

Construction/Permanent Loans

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U.S. Department
of Veterans Affairs

Policy Updates

- Last updated in 2012
- 2017 Kansas City Lender Conference additional guidance was promised
- Just released VA Circular 26-18-xx
- Replaces Chapter 7, Topic 2-Construction/Permanent Home Loans
- Additional language and instruction added
- Lender feedback welcomed

Why?



**Provides Veterans
more choices**



**New Product offering for
lenders**



**De-mystifies unclear
guidance**

What Lenders Asked For

LOAN INFORMATION
If you are applying for optional Life Insurance?
Insurance is selected, your loan document

III. TERMS OF LOAN	
Term (years)	No. Months
30	360

If your down payment is less than 20%, the interest rate in this section must be added to the contract rate.

APPLICANT INCOME

Lock in the value

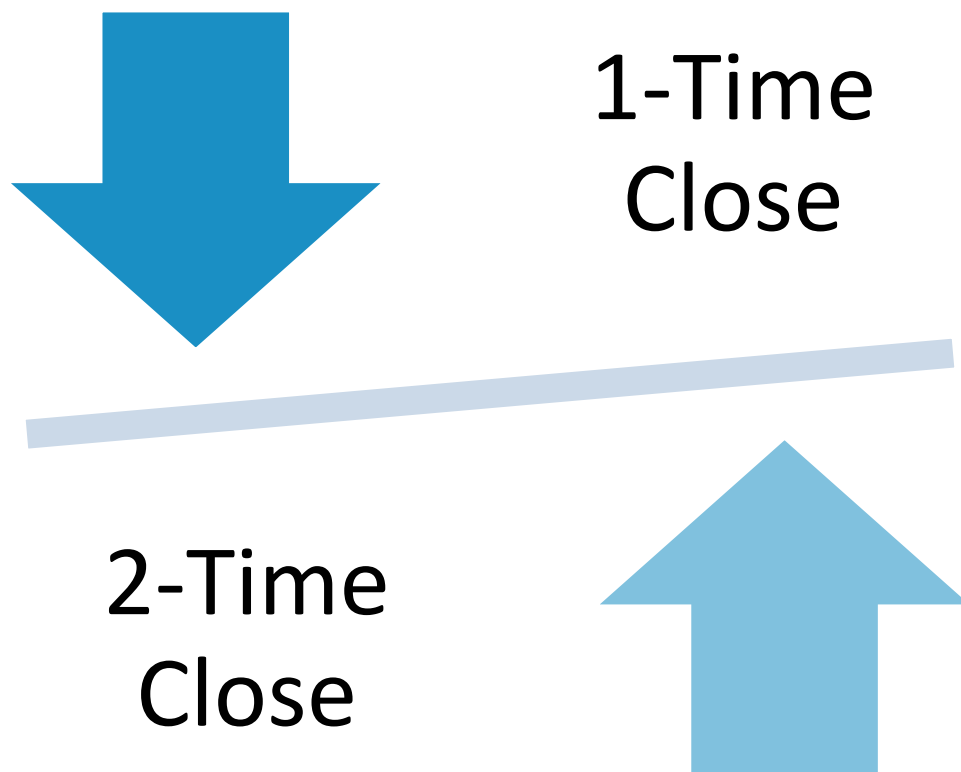
Understandable

Easy to use

Lender Responsibilities

- Eligible Veteran
- Qualified Veteran
- Structure the loan
- Registered VA builder
- Order Appraisal and provide supporting exhibits to the appraiser
- Underwrite, issue the NOV & close the loan
- Pay the funding fee
- Manage and complete the project
- Obtain a final inspection
- Guaranty the loan
- Permanent loan phase begins

What are Construction Loans



What is the value?

- The loan is based on the lessor of the:
 - Acquisition Costs
 - The contract to build
 - Cost of the lot if acquired within one year from VA loan closing, or
 - Value of the lot if acquired more than one year from VA closing, or
 - Value of lot if gifted to Veteran and there are no liens on the lot, or
 - Lots gifted less than one year from VA closing are limited to lot lien(s) if any
 - Interest reserve if not included in the contract to build
 - Contingency reserve, and
 - Permits if not included in the contract to build
 - Notice of Value
 - Does not expire as long as progress is occurring

Added Features

- Builder registration instructions
- Change order information
- Additional construction fee allowed
- Interest reserve
- Contingency reserve
- Housing reserve
- Project management
- Inspections

What Could Go Wrong?



What Could Go Wrong?



Feedback/FAQ



How do I order appraisal?

I can't guaranty the loan...

Different office, different answer

Does lot ownership reduce the funding fee?

How does lot ownership effect cash-back?

What if repairs/work still needs to be done?

Thank You!

