



One-Time Close New Construction

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UWM offers One-Time Close New Construction for conventional **and** VA loans. This is an opportunity for our clients to generate new business as they continue to strengthen relationships with real estate agents, build new relationships with builders/contractors **and** further expand their portfolio of options for borrowers. UWM partners with **Granite** to assist in **project and contractor approval and** to help complete the **project** on time **and** within budget.

BENEFITS

- UWM is arming our partners to help more borrowers **and** first-time homebuyers make their first home or next home their dream home
- Builders don't have to pay for the construction upfront, then sell the home to a borrower. They can create the borrower's dream home **and** get a loan before construction even begins, helping save time **and** money by only have to close once **and** covering one set of closing costs!
- UWM's process has a **contractor approval** component. We vet the **contractor and** obtain references to make sure they are credible. This helps give peace of mind to your borrower that they have chosen a good option.
- Other lenders require intense documentation, high interest rates **and** large down payments. UWM helps reduce the headaches, keep the **project** moving, create transparency **and** peace of mind for all parties involved, **and** offers the same great service on these loans, as we always do.
- After the first **approval**, the borrower is good to go, no need to reapprove them!

Feedback

WHAT IS A ONE-TIME CLOSE NEW CONSTRUCTION LOAN?

- A One-Time Close New Construction loan is a single closing construction loan. The construction portion is short-term financing that is modified into permanent financing upon completion of the **project**. A single closing construction mortgage can be closed as a purchase or a refinance.

WHAT IS A SINGLE CLOSING?

- A single closing construction loan is the combination of financing the construction **and** the permanent mortgage. There is a single closing transaction that occurs prior to construction beginning.

- Closing costs/fees that the borrower is responsible for are collected at closing. Funds are accessed through draws **and** there is an initial draw at closing for proceeds to the **contractor** to begin the construction **project**.

WHAT IS A ONE-TIME CLOSE NEW CONSTRUCTION PURCHASE LOAN?

- The loan purpose is a purchase when the borrower is not the current owner of the lot on which the home will be built. The borrower is using the loan funds to purchase both the lot **and** to fund the construction of the property. The loan amount includes the sum of the sales price of the lot **and** the cost to construct the property minus the down payment.

WHAT IS A ONE-TIME CLOSE NEW CONSTRUCTION REFINANCE LOAN?

- The loan purpose is a refinance when the borrower already owns the lot in which the home will be built on. The borrower is using the loan funds to pay off any existing liens on the lot **and** to finance the construction of the home. The loan amount includes the sum of any existing financing from purchase of the lot **and** the cost to construct the home.

GENERAL TERMS

Construction Period – Time frame between the initial draw at closing to completion of the construction.

Initial Draw (Draw at Close) – Amount of funds to be disbursed at closing.

- On a purchase, funds from initial draw are used to purchase the lot **and** pay the **contractor** to begin **project**
- On a refinance, funds may be used to pay off existing financing on the lot **and** pay the **contractor** to begin

The initial draw cannot exceed 10% of the **project** cost or \$50,000, whichever is less. Anything over this amount must be approved by Granite/UWM on a case-by-case basis.

- There is a draw exception for modular homes at closing, on an exception basis the initial draw can be drawn up to 20-25% of the **project** cost when stated on the invoice from the manufacturer. Anything over the 10% or \$50,000 must be approved by Granite/UWM on a case-by-case basis.

Draw Schedule – Outline of the increments in which funds will be disbursed to the **contractor** from Granite's title company – Premium Title Services, in accordance with the construction contract.

- Funds are released based on the percentage of work completed by the **contractor** in the construction period
- Before each draw is released, an inspection is completed by **Granite** to ensure the draw requested by the **contractor** was, in fact, completed **and** progress was made
- If the builder has not completed the scheduled work, they can request **Granite** to postpone the inspection **and** draw **and** they can give an update when it's done

NOTE: A title search (title date down) might be required to be completed by Granite's title company to ensure there are no outstanding liens **and** that the correct permits are drawn.

- There is a 10-business day turn time for Premium Title Services to release the initial draw once it has been dispersed from UWM at closing
 - o Business days are based on regular business hours of 8am EST–8pm EST Monday-Friday

Construction Management Fee – Cost collected by **Granite** at closing to manage funds during the construction period **and** includes the construction draw fee.

- Fee is determined during **project approval** period **and** is finalized between **Granite** & the builder/contractor
- Fee is based on the hard cost of construction
- Only VA loans will include this fee in the builder's budget

Generic Granite Draw Schedule		
Hard Construction Cost	Maximum number of draws scheduled during the construction period	Cost Due at Closing (Construction Draw Fee)
\$1 - \$249,999	5	\$1,450
\$250,000 - \$500,000	8	\$2,320
\$500,000.01 - \$750,000	10	\$2,900
\$750,000.01 - \$1,000,000	12	\$3,480
\$1 million & up	Determined by Granite	Determined by Granite

NOTE: If a builder requires a different structure of draws, **Granite** can be contacted during the **project approval** process for a detailed draw schedule that the builder requires. These may be approved on a case-by-case basis.

