

RESTRICTED USE PROGRAM

All loan originators must complete Flagstar's Construction Loan training course prior to originating any loans under this program. Originators will not be able to register construction transactions without having completed the course.

PRIMARY RESIDENCE – CONFORMING CONSTRUCTION/CONSTRUCTION-PERM				
Property Type	Maximum LTV ¹	Maximum CLTV	Minimum Credit Score ¹	Underwriting Engine & AUS Response
1-Unit PUD Site Condo Modular	90%	Subordinate Financing Not Allowed	720	DU – Approve/Eligible
	70%		700	

1. Loans with a loan to value of 70.01% and greater OR a credit score of less than 700 must be requalified at completion of construction. See below.

PROGRAM SUMMARY

Conforming one-time close six, nine or 12 month construction term program allowing for payment of interest-only during construction. Note to be modified upon completion of improvements to a fully amortized principal and interest payment. Soft costs (architectural, engineering and permit fees) may be financed, closing costs may not. Full third party builder contracts only. All loans close in the name of Flagstar Bank.

PRODUCTS OFFERED

Product Name	Term	Construction/Interest-Only Period	Loan Term for Registration
One-Close Construction 30-Yr Conforming (12-mo Const)	30 years	12 months	372
One-Close Construction 30-Yr Conforming (9-mo Const)	30 years	9 months	369
One-Close Construction 30-Yr Conforming (6-mo Const)	30 years	6 months	366
One-Close Construction 15-Yr Conforming (12-mo Const)	15 years	12 months	192
One-Close Construction 15-Yr Conforming (9-mo Const)	15 years	9 months	189
One-Close Construction 15-Yr Conforming (6-mo Const)	15 years	6 months	186

LOAN REGISTRATION

- Purpose type – Two loan purpose types are available for use under specific circumstances based on the borrower's ownership status of the lot at the time of application.
 - Construction purpose type is used if the borrower is not the owner of record at the time of loan application
 - Construction Perm purpose type is used if the borrower is the owner of record, regardless of length of time owned or how title was acquired.
- Loan term selection per table above.
- Prior to selecting interest rate the Construction Worksheet must be completed. The worksheet can be accessed by clicking on Add Loan Purpose Info within the loan registration module.
- Year built should be entered as the year when construction is expected to be completed based on anticipated closing and loan term.
- Select Proposed in the building status field.
- All Loan Estimates will be prepared by Flagstar Disclosure Management.

CONSTRUCTION TO PERM

Construction to Perm loans are treated as a Rate & Term refinance.

- Complete construction worksheet (Add Loan Purpose Info)
- Go to the Real Estate Owned section.
 - Using drop down for indicator select “SUBJECT OF LOAN”
 - Using drop down for Disposition select “RETAINED-WILL BECOME PRIMARY OR ADDITIONAL RESIDENCE”
 - Enter the Estimated as completed Value in the Present Market value field. Note: the Amt of Mtgs Liens field currently shows the value of the land. This will be updated once the Liabilities Section has been completed.
- In the Liabilities screen
 - Enter the Builder’s Price to Build plus Unpaid Balance of Lot from the Construction Worksheet in the Balance field. The Amt of Mtgs liens field will update on the REO screen.
 - Be sure the paid by close box is selected.
- Check Details of Transaction screen to verify that “line d” reflects the cost of construction + outstanding lot lien balance
- Select Complete Registration to go to the products screen.

See [EXHIBIT A](#) for further detail.

MAXIMUM LOAN AMOUNT

Maximum: \$424,100.

Minimum: \$50,000.

ELIGIBLE PROPERTY TYPES

- 1-unit site-built homes.
- Planned unit development (PUD).
- Modular home (constructed in sections off-site, but when installed at the site takes on the characteristics of a site-built home).
- Site condominium (detached). Must be fee simple interest for land and dwelling.
- Rural Properties.

INELIGIBLE PROPERTY TYPES

- Manufactured homes.
- 2-4 unit properties.
- Properties where construction has already begun.
- Lots in excess of 10 acres.
- Log homes.

INELIGIBLE BORROWERS:

- Non-occupant co-borrowers.

TEMPORARY BUYDOWNS

- Not allowed.

MINIMUM CREDIT SCORES:

- Refer to eligibility grid above.

QUALIFYING RATE:

- Note rate, fully amortizing over 30 or 15 years.

QUALIFYING RATIOS

- Per DU.

