

Construction Loan: One-Time Close Program



What is the Fannie Mae One-Time Close Loan?

This Conventional One-Time Close (OTC) loan is a product that allows borrowers to combine financing for a lot purchase, construction and permanent mortgage into one first mortgage loan. Ideally suited for borrowers who are purchasing new construction.

Updated Conventional OTC Program overlays and eligibility include:

- **Site-Built, Modular and Manufactured homes:**
 - **Maximum of \$150,000 disbursement at closing for land acquisition or payoff.**
- **Building permits (where required by the jurisdiction):**
 - **Site-Built and Modular home – applicable building permits to be obtained prior to closing.**
 - **Manufactured home – applicable building permits to be obtained prior to closing when the initial disbursement is greater than \$75,000.**



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Conventional One-Time Close Loan – The Basics

- Designed to simplify the financing process for new home buyers, eliminating the need to obtain both a construction loan and permanent mortgage
- Single closing, where the borrower pays interim construction financing on an interest only basis during the construction phase
- For Construction-to-Permanent, closing occurs before construction begins
- **5% minimum down payment**
- Closing costs may be financed
- 15-, 20-, 30-year fixed rate available
- No re-qualification once construction is complete (reverification of employment is required prior to converting to permanent financing)
- A single closing reduces closing costs, saving your borrowers money

What are the benefits?

Single Closing Saves Time and Money

With this Conventional OTC loan, borrowers can secure financing for the purchase of the land, the construction and the home's permanent mortgage in a single closing. Only one closing means only one set of closing costs, helping save money. It also allows the process to move forward without interruption from potential snags in financing other aspects later on.

1) Low Down Payment

- The Fannie Mae OTC loan's maximum loan-to-value (LTV) ratio is 95%. This gives borrowers the freedom to close on the loan with as little as 5% down

2) No Re-Qualifying

- Once the construction phase is complete, the borrowers do not have to re-qualify for a permanent mortgage since the permanent loan is closed before construction begins (however, reverification of employment is required prior to converting to permanent financing)

3) Fixed Rates

- Since the permanent mortgage is closed before construction begins, the fixed rates on Conventional OTC loans will not be subject to change during the construction phase or at any point

Who is eligible for a Conventional One-Time Close Loan?

This Conventional OTC loan product is available to any borrower who meets the minimum qualifying criteria. This includes first time and repeat buyers. Here are the basic requirements for approval:

- **Borrower must have contracted with a builder (must be licensed general contractor)**
- **Borrower must be purchasing the land at closing, or currently own their property**
- At closing, after funds are disbursed to cover the purchase of the land, the balance of the mortgage proceeds must be placed in an escrow account to be disbursed as construction progresses
- Amortization of the permanent mortgage must begin no later than the first of the month following 60 days from the date of the final inspection or issuance of the Certificate of Occupancy
- Maximum loan amounts will vary by location
- **Minimum FICO of 680**