

Construction-to-Permanent Loans¹

For EZ Decisioning (EZD) and Standard Underwriting Requirements

EFFECTIVE JANUARY 11, 2021



Maximum LTV/Loan Amount

	1-UNIT PRIMARY RESIDENCE	SECOND HOMES
EZ DecisioningSM	97% LTV – \$548,250 95% LTV – \$822,375	90% – \$822,375
Standard	95% LTV – \$850,000	90% – \$850,000

General Requirements: Insurance Activation/Commitment Term

Single-Closing Transactions:

- The lender may choose to activate coverage at the initial closing or upon modification/conversion to the permanent loan. Once activated, premiums will become due and payable.

Two-Closing Transactions:

- Insurance is not allowed for the interim construction-only loan.
- The loan is ineligible for mortgage insurance coverage if the borrower had any delinquencies (greater than 30 days) during the construction phase (unless the insurance had already been activated).
- Commitment Term: 12 months.²

Age of Documentation

- Documentation must be no more than 120 days old on the Note date.
 - For a single-close transaction there is only one Note date, therefore the conversion/modification date is not applicable to the age of documentation and, in most cases, updates will not be necessary. If the lender updates documentation (for example, to satisfy Agency requirements), any material differences discovered must be reported to Arch MI per the Master Policy requirements.

- Credit documents (which include credit reports, employment, income and asset documentation) older than 120 days must be updated.
- The appraisal must be dated within 120 days of the Note Date; otherwise, a recertification of value is required. The lender will be responsible for obtaining the recertification of value prior to closing and retain in the loan file.
 - The recertification of value must be no more than 120 days old on the Note date.
 - If the recertification of value indicates a decline in value, a new, full URAR with interior/exterior inspection is required.
- An appraisal cannot be more than 12 months old on the Note date. Recertification of value is not acceptable for appraisals older than 12 months; a new, full URAR with interior/exterior inspection is required.

Determining the Lot Value

- If the lot was received through a gift or inheritance, use the value of the lot from the appraisal to determine acquisition costs.

¹ Please refer to the Arch MI Underwriting Manual for complete construction-to-permanent underwriting requirements.

² Note: Builder-owned new construction will receive a 4-month commitment term.

MI Prepayment Option

Single Close Transactions: Borrowers will be allowed to prepay up to 12 months of monthly MI premiums for construction-to-permanent loans during the construction phase of the loan. Borrowers will pay monthly after the construction loan converts.

The Benefit for Banks: We can solve a problem for borrowers by allowing them some flexibility in mortgage insurance (MI) payment remittance during the construction phase of a construction-to-perm loan.

MI Prepayment Option: Borrowers can prepay up to 12 months of MI premium in advance. The lender then remits the prepaid premiums to Arch MI when the construction-to-perm loan closes, thus activating coverage. At the time construction is complete and the borrower begins making regular PITIA payments, the monthly MI premium will be collected and paid to Arch MI.

EXAMPLE 1

MI Premium \$125 /month
Construction Period 12 months

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Prepay offer	First Payment \$1,500 - Lender remits first year's MI premium in full (\$125 x 12)												Servicer remits monthly once construction is complete. \$125 per month		

EXAMPLE 2

MI Premium \$125 /month
Construction Period 6 months

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Prepay offer	First Payment \$750 - Lender remits 6-month's MI premium (\$125 x 6)						Servicer remits monthly once construction is complete. \$125 per month								

EXAMPLE 3

MI Premium \$125 /month
Construction Period 8 months

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Prepay offer	First Payment \$1,000 - Lender remits 8-month's MI premium (\$125 x 8)								Construction period gets extended by 3 months. \$375 - Lender remits another 3-month's MI premium (\$125x3)			Servicer remits monthly once construction is complete. \$125 per month			

Submission Process:

1. Lender/Insured orders MI for construction-to-permanent loan through LOS or **CONNECT**.
2. Lender/Insured sends payment (for desired number of months) to:
Arch MI
3003 Oak Road
Walnut Creek, CA 94597.
3. Lender/Insured notifies Policy Servicing via email at policyservicing@archmi.com with remittance detail and construction start date.
4. Lender/Insured notifies Policy Servicing:
 - a. When permanent loan is in place.
 - b. When any servicing transfer occurs.