

Standard Construction to Permanent Loan
(“floats” through the construction period; “modification” upon completion)

LOAN PROGRAM: The borrower closes on the construction phase of the loan prior to the start of construction. Upon completion of the construction, the construction loan is modified into permanent financing. The standard construction loan “floats” through the construction period. The permanent interest rate for the modified loan is locked-in prior to the modification. (Extended locks are offered up to 180 days with an up-front fee).

PRODUCT AVAILABILITY Construction loan products are currently available for loans secured by property only in Florida.

PRODUCT CODES:

CFX15	(15-year fixed)
CFX30	(30-year fixed)
CFX15L1	(15-year fixed, level 1) *
CFX30L1	(30-year fixed, level 1) *
IP30	(Ivanhoe Plus – Stated and No Ratio only) *

* (available as “owner-occupied” only)

PRODUCT TYPES: 15 to 30 year fixed. Loans are available for up to 30 years plus construction terms (The construction period is for 9 months. On a case-by-case exception basis, we will consider a 12-month construction term for an additional fee.)

SECONDARY FINANCING IS NOT ALLOWED

GOVERNMENT (FHA, VA) PRODUCTS ARE NOT AVAILABLE AS CONSTRUCTION LOANS.

UNDERWRITING:

- The Construction to Permanent product uses Fannie Mae's standard underwriting guidelines.
- The standard borrower's qualifying ratios should not exceed 28/36. AUS may approve at higher ratios however, DTI restrictions listed below apply.

- The loan may be underwritten through automation. Credit overlays for AUS have been established. The following criterion must be met:
 - a) Three-months PITI cash reserves (liquid – not IRA or 401k accounts)
 - b) Minimum FICO credit score of 620
 - c) DTI restrictions based on occupancy and first-time homebuyer status

Primary 45% DTI
 Second Home or Investment Property 38% DTI
 First Time Homebuyer 38% DTI

All loans that do not meet the credit overlays established above are subject to a second tier review. These loans may be subject to an additional 1.000 point due to the increased risk to Ivanhoe.

- Please refer to specific product guidelines for specifics about any individual loan program.

MAXIMUM LTV:

CFX15, CFX30, CFX15L1 and CFX30L1 – maximum LTV is 95%

(Please refer to specific product descriptions for more information about other maximum LTVs.)

LAND ACQUISITION:

- The acquisition of the land may be incorporated into the construction phase.
- The first disbursement may assist in the purchasing of the land or paying off the existing lien on the land. However, the total amount of the borrower's down payment is used towards the land before any mortgage proceeds are disbursed. Land must be clear of any liens before or at closing. No subordinations are allowed.
- Subject to Underwriting approval

OCCUPANCY:

- One and Two Units Owner-Occupied (no condominiums)
- One Unit Second Home
- One Unit Investor (NO SPEC OR MODEL HOMES)
- Level 1 (CFX15L1 or CFX30L1) available for Owner Occupied only
- “Stick-built” homes.

- NO Condominium or townhouse units allowed.
- NO OWNER-BUILDER construction loans are allowed.
- NO CP's on NO INCOME/NO ASSET VERIFICATION loans.
- NO Manufactured homes, modular homes, log homes or any type of housing that comes in a "kit" or is pre-assembled in a factory allowed as CP

ORIGINATION PROCESS:

- Borrower selects property and lender
- Lender prequalifies borrower
- Borrower selects contractor
- Complete contractor information package is sent to the CP Department for review and acceptance of contractor. (Refer to "Builders & Contractors" section)
- Contractor prepares contract, plans, specs and cost breakdown and submits to lender
- Lender underwrites the loan (including CP Department loan review)
- Closing package prepared, and loan is closed
- Lender manages the disbursement of the loan proceeds to the builder through draw requests as stages of construction and inspections are completed
- Loan is sold once construction is complete, the appraiser has performed a final inspection, all required documentation has been submitted, and the loan has been modified to permanent financing terms.

ADMINISTRATION FEES:

- Construction Fee: \$1,050 (includes up to 6 inspections). Lender construction fees are considered closing costs and cannot be financed. (The price of the loan modification is included in this Construction Fee.)
- Normal administration fee: \$600
- Title update fees: Determined by title company. (A title update will be required prior to each construction loan disbursement).