Interest Rate Float-Down – The note rate at time of closing will be the interest rate for permanent financing, unless it's eligible for an interest rate float-down during the loan's modification to permanent financing. This process gives borrowers a lower final rate after float-down

- The current market rate is the lowest rate with the same cost basis (prior to LLPAs) as the note rate for the current product as offered by UWM
- A float-down rate adjustment (1/8 of a basis point) will be added to the current market rate if eligible for an interest rate float-down at loan modification

Interest rate float-down eligibility is based on if the sum of the note rate **and** float-down rate adjustment ("final rate after float-down") is:

- Less than the current market rate, the note rate will be reduced to the final rate after float-down
- Greater than the current market rate, the note rate will not change **and** is used for permanent financing

Example 1: The final request for disbursement is received, **and** the current market rate has improved since closing.

At Closing	
Closing Date	01/25/23
Note Rate	6.75%
Cost Basis	102.7

Float-Down Rate	
Final Request for Disbursement	10/01/23
Current Market Rate	6.5%
Cost Basis	102.7
Float-Down Rate Adjustment	0.125%
Final Rate after Float-Down	6.625%

The current market rate plus the float-down rate adjustment is less than the note rate at time of closing. The note rate for this loan will be reduced during loan modification to the final rate after float-down (6.625%) if the borrower agrees to the reduction.

Example 2: The final request for disbursement is received, but the current market rate has worsened since closing.

At Closing	
Closing Date	01/25/23
Note Rate	6.75%
Cost Basis	102.7

Float-Down Rate	
Final Request for Disbursement	10/01/23
Current Market Rate	7.0%
Cost Basis	102.7
Float-Down Rate Adjustment	0.125%
Final Rate after Float-Down	7.125%

Feedback

The current market rate plus the float-down rate adjustment is greater than the note rate at time of closing. The note rate for this loan will not increase!

GRANITE CONTACT INFORMATION

Granite will communicate through email to whichever contacts are named during submission of the project/builder **approval** package. Email questions to UWMprojects@graniteriskmanagement.com or call (866) 380-9657.

After closing, the borrower can reach out to UWM or **Granite** directly at servicingconstruction@uwm.com or UWMdraws@Graniteriskmanagement.com

PARAMETERS

The parameters below are for both Conventional **and** VA loan types.

- Fannie Mae only – DU findings must be approve/eligible
- Maximum lock period = 90 days
- **Project and** builder/contractor must be approved by UWM/Granite
- 5% contingency of construction costs must be included in every **project** budget (Form C)
 - o Borrower's principal balance will be reduced by any unused funds from contingency fund
 - o A 10% contingency must be included for all projects located in the state of Texas
 - o Contingencies are to be included in the initial loan amount **and** are used in case the construction costs are underestimated
- 11 month maximum build period with 1 month modification period
- Credit documents cannot exceed 12 months at the time of modification
- \$1,550 underwriting fee
- A standard 1004 full appraisal is required
- Modular homes are eligible• Unique properties as defined by Fannie Mae are eligible as long as the appraisal is able to show acceptable comparables (ex. Barndominiums)

INELIGIBLE

- Texas 50(a)(6)
- Co-ops, attached condos, manufactured homes **and** accessory dwelling units
- Temporary buydowns
- Principal reductions
- Appraisal waivers or appraisal alternatives
- Escrow holdbacks
- Title Review **And** Closing (TRAC)
- Virtual Close
- Ultimate Loan Submission
- UWM Loan Shield

CONVENTIONAL PARAMETERS

- 15- **and** 30-year fixed & 7/6 **and** 10/6 ARMs
- Conforming **and** High-Balance loan limits

- Primary, second home **and** investment properties
- Min FICO = 700
- Max LTV/CLTV/HCLTV = 95%
- If the property is in a declining/risky market, it may be subject to a 10% LTV reduction based on the product's max LTV. The following are indicators that a property would be subject to LTV reduction:
 - o Declining, over supply or over 6 months checked in the One-Unit Housing Trend section
 - o SSR message 1020 is present on appraisal
 - o The property is in a county that's on the declining/risky market list

VA PARAMETERS

- 30-year fixed & 30-year Jumbo fixed
- Primary residence only
- Max loan amount = \$4 million
 - o Total loan amount cannot exceed the total acquisition cost, including financed funding fee
- Min FICO = 580
- Max LTV/CLTV/HCLTV = 100%
- Funding fee based on total acquisition costs
- VA split entitlement eligible
- No rehab constructions – an existing property cannot be renovated using a One-Time Close New Construction loan
- Escrow accounts ineligible during the construction period
- No owner builders

VA REFINANCE LTV DETERMINATION

On VA One-Time Close New Construction refinance loans, the LTV calculation includes the lower of the acquisition cost or appraised value of the lot. The figures used depend on: 1) if the lot was acquired within 12 months of closing; **and** 2) if the lot was gifted to the borrower.

