

Construction-to-Permanent Reference Guide



National MI TrueGuide® offers flexible underwriting guidelines and terms for Construction-to-Permanent loans.



Building a Strong Foundation

National MI insures one-time close and two-time close construction loans.

One-Time Close Loan:

- The interim construction financing and the permanent loan financing are combined into a single closing.
- The lender may elect to activate MI coverage at closing so that it includes the construction phase or upon completion of the property and forego MI coverage during the construction phase.

Two-Time Close Loan:

- A type of construction loan that upon property completion is replaced by a permanent loan, evidenced by a new note signed by the borrowers and originated via a second closing.
- The lender that provides the permanent financing may be different from the lender that provides the interim construction financing.
- The loan should be submitted as a refinance and not as a construction loan.
- MI is not provided for the interim construction period.

CONSTRUCTION-TO-PERMANENT GUIDELINES ¹					
Occupancy	Property Type ²	Loan Amount	LTV	Minimum FICO ⁶	Maximum DTI ³
Primary Residence (AUS Eligible) ⁴	Single Family	\$832,750	97%/105% ⁵	600	Per AUS Approval
		\$1,249,125	95%		
Primary Residence (Non-AUS Eligible)	Single Family	\$832,750	97%	620	45%
		\$1,249,125	95%	660	
		\$1,250,000		680	
		\$900,000	90%	660	
		\$1,500,000		720	
		\$1,775,000		720	
\$2,000,000	85%	740			
Second Home (AUS Eligible) ⁴	Single Family	\$832,750	90%/90%	600	Per AUS Approval
		\$1,249,125	90%		
Second Home (Non-AUS Eligible)	Single Family	\$832,750	90%	680	45%
		\$850,000		700	
		\$1,050,000		720	

¹ Please refer to National MI's [National MI's Underwriting Guidelines](#) and [Master Policy](#) for a complete description of underwriting requirements and policies.

² Construction-to-Permanent excludes attached condos and co-ops. Manufactured home guidelines differ from above. Please refer to [National MI's Underwriting Guidelines](#).

³ MI premium must be included in DTI for underwriting eligibility purposes and may be excluded from DTI for pricing purposes.

⁴ Maximum loan amounts for HI are \$1,299,500 (1-unit).

⁵ For 1-unit Primary Residences with CLTVs > 97%, in addition to the first mortgage loan meeting the agency and National MI's AUS overlay requirements, the subordinate financing must also meet the requirements of Fannie Mae's Community Seconds® or Freddie Mac's Affordable Seconds® program, as applicable.

⁶ Representative FICO using middle/lower method is required for underwriting and pricing purposes.



Age of Documentation for One-Time Close Loans

Documentation must be no more than 120-days old from the time of closing. If older than 120-days, the following documentation requirements apply:

Employment and Income Verification

- If the borrower has changed employment from what was initially disclosed and verified on the loan application, then a verbal VOE is required for employment and income.
- MI must be re-underwritten taking into consideration changes to any of the updated information.

Recertification of Value

- An appraisal update (Fannie Mae[®] Form 1004D/ Freddie Mac[®] Form 442 or equivalent form) must be completed to determine whether or not the value has declined, which includes an exterior inspection and photos of the property, and a review of the current market data.
- If the appraisal update shows the current value is lower, a new appraisal is required, and the borrower must qualify (using guidelines and pricing in effect at original commitment) at the new higher LTV.
- If the appraisal becomes more than 12-months old, a new appraisal is required.

Payment History

- The subject property loan must show no 30-day or more delinquencies during the construction phase.

Note: If loan submitted as AUS Eligible, the applicable GSE's requirements must be satisfied.



MI Activation on Construction-to-Perm Loans

- The lender may choose to activate MI coverage at the interim construction loan closing or upon conversion/modification to a permanent loan.
- The loan must be current at the time of MI activation.
- Immediate MI coverage with NO additional (or updated) verification required when MI is activated within 120-days of the MI Commitment date.

Note: Prior to finalizing any claim payment, the lender must document that the subject property and its improvements have been completed to standards consistent with the original valuation (evidenced by an appraiser's final inspection and occupancy permit from the appropriate jurisdiction).

If the updated documents are not submitted to National MI prior to MI activation and a claim is later made, the documents will be required to perfect the claim.

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