

# **True One-Time Close FHA, VA, and USDA Const/Perm Loan with Staged Funding**

presented by

in collaboration with the administration services of



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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**

National Capital Funding, Ltd. (NCF) provides interim financing and administration for true one-time close FHA, VA, and USDA construction-to-permanent loans with staged funding designed for manufactured and modular housing. NCF's construction administration service allows Lenders with which we have an alliance to offer their Brokers and Originators this unique loan product. Note that not all of our lender clients offer all the loan types that we administer, so double check with the lender.

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

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 Settlement Agent for a second closing or a modification closing once construction is complete.

For more details about the program, see the *General Overview of NCF's One-Time Close Program* available on our website at [www.ncfunding.net/forms](http://www.ncfunding.net/forms)

### **Retailer Registration Process**

NCF must register the Retailer. From our perspective the Retailer must act as and be the General Contractor (or Construction Coordinator) and as such all responsibility of the completion of the home and all site improvements lies upon the Retailer. The borrower cannot be held responsible for any of the work.

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

- \*NCF Builder/Retailer Summary Application
- \*NCF Contractor's Performance Agreement
- Copy of Retailer's State License and if applicable, Contractor's State License
- Certificate of Insurance for General Liability with minimum coverage of \$1 million per occurrence
- Certificate of Insurance for Worker's Compensation or signed statement from the Retailer explaining why it may not be required
- Certificate of Insurance for Inland Marine Coverage (e.g., Dealer's Open Lot w/Installation Coverage) reflecting NCF ISAOA as a Loss Payee. Otherwise, a Builder's Risk/Course of Construction Policy will be required on each deal.

\*Please visit our website at [www.ncfunding.net/forms](http://www.ncfunding.net/forms) to obtain the latest *NCF OTC Builder/Retailer Registration Packet*

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### Refer Homebuyer to Loan Originator

Upon referral of Homebuyer to the Loan Originator (LO), the Retailer must submit a preliminary cost for Home, Improvements, Land and an anticipated timeframe for construction to the LO. The LO will then pre-qualify Homebuyer and work with NCF to structure the deal properly based on all costs/fees in the transaction. In doing so, NCF will prepare and send to the LO the "NCF Calculation Results", which will show them what loan amount is needed and will also prepare a Purchase Agreement Worksheet to provide to the Retailer. The Purchase Agreement Worksheet will show the Retailer the exact amount to write their contract based on the costs in the transaction. NCF handles all the math for you helping to eliminate guesswork and multiple preliminary contracts.

### Loan Processing

Once the final numbers are established, the LO and their Processor can begin processing the loan to get a credit related package ready for underwriting review by the Lender and a separate construction related package ready for underwriting review by NCF. Both companies must approve the loan prior to closing and it will be the LO's and Processor's responsibility to provide each package to the respective companies. To assist them in this, there are a few items that the Retailer will need to be responsible for and help provide to the LO and Processor. The following list is not all-inclusive, but does provide the majority of the items that the Retailer can usually help with for the package that will go to NCF for review. **Please be sure to read all forms/disclosures and ask any questions regarding them prior to signing.**

- **Land Contract** between Land Seller and Borrower or copy of Deed, if Borrower already owns the land
- **\*Manufactured/Modular Home Construction Cost Breakdown:** This is the Retailer's site improvements budget and is the form that all line-item percentage of completion draws will be based. Therefore, it is imperative that it be filled out accurately with budgeted costs and/or utilizing the designations in the Key on the form. Not only is it used to determine the Retailer's draws later on (which we'll explain in more detail towards the end of this guide), but it also lets the NCF Construction Underwriter know that the Retailer has acknowledged and included all improvements necessary to finish in compliance the construction of the home. There are no "cost plus" jobs with this program nor does the program allow for allowances.
- **\*Manufactured/Modular Home Purchase Agreement Worksheet:** This form will be prefilled and included with the "NCF Calculation Results". It shows the breakdown of how the final contract price was arrived.
- **Purchase Agreement/Form 500** between Retailer and Borrower(s) for home and improvements. The final contract amount must match the figure shown on the NCF Calculation Results and Purchase Agreement Worksheet. It should comment about any contributions to the borrower for closing costs/prepays and should note any deposits or trade-in credit received from the borrower and the unpaid balance after those deposits.
- **Manufactured/Modular Home Floor Plan and Manufacturer's Specifications:** HUD-92005 Description of Materials can be used for the specs.
- **Structural Engineer's Certification of the Foundation Plans** (Manufactured Homes only): The certification must be site specific, stamped by an engineer licensed within the state, and certify that provided the foundation is installed per the referenced plans that it will meet *HUD-7584: HUD Permanent Foundations Guide for Manufactured Housing (9/96 Version)*.