	Lot Acquisition: Older than 12 Months Prior to Closing	Lot Acquisition: On or Within 12 Months of Closing
Lot was NOT Gifted	LTV = Cost to build and appraised value of the lot	LTV = Cost to build and cost to purchase the lot
Lot was Gifted – No Outstanding Liens on Lot	LTV = Cost to build and appraised value of the lot	
Lot was Gifted – Outstanding Liens on Lot	LTV = Cost to build and appraised value of the lot	LTV = Cost to build; land value is limited to lot liens <i>If the outstanding liens exceed the appraised value of the lot, the appraised value will be used instead.</i>

VA REFINANCE – CASH BACK

PURCHASE

If the borrower has made a down payment to the builder prior to the mortgage transaction occurring, the borrower can receive cash back at closing for this amount.

REFINANCE

In all states, except Texas, if the borrower purchased the lot in cash or made a down payment to the builder prior to the mortgage transaction occurring, the borrower can receive cash back at closing for this amount.

- Lot must be free of any liens **and** not gifted to the borrower
- If the purchase of the lot was financed, but the lot has since been paid off, evidence that it is owned free **and** clear must be provided
- Any down payment that is being reimbursed must be fully documented **and** funds sourced

LOAN STRUCTURE

- Loans will be structured to move from construction financing to permanent financing with one closing



CONVENTIONAL

- Interest-only payments made during the construction period are based on the current amount drawn during the construction period
- Once the construction period **and** the modification to permanent financing has been completed, the borrower will pay principal **and** interest payments
- Loan term begins at modification date

Example: A 30-year term loan with an 11-month build. At time of modification, the loan converts to a 30-year permanent financing loan.

VA

- Escrow waiver required during the construction period – no payments are required during the construction period as the interest-only payments will be included in the construction budget
- The initial draw at closing will include the interest-only amount, land-only amount, property insurance, title date down fee **and** draw fees being withheld. These are included as part of the builder's budget **and** hard construction costs
- Once the construction period **and** the modification to permanent financing has been completed, the borrower will pay principal **and** interest payments
- Loan term begins at note date
- Construction period is "backed out" of the loan term

Example: A 30-year term loan with an 11-month build. At time of modification, the loan converts to a 29-year **and** 1-month permanent financing loan.

BORROWER QUALIFICATION REQUIREMENTS

DTI

Borrowers must qualify with their current mortgage payment included in the DTI calculation or sell their current residence prior to closing to have it excluded. Any future income expected to be earned is not acceptable **and** cannot be used.

OWNERSHIP INTEREST

- If any party involved in the loan transaction has ownership interest with the builder/contractor, it must meet the [Interested Party Contribution Guidelines](#)
- If the borrower has an affiliation with the builder/contractor, it is considered a non-arms length transaction **and** is limited to only primary residences
- Owner builders are allowed on conventional primary residence loans only

APPRAISAL EXPIRATION

CONVENTIONAL AND VA

- Full appraisal subject to plans **and** specs required to close One-Time Close New Construction loans
- At the time of construction completion, an appraisal update and/or completion report (Form 1004D) must be completed
- UWM will order the final inspection once the property is completed
 - o The final inspection fee must be disclosed on the CD **and** will be withheld by UWM

LOAN MODIFICATION

Every loan will be modified to permanent financing once construction is completed according to the construction contract. Loan modification will convert the loan into a fully amortizing loan. Borrowers are required to sign the modification agreement. Once modification is completed, the final draw will be disbursed.

1. The modification process starts when the builder requests the final inspection from **Granite**
2. If construction is complete, **Granite** submits a final draw recommendation to UWM
3. UWM orders the appraisal update and/or completion report (Form 1004D)
4. Builder provides UWM with the Certificate of Occupancy (must be provided before a modification package can be signed by the borrower)
5. UWM analyzes if the rate is eligible for an interest rate float-down
 - a. The borrower will be contacted by UWM to discuss this option if they are eligible
6. UWM drafts the modification package. Package will include the following:
 - a. Loan amortization schedule
 - b. First payment letter
 - c. Loan modification agreement
7. Modification package is shipped overnight to the borrower
8. Borrower must sign the Modification Agreement within 12 months of closing

- a. If it is not signed within 12 months, the borrower is required to requalify
 - b. UWM will hold the final draw until the agreement is signed
9. If UWM receives a fully executed **and** notarized modification by 3PM EST, a same-day wire can be completed
- a. Allow 7-10 business days from the final draw request for the wire to be disbursed

NOTE: At the time of modification, UWM will compare pricing of the original note rate to the current market. For example, on a Conventional One-Time Close New Construction loan, we will compare original note rate pricing to today's current market Conventional 30-Year pricing.

REQUALIFICATION

If the modification agreement is not signed within 12 months of closing, the following must be submitted for requalification:

- New income, assets, appraisal **and** credit documents
- Disclosures do not need to be redisclosed unless the borrower is denied during requalification
 - o Loan will need to be resubmitted to refinance the One-Time Close New Construction loan

EPO POLICY

The EPO period for a One-Time Close New Construction loan is any time during construction or 180 days from the modification date.