TAX AND INSURANCE ESCROW

Escrows will be collected at time of closing for taxes and insurance. The underwriter may (or must in some circumstances) project the real estate taxes as follows:

- For Properties in California, property taxes may be calculated using 1.25% of the purchase price or the current tax rate as obtained from the local tax assessor’s office.
- All other states the taxes may be calculated based on the current tax rate as obtained from the local tax assessor’s office or the underwriter will use 1.5% of the purchase price.

During construction, the borrower will make interest-only payments on the funds disbursed along with taxes and insurance. When the house is complete, the borrower’s payment will be modified to principal, interest, taxes and insurance. Mortgage insurance will be activated and the premium included in the modified monthly payment. This process will not affect those loans for which an escrow waiver is obtained.

Borrower must carry a builder’s risk policy until the property is eligible for standard homeowner insurance policy.

PRICING

Refer to the [Construction Price Indication Sheet](#) for details.

CONSTRUCTION INTEREST RATE

Add 0.75% to permanent interest rate

FEES

CONSTRUCTION DRAW FEE

Flagstar Bank works with Granite Loan Management, LLC for the purpose of managing builder/project review and the draw process for construction lending. All loans require a builder and project review/approval by Granite. The number of draws and the fees charged by Granite for their services will vary as follows:

Loan Amount	Flat Fee	Number of Draws Included in Flat Fee	Cost of Additional Draws
Up to \$200,000	\$1,250	3	\$230
\$200,001 - \$424,100	\$1,600	5	\$240

Loan Amount	Flat Fee	Number of Draws Included in Flat Fee	Cost of Additional Draws
\$424,101 – High Cost Area Loan Limits	\$2,500	7	\$275

- Total fees collected at closing are paid to Granite after close and any unused draw fees are not refundable.

FINAL INSPECTION FEE

The final construction inspection fee (usually by appraiser) should be disclosed as \$175.00. This fee will be held in escrow by Flagstar to cover the final inspection cost at the end of the construction phase. If the actual charge incurred by Flagstar is less than the amount collected, the difference will be refunded to the borrower within 30 days of conversion to the permanent phase.

Inspection Fee (Construction) *	1333	Y	B	175.00	Lender	▼	RETAIL TEST BRAI	Borrower	▼	PAC	▼	+	□
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FINAL TITLE UPDATE FEE

See Title Insurance section for discussion of title insurance requirements and obtaining a title fee quote.

A final title update fee of \$175.00 will be held in escrow by Flagstar to cover the final title update cost at the end of the construction phase. If the actual charge incurred by Flagstar is less than the amount collected, the difference will be refunded to the borrower within 30 days of conversion to the permanent phase.

Title - Title Updates Construction *	1344	N	C	175.00	Lender	▼	RETAIL TEST BRAI	Borrower	▼	PAC	▼	+	□
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CONSTRUCTION SURVEY FEE

A construction survey fee will be required to be held in escrow by Flagstar to cover the cost of the survey. The recommended amount to collect is \$750 and the fee will default to that amount. When the subject property is located in one of the following states the following fee must be collected:

- California \$8,500
- Minnesota \$1,025
- New Jersey \$1,900
- New York \$1,900
- Oregon \$5,200
- Texas \$1,375

Construction Survey *	1343	Y	B	750.00	Lender	▼	RETAIL TEST BRAI	+	Borrower	▼	PAC	▼	+	□
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LOT SURVEY FEE

A lot survey may also be required by the title company in certain states, which would require a separate fee not held by Flagstar (use the standard survey fee line for the lot survey and not the construction survey fee line). If a lot survey is required, the originator must ensure the lot survey fee is properly disclosed on the Loan Estimate using the standard Survey fee line.

ADDITIONAL FEES FOR TEXAS LOANS

Loans in Texas should take additional attorney fees into consideration when issuing initial disclosures and may include a doc prep fee and fee for the preparation of mechanics lien note.

CONSTRUCTION GUIDES

It is the responsibility of the loan officer to provide the borrower with the Construction Loan Guide within 3 days of application per TILA RESPA requirements. Executed borrower acknowledgement must be in the loan file at time of submission to underwriting. The construction guide and supporting documentation can be found under *Construction Forms in the 3000 series of the Seller's Guide*.

Borrower and contractor must also be supplied with the appropriate State Statutory Form package and State Draw Requirement Letter. These can be found under *Construction Forms in the 3000 series of the Seller's Guide*.

FILE SUBMISSION

BUILDER/PROJECT PACKAGE

Builder/project packages must be submitted to:

Granite Loan Management, LLC
10770 Briarwood Ave., Suite 280
Centennial, CO 80112
Phone: (866) 380-9657
Fax: (800) 919-8912
Email: projects@graniteloan.com

CREDIT PACKAGE:

Credit packages must be submitted to Underwriting through paperless loan submission and must include the executed Construction Guide Acknowledgement.

