



MH C-to-P Conforming Program

**LAND HOME BRANCH OPERATIONS
LOAN PROGRAM DESCRIPTIONS EFFECTIVE DATE:**

June 7, 2006

SUBJECT: MFR HOME CONSTRUCTION-TO-PERMANENT CONFORMING PROGRAM

4.00 PROGRAM DESCRIPTION

A conforming "A" credit quality first mortgage program with fixed or adjustable rate terms for approved brokers. This program is for construction-to-permanent (C-to-P) manufactured home mortgages, requiring construction funds that comply with standard FNMA/FHLMC conforming mortgage guidelines that are compliant to the HUD Code (Post-1976). Considering the knowledge base requirement and complexity of MH construction-to-permanent transactions, Land/Home Financial will coordinate loan processing and construction management. Mortgage applications that comply with the provisions of this program may be referred by a Broker to Land/Home Financial for processing. The Broker will submit the required loan package documentation discussed below and complete the C-to-P compliance check list included herein. The Broker will receive compensation at loan closing. The program is designed for borrowers who have a high regard for their financial obligations as demonstrated by their credit and stable employment. The program is available for loans that meet the requirements of this matrix and receive an acceptable output on the ultimate AUS findings that will be run by Land/Home Financial (any Broker-submitted AUS will not be used). FHA loans are not permitted.

4.01 INELIGIBLE LOANS

Community Lending, FHA, or VA Products
Manufactured Homes not built in compliance with the 1976 HUD Code
Manufactured Homes not affixed to a permanent foundation in compliance with Federal, State and Local regulations
Metal-on-Metal HUD Code Homes
Partial term buy down

4.02 AVAILABLE MARKETS

Available in all states except NJ, NY, KS, and WV

4.03 LOAN PROGRAMS

Conventional Conforming Fixed Rate Product (10, 15, 20, 25, and 30 year terms) and Adjustable Rate Product (7/1 ARMs only)

4.04 OCCUPANCY

Primary Residence and Second Homes only.

4.05 ELIGIBLE PROPERTIES

1 Unit properties – SFR and PUDs
HUD Code compliant Manufactured Homes or "On Frame" Modular Homes that will be affixed to a permanent foundation in compliance with Federal, State and Local regulatory requirements.

- For HUD Code homes, towing hitch, wheels and axles must be removed.

New homes requiring construction to permanent loans that are facilitated through a general contractor or factory-built home retail location
The intent of borrowers must be that the Home will be classified as Real Property with Title retired per State guidelines.



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- Land must be owned or purchased by borrower and be recorded in fee simple status.
- Multi-section Manufactured Homes meeting the following general criteria:
- Minimum of 700 Sq Ft.
 - Home siding must be of high quality and be in conformance with the standard siding prevalent in the immediate area
 - Acceptable like-property resale comparable sales within the past six months
 - Skirting (if necessary) must be of high quality materials, be professionally installed and upon modification to the permanent terms be comparable with the “look” of homes in the immediate area. Metal skirting is not acceptable.
 - Upon modification to the permanent terms, all improvements and utility services must meet County code requirements and be compatible with similar features of homes in the immediate area. The home must be permanently connected to septic or sewer system and all other utilities upon modification to the permanent terms.
 - Upon modification to the permanent terms landscaping and hardscapes (i.e. walkways and driveways) must be compatible with homes in the immediate area.

4.06 INELIGIBLE PROPERTIES

- Leasehold estates (i.e. parks).
- Investment properties

4.07 LOAN PURPOSE

Purchase

4.08 MAXIMUM LOAN AMOUNT

Conforming loan size only

4.09 LOAN ATTRIBUTES

Purchase

FICO – Minimum of 640 (LTV dependent); Minimum of 660 for LTV >= 90%

LTV	Term/FICO	Occupancy	Loan Purpose
>= 90% <= 95%	<= 30 yrs/660	<input type="radio"/> Principal residence	<input type="radio"/> Purchase money
< 90%	<= 30 yrs/640	<input type="radio"/> Principal residence <input type="radio"/> Second home	<input type="radio"/> Purchase money

4.10 CREDIT SCORE REQUIREMENT

A minimum FICO score as detailed in the above is required. A letter of explanation is not required for derogatory credit. Recent credit inquiries must be explained and any new opened accounts must be documented.

4.11 INELIGIBLE CREDIT SCENARIOS

Loan does not meet the credit score, LTV, or loan amount guidelines.

The borrower is party to a lawsuit.

Non-arms length transactions

Non-occupant borrowers

Work Completion Escrow/Holdbacks

Mortgage History: Less than a 12-month history or more than 1 instance of 30 days late in the most recent 12 months.

Employment History: Less than 2 years history

Bankruptcy: Discharged less than 4 years.

Foreclosure: Discharged less than 4 years.

Collections: Must be paid off with proof of source of funds.



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Liens and Judgments: Must be paid off with proof of source of funds

4.12 PRIVATE MORTGAGE INSURANCE

Standard coverage (including MH premium) applies (regardless of the AUS finding)

4.13 TOTAL DEBT RATIO

45% or as determined by AUS output

4.14 INCOME

Wage / Salary Income / Employment

A 2-year employment history and VOE is required.

A written explanation of gaps more than 30 days is required regardless of DU findings.

Verbal verification of current employment will be done by Land/Home Financial Services.

Income verification is required, including most recent pay stub and W-2s.

Self-Employed Income

Verification the business has been in operation for at least 2 years is required.

A copy of the business license or alternative confirmation of the existence of the business (e.g., through a business directory listing) is required.

