to the acquisition cost) - line a on the DOT as it can be financed into the loan if the appraisal value supports it (see max loan amount). Set up the interest reserve account by using 1/2 the loan amount x interest for the period of the construction. For example if the loan amount is \$300,000 and interest rate is 5% and the term of construction is 9 months - $\$150,000 \times .05 = \$7500 / 12 = \$625 \times 9 = \$5,625$ would be collected at closing from the borrower.
Contingency Reserve	Minimum of 10% required on all loans. Any unused funds must be applied to the principal balance if not paid in cash.
Payment of Draws	Maximum of 5 draws. Each draw requires the inspection of the project inspector or original appraiser. Draws will be made by a two-party check payable to the borrower and contractor. (dual checks at option of borrower)
Draw Fees	Title \$100, Appraisal \$150 to be collected and financed into the loan amount and escrowed at closing
Cost Overruns	Any and all cost overruns are the responsibility of the borrower
Change orders	Borrowers are permitted to pay for change orders & upgrade out of pocket. Change orders after the appraisal is completed cannot be mortgaged into the new loan, unless the Veteran pays for an additional appraisal with the new change orders included in the value.
Inspections Required	Certificate of Occupancy (CO) by local authority, or copies of final inspections by local authority when they won't issue a CO, or if local authority does not do inspections, need a 10-year insured protection plan acceptable to HUD and a 1 year VA builder's warranty
Title / Closing Agent	An approved title company or closing attorney must perform the closing.
POA	POA's are not permitted
Cash back to Borrower	Only allowed when down payment funds come directly from the borrower and can be documented in the file for the lot purchase and the final loan amount does not exceed the NOV value
LO COMP	Must be employed at Equity Resources when loan modifies or refinances. If not then repay LO comp in last pay with us. (If any construction or renovation loans are in the pipeline on last day, then LO comp will be deducted from final pay.)
Requalification	Borrower must requalify if documents in file are over 180 days old at the time of modification (6 months)
Guaranty	Loan Note Guaranty is done after modification