

How to Setup a Conventional OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage.

Scenario – Purchase of Lot from Builder

1. Borrower does not own the lot prior to the first draw of the construction loan (interim construction financing). Borrower uses proceeds from the interim construction financing to both: a) purchase the lot and b) finance construction of the home (one contract covers both lot and construction).
2. Once construction is complete, the borrower modifies the construction loan (\$285,000) into a purchase.
3. The property now appraises at \$300,000.

1003 URLA Lender Input Form

- Purpose of Loan
 - C to P
- Property will be
 - Primary
- Construction Loan Details
 - Period = Construction in months
 - Original Cost = “land only”
 - Present Value of lot
 - Cost of improvements = “total cost – land”
- Transaction Detail
 - Construction-Conversion/Construction-to-Permanent
 - Single-Close
- Lot/Land Status
 - Initial Acquisition
 - Land Value Type = NA

The screenshot shows the '1003 URLA - Lender' form with the following details:

- Purpose of Loan:**
 - Purchase
 - Cash-Out Refi
 - No Cash-Out Refi
 - Construction
 - Construction - Perm
 - Other -
- Property Will Be:**
 - Primary
 - Secondary
 - Investment
 - FHA Secondary Residence
- Energy Improvement:**
 - Mortgage loan will finance energy-related improvements
 - Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through property taxes (e.g., the Property Assessed Clean Energy program).
- Purpose of Refinance:**
 - No Cash Out
 - Limited Cash Out
 - Cash Out
- Refinance Program:**
 - Full Documentation
 - Interest Rate Reduction
 - Streamline With Appraisal
 - Streamline Without Appraisal
 - Other
- Construction Loan Detail:**
 - Period: 9 months
 - Lot Acquired date: //
 - Original Cost: 30,000.00
 - Existing Lien: 0.00
 - Present Value of Lot (a): 30,000.00
 - Cost of Improvements (b): 270,000.00
 - Total (a+b): 300,000.00
- Transaction Detail:**
 - Construction to Perm Disclosed Separately
 - Conversion of Contract for Deed or Land Contract
 - Renovation
 - Construction-Conversion/Construction-to-Permanent
 - Single-Closing
 - Two-Closing
- Lot/Land Status:**
 - Initial Acquisition
 - Refinance
 - Land Value Type: Not Applicable

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1003 URLA – Lender – L4 Qualifying the Borrower – Minimum Requirement Funds or Cash Back

- DU or LPA
- Include the Lot and Contract to build total in section A “Sales Contract Price”

L4. Qualifying the Borrower - Minimum Required Funds or Cash Back

DUEFROM BORROWER(S)

| | |
|---|---------------|
| A. Sales Contract Price | \$ 300,000.00 |
| B. Improvements, Renovations, and Repairs | \$ |
| C. Land (if acquired separately) | \$ |
| D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction (See Table 3a. Property You Own) | \$ |
| E. Credit Cards and Other Debts Paid Off (See Table 2b. Liabilities - Credit Cards, Other Debts, and Leases that You Owe) | \$ |
| F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments) | \$ 6,484.32 |
| G. Discount Points | \$ |
| H. TOTAL DUEFROM BORROWER(s) (Total of A thru G) | \$ 306,484.32 |

Aggregate Escrow Account Input Form

- Escrow 1st payment date bases
 - “1st Amort Date”
- Mortgage Insurance if applicable
 - Number of Months MI being Collected
 - Select Prepaid
 - Enter estimated build time

Aggregate Escrow Account

1st Payment Date: 04/01/2021 | Escrow 1st Payment Date Basis: Escrow 1st Payment Date Basis | 1st Amort Date: [v]

Escrow 1st Payment Date: 01/01/2022

| | Monthly | Yearly | Pay To | Escrowed |
|------------------------------|---------------|----------|--------|-------------------------------------|
| Tax | 125.00 | 1,500.00 | [v] | <input type="checkbox"/> |
| Hazard Insurance | 75.00 | 900.00 | [v] | <input checked="" type="checkbox"/> |
| Mortgage Insurance | 59.38 | 712.56 | [v] | <input checked="" type="checkbox"/> |
| Flood Insurance | | | [v] | <input type="checkbox"/> |
| City Property Tax | | | [v] | <input type="checkbox"/> |
| USDA Annual Fee | | | [v] | <input type="checkbox"/> |
| Total Monthly Payment | 259.38 | | | |
| Escrowed Payment | 134.38 | | | |

Starting Balance: 1,475.04 | Single Line Analysis: 1,550.04 | Aggregate Escrow Adjustment: -75.00

| Setup | Tax Disb | Haz Ins Disb | Mtg Ins Disb | Flood Ins Disb | City Taxes | User Define1 | User Define2 | User Define3 | USDA Fee Disb | Total Mthly Disb |
|---------|----------|--------------|--------------|----------------|------------|--------------|--------------|--------------|---------------|------------------|
| Cushion | 2 | 2 | 0 | | | | | | | 178.14 |
| 01/22 | | | 178.14 | | | | | | | 178.14 |
| 02/22 | | | 178.14 | | | | | | | 178.14 |
| 03/22 | | | 900.00 | 178.14 | | | | | | 1,078.14 |
| 04/22 | | | 178.14 | | | | | | | 178.14 |
| 05/22 | | | | | | | | | | |
| 06/22 | | | | | | | | | | |
| 07/22 | | | | | | | | | | |
| 08/22 | | | | | | | | | | |