BUILDERS & CONTRACTORS:

- Builders and contractors must submit a complete builder package (see builder application for more details) to be reviewed by Ivanhoe's Construction Loan Department to determine experience and expertise. Items to be submitted with completed and signed Builder Application include, but are not limited to: (a) General Contractor License from issuing state; (b) Resume of builder's past experience; (c) Financial Statements; (d) Past 2 years tax returns; (e) Year to date P & L along with a balance sheet; (f) current inventory list; (g) List of homes built in the last 24 months; (h) Corporate Certificate of Good Standing; (i) minimum of 5 established trade references (that the builder has been working with for a minimum of 2 years); (j) bank references
- Ivanhoe Financial, Inc. will only make construction loans when the contractor has demonstrated significant and/or relative experience and demonstrated ability in successfully constructing residential properties of the same type, quality and size as that requested. Ideally, a builder should be in business for a minimum of 2 years in order to be considered an "acceptable" contractor.
- Borrowers must have a construction contract with their builder.
- Builders must have Commercial General Liability insurance before construction begins.

MORTGAGE INSURANCE:

- Mortgage Insurance must be in place before construction begins.

- MI Coverage:

	<u>Standard Eligibility</u>	<u>Desktop Underwriter</u>
90 - 95% LTV	30% coverage	25% coverage
85 - 90% LTV	25% coverage	17% coverage
80 - 85% LTV	12% coverage	12% coverage

CONSTRUCTION PHASE:

- The construction phase is 9 months from the date of loan closing.
- During this phase a maximum of 6 draws are allowed.
- Interest charged during the construction period will be calculated at the rate "Prime" (as established from time to time and as shown in the Wall Street Journal), **plus** 1 %
- A property inspection and title update will be required prior to each draw. (as well as all other CP Loan requirements)
- Borrowers and builders will receive a "welcome letter" within a few weeks after the loan closing. This letter will provide all of the necessary instructions, requirements and forms needed to request a construction draw.

- Builder's risk insurance is required during the construction. Flood insurance will also be required if the property is located in a designated flood zone. Borrower to obtain homeowner's insurance, and have prior to modification, along with a paid receipt for one year.

DISBURSEMENTS:

Funds will be disbursed in accordance with draw schedule and closing documents executed at closing. PLEASE NOTE: Whichever form of disbursement is chosen the Borrower will ALWAYS be required to acknowledge the disbursement of each draw IN WRITING prior to its disbursement.

Interim construction disbursements (draws after the draw disbursed at closing) will be for "work in place" only. There will be no disbursements for deposits.

CONSTRUCTION INTEREST CALCULATION:

- The interest only payments are based upon the accumulated daily interest on the outstanding balance and any draws.
- The number of days used in the calculation is based on the actual number of days in the billing period. If there are draws during the billing period, then interest is calculated through the date of the draw. It is then recalculated on the new increased balance amount and the days remaining until the end of the billing period.

INTEREST RATE:

Interest rate charged during the construction period will be calculated at the rate of "Prime" (as established from time to time and as published in financial periodicals such as the Wall Street Journal), **plus** 1 %.

EXTENSION FEES:

Extensions to the construction period may be granted on a case-by-case basis. If it is necessary to extend the construction period, the lender will charge a ½ point extension fee (for each 30-day extension) based upon the loan amount, as well as payment of any recording fee, title update fees or any other fees incurred in the updating of credit and/or loan documentation.

PREPAYMENT PENALTY:

In the event the loan does not modify from a construction to a permanent loan with Ivanhoe Financial, Inc., a prepayment penalty of 2% of the then unpaid balance of the loan will be charged at time of loan payoff.

MODIFICATION TO THE
PERMANENT PHASE:

The conversion to the permanent phase begins once the final draw request has been submitted. The final documents required include, but are not limited to the Appraiser's final inspection (with photos), Certificate of Completion, final title update, final survey, evidence of homeowner's insurance (with paid receipt), final borrower and builder affidavits, final unconditional lien waivers, and Certificate of Occupancy (CO).

- When construction is 100% complete, loan is ready to modify to its Permanent phase.
- Construction department must be in receipt of Certificate of Occupancy, and ALL final draw documents PRIOR TO scheduling the modification.
- Final interest rate must be locked in prior to modification.
- Prior to modification, the loan will need to back to the Underwriting Department for any of the following reasons:
 - a) The loan terms are changing
 - b) A principal curtailment is being made
 - c) Mortgage insurance is being changed or eliminated

In any of the above instances where a file needs to go back to Underwriting for review prior to modification, the loan will be subject to additional conditions, as required by the Underwriter.

- Escrows and pre-pays are collected at modification closing.
- Hud-1 sent to closing department for approval.
- All final modification loan documents must be signed at modification closing.
- Remaining loan funds are disbursed, and final construction interest and any applicable fees are collected.