FEES

There are additional fees associated with a One-Time Close New Construction loan file:

- Construction Draw Fee
 - o The number of draws is determined by **Granite** (see Draw Schedule above)
 - o All draw fees will be paid as a one-time fee at closing
- Contract Review Fee - \$150 paid to **Granite**
 - o Can be listed as reimbursable POC in the Fees screen
- **Project** Review Fee - \$300 paid to **Granite**
 - o Can be listed as reimbursable POC in the Fees screen
- Title Date Down Fee
- Final Inspection Fee - \$400 for Conventional, \$200 for VA
 - o Borrower is responsible for paying this fee
 - o Required on every One-Time Close New Construction loan **and** must be disclosed on initial documents
 - o Fee cannot be rolled into loan amount on a VA One-Time Close New Construction loan

The One-Time Close New Construction specific fees will be disclosed in Section B of the Fees screen. The contract review fee **and** **project** review fee may be marked as paid outside of closing.

NOTE: The construction draw fee **and** the title date down fee will be zeroed out on a VA One-Time Close New Construction loan.

TAXES

Taxes submitted to be based on land **and** improvements including

• Breakdown of calculation from title **and** supporting documentation

• **Example:** Appraised value x assessed value of 40% x millage rate

DISCLOSURES DOCUMENTS

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information

Date Issued 1/27/2023
Closing Date 2/22/2023
Disbursement Date 2/27/2023
Settlement Agent Qa Test Active Licensed All States
File # 564
Property 54623 Test Primary
 Novi, MI 48377
Appraised Prop. Value \$300,000

Transaction Information

Borrower SamsLoan FeesDoNotTouch
 54623 Test Primary
 Novi, MI 48377
Lender United Wholesale Mortgage, LLC

Loan Information

Loan Term 15 yr. 7 mo.
Purpose Refinance
Product 7 mo. Interest Only, Fixed Rate
Loan Type ☒ Conventional ☐ FHA
☐ VA ☐ _____
Loan ID # 1223010037
MIC #

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$240,000	NO
Interest Rate	6.75%	NO
Monthly Principal & Interest <i>See Projected Payments below for your</i>	\$675.00	YES • Adjusts every mo. starting in mo. 1 • Goes as high as \$2,124 in month 8 • Includes only interest and no principal until month 8

• **Loan Term** - includes both construction period **and** permanent loan term

• Purpose

- o Purchase is shown if borrower is purchasing land at time of loan
- o Refinance is shown if borrower owns land, **and** a lien is being paid off
- o Construction is shown if borrower owns lot **and** no existing liens being paid off

• Product

- o Construction period interest-only then permanent loan product

- o Example: 7 mo. Interest-only, fixed rate
- **Monthly P&I** – Based on the amount that has been drawn on the construction loan
 - o If a down payment is provided, those funds will be used before drawing on the loan balance
 - o $[(\text{loan amount divided by } 2) \times \text{interest rate}] \div 12$
 - o Example: $\$240,000 \div 2 = \$120,000 \times \text{interest rate of } 6.75\% = \$8,100 \div 12 = \$675$

GRANITE APPROVAL PROCESS

BUILDER/CONTRACTOR APPROVAL

The builder/contractor must be approved by **Granite** to be eligible to complete the **project**. The **approval** process can be started before a property is found **and** must be complete prior to CTC. A \$150 contract review fee will be charged to the borrower but may be paid by the broker **and** will be reimbursed by the borrower at time of closing. UWM will not reimburse the fee. This fee is to be paid to **Granite** each time the process is complete. The fee will be invoiced from **Granite** at time of **approval**.

- The client will fill out the top **and** bottom section of the **contractor** acceptance checklist – Form B to then be sent to the builder/contractor
- The builder/contractor or the client is responsible for completing the checklist items **and** sending the necessary documents to **Granite**
- **Granite** will review the information **and** issue the **contractor approval** back to the client
 - o 3-business day turn time for initial review
 - o If additional information is needed to issue the **approval**, **Granite** will reach out directly to the builder/contractor – additional 2-business day turn time

NOTE: The Builder/contractor **approval** fee is named Contract Review Fee in Section B of the Fees screen.

If the builder has already been approved by **Granite** within the last 12 months, no builder **approval** fee should apply. Email the following to **Granite** to prove prior **approval**:

1. Current borrower's full name **and** loan number
2. Attach the builder **approval** package from the builder's initial **approval**
3. Date of when the builder was approved
4. Ask **Granite** to reissue the builder **approval** package for the new borrower **and** new loan

Updated documentation may be required if expired within the 12-month window (e.g., builder's insurance or licenses). If **Granite** finds the **approval** to still be acceptable, the \$150 fee will be refunded by **Granite**.

On a VA One-Time Close New Construction Loan, the builder/contractor must also be listed on the VA Registered Builders list.

- The builder/contractor must download the forms listed on the VA website **and** send the completed forms to their Construction & Valuation Point of Contact
 - o Builder Information **and** Certification
 - o VA Form 26-421 Equal Employment Opportunity Certification
 - o VA Form 8791 VA Affirmative Marketing Certification
- The VA will issue the builder/contractor a VA Builder ID Number
 - o 5 business day turn time for ID issue

PROJECT APPROVAL

Please refer to the **Project** Review Requirements **and** Submission Requirements by **Granite**. The **project** must be approved by **Granite**. The **project approval** process can be started once a property is found **and** should be complete prior to the loan entering CTC. A \$300 **project** review fee will be charged to the borrower but may be paid by the broker. UWM will not reimburse the fee.

