



NATIONAL CAPITAL  
FUNDING, LLC.

# NCF's One-Time Close FHA, VA, and USDA Const/Perm Loans

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Step-by-Step Guide for Site-Built Home Builders

Presented by



## General Description of Program

Since 2002, National Capital Funding, LLC. (NCF) has been a trusted partner of residential mortgage lenders, loan originators, and builders dedicated to providing construction loan administration services for One-Time Close FHA, VA, and USDA Construction/Permanent Loan Programs. Our team of experienced professionals understand the importance of providing our partners with reliable, cost-effective solutions, and we are committed to providing them with the highest level of service possible.

NCF's construction administration solutions allow Lenders to offer their Originators and Brokers these unique loan products without the need or expense of maintaining their own construction loan dept. or construction warehouse lines. While 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 including vetting of the Builder. When all conditions for closing are cleared with the Lender, other than the final construction related conditions, NCF will work with the Lender to coordinate the closing prior to the start of construction. The loan closes in the Lender's name with documents for both the construction and permanent portions of the loan. On FHA, VA, and USDA Const/Perm Loans there is no need to re-qualify the borrower when it is time for conversion of the construction portion of the loan to the permanent portion of the loan. These true one-time close loans do not require the borrower to return to the closing Agent once construction is completed.

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

## Builder Registration with NCF

The Builder is required to be registered with NCF. From our standpoint, the Builder is expected to function as the General Contractor. Consequently, the Builder assumes full responsibility for the entire home construction and all related site improvements. The borrower cannot have any responsibility for the work, its management, or the hiring of contractors. It is imperative that all subcontractors are under the direct employment and control of the Builder, without any exceptions.

The Builder is required to submit the following fully completed and executed items to NCF for thorough review and acceptance:

- \*NCF Builder/Retailer Summary Application
- \*NCF Contractor's Performance Agreement
- Builder's/General Contractor's State License
- Confirmation of Registration with VA as a Builder including VA Builder ID # (if VA loan)
- Certificate of Insurance for General Liability with minimum coverage of \$1 million per occurrence
- Certificate of Insurance for Worker's Compensation (if applicable)
- Most Recent Two Years of Federal Tax Returns
- Year-to-Date Profit & Loss Statement & Current Company Balance Sheet
- Executive Summary providing an overview of experience and history on Company and Principals

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

## Refer Homebuyer to Loan Originator

Upon receiving a referral of a Homebuyer to the Loan Originator (LO), the Builder must furnish the LO with an initial estimate for the costs to build the home and, if applicable, land cost, along with an expected construction timeframe. Subsequently, the LO will pre-qualify the Homebuyer and collaborate with NCF to appropriately structure the transaction considering all costs and fees involved. In this process, NCF will generate and dispatch the "NCF Calculation Results" to the LO, detailing the required loan amount. Additionally, NCF will prepare a Purchase Agreement Worksheet for the Builder, specifying the precise contract amount based on the transaction costs. This systematic approach by NCF streamlines the calculation process, reducing the need for guesswork and multiple contract revisions.

## Loan Processing

After finalizing the figures, the Loan Originator (LO) and their Processor can initiate the loan processing, preparing a credit-related package for underwriting review by the Lender, and a separate construction-related package for underwriting review by NCF. Approval from both the Lender and NCF is mandatory before closing, and it falls upon the responsibility of the LO and Processor to furnish each package to the respective companies. To facilitate this process, the Builder is expected to take on certain responsibilities and provide assistance to the LO and Processor. While the following list is not exhaustive, it does encompass the majority of items that the Builder can typically contribute to the package intended for NCF's review. It is essential to thoroughly review all forms and disclosures, seeking clarification on any queries before signing.

- **Land Contract** between Land Seller and Borrower or copy of Deed, if Borrower already owns
- **\*Site-Built Home Construction Cost Breakdown:** This document represents the Builder's budget for construction of the home and serves as the basis for all line-item percentage of completion draws. It is crucial that the form is completed accurately, indicating budgeted costs and/or utilizing the designations provided in the Key on the form. Beyond its role in determining the Builder's draws (explained in more detail later in this guide), it also informs the NCF Construction Underwriter that the Builder has recognized and accounted for all necessary improvements essential for compliant completion of the home construction.
- **\*Site-Built Home Construction Contract Worksheet:** This form will be automatically populated with the "NCF Calculation Results" and presents a detailed breakdown of the final contract price, the builder's projected net, and other relevant components.
- **Construction Contract** between Builder and Borrower(s) for home and improvements. The final contract sum must align precisely with the amount indicated in the NCF Calculation Results and Construction Contract Worksheet. The contract should: a) address any contributions to the borrower for closing costs/prepays, and b) specify deposits received from the borrower, along with the remaining balance after considering these deposits. **It is imperative that this contract adopts a fixed-price and fully turnkey approach, strictly avoiding any "cost plus" arrangements.** Although a contingency is permissible and even recommended, allowances are not permitted.
- **Set of Blueprints/Plans with Builder's and Borrower's Signatures**
- **Specs/Description of Materials** (HUD-92005 or VA 26-1852) with builder's and borrower's dated signatures

