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# PROGRAM MATRIX

## New Construction

REVISED 01.01.2022

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<b>Eligible Transactions</b>	Ground Up/Tear Down and Mid-Construction <sup>1</sup>
<b>Eligible Properties</b>	Attached or Detached SFR, 2-4 Unit, PUD, Condo <sup>2</sup> , Mixed-Use, and Multi-Family
<b>Occupancy</b>	Non-owner occupied, business purpose only
<b>Minimum Loan Amount<sup>3</sup></b>	\$100K
<b>Maximum Loan Amount<sup>3</sup></b>	<b>Single Unit:</b> \$1MM <b>Multi-Unit (2+):</b> \$1.5MM
<b>Loan Term</b>	12 months standard 18 month option available for loans ≥ 500K, subject to loan level pricing adjustment (Extensions at lender discretion, reviewed case by case for a fee).
<b>New Construction Experience Requirements</b>	<b>1 at maximum leverage</b> <b>0 at reduced leverage</b> - customer must have a min of 1Fix & Flip property within the last 36 months renovated and sold/stabilized
<b>New Construction Experience Determination</b>	<b>Lookback Period:</b> [New Construction Properties Sold/Stabilized ≤ 3 Years] <b>Eligible Properties:</b> SFR, 2-4 units, PUD, Condo, or Multi-Family/Mixed-Use that the borrowing entity, guarantors, or entities the guarantors have ownership in that has been constructed and sold or stabilized within the lookback period.

<sup>1</sup> Mid-Construction transactions have specific requirements in addition to the requirements applicable to all New Construction loans.

<sup>2</sup> Condos will be allowed on a case-by-case basis.

<sup>3</sup> Each loan is subject to property approval under Investor terms and conditions. Each property has an individual secured loan.



## New Construction Project Limitations

Customers will be eligible to fund a maximum number of New Construction loans equivalent to their eligible new construction experience number in the last 3 years not to exceed a maximum of 5 loans.

Customer with no eligible New Construction Experience, but have at least one Fix and Flip property renovated and sold or stabilized in the last 3 years are eligible to finance a single new construction loan up to a loan amount of \$750K with leverage of 80% LTC / 65% LTV

Investor will allow a customer with a New Construction Experience count between 1 and 4 to fund loans up to 2X of their New Construction experience count for a 5% LTC reduction per each additional property funded over their maximum, but not to exceed a maximum of 5 outstanding loans. Customer must also have sufficient liquidity to support the total number of loans financed.

### Example:

New Construction Experience Count:

1 experience = 2 outstanding loans allowed (2nd loan at 5% LTC reduction)

2 experience = 4 outstanding loans allowed (3rd loan at 5% LTC reduction and 4th loan at 10% LTC reduction)

## Multi-Unit (2+) and Mixed-Use Properties

### Max of 1 multi unit loan allowed

Property types are limited to the previous scope of work that was been completed during the lookback period.

If the borrower lacks sufficient experience, the project may be considered at reduced leverage up to a max of 10 units.

## Maximum Leverage

### Single Unit:

85% LTC | 70% LTV

### Multi-Unit (2+):

80% LTC | 65% LTV



<b>Foreign National or No FICO Max Leverage</b>	80% LTC   65% LTV Max 1 New Construction project allowed outstanding
<b>Rural Property Max Leverage</b>	N/A
<b>New Construction Draw Disbursement</b>	<p><b>[Max Loan Amount - Borrower Equity Requirement]</b> <i>(not to exceed 100% of remaining eligible project costs)</i></p> <hr/> <p>Max Loan Amount defined as Lesser of <math>[Total\ Costs \times approved\ LTC\ \%]</math> OR <math>[ARV \times approved\ LTV\ \%]</math>          Borrower Equity Requirement <math>[Total\ Costs - Max\ Loan\ Amount]</math>          Total Costs defined as <math>[Cost\ Basis + remaining\ eligible\ project\ costs]</math></p> <p>Land Cost Basis is defined as:</p> <ul style="list-style-type: none"> <li>• For properties acquired &lt; 12 months: Lesser of <math>[Purchase\ Price]</math> or <math>[As-Is\ Land\ Value]</math></li> <li>• For properties acquired <math>\geq</math> 12 months: <math>[As-is\ Land\ Value]</math></li> </ul> <p>Remaining Eligible Rehab Costs defined as <math>[total\ eligible\ project\ costs - completed\ eligible\ project\ costs]</math></p>
<b>New Construction Initial Disbursement</b>	<p><b>[Max Loan Amount - Draw Disbursement]</b> <i>(not to exceed 75% of the Land Cost Basis)</i></p> <p>If the calculation results in a negative number then this is the amount of borrower self-funded construction that must be completed before Investor will disburse any draw funds to the borrower out of the draw disbursement. The self-funded portion is not eligible for Investor reimbursement.</p>
<b>New Construction Eligible Costs</b> <small>(See page 12)</small>	All budgeted hard and soft costs <sup>4</sup> except Loan Costs (Interest and Fees)