The **Project** Review Checklist – Form D must be filled out by the client **and** sent back to **Granite** with the following documents/information included:

- **Signed Construction Contract** – Borrower **and** **contractor** must both sign; contract amount must match total in cost breakdown.
- **Cost Breakdown (aka Builders Budget)** – Must match dollar amount included in the construction contract. A budget provided by **Granite** or a breakdown from the builder may be used.
- **Set of Plans** – One full set of plans for construction **and** job specifications.
- **Appraisal** – Lender will order an appraisal based on the plans **and** specifications. If the plans have not been submitted, please indicate in the Expected Completion Date column your expected delivery date to the lender.
- **Building Permits** – Submission of building permits to lender — if pre-start activity has occurred, permits must be included.
- **Pre-paid Information** (Prepaid Accounting Information – Form D1) – improperly documented pre-pays will not receive credit.
- **Draw at Close** — Submit a fully completed **and** signed Construction Loan Disbursement Request/Authorization – Form E documenting the hard cost draw at close.

NOTE: If pre-paid information **and** draw-at-close figures are unavailable at time of initial submission, submission can proceed **and** **Granite** will condition out for them to be provided. An appraisal is not a requirement to start the **approval** process.

- **Granite** will issue the **project approval** back to the client
 - o 3-business day turn time for approval
 - o If additional information is needed to issue the **approval**, **Granite** will reach out directly to the builder/contractor – additional 2-business day turn time
- The final **project approval** will include:
 - o Conventional: Finalized number of draws, initial draw at closing amount **and** balance the **project** budget
 - o VA: Interest-only mortgage payments during construction period, land-only property taxes, property insurance (during construction), finalized number of draws, initial draw at closing amount, draw fee **and** title update fees **and** balance the **project** budget
 - o This amount is finalized when the loan is locked

NOTE: It is recommended that the VA One-Time Close Interest-Only Payment Calculator is used to ensure accurate figures are being used in the budget.

- If the budget is underestimated **and** more funds are required to complete the **project** than the amount secured by the contingency plan, the borrower may be required to provide the additional funds out of pocket

NOTE: The **project approval** fee is named **Project** Review Fee in Section B of the Fees screen.

VA PROJECT APPROVAL

A UWM underwriter will provide a cover letter for the required funds that need to be included in the **project** budget. This cover letter will need to be supplied to the builder/contractor for the final **project approval** to be processed. Calculator available to calculate the appropriate amount of funds required.

NOTE: Loan must be locked to determine the correct amount of required funds.

SUBMITTING A ONE-TIME CLOSE NEW CONSTRUCTION LOAN

- 3.4 files will be imported as a standard wholesale loan
 - o Loans are only eligible to be originated in the broker channel, not eligible on correspondent.
- Under the **Loan Information > Mortgage Purpose, Types & Terms** tab, the following information will need to be manually entered:
- **Initial Draw Amount**
 - o Amount can change in AWC status by the UW, but the value entered in File Import will be locked down at Setup/time of lock
 - **Amount of Existing Liens**
 - o One-Time Close New Construction purchase loans = should be entered as \$0
 - o One-Time Close New Construction refinance loans = amount of any existing liens on the lot
 - **Original Cost**
 - o One-Time Close New Construction purchase loans = field is disabled for a purchase **and** the value will flow over from: (A) Present Value of Lot
 - o One-Time Close New Construction refinance loans = original amount the lot was purchased for
 - **Number of Draws**

- o Default value will show based on the state **and** hard cost of construction
- o This value will influence the construction draw fee in the Fees screen
- o This amount does not include the initial draw at closing
- **(A) Present Value of Lot (lot purchase price)**
 - o One-Time Close New Construction purchase loans = original cost of lot
 - o Original cost field will be disabled with the same value in: (A) Present value of lot
 - o One-Time Close New Construction refinance loans = amount lot is valued at
- **(B) Cost of Improvements**
 - o Must be filled out for both purchase **and** refinance loans – cost of construction
 - o Hard cost of construction of the home – this value should be provided by the builder/contractor
- **(A + B) Total**
 - o Automatically calculated based on values entered in: (A) Present value of lot **and** (B) Cost of improvements fields
- **Construction Period**
 - o Minimum of 1 month **and** maximum of 11 months can be entered
 - o If construction takes longer than 11 months, the borrower will have to requalify
- **Date Acquired**
 - o This field will only appear on One-Time Close New Construction refinance loans
 - o The day the lot was acquired should be selected in the calendar pop-up

LOAN INFORMATION

MORTGAGE PURPOSE, TYPES & TERMS

SUBJECT PROPERTY

Mortgage Applied For: Conventional
 Amortization Type: Fixed
 Loan FICO: 720
 Down Payment Amount: \$ 50,000.00

