

TRUE ONE-TIME CLOSE CONST/PERM LOAN WITH STAGED FUNDING

PRESENTED BY

IN COLLABORATION WITH THE ADMINISTRATION SERVICES OF



**NATIONAL CAPITAL
FUNDING, LTD.**

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STEP-BY-STEP GUIDE FOR **MANUFACTURED & MODULAR HOME RETAILERS**

NCF's True One-Time Close Loan with Staged Funding Step-by-Step Guide for Manufactured/Modular Home Retailers

General Description of Program

NCF provides interim financing and administration for true one-time close staged funded construction-to-permanent loans designed for manufactured and modular housing. The program can be utilized for both FHA and Conventional Loans. NCF's construction administration service allows Permanent Lenders with which we have an alliance to offer their Brokers and Originators this very unique loan product.

The Permanent Lender underwrites and approves the permanent loan before the construction begins. National Capital Funding, Ltd. underwrites and approves the construction portion of the loan. When all conditions for closing are cleared, other than the final construction related conditions, NCF will help coordinate the closing.

The loan is closed in the Permanent Lender's name and in certain instances the Permanent Lender will require it to close in the Mortgage Broker's name. NCF's closing documents include the documents for the construction loan, as well as, the documents for the permanent loan.

Since the permanent loan is closed before construction begins, **there is no "requalifying" of the borrower when it is time for conversion of the construction loan to the permanent loan.** Therefore, the risk the GC/Retailer has on a "2x close" or construction/permanent loan with a "modification" close at the end of construction, where the borrower may not get final approval for the permanent loan after construction is complete is eliminated. Also, since this is a true one-time close, the Borrowers will not need to return to the title company when the construction is complete. There is not a second closing or a "modification" close with our program.

General Contractor/Retailer Approval Process

The General Contractor/Retailer must submit the following completed and executed items to National Capital Funding, Ltd. for review and approval:

- *General Contractor /Builder Summary Application
- *Contractor's Performance Agreement
- *Disbursement Instructions
- Copy of Contractor's/Dealer's State License
- Evidence of General Liability Insurance (or signed and notarized Indemnity Agreement between Borrower(s) and Retailer)
- Evidence of Worker's Compensation Insurance (or written statement from the Retailer as to why they are not required to carry it)
- Evidence of Dealer's Open Lot Insurance Policy reflecting "National Capital Funding, Ltd. its Successors and/or Assigns" as a Loss Payee, otherwise, an individual Builder's Risk Policy will be required

*Forms provided by National Capital Funding, Ltd. and our available as *NCF Builder/Retailer Approval Packet* on the Forms page at www.ncfunding.net

This review is to be completed by all General Contractors/Retailers initially and is to be updated periodically.

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Refer Homebuyer to Loan Originator

Upon referral of Homebuyer to Loan Originator, the General Contractor/Retailer must submit a preliminary cost for Home, Improvements, and Land to Loan Originator. Loan Originator will then pre-qualify Homebuyer, issue a pre-approval letter, disclose costs of transaction to Homebuyer and General Contractor/Retailer, and work with National Capital Funding, Ltd. to prepare a Purchase Agreement Worksheet. The Purchase Agreement Worksheet will instruct the GC/Retailer the exact amount to write the contract based on the costs in the transaction.

Prior to Loan Processing

General Contractor/Retailer is to provide the following to Loan Originator:

- Manufactured/Modular Home Construction Cost Breakdown – This is the site improvements budget. It is imperative that it be filled out accurately using the Key as this form is used to determine draw amounts and also lets the construction underwriter know that the GC/Retailer has included all improvements necessary to finish the construction of the home. All construction draws are based on a line item percentage of completion matched with this form.
- Land Contract between Land Seller and Borrower or copy of Deed if Borrower already owns the land
- Purchase Agreement, Form 500, or Earnest Money Contract between Retailer and Borrower for home and improvements
- Manufactured/Modular Home Floor Plan and Manufacturer's Specifications
- HUD-92541: Builder's Certification with all applicable boxes checked including #2-7 and #8 if a Manufactured Home. (FHA Loan Only)

During Loan Processing

As Loan Processing procedures are being completed by Permanent Lender's Credit Underwriting, (this includes, but is not limited to the appraisal, land survey, title work, credit/income verification, etc.) the GC/Retailer is to work with the Homebuyer to obtain Homeowner's Insurance and provide the following required NCF forms signed by General Contractor and Applicant (where applicable) to the Loan Originator for completion of Construction Underwriting Package sent to NCF:

- Manufactured Home Draw Disclosure
- Disbursement Authorization and Appointment of Agent
- Agreement Regarding Payment of Interest
- FHA Construction/Permanent Loan Disclosure (FHA Loan Only)

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Prior to Close

The General Contractor is to provide the following documents to the Loan Originator before closing documents can be drawn:

- Structural Engineer Certified Foundation Plans: Per HUD, the plans must be site specific, stamped by an engineer licensed within the state, and comment that provided the foundation is installed per the plans that it will meet *HUD-7584: HUD Permanent Foundations Guide for Manufactured Housing (9/96 Version)*. (FHA Loan and Manufactured Home Only)
- Proposed Plot Plan signed by Retailer: Must show proposed placement of Home, Well, and Septic on property and distances between each
- Permits: Building, Well, and Septic (when available)
- Subcontractor Bids: Foundation, Well, and Septic (if available)

Closing

The Closing will take place at an NCF approved Title Company/Closing Agent. The Land Seller will be paid off with the initial draw at closing. In most cases provided the manufactured/modular home has been built and a factory invoice is available, the GC/Retailer may request that the factory or their floorplan source be paid at closing.

