

# Construction-to-Permanent Loans<sup>1</sup>

For EZ Decisioning (EZD) and Standard Underwriting Requirements

EFFECTIVE JANUARY 14, 2022



## Maximum LTV/Loan Amount

|                              | 1-UNIT PRIMARY RESIDENCE                    | SECOND HOMES    |
|------------------------------|---|-----------------|
| EZ Decisioning <sup>SM</sup> | 97% LTV – \$647,200*<br>95% LTV – \$970,800 | 90% – \$970,800 |
| Standard                     | 95% LTV – \$970,800                         | 90% – \$970,800 |

\*\$970,800 for properties located in AK or HI.

## General Requirements: Insurance Activation/Commitment Term

### Single-Closing Transactions:

- The credit union 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 member had any delinquencies (greater than 30 days) during the construction phase (unless the insurance had already been activated).
- Commitment Term: 12 months.<sup>2</sup>

## 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 credit union 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 credit union will be responsible for obtaining the recertification of value prior to closing and retaining it 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.

<sup>1</sup> Please refer to the Arch MI Credit Union Underwriting Manual for complete construction-to-permanent underwriting requirements.

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

## MI Prepayment Option

**Single-Close Transactions:** Members 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. Members will pay monthly after the construction loan converts.

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

**MI Prepayment Option:** MI Prepayment Option: Members can prepay up to 12 months of MI premium in advance. The credit union 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 member 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 |
|---------------|--|---|---|---|---|---|---|---|---|----|----|----|--|----|----|
| First Payment |  |   |   |   |   |   |   |   |   |    |    |    | Servicer remits monthly once construction is complete. \$125 per month |    |    |
| Prepay offer  | \$1,500 - Lender remits first year's MI premium in full (\$125 x 12) |   |   |   |   |   |   |   |   |    |    |    |  |    |    |

### 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 |
|---------------|--|---|---|---|---|---|--|---|---|----|----|----|----|----|----|
| First Payment |  |   |   |   |   |   | Servicer remits monthly once construction is complete. \$125 per month |   |   |    |    |    |    |    |    |
| Prepay offer  | \$750 - Lender remits 6-month's MI premium (\$125 x 6) |   |   |   |   |   |  |   |   |    |    |    |    |    |    |

### 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 |
|---------------|--|---|---|---|---|---|---|---|--|----|----|--|----|----|----|
| First Payment |  |   |   |   |   |   |   |   | \$375 - Lender remits another 3-month's MI premium (\$125x3) |    |    | Servicer remits monthly once construction is complete. \$125 per month |    |    |    |
| Prepay offer  | \$1,000 - Lender remits 8-month's MI premium (\$125 x 8) |   |   |   |   |   |   |   | Construction period gets extended by 3 months.               |    |    |  |    |    |    |

## Submission Process:

- Credit Union/Insured orders MI for construction-to permanent loan through LOS or **CONNECT**.
- Credit Union/Insured sends payment (for desired number of months) to:  
Arch Mortgage Insurance Company  
P.O. Box 745451  
Atlanta, GA 30374-5451
- Credit Union/Insured notifies Policy Servicing via email at [policeservicing@archmi.com](mailto:policeservicing@archmi.com) with remittance detail and construction start date.
- Credit Union/Insured notifies Policy Servicing:
  - When permanent loan is in place.
  - When any servicing transfer occurs.