<sup>4</sup>Soft Costs have specific requirements based upon New Construction Experience Tier. See underwriting guidelines for complete details.



<b>Amortization</b>	Interest-only payment with fixed rate
<b>Minimum Interest</b>	180 days of interest against the full note amount regardless of loan duration prior to payment in full
<b>Interest Charge</b>	All loans have an option for Full Balance <sup>5</sup> or Drawn Balance <sup>6</sup>
<b>MSA Restrictions</b>	<p><b>A 10% LTC reduction will be applied to:</b></p> <ul style="list-style-type: none"> <li>• Properties located in dedicated vacation areas generally located at or around beaches, lakes or mountains that are not supported by larger cities, economies and other industry besides tourism.</li> </ul>
<b>Loan Level Liquidity Requirement</b>	<p>Down Payment + Closing Costs + 10% of the Holdback + any Equity Shortage + Required Reserves (below)</p> <p><b>1-2 Experience:</b> 12 Months Reserves  <b>3-4 Experience:</b> 6 Months Reserves  <b>5+ Experience:</b> 3 Months Reserves</p>
<b>Loan-Level Liquidity Documentation</b>	<p>Most recent 30 day statement from a liquid account (checking savings, CD, money market, stock account or non-qualified annuity/IRA).  <a href="#">(See full underwriting guidelines for complete details)</a></p>
<b>Interest Reserve</b>	<ul style="list-style-type: none"> <li>• Optional 6 months and 12 months reserves</li> <li>• 12 month required if currently in forbearance on any mortgages for the duration of the Exposure Limit</li> </ul>

<sup>5</sup> Full Balance is interest charged against the full note amount regardless of the amount of funds actually disbursed.

<sup>6</sup> Drawn Balance option is subject to a loan-level pricing adjustment (LLPA) based upon the Investor Experience count applicable. Drawn balance is interest charged against only the amount of the note amount that has actually been drawn.



## **Insurance Requirements**

### **Builder's Risk Insurance:**

- Must have 100% Replacement Costs Coverage for Total Insurable Value of the proposed structure.
- Must cover all soft costs being financed.
- Investor will allow policies with co-insurance, but under no circumstances can the property coverage be less than the Total Insurable Value.
- Not required until vertical construction has commenced, which may be the first draw.

### **Liability Insurance:**

- Commercial General Liability of at least \$500,000 per occurrence is required. Property and Borrower may be added to the Builder/General Contractor's (GC) Policy.

### **Flood Insurance(if applicable):**

- Must have the same coverage available under the National Flood Insurance Program (NFIP).
- Not required until vertical construction has commenced, which may be the first draw.

### **Condo Insurance (if applicable):**

- Condo Building Insurance must be on a Master Policy with 100% Replacement Cost Coverage.
- If Condo Master Policy does not contain contents coverage (Walls-In/Up) then HO-6 policy must be obtained with at least 10% of the dwelling value in coverage.

### **Additional Insurance:**

- Boiler and Machinery Insurance required on 2+ unit properties with Steam Boilers with coverage not less than the loan amount.