If a license is not required for the business, a signed confirmation of the existence of the business by the borrower's accountant or CPA is required.

Income verification is required. Last two year's tax returns.

IRS Form 8821/4506-T is **required** at closing.

4.15 OTHER INCOME

Alimony/Child Support: A 6-month history of receipt and the amount of income is required. Income used to qualify may not represent more than 30% of the borrower's total gross income as stated on the application.

Rental Income: A 2-year history of receipt of income is required. A 2-year mortgage history of receiving the income for rental must be reflected on tax returns. For recent rentals, copies of lease agreements and the last two months bank statements showing rental income receipt must be provided.

Secondary Income: A 2-year history of receipt is required. Other non-employed income may be used to qualify the borrower provided they have a history of receiving the income regularly (as noted in this section). Possible sources that may be used to verify the duration in which the borrower has received, and will continue to receive other non-employed income, include: Award letter, court order/agreement, asset statement from which the income is generated, notes receivable, agreements, attorney letter, etc.

Trailing Co-Borrower Income: Not permitted.

IRS Form 8821/4506-T is **required** at closing.

4.16 ASSET VERIFICATION

Verification of source of funds is required for all purchase and rate/term refinances. Verification must cover most recent 2-month period. Any portion of the borrower's down payment that comes from the borrower's own funds must be verified. Funds that cannot be verified cannot be used. Gift funds are allowed if the borrowers provide at least 5% of the down payment from their own funds. The source and seasoning of gift funds must be verified with proper documentation. Liquidation of assets for closing (e.g., stocks, bonds, etc.) may be required. If required, verification of liquidation is mandatory.

4.17 INELIGIBLE SOURCES OF FUNDS

Funds from a bridge loan

Interested party contributions

4.18 RESERVES



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Six months PITI is required or per AUS guidelines

4.19 ESCROWS

Escrow accounts are mandatory for loans with an LTV > 80%. Escrow waivers are permitted if the LTV is <80%, subject to State law. Pricing on Rate Sheets.

4.20 PROPERTY VALUATION

A preliminary proposed construction appraisal that meets USPAP guidelines by a Land/Home Financial approved appraiser is required, along with a final inspection, which will be ordered by Land/Home Financial, with required exterior views. Specific FNMA/FHLMC MH appraisal guidelines must be strictly adhered to including a Manufactured Home Appraisal Report Addendum (Fannie Mae Form 1004C or Freddie Mac Form 70B). Alternative property valuations such as APV, appraisal waivers or reduced requirements from AUS findings are not permitted. Comparable sales must be MLS-listed and sold HUD Code Homes of like type, must meet standard distance criteria and have at least two acceptable resale comparable sales within the past six months.

4.21 CONSTRUCTION PHASE TERMS AND FINANCING

Construction financing at a maximum of 9 months term

Interest accrues as funds are dispersed

Maximum of five draws

Agreed upon (Borrower, Retailer, GC and LHFS) draw schedule must be completed prior to loan closing

Interest (up to 2%) and construction reserves (up to 5%) may be included

Project must be coordinated by a licensed general contractor

Course of Construction or similar insurance is required

4.22 BROKER REQUIREMENTS

To qualify for compensation up to a 1% Broker origination fee, the Broker must ensure that the borrower and the property meet the guidelines found in this matrix. The Broker must complete all the items on the Broker C-to-P Loan Check-List attached hereto, with signed verification from the borrower. The Broker must complete a Broker disclosure of fees, the Good Faith Estimate, and initial RESPA disclosures. The initial HUD-1 Construction Closing Statement will reflect all Land/Home Financial points and fees, and Broker compensation. The Broker will receive the agreed-upon compensation at the time of the construction phase loan closing.

4.23 STANDARD LAND/HOME FINANCIAL POINTS AND FEES

Pricing adjustments based on various loan parameters included on rate sheets

Land/Home Financial will charge a 1.5% construction origination fee and a \$795 construction management fee.

\$495 Administrative Fee

\$350 Processing Fee

\$17 Credit Bureau Tri-Merge Fee

\$89 Tax Service Fee

\$20 Flood Certification Fee

Typical and customary third-party closing fees



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BROKER CONSTRUCTION-TO-PERMANENT LOAN RESPA COMPLIANCE CHECKLIST

Borrower(s) : _____

Broker Name : _____

Date : _____

I acknowledge I have completed the following tasks prior to submitting a construction-to-permanent loan transaction package to Land/Home Financial:

- A. Taking information from the borrower, filling out the application, and emailing a Fannie-Mae v3 1003 to Land/Home Financial;
B. Analyzing the prospective borrower's income and debt and pre-qualifying the prospective borrower to determine the maximum mortgage that the prospective borrower can afford;
C. Educating the prospective borrower in the home buying and financing process, advising the borrower about the different types of loan products available, and demonstrating how closing costs and monthly payments could vary under each product;
D. Collecting all initial necessary documentation demonstrating the qualification of the borrower (tax returns, bank statements, pay stub) and property to meet program requirements;
E. Completing the initial construction financing estimate, including costs for all property improvements, and a preliminary draw schedule;
F. Providing initial disclosures (truth-in-lending, good faith estimate, etc.) to the borrower within the required 3-day timeframe;
G. Submitting a complete loan package to Land/Home Financial that includes, but is not limited to, a 1003, Credit Bureau report, Form 500, Land improvement estimates/bids with preliminary draw schedule, employment and income verification documents, asset verification, and disclosures.

Broker

Date

Borrower

Date