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- **\*\*Proposed Plot Plan** completed signed by Retailer: Must show proposed placement of Home, Well, and Septic on property and distances between each
- **\*\*Manufactured/Modular Home Construction Requirements**: This document explains the various construction requirements of these loans and typically answers many questions, especially for a Retailer new to FHA, VA, or USDA loans.
- **\*\*Manufactured/Modular Home Construction Draw Disclosure**: This document fully explains the draw process. Please read thoroughly prior to signing.
- **\*\*Disbursement Authorization and Appointment of Agent**
- **\*\*Agreement Regarding Payment of Interest**: The Retailer is responsible for the interest during the construction period. This is the agreement for that between the Retailer and the Borrower(s).
- **\*\*Construction/Permanent Loan Disclosure**
- **\*\*HUD-92541 Builder's Certification** with all applicable boxes checked including #'s 2-7 if a Modular Home and #'s 2, 3, 4, 5, and 8 if a Manufactured Home.
- **Permits**: Building, Well, and Septic (when available)
- **Subcontractor Bids**: Foundation, Well, and Septic (if available)

\*Form available as part of the NCF Calculation Results run for the Loan Originator

\*\*Form available in the *NCF OTC Forms Packet for Mfg/Modular Homes* available on our website at [www.ncfunding.net/forms](http://www.ncfunding.net/forms)

### Closing

Once the loan has been fully approved and cleared to close by both the Lender and NCF, NCF will coordinate the closing. Four business days is required from the time we have received all items needed to begin the doc prep process until closing can occur. This time allows for closing doc preparation and review, CD preparation and review, and initial wire to be sent to the Settlement Agent.

At the closing, the Land Seller will be paid off with the initial draw. With written request from the Retailer prior to closing doc preparation along with backup documentation, NCF can fund/reimburse Building Permits, Impact Fees, and the like at closing. However, no other upfront draw will be given to the Retailer at closing. Note that any soft costs or non-inspectable items require verification of amount prior to disbursement, whether paid at this draw or through future draws. If the home is offline, factory invoice is available, and proper insurance is in place covering NCF ISAOA, the Manufacturer's Invoice Cost of the Home can be funded directly to the factory/floorplan source at closing (or an interim draw can be used at a later date if not paid at closing). Note that any draw funded for the Retailer at closing, when applicable, will typically be funded 3-4 business days after funding of the close, but will not count towards the future draw allotment.

### Post-Closing

A Letter of Commencement will be sent to the Retailer by NCF informing the Retailer that the loan has closed/funded and construction can begin. This letter introduces our Draw Dept. and provides their contact information for draw requests. NCF will also at this time provide to the Retailer a list of specific items and forms that will be required to be submitted to us prior to the release of the final draw.

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### Construction Draw Procedures

In most cases on Manufactured/Modular Homes the Retailer is allowed up to three interim draws (including the final draw) after closing. Upon receipt of a request by the Retailer for a construction draw, NCF will promptly order an inspection of the construction project. NCF will select an inspector from our approved agent list, we 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 method. See example below. NCF will then advise the Interim Funding Source to wire the funds to the Settlement Agent. Simultaneously, NCF will provide Disbursement Instructions to the Settlement Agent. NCF will provide Disbursement Instructions to the Settlement Agent for further disbursement to the Retailer and/or Floorplan Source/Factory (when paying off the factory invoice cost).