APPRAISAL

All appraisals must be ordered through Flagstar Loantrac from an approved Appraisal Management Company even if the customer has AIR Compliant status. All appraisals must be reviewed by the Flagstar Appraisal Review department, please allow extra time for this process.

UNDERWRITING

All loans must meet Fannie Mae underwriting criteria as set out in Flagstar Bank's current Residential Underwriting Guidelines if not addressed within this document. ALL loans must be underwritten by Flagstar.

- Project/builder will be reviewed by Granite Loan Management, LLC.
- Cost to construct must be documented by fully executed "arms length" third-party builder contract (or up to two contracts for modular). No manufactured homes.
- Fourth-party transactions are not eligible.
- No alternate credit history.
- Construction cannot have already started.
- The LTV ratio will be calculated as follows:
 - Construction purpose type (borrower not owner of record of lot):
 - Divide loan amount by the lesser of the total acquisition cost (sum of the cost of construction plus the purchase price of the lot) or the as completed appraised value of the property (lot and improvements).

- Construction to Perm purpose type (borrower is owner of record):
 - Divide loan amount by the as completed appraised value of the property (lot and improvements).
- All payments made by the borrower directly to builder, or purchases of materials outside of the builders contract, will not be considered in the total acquisition cost calculation.
- If the lot was acquired within 120 days of loan application, acquisition funds must be documented.
- Sweat equity will not be accepted.
- \$2,000 or 2% cash back to borrower is not eligible on this program.
- Escrows will be collected at time of closing for taxes and insurance. The amount collected will be based on the current assessed value of the vacant land and the current tax rate. During construction, the borrower will make interest-only payments on the funds disbursed along with taxes and insurance. When the house is complete, the borrower's payment will be modified to principal, interest, taxes and insurance. This process will not affect those loans for which an escrow waiver is obtained.
- Interest Reserve Accounts to pay interest during the Construction Period are not eligible. Borrower must make an interest-only payment during the construction period.
- Credit documents must be dated within 120 days of the closing date.
- Appraisal must be dated within 120 days of the closing date.

DU FINDINGS/RISK ELIGIBILITY: FOR CONSTRUCTION TO PERM

- DU response must reflect Approve Eligible. Approve/Ineligible findings are acceptable only if the reason for ineligibility is for detached condominium as a property type.
- See Exhibit A for REO entries.
- Findings must reflect
 - "This loan casefile has been underwritten as a limited cash-out refinance."
 - "For single-closing construction-to-permanent financing, special feature code 151 must be provided at delivery."

SPECIAL FEATURE CODES

- Loan must include Special Feature Code 151.
- If the borrower purchased the property prior to the closing of the construction loan transaction, Special Feature Code 007 must be added by the underwriter.
- Properties secured by a site condo must include SFC 917.

Loans with an LTV of 70.01% must be requalified at completion of construction.

RESERVES

The following tables provide minimum reserve requirements.

Reserves (PITIA) in Months	
Borrower does not own an owner occupied property or current residence will not be retained at the time of the loan closing.	Per DU plus 6 months PITIA on the subject property
Current residence will be retained at the time of closing.	Per DU plus 6 months PITIA on the subject property and

Reserves (PITIA) in Months	
Current residence will be retained at the time of closing.	<p>If 30% equity or more on the previous principal residence:</p> <ul style="list-style-type: none"> • 2 months PITIA on the subject property, and • 2 months PITIA on previous primary: or <p>If less than 30% equity on previous principal residence:</p> <ul style="list-style-type: none"> • 6 months on subject property, and • 6 months on previous principal residence

MORTGAGE INSURANCE

Mortgage insurance commitment must be issued prior to closing of loan and be for a minimum of 12 months. Mortgage insurance providers may have additional restrictions not listed within the document. Due to rapid changes within the industry, please refer to each mortgage insurance company’s website for complete details. Refer to [MI Company Parameter Matrix](#) to assist you with keeping up with these changes. However, this document is to be used as a reference only.

STANDARD MORTGAGE INSURANCE GUIDELINES

All loans above 80% LTV require mortgage insurance coverage according to the following guidelines.

LTV	30-Year	15-Year
85.01 – 90%	25%	12%
80.01 – 85%	12%	6%

Mortgage insurance is eligible to be obtained from MGIC or Genworth and must be activated at completion of construction and prior to shipping.

Mortgage insurance effective date must be entered to match the expected end of the construction term to ensure proper disclosures and servicing boarding.