Post-Closing

Letter of Commencement sent to GC/Retailer by NCF informing the GC/Retailer that the loan has closed, loan documents have been recorded, and construction can begin. This letter again details instructions on how and when to request each draw.

NCF will also submit to the GC/Retailer a list of specific items and forms that will be required prior to the release of the final draw.

Construction Draw Procedures

In most cases on Manufactured/Modular Homes the GC/Retailer is allowed up to 3 interim draws after closing including the final draw. Upon receipt of a request by the GC/Retailer for a construction draw, NCF will immediately order an inspection of the construction project. NCF will choose the inspector from a list of approved agents. The Inspector will inspect the property, take photographs, and forward the report to NCF.

Upon receipt of the inspection report, NCF will match the report with the Manufactured/Modular Home Construction Cost Breakdown to determine the draw amount. All draws are based on a line item percentage of completion. NCF will then advise the Interim Funding Source to fund the applicable draw by wire to the Title Company or Closing Agent. NCF will provide instructions for disbursement to the Title Company or Closing Agent for disbursement to the GC/Retailer.

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Site Improvement Draw (Optional)

This draw is for any completed interim improvements. This draw should not be requested until the foundation is complete.

Funds that are included in this disbursement are:

- Completed site improvements verified by the interim inspection report
- GC/Retailer will be paid for work in place in an amount not to exceed the stated line amount on the Mfg/Modular Home Construction Cost Breakdown

The following documents may be required for the Site Improvement Draw:

- Foundation survey (if applicable)
- Building Permit or Letter from the Municipality stating that a building permit is not required (if applicable)

Manufactured/Modular Home Draw

This draw is used to payoff the Retailer's floorplan financing source or Manufacturer's invoice (if not previously paid at closing). If desired it may also include payment of any site improvements that were not addressed in a previous draw provided the requirements of the Site Improvement Draw have been met.

This draw will consist of the following:

- Retailer's cost of the home from manufacturer's invoice or floorplan financing payoff statement (if not previously paid at closing)
- Completed site improvements verified by the interim inspection report that were not addressed in the previous Site Improvement Draw

The following requirements must be met before disbursing funds at this stage:

- Manufacturer's Invoice or Floorplan Financing Source's Payoff Statement on new unit(s) with the amount of the floorplan payoff, mailing address, wire instructions (if applicable), and serial numbers of the unit(s).

From this draw's proceeds, NCF will instruct the Title Company or Closing Agent to payoff the Retailer's cost of the Home (from manufacturer's invoice or floorplan financing payoff statement) directly to the Manufacturer/Floorplan Finance Source. The balance of this draw will be disbursed to the GC. If site improvements are also being paid with this draw, GC/Retailer will be paid for work in place in an amount not to exceed the stated line amount on the Mfg/Modular Home Construction Cost Breakdown.

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Final Draw

The final draw will fund all remaining completed improvements and will always be at least 20% of the construction contract/purchase agreement. GC/Retailer is to advise NCF Construction Servicing Department when the project is complete so NCF can order the final inspection and the GC/Retailer is to provide the following to NCF:

- *Affidavit of Commencement (Texas Only)
- *Affidavit of Completion and Indemnity
- *Affidavit of Completion and Acceptance
- *Final Waiver and Release of Lien
- *Borrower's Certification (FHA Loan Only)
- Final Survey showing home location and improvements (if required by the Settlement Agent and/or Permanent Lender)
- Initial Inspection (commonly referred to as an Open Hole or Prepour Inspection) completed by HUD Fee Inspector or Evidence of a 10 Year Warranty (FHA Loan Only)
- HUD-NPCA-99-A: Subterranean Termite Treatment Builders Certification and Guarantee completed by GC/Retailer (FHA Loan Only)
- HUD-NPCA-99-B: New Construction Subterranean Termite Soil Treatment Record completed by Pest Control Company (if Soil Treatment is used) (FHA Loan Only)
- HUD Acceptable Water Well Test Results including Lead, Nitrates, Nitrites, Total Coliforms, and E. Coli/Fecal Coliforms (if Private Well) (FHA Loan Only)
- Local Authority Approval and/or Final Inspection of Individual Septic System (FHA Loan Only)
- HUD 92544: Warranty of Completion (FHA Loan Only)

*Forms provided by National Capital Funding, Ltd.

NCF will order and provide the Final Inspection upon notification from GC/Retailer that the property is complete. If it is a Conventional Loan, the inspection will be performed by the Appraiser. If it is an FHA Loan, the final inspection will be performed by an HUD Fee Inspector.

Construction to Permanent Rollover

When all funding requirements have been met and received by NCF, we will forward to the Permanent Lender for review and approval. A Funding Advice by NCF will also be forwarded to the Permanent Lender requesting funds to be wired to the Settlement Agent. NCF will then forward final Disbursement Instructions to the Settlement Agent for final disbursement to the Retailer once funds are received from the Permanent Lender indicating that the construction loan has converted to a permanent loan.