MIP/PMI/Guarantee Fee Calculation

Upfront Mortgage Insurance Premium / Funding / Guarantee Fee

Base Loan Amount: 285,000.00

MIP / Funding / Guarantee: [] %

Amount Paid in Cash: Lock

Upfront MIP/Funding/Guarantee Fee Financed: []

Loan Amount with Upfront MIP/Funding Fee: 285,000.00

Refund prorated unearned Up Front

Round to nearest \$50

Charges for the insurance are added to your loan payments

Charges for the insurance are collected upfront at loan closing

Lender Paid Mortgage Insurance

MI Factor Field Locked

Monthly Mortgage Insurance

Calculated Based On: Loan Amount [v] | Get MI

1. 0.250000 % | 120 Months

2. 0.480000 % | 240 Months

Cancel At: 78,000 %

Calculate based on remaining balance

Midpoint payment cancellation

Declining Renewals

Number of Months MI being Collected: Prepaid | [] \$

Prepaid Amount: 534.42

Mortgage Insurance (FHA and VA)

Type of Veteran: [v]

Is this the first use of the VA loan program?

Learn more... | OK | Cancel

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Construction Management Input Form

- Loan Amount:
 - If not previously updated, enter loan amount
- As Completed Purchase Price:
 - This is the sum of the Present Value of Lot and Cost of Improvements
- As completed Appraised Value:
 - Is the actual appraisal value from Field 356 “Appraised Value”
- Est. Interest On:
 - A (Half Loan)
- Number of Days:
 - 365/365
- Est Closing Date:
 - Closing date from contract
- First payment date:
 - First payment date of Interest only payment
- Const. Completion Date:
 - Date estimated from contract or agreement
- 1st Amort Date:
 - Date of first regular payment
- Final Payment Date:
 - Fully amortized date to payoff
- Principal Prepayments and Excess funds Not Advanced may reduce “number” of monthly payments.
- Construction Loan Terms
 - Interest Rate = Same as perm loan
 - Period = Construction time
 - Amortization
 - Select Fixed Rate
 - Construction Period Included in the Loan Terms
 - Leave box unchecked

Construction Management

Basic Info
Loan Info
Project Data

Loan Info

| | | |
|---|---|---|
| Loan Type <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> VA <input type="checkbox"/> USDA-RHS | Lien Position <input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="button" value="Sub. Financing"/> | Purpose of Loan <input checked="" type="checkbox"/> Construction - Perm <input type="checkbox"/> Construction <input type="checkbox"/> Construction Perm Disclosed Separately |
| Property will be <input checked="" type="checkbox"/> Primary <input type="checkbox"/> Secondary <input type="checkbox"/> Investment | Gross Rent <input type="text"/> Occup Rate <input type="text"/> % | Lot/Land Status <input checked="" type="checkbox"/> Initial Acquisition <input type="checkbox"/> Refinance |
| Loan Amount <input type="text" value="285,000.00"/> Loan Program <input type="text" value="CONV :: FHLMC One-Time Close"/> | | |

| Year Aq'd | Original Cost | Existing Lien | Present Value of Lot (a) | Cost of Improvements (b) | Total (a+b) |
|------------------------------|---------------|---------------|--------------------------|--------------------------|-------------|
| | 30,000.00 | 0.00 | 30,000.00 | 270,000.00 | 300,000.00 |
| As Completed Purchase Price | | 300,000.00 | | | |
| As Completed Appraised Value | | 300,000.00 | | | |

Additional Details

| | | | |
|--|---------------|---|---------------------------------------|
| Est. Interest On | A (Half Loan) | Max LTV | <input type="text"/> % |
| Number of Days | 365/365 | Holdback | <input type="text"/> % |
| Est. Closing Date | 02/08/2021 | Holdback | \$ <input type="text"/> |
| First Payment Date | 04/01/2021 | Project Delay Surcharge | <input type="text"/> % |
| Const. Completion Date | 12/01/2021 | Required Interest Reserves | \$ <input type="text"/> |
| 1st Amort. Date | 01/01/2022 | Required Interest Reserve (Compound Interest) | <input type="checkbox"/> |
| Final Payment Date | 12/01/2051 | Creditor Prohibits Borrower from Making Interest Payments | <input type="checkbox"/> |
| Principal Prepayments and Excess Funds Not Advanced may reduce the <input type="text" value="number"/> of my monthly payments. | | Estimated Construction Interest | <input type="text" value="2,728.00"/> |

Construction - Perm (1x Close)

Construction Loan Terms

| | | | |
|---------------|-------------------------------------|---|--|
| Interest Rate | 3.250 % | Amortization Type | <input checked="" type="checkbox"/> Fixed Rate |
| Period | <input type="text" value="0"/> mths | <input type="checkbox"/> Construction Period Included in the Loan Terms | |

Important: If the permanent loan Interest Rate changes throughout the loan process, ensure the Construction Loan Terms Interest Rate is updated also.