Documentation Type: Full
 Interest Rate: 6.500 %

Amortized No. Of Payments: 360
 Mortgage Purpose: Construction Purchase

Initial Draw Amount: \$ 50,000.00
 Sales Price: \$ 400,000.00

Appraised Value: \$ 400,000.00
 Base Loan Amount: \$ 350,000.00

Financed Fees: \$ 0.00
 Total Loan Amount: \$ 350,000.00

Second Loan Amount: \$ 0.00
 LTV: 87.500 %

CLTV: 87.500 %
 TLTV: 87.500 %

Construction Information

Amount Existing Liens: \$ 0.00
 Original Cost: \$ 50,000.00

Number Of Draws: 2
 Date Acquired: 2/28/2023

(A) Present Value Of Lot: \$ 50,000.00
 (B) Cost Of Improvements: \$ 350,000.00

Total (A + B): \$ 400,000.00
 Construction Period: 11

- Available Down Payment Source Options: ?
- ☐ Gift
 - ☐ Sale of Assets
 - ☒ Checking
 - ☐ Stocks, Bonds & Mutual Funds
 - ☐ Equity on Sold Property
 - ☐ Equity from Pending Sale of Property
 - ☐ Equity from Subject Property
 - ☐ Other funds source
 - ☐ Savings
 - ☐ Certificate of Deposit

- Under the Loan Information > Subject Property tab:
 - o New Construction **and** Land Contract Conversion checkboxes should **NOT** be checked

LOAN INFORMATION

MORTGAGE PURPOSE, TYPES & TERMS

SUBJECT PROPERTY

Property Type:

Occupancy:

Attachment Type:

Address Line 1:

Unit #:

City:

State:

ZIP Code:

County:

Number Of Units:

Year Built:

☐ New Construction
 ☐ Land Contract Conversion

Title To Be Held In:

Manner Held:

Property Rights:

Mixed Use Property:
 If you will occupy the property, will you set aside space within the property to operate your own business?
 (e.g., daycare facility, medical office, beauty/barber shop)

☐ Yes
 ☒ No

RENTAL INCOME CALCULATOR

Gross Monthly Rent	Vacancy Factor	Adjusted Monthly Gross Income	Net Rental Income
\$ <input type="text" value="0.00"/>	<input type="text" value="0.00 %"/>	\$ <input type="text" value="0.00"/>	\$ <input type="text" value="0.00"/>

SAVE

- When the loan purposed is selected as Construction Purchase:
- When the loan purposed is selected as construction refinance:
 - o **Rate and Term - Conv** needs to be selected as the refinance purpose on Conventional loans

MORE LOAN INFORMATION

Loan Officer <input type="text"/>	Occupancy Primary Residence ▼	Documentation Type Full ▼
Borrower Name Alice Homeowner	Months Of Reserves ? 0	Flex Term 30 Years ▼
Loan Amount \$ 350,000	Property Type Single Family Residence ▼	Purpose Construction Purchase ▼
Second Loan Amount \$ 0	Number Of Units 1	Refinance Purpose ? <input type="text"/>
Appraised Value \$ 400,000	Property State Michigan ▼	Exact Rate Type Target Price After Comp ▼
Sales Price \$ 400,000.00	ZIP Code 48336	Target Price After Comp ? 0.000 % \$ 0.0000000000
LTV ? 87.500 %	County OAKLAND ▼	(A) Present Value Of Lot \$ 50,000.00
CLTV 87.500 %	Mortgage Insurance Type BPMI (Monthly) ▼	(B) Cost Of Improvements \$ 350,000.00
		Total (A + B) \$ 400,000.00

- o **VA Cash-Out Type II** needs to be selected as the refinance purpose on VA loans

If the lot was acquired within 12 months of closing, the checkbox will need to be checked

MORE LOAN INFORMATION

Loan Officer <input type="text"/>	Occupancy Primary Residence ▼	Documentation Type Full ▼
Borrower Name John Homeowner	Months Of Reserves ? 0	Flex Term 30 Years ▼
Loan Amount \$ 350,000	Property Type Single Family Residence ▼	Purpose Construction Refinance ▼
Second Loan Amount \$ 0	Number Of Units 1	Refinance Purpose ? Rate and Term - Conv ▼
Appraised Value \$ 400,000	Property State Michigan ▼	Exact Rate Type Target Price After Comp ▼
LTV ? 87.500 %	ZIP Code 48341	Target Price After Comp ? 0.000 % \$ 0.0000000000
CLTV 87.500 %	County OAKLAND ▼	(A) Present Value Of Lot \$ 35,000.00
	Mortgage Insurance Type BPMI (Monthly) ▼	(B) Cost Of Improvements \$ 510,000.00
		Total (A + B) \$ 545,000.00

• Under the Real Estate Owned > Real Estate Details tab:

- o The value to be entered in the market value field is the amount the property will be worth once construction on the home is complete
- o If a One-Time Close New Construction refinance, the lot (vacant land) being paid off should be marked as the subject property

REAL ESTATE OWNED

REAL ESTATE DETAILS

RENTAL INCOME & PROPERTY EXPENSES

☒ Subject Property

Real Estate Owners:

☒ John Homeowner

Borrower(s) Using This As Primary Address:

☒ John Homeowner

Address Line 1

Unit #

Intended Occupancy

City

State

ZIP Code

Country

Market Value

\$

Property Type

Status

Mixed Use Property:

If you will occupy the property, will you set aside space within the property to operate your own business?
(e.g., daycare facility, medical office, beauty/barber shop)