NEW YORK PROPERTIES

See [Conventional Underwriting Guidelines](#).

TITLE INSURANCE

Long-form title insurance must be obtained for all construction loans; short-form title policies are not acceptable.

Title updates are required at the time of each draw. Ensure when you request your title quote that the title company understands the quote is for a construction loan. Long-form title is required, and the title quote must include the cost of endorsements required with each draw.

For properties located in Illinois, all title commitments, updates and final policies must be provided by:

- First American Title
- Fidelity National Title
- Chicago Title
- Attorneys Title Guaranty

For a smoother draw process with your construction loans you may wish to use one of these companies in all eligible states.

EXTENSIONS OF CONSTRUCTION PERIOD

Extensions may be granted, pursuant to a change order, if Lender reasonably believes work will not be done by the scheduled completion date. Maximum extension period is six whole months (extensions will not be granted for partial months). Flagstar Bank will charge a Construction Extension Fee of \$700 that allows for an extension of up to two months if the construction is not completed by the pre-determined completion date.

STATE ELIGIBILITY

State/Territory	Restriction
Alaska	Not eligible
Hawaii	Not eligible
Virgin Islands	Not eligible

Originators may only submit loans in the state within which they reside. No out-of-state originations. An exception will be made for loans located in bordering states if the originator is located near the state border.

CLOSING DOCUMENTATION

Closing Disclosures and closing documents will be prepared by Closing Services. Interim interest is not collected at closing. Loans closing within the first 7 days of the month cannot be closed with an interest credit.

Maximum draw request from builder at closing is capped at 10% or \$50,000 of the total cost to build, whichever is less. No further draws can occur until closing package has been received and post-closed by Flagstar Bank (usually 10 business days).

EXHIBIT A

When registering a Construction to Perm loan, after completing the Loan Purpose screen, some of the information must be manually entered into the REO and LIABILITIES screens. The Estimated "As completed" Appraisal is the present market value on the REO screen. The Unpaid Balance of Lot plus Builder's Price to Build from the Construction worksheet is entered in the Liabilities balance field and marked as Paid by Close.

Construction Worksheet	
Because this is a construction loan, all required fields must be completed before continuing on to other 1003 pages or selecting a product.	
SECTION A. LAND VALUE	
Unpaid Balance of Lot	50,000
Applicable Land Value	50,000.00
SECTION B. CONSTRUCTION COSTS (IMPROVEMENTS)	
Builder's Price to Build	350,000.00
Builder's price to build should include purchase price of the lot if acquired from builder at the closing of the construction loan.	
Inspections 5 (# of inspections) X 175.00 (cost of inspection) =	875.00
Title Updates 5 (# of updates) X 175.00 (cost of update) =	875.00
Other Granite Loan Management	1,600.00
Other2	0.00
Other3	0.00
Other4	0.00
Other5	0.00
Total Construction Costs	353,350.00
SECTION C. LOAN AMOUNT	
Total Acquisition Cost	403,350.00
Estimated "As Completed" Appraisal	400,000
Lesser of Acquisition Cost or Appraisal	400,000.00
Base Loan Amount	300,000
CLTV	75.00

REAL ESTATE
+ Add Property

Property #1 [Delete Property](#)

To modify the Amt of Mtgs Liens and Mtg Payments on this property, please visit the Liabilities page.

Owner: HOMEOWNER, JOHN/JOINT Indicator: NOT APPLICABLE Property is Free & Clear

Property Address: 5151 Corporate Dr Zip: 48098 City: Troy State: MICHIGAN

Disposition: RETAINED-WILL BECOME PRIMARY OR ADDITIONAL RESIDENCE Type: -SELECT-

Use Net Rental

Present Market Value	Amt of Mtgs Liens	Mtg Payments	Gross Rental Income	Vacancy/Expense %	Insur, Maint, Taxes	Net Rental Income
400,000.00	50,000.00	100.00	0.00		0.00	0.00

ACCOUNTS - LIABILITIES
+ Add Account

Liability #1 [Delete Account](#)

Account Owner: HOMEOWNER, JOHN/JOINT Monthly Payment: 1,100.00 Balance: 400,000.00

Account Type: CONVENTIONAL REAL ESTA1

Mortgage Type: -SELECT- Paid by Close (debt to be paid with proceeds of loan)

Original Loan Purpose: -SELECT-

Creditor Name: Mortgage Account No.: Address: City: State: -SELECT-

Use Net Rental/Subject Net Cash Reason for Omission: -SELECT-

If mortgage or HELOC, select property: 5151 CORPORATE DR Months Left To Pay: 364