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RegZ – LE Input Form

Construction Mortgage

- 1st Int Change Adj
 - Prmsry Note Pmt Date
- Rate Type
 - Note Interest Rate

Projected Payment: The interest only payments would assume that the full amount of draw is completed at time of closing. Borrower interest only payments are based on actual drawn amount. Therefore, the interest the borrower pays will vary as the draw balance increases.

Amortization Schedule: Should show no Principle payment until the projected completion time in months.

| Year | Min | Max |
|--------|----------|-------|
| 1 | 388 | 1,240 |
| 2 - 8 | 1,240.34 | |
| 9 - 31 | 1,240.34 | |

| Pmt# | Pmt Date | Rate | Payment | Principal | Interest | MI | Balance |
|------|------------|-------|----------|-----------|----------|-------|------------|
| 1 | 04/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 2 | 05/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 3 | 06/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 4 | 07/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 5 | 08/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 6 | 09/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 7 | 10/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 8 | 11/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 9 | 12/01/2021 | 3.250 | 447.08 | 0.00 | 387.70 | 59.38 | 285,000.00 |
| 10 | 01/01/2022 | 3.250 | 1,299.72 | 468.46 | 771.88 | 59.38 | 284,531.54 |
| 11 | 02/01/2022 | 3.250 | 1,299.72 | 469.73 | 770.61 | 59.38 | 284,061.81 |
| 12 | 03/01/2022 | 3.250 | 1,299.72 | 471.01 | 769.33 | 59.38 | 283,590.80 |
| 13 | 04/01/2022 | 3.250 | 1,299.72 | 472.28 | 768.06 | 59.38 | 283,118.52 |
| 14 | 05/01/2022 | 3.250 | 1,299.72 | 473.56 | 766.78 | 59.38 | 282,644.96 |
| 15 | 06/01/2022 | 3.250 | 1,299.72 | 474.84 | 765.50 | 59.38 | 282,170.12 |
| 16 | 07/01/2022 | 3.250 | 1,299.72 | 476.13 | 764.21 | 59.38 | 281,693.99 |
| 17 | 08/01/2022 | 3.250 | 1,299.72 | 477.42 | 762.92 | 59.38 | 281,216.57 |
| 18 | 09/01/2022 | 3.250 | 1,299.72 | 478.71 | 761.63 | 59.38 | 280,737.86 |
| 19 | 10/01/2022 | 3.250 | 1,299.72 | 480.01 | 760.33 | 59.38 | 280,257.85 |

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Loan Estimate Page 1

This scenario has the borrower acquiring the lot at time of closing. Therefore, for TRID integrated disclosures, the LE will show as a Purchase.

- Purpose
 - Purchase
- Product
 - 9 mo. Interest Only, Fixed Rate

Loan Estimate Page 1

Address: 9 Sylvan Way
 City: Parsippany
 State: NJ Zip: 07054

Current Assigned Email: [Redacted]

Loan Details

LE Date Issued: 12/18/2020
 Loan Term: 30 yrs
 Construction Period included in the Loan Terms

Applicants

Foreign Address: [Redacted]
 Name of Borrower: John Homeowner

Purpose: Purchase
Product: 9 mo. Interest Only, Fixed Rate

Loan Estimate Page 2

- Adjustments and Other Credits
 - Add a UCD for Cost to Construct. This amount does not include cost of Lot.
- Adjustable Payment (AP) Table
 - No data entry required and will update with prior input forms completed

Loan Estimate Page 2

Loan #: 2396266 LTV: 95.000/95.000/95.000 Rate: 3.250% Est Closing Date: 02/08/2021
 Loan Amount: \$285,000.00 DTI: 10.124/15.837 Not Locked FS: Krzysztof Kuruc

| Item | Amount |
|--|--------|
| 1. Survey Fee | 250 |
| 2. Title - CPL (Closing Protection Letter) | 75 |
| 3. Title - Lender's Title Insurance | 500 |
| 4. Title - Settlement Fee | 650 |
| 5. Title - Title Examination | 250 |
| 6. Title - Title Search | 250 |
| 7. | |
| 8. | |
| 9. | |
| 10. | |
| 11. | |
| 12. | |
| 13. | |

Lender Credits: 713

Calculating Cash to Close Payoffs & Payments Use Alternate

Third Party Payments Not Otherwise Disclosed: 0.00
 Use Actual Down Payment & Closing Costs Financed

Total Closing Costs (J): 7,782
 Closing Costs Financed: 7,782
 Down Payment/Funds from Borrower: 0
 Deposit: 2,500
 Funds for Borrower: 247,218
 Seller Credits: 0
 Adjustments and Other Credits