☐ Yes ☒ No

Associated Liabilities

ASSOCIATED	CREDITOR	BALANCE	MONTHLY PAYMENT	ADDRESS	CREDIT LIMIT
<input checked="" type="checkbox"/>	Lender	\$310000.00	\$2200.00		\$0.00

SAVE

SAVE & ADD

DELETE

- From here, fees will need to be checked, AUS will be run, initial disclosures will be generated for eSign, documents will be submitted **and** an appraisal ordered
o Any construction-related documentation needed will be conditioned for in Approved with Conditions status, **and** any additional inspections will be ordered **and** processed through **Granite**
- Once the loan has entered CTC status, the borrower will be responsible for signing all closing documents **and** paying any closing fees

DRAW AT CLOSING PROCESS

After the loan closes, title will wire all funds for the initial draw to Granite's title partner Premium Title Services. Premium Title Services will hold all funds in escrow **and** disperse to the builder after **Granite** approves.

- Allow for 10 business days from the UWM closing for the initial draw to be sent to the builder. **Granite** will send a welcome letter **and** call the borrower **and** builder to prepare for initial draw **and** the beginning of the build process.
- Borrower signs all closing documents• Title company wires funds to Premium Title Services
- **Granite** creates borrower account within their system
- Premium Title Services disperses initial draw to builder

BROKER ONE-TIME CLOSE NEW CONSTRUCTION LOAN BEST PRACTICE CHECKLIST

BUILDER'S RISK POLICY

A Builders' Risk Policy or a construction endorsement on a standard HO3 policy is required on all UWM One-Time Close New Construction loans. This policy must be effective at the time of the loan closing. A Builders' Risk Policy is specialized dwelling coverage that covers the property from damage while it is being constructed. This policy is typically paid **and** obtained by the borrower, but UWM can accept a builder risk policy from the builder if this is something that they choose to obtain on the borrower's behalf. On VA loans, the builder is required to pay for the builder's risk policy premium, **and** it must be included in the builder's budget. The following items must be present:

- The borrower or the **contractor** listed as the insured party
- Subject property address or description
- Effective date of policy
- Coverage amount is greater than or equal to the cost of construction
- UWM listed as the mortgagee clause
- Insurance company must have an acceptable company rating according to Fannie Mae guidelines

Feedback

HOI QUOTE

When the borrower is using a builder's risk policy, the borrower must provide a HOI quote to document the accurate insurance payment once the property has been completed. The following items must be present:

- The borrower must be listed as the insured party• Subject property address or description
- Effective date of policy
- If the coverage amount is equal or greater than the loan amount, a Reconstruction Cost Estimate (RCE) is not required. If the coverage amount is less than the loan amount, an RCE or equivalent needs to be provided:
 - o Replacement Cost Estimator (RCE) from the HOI agent
 - o Cost approach to value section of the appraisal (Form 1004 only)

- o Emails or letters from the insurance company/agent documenting a replacement cost
- o Comments or notes listed on the policy stating a replacement cost
- Insurance company must have an acceptable company rating according to Fannie Mae guidelines

FOR CD RELEASE

To release the CD, the following items must be present:

- A tax bill based on the land **and** improvements including calculation **and** supporting docs
 - o If not available, a third-party tax estimate based on improved value will need to be provided
- A homeowners insurance quote (not for builders' risk)
- Underwriting **approval** on the appraised value of the loan

ONE-TIME NEW CONSTRUCTION CLOSE NEW CONSTRUCTION FAQS

Can I build a barndominium or other unique property?

Eligibility of Barndominiums **and** all unique properties follow Conventional/VA guidelines **and** are contingent on the appraisals' ability to show comparables in the area.

What happens if the build takes longer than the approved build period and/or 11 months?

The builder **and** borrower have agreed to the build time **and** Granite does a virtual inspection **and** checks for all permits before each draw. If there were issues or delays these should be caught before the end of the build period. Granite will work with the builder to get back on schedule.

Any expired credit documents will be required to be updated before the loan can be modified. No new loan documents need to be disclosed to the borrower unless the updated credit documents show the borrower is ineligible for the closed loan. If the borrower is ineligible for the loan already closed, the borrower will need to work with UWM to be requalified for a new loan.

Can I build a new home with a pool, accessor dwelling unit, detached second garage or other amenities?

A borrower can build their home to any specifications they agree upon with their builder. The ability to finance the total cost will be contingent upon the appraisal **and** comparables in the area. Any dollar amount over the maximum LTV on the loan will be required to be paid by the borrower at closing.

Can I build a new home on land that already has a single-family dwelling on the property?

Land with an existing dwelling is ineligible for a One-Time Close New Construction transaction. To proceed with a One-Time Close New Construction transaction, the borrower would need to parcel off part of the land to allow for the new build.

Can I demolish an existing single-family home and use One-Time Close New Construction to build a new home on the land?

Yes. The existing homes' foundation can be used for the new build if it is within local code for the proposed new home. This is only eligible on conventional transactions. On VA loans, the existing foundation cannot be re-used, **and** the appraisal cannot show anything beyond the completion of the foundation.

Can I include the demolition cost in the financing for the new home?