## New Construction Requirements

- Construction must begin within 120 days of closing for 12 month terms, and 180 days of closing for 18 month terms. Failure to commence construction within the required time frames may result in a loan default.
- The property has a defined parcel with legal Tax ID not subject to sub-division or recordation.
- Property must have access to all required public utilities. Access is defined as utilities available without additional approval from the local municipality, neighboring landowners, or access requiring infrastructure installation from the public utility company. Private well and septic installed or to-be-installed are permitted.
- Curb, Gutters and Access Roads must already be installed.
- No more than 10 new construction homes can be under construction or planned for New Construction within the subject's immediate neighborhood.
- Vacant lot must be ready for vertical construction (minor site work to be completed is permitted).
- Improvements must be completed within 12 months of the closing date, unless a longer term is approved prior to closing. If the improvements have not been completed within 12 months the borrower will have the option (at a cost) to extend up to a maximum of 24 months. Any extensions are granted at Investor sole discretion.
- Licensed General Contractor or Licensed Sub Contractors (see next bullet point below) are required.
- Construction Contract must be in place with a Licensed Builder or Licensed General Contractor unless the borrower is acting as the builder or general contractor and possesses the appropriate licensing and experience. If the borrower is acting as the general contractor and the local authority does not require the borrower to be a Licensed Builder or General Contractor the borrower must provide license and contract for sub-contractor completing all major components (foundation, electrical, plumbing, roof and HVAC) requiring specialty licensing to FACo Asset Management prior to any of the construction cost being disbursed. A Limited Builder with ZERO new construction experience must have a licensed contractor acting as the General Contractor without exception.
- All construction contracts (including contracts with major sub-contractors) must be assignable to Investor.
- Building Permit must be in place prior to any draws containing vertical construction are eligible for disbursement.

*(continued on next page)*



## New Construction Requirements *(continued)*

- Rural, semi-rural, or unique communities are ineligible. Semi-rural is defined as a property located inside a rural town/city
- **Bonding Requirements:** FACo retains the right to require that all contracts that exceed 25% of the total budget have a Construction Bond from the contractor/builder.
- All Construction Property must be built by an active licensed general contractor or licensed builder. Current status to be reviewed per: <http://www.contractors-license.org/>
- Builder's Risk Insurance is required on all projects.
- Investor will require an ALTA 32 or equivalent (at closing) and ALTA 33 or equivalent (post-closing) to be completed at the following completion milestones: 25%, 50% and 75% in the following states: NY, NJ, MA, CT, VA, MI and IL.
- New Construction loans will require invoices prior to draw for any line item requests exceeding \$25,000, and lien waivers for those same items prior to next draw before any additional draws will be released. This is waived in any of the states below where a title date down is being performed and Investor is receiving affirmative coverage for all previous work completed.
- Investor will perform a GC Diligence Review to determine if the contractor is acceptable
- Investor reserves the right to require the GC or Builder administer all Investor construction funds disbursed
- Investor reserves the right to request lien waivers or affirmative title coverage for all non-vertical construction completed prior to initial disbursement.

## Mid Construction Requirements

- Refinance only.
- Borrower was the owner of the property at construction commencement.
- Construction must have commenced within 180 days of application.
- If currently financed, the financing must only be on the lot or A&D and the financing must be in good standing.
- 3rd Party Property Inspection required for the completed improvements prior to initial disbursement.
- Investor must be financing the full remainder of the construction budget.
- Lien Waivers and affirmative title coverage are required for all completed construction.<sup>s</sup>

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<b>General Contractor (GC) Review and Approval Requirements</b>	<p><b>Required for all New Construction loans.</b></p> <p>Approval valid for 2 years \$100 fee per GC Reviewed</p> <p>(Review can be completed during Exposure Limit (LOC) processing or during property loan processing)</p>
<b>Valuation Requirements</b>	<p>Full 1004 Appraisal with "as-is" and "ARV" values; 2055 Exterior Appraisal with "as-is" and "ARV" values allowed (case-by-case) on purchases with an LTC reduction</p>
<b>Multi-Unit (2+) and Mixed-Use Properties</b> (Subject to LLPAs)	<p><b>Multi-Unit (2+):</b> 2-20 units eligible with validated Multi-Unit project experience commensurate with the number of units of the subject property.</p> <p><b>Mixed-Use:</b> Case-by-case with validated Mixed-Use project experience.</p> <p>Property must be 75% residential square footage.</p> <p><b>Maximum Loan Amount limited to \$1.5MM.</b></p> <p>(Required DSCR hurdle of 1.30x. See full underwriting guidelines for complete details)</p>
<b>Property Level Diligence and Document Requirements</b>	<p>See Diligence Matrix and Required Documents</p>