- **\*\*Proposed Plot Plan** completed and signed by Builder showing proposed placement of Home, Well, and Septic on property and distances between each
- **\*\*Site-Built Home Construction Requirements:** This document explains the various construction requirements of these loans and typically answers many questions, especially for a Builder new to FHA, VA, or USDA loans.
- **\*\*Site-Built Home Construction Draw Disclosure:** This document fully explains the NCF draw process. Please read thoroughly prior to signing.
- **\*\*Disbursement Authorization and Appointment of Agent**
- **\*\*Agreement Regarding Payment of Interest:** The Builder is responsible for the interest during the construction period. This is the agreement for that between the Builder and the Borrower(s).
- **\*\*Construction/Permanent Loan Disclosure**
- **\*\*Disputes, Inspections, and Builder/Retailer Selection**
- **Builder's Certification:** When using HUD-92541, items 2 thru 7 must be marked. If VA, VA Builder's Certification per guidelines may be used in lieu of HUD-92541. If USDA, Form RD 1924-25 may be used in lieu of HUD-92541.
- **Permits (or Proof it's Permittable):** Building, Well, and Septic. In California, all permits required prior to closing.
- **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 Site-Built Homes' available at [ncfunding.net/forms](https://ncfunding.net/forms)*

## Closing

Upon full approval and clearance to close by both the Lender and NCF, NCF will facilitate the closing process with the Lender. Typically, a three-business-day period is required from the receipt of all necessary items to initiate document preparation until the actual signing/closing. This timeframe accommodates the preparation and review of closing documents, the creation and review of the Closing Disclosures, and the initiation of the initial wire transfer to the closing agent. The Land Seller will be paid upon closing.

### **FAQ: Can Builder Receive a Draw at Closing?**

If NCF receives a written request from the Builder before the closing document preparation, funding is available to pay or reimburse expenses such as building permits, impact fees, architect/engineering costs, etc. upon closing. However, it's important to note that no other upfront draw will be provided or is available to the Builder prior to the interim draws that require work in place. Additionally, any soft costs or non-inspectable items necessitate verification of the amount before disbursement, whether they are paid at this draw or in subsequent interim draws. It is also important to note that this draw, when applicable, will typically be funded no sooner than four (4) business days after the funding of the close, but will not count towards the five-draw allotment.

## Post-Closing: NCF Becomes Builder's Primary Point of Contact

Upon the completion of the loan closing and funding process, NCF assumes the role of the Builder's primary point of contact for that file going forward. Subsequently, our Draw Department will send a Letter of Commencement to the Builder via email, officially indicating the closing and funding of the loan and granting authorization to begin construction. Shortly thereafter, our Draw Department will provide the Builder with a comprehensive list of specific items and forms necessary for the approval and release of the final draw. This enables the Builder to gather the required documents throughout the construction process in anticipation of the final draw. For communication with the NCF Draw Department, please use [draws@ncfunding.net](mailto:draws@ncfunding.net) or reach out by phone at 281.537.0073.

## Construction Draw Procedures

The Builder is eligible for up to five interim draws, including the final draw, following the closing. Upon the Builder's request for a construction draw from NCF, NCF will promptly initiate an inspection of the construction project from their approved inspector list. The inspector will assess the property on behalf of NCF and the lender, capture photographs, and submit an inspection report to NCF for review.

Once the inspection report is received, NCF compares it with the Site-Built Home Construction Cost Breakdown, previously completed by the Builder before closing, to determine the draw amount. **All draw amounts are calculated using the line-item percentage of completion method.** Subsequently, NCF will instruct the lender to review and, if in agreement with our findings, transfer the funds to the closing agent. NCF then provides disbursement instructions to the closing agent for the disbursement of the funds to the Builder.

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

Site-Built Construction Cost Breakdown completed by Builder prior to closing shows the following:

Foundation:	\$10,000
Driveway:	\$2,000
Septic System:	\$9,000

Inspection Report received by NCF shows the following:

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

Interim Draw to Builder would be as follows:

Foundation:	\$10,000	(100% x \$10,000)
Driveway:	\$1,600	(80% x \$2,000)*
Septic System:	<u>\$4,500</u>	(50% x \$9,000)*
<b>Total Interim Draw:</b>	<b>\$16,100</b>	

\*Note that a line item doesn't necessarily need to be 100% complete to receive at least a partial disbursement of funds for that particular item.