### Draw Example for Line Item Percentage of Completion Method

Mfg/Modular Construction Cost Breakdown completed by Retailer prior to closing shows the following:

Foundation:	\$5,000
Driveway:	\$1,000
Septic System:	\$6,000

Draw requested and Inspection Report received by NCF shows the following:

Foundation:	100%
Driveway:	80%
Septic System:	50%

Interim Draw to Retailer would be as follows:

Foundation:	\$5,000	(100% x \$5,000)
Driveway:	\$800	(80% x \$1,000)
Septic System:	<u>\$3,000</u>	(50% x \$6,000)
<b>Total Interim Draw:</b>	<b>\$8,800</b>	

#### Interim Draws:

- It is at the Retailer's discretion when or if they take any interim draws prior to the final draw.
- Line-Item Percentage of Completion Method will be used to determine draw amounts for site improvements as shown above.
- Interim draws are eligible to pay for site improvements in place and the Manufacturer's Invoice Cost of Home. A collateral inspection is required when paying for site improvements, but not required when paying invoice cost of home only. NCF will order/pay for the collateral inspection.
- Deposit from Borrower with Retailer: Any deposit amount exceeding \$1,000 will be applied to the first interim draw. For example, if the borrower deposits \$5,000 with the Retailer prior to closing, and at the first interim draw \$10,000 worth of work is in place, \$6,000 will be disbursed.
- If additional draws are needed beyond the three maximum allowed, the Retailer will be charged \$175/draw
- Provided the work is in place to substantiate the draws, NCF will fund up to **80%** of the Retailer's Contract Price prior to the final draw.

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### **Final Draw**

The final draw will fund all remaining completed improvements and will be funded once NCF receives, and Lender has approved, all remaining funding conditions. **Retailer is to promptly notify NCF Construction Servicing Dept. when the project is complete, so NCF can order the Final Compliance Inspection.** NCF will pay for the final inspection, when it's required, if ordered by NCF. Any expenses for failed inspections will be deducted from the Retailer's final draw.

Before requesting the final draw, the Retailer is responsible for providing all construction related conditions requested of NCF including, but not limited to, the following:

- \*Affidavit of Completion and Indemnity signed by Retailer in the presence of a notary.
- \*Affidavit of Completion and Acceptance signed by Borrower(s) in the presence of a notary.
- \*Final Waiver and Release of Lien signed by Retailer in the presence of a notary.
- \*Borrower's Certification that construction portion of loan is fully drawn down.
- \*HUD-92544 Warranty of Completion signed by Retailer and Borrower(s). If USDA, RD Form 1924-19 may be used.
- \*Modification Agreement signed by Borrower(s) in the presence of a notary.
- Final "As Built" Placement Survey showing home location on property (if required by the Settlement Agent and/or Lender)
- \*\*Initial Compliance Inspection (commonly referred to as an open-hole or prepour inspection) or Evidence of a HUD Approved 10 Year Warranty
- HUD-NPMA-99-A Subterranean Termite Treatment Builders Certification and Guarantee completed by Retailer indicating type of treatment used (required in most states)
- HUD-NPMA-99-B New Construction Subterranean Termite Soil Treatment Record completed by Pest Control Company (if pest control company applied treatment was used)
- Local Authority's Approval of Well or acceptable Well Water Test Results including lead, nitrates, nitrites, total coliforms, and e. coli/fecal coliforms (if private well). Note that both are required on VA and USDA Loans.
- Local Authority's Approval of Individual Septic System
- Professional Drawing, Plat, or Survey showing location and distances between Well, Septic Tank and Drain Field, and Property Lines (if both well and septic). This applies to FHA loans only, unless no local authority, then also applies to USDA.
- \*Retailer/Dealer & Contractor Certification, on USDA Manufactured Homes only.

\*Forms provided by NCF to Retailer

\*\*On FHA Modular Homes (not Manufactured) and all VA/USDA Loans, if the local authority issues both a Building Permit and Permanent Certificate of Occupancy, those can be used in lieu of the Initial Compliance Inspection or HUD Approved 10 Year Warranty.

### **Construction to Permanent Rollover**

When all funding requirements have been satisfied, NCF will review and forward to the Lender for their final review and approval. A Funding Advice by NCF will also be forwarded to the Lender requesting the permanent portion of the loan to be funded and wired to the Settlement Agent. NCF will then forward final Disbursement Instructions to the Settlement Agent for disbursement of the Final Draw to the Retailer. The borrower would then begin making their payments on the date established.