The demolition cost can be added to the **project** budget by the builder. The ability to finance the cost will be contingent upon the appraisal **and** comparables in the area. Any dollar amount over the maximum LTV on the loan will be required funds at close by the borrower.

Does the builder and the project need to be approved before submission to UWM?

Although UWM does not require builder **and project approval** before submission, it is highly recommended. Both approvals are required before CTC of the loan. Having these approvals before submission can make the loan process much smoother **and** easier for the broker to set proper expectations with all parties involved in the transaction.

On a purchase transaction when the borrower is bringing a down payment to closing, how will the funds be used when calculating the first interest-only payment?

Any funds that the borrower brings to closing will be first used toward the initial, subsequent draws **and** closing costs. Once these funds are used, the remaining funds needed to construct the property will be applied to the outstanding loan balance.

When will the builder expect to receive the initial draw?

At loan closing, the appropriate funds for the initial draw will be collected with the title company. The title company will then wire the appropriate funds to Granite's title company Premium Title Services, Inc. **Granite** will then disburse the applicable funds to the builder based on the information on Construction Loan Disbursement (**Granite** Form E). Allow up to 10 business days for the funds to be disbursed by **Granite** to the builder. My builder is looking to give a credit toward the closing cost the transaction.

How will these funds be applied?

UWM will deduct the builder credit from the initial draw paid to the builder. The builder credit must be included in the maximum product interested party contribution limits.

What if the borrower has questions after the loan has closed?

After the loan closes, UWM will reach out to the borrower with a welcome letter detailing the setup. **Granite** will also reach out to the builder once the loan has closed **and Granite** has the account set up in their system. The borrower can always reach out to UWM or **Granite** directly at servicingconstruction@UWM.com or UWMdraws@Graniteriskmanagement.com

I am just starting a one-time close. Where can I find the Granite approval documents?

One-Time Close New Construction Resource Page.

For the Granite project approval, do I need to complete the Granite budget?

It is best practice to have the builder complete the **Granite** budget. It is not required, **and** a standard builder budget can be submitted if it contains all the appropriate information. What happens if changes need to be made to the budget prior to loan closing? An updated budget must be provided to **Granite** along with an applicable construction contract addendum. You will then need to provide the updated **Granite approval and** construction contract to UWM to update the loan file.

What if my borrower wants to be reimbursed for construction items that were pre-paid prior to closing?

On a Conventional One-Time Close refinance loan, the borrower is limited to Fannie Mae limited cash-out refinance requirements. If the borrower already put a deposit down with the builder, they cannot reimburse themselves with the loan proceeds. Fannie Mae does not offer cash-out single-close construction transactions.

On a VA Loan, how do the interest-only payments work if the builder is paying for them during the construction period?

At closing, UWM will hold the interest-only funds that are included in the builder's budget on behalf of the builder in an escrow account. The interest-only payment will be paid when due. The borrower will receive a monthly statement showing the interest payment being made for the prior month.

Can I set up an escrow holdback in case the build of the property is stalled due to seasonal weather changes or things like that?

There are no escrow holdbacks allowed on Conventional or VA loans. The builders in the area should understand the changing weather **and** the possible challenges that come with it. When the builder submits their **project** to **Granite** for review, they factor in if the build time falls into a period where it's more difficult to do exterior building. Many brokers design their building plans to have the exterior done during the good weather months **and** finish the interior during the poor weather months. Any funds the builder thinks they will need to complete the **project** during any season should be included in the cost **and** submitted with their **project** plan to **Granite** for review.

How does the builder receive the final draw?

The final draw request may take 10 business days to 2 weeks to complete. Part of this process is to complete the loan modification period. An inspection must be completed prior to every draw to confirm the scheduled work is completed. **Granite** only pays draws on the work that has been completed based on what the inspector sees.

Are owner builders (meaning the borrower is the builder) allowed?

Owner builders are allowed on conventional loans only. The borrower/builder must get builder **approval**. The budget will have significant contingencies added to mitigate risk, meaning the borrower/builder will have to qualify at a higher payment, come in with a higher down payment **and** have higher equity. The borrower/builder must provide an LOX stating its their primary residence **and** there is no intention to sell the home or have spec home use.

Can a borrower who already started building their own home transition into an OTC loan?

Yes, this would be considered financing a pre-started loan. The one thing to keep in mind when the pre-start is done by an individual is the broker **and** borrower will still need to supply invoices, permits **and** supporting documents for the build already done. **Granite** will also need to send an inspector out to the property to make sure everything started is up to code before they approve the new **project** from the new builder. We will not be able to finance the individual completing their own build unless they are a licensed builder.

Can borrowers get reimbursed for materials they purchased outside of the loan transaction for the new build?

For example, if the borrower bought windows they really wanted **and** gave them to the builder to install during construction. If borrowers purchased anything for the home outside of closing, they cannot be reimbursed with cash in hand; however they can get equity credit for those purchases. If a borrower bought \$10,000 worth of windows for their new home **and** gave those to the builder to install, we would count the \$10,000 as money the borrower put down on the home, which would reduce their cash to close. They wouldn't be reimbursed for the \$10,000 at closing.

DATE UPDATED: 2/8/2024

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