### ***Interim Draws***

- The decision of when or if to take any interim draws before the final draw is entirely at the discretion of the Builder.
- Interim draws can be used to cover site improvement work in place. A collateral inspection verifying the work in place is required and NCF will arrange and cover the cost of the collateral inspection.
- Draw amounts for site improvements will be determined using the line-item percentage of completion method.
- In cases where a deposit from the Borrower was made to the Builder prior to closing, any amount exceeding \$1,000 will be allocated to the first interim draw. For instance, if the Borrower deposits \$5,000 with the Builder and \$20,000 worth of work is in place at the first interim draw, \$16,000 will be disbursed for that draw.
- If more than the allotted five draws are required, the Builder will incur a charge of \$200 per additional draw.
- Conditional upon the completion of work justifying the draws, funding is available for up to 90% of the Builder's construction contract price before the final draw.

### ***Final Draw***

The final draw will fund any remaining completed improvements and will be disbursed once NCF has received and the lender has approved all remaining funding conditions in order to convert the loan to the permanent phase. The Builder is responsible for promptly informing the NCF Construction Draw Department when the project is complete for NCF to initiate the final inspection. When required, NCF will cover the expense associated with the final inspection when ordered by NCF. However, any costs incurred due to failed inspections will be deducted from the Builder's final draw.

Prior to requesting the final draw, the Builder is responsible for furnishing NCF with all construction-related conditions requested including, but not limited to, the following:

- \*Affidavit of Completion and Indemnity signed by Builder 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 Builder 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 Builder and Borrower(s). If USDA, RD Form 1924-19 may be used.
- \*Modification Agreement signed by Borrower(s) in the presence of a notary.
- Inspection Requirements as detailed in NCF's Site-Built Home Construction Requirements document
- Final "As Built" Placement Survey showing home location on property (if required by the Settlement Agent and/or Lender)
- HUD-NPMA-99-A Subterranean Termite Treatment Builders Certification and Guarantee completed by Builder 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 and acceptable Water Quality Test Results including lead, nitrates, nitrites, total coliforms, and e. coli/fecal coliforms (if private or shared well)

- 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.

*\*Forms provided by NCF to Builder*

### **Construction to Permanent Rollover**

Once all funding requirements have been met, NCF will conduct a comprehensive review and subsequently submit the documentation to the lender for their final approval. Simultaneously, NCF will issue a funding advice to the lender, requesting the conversion of the loan to the permanent phase and transfer of funds to the Closing Agent. Following this, NCF will provide the closing agent with the final disbursement instructions for the disbursement of the final draw to the Builder.

### **Frequently Asked Questions**

***FAQ: Is it permissible for the Borrower contract with multiple contractors to complete the home?***

No, as our program requires that one entity takes on the responsibility for ensuring the comprehensive completion of both the home and all associated site work and improvements. This designated party is also accountable for the interest accruing during the construction phase. As the Builder holds the primary responsibility the construction of the home, they are obligated to be the party responsible for project completion. Additionally, it is in the Builder's best interest to maintain full control over the project, considering that the interest accrues at their expense. To ensure a swift turnaround for the home's completion and in order to minimize construction interest costs, the Builder must have the authority over the subcontractors including the ability to hire and dismiss subcontractors as needed. It is also for these reasons that the Borrower cannot be involved or responsible for any of the work or management of the subcontractors.

***FAQ: Given a fixed-price, fully turnkey construction contract/purchase agreement is required, does NCF necessitate or automatically include a Contingency for unforeseen expenses or costs?***

No, we do not require a contingency, nor do we incorporate one automatically. Nevertheless, we strongly advise considering one, particularly since with a fixed-price, fully turnkey construction contract/purchase agreement, the responsibility for potential expenses exceeding the Builder's budget lies entirely with the Builder. Including a contingency in the contract price can effectively mitigate this risk. If both the Builder and Borrower authorize it, any remaining contingency funds can be utilized towards reducing the borrower's loan principal at the final draw and conversion to permanent phase of the loan.

***FAQ: How are Change Orders paid?***

Since the loan is closed and the loan amount is fixed before construction begins, unless funds from a contingency in the Builder's contract are utilized, there are no available funds in the loan for change orders. Consequently, it becomes crucial for the Builder to insist on direct payment from the borrower before proceeding with the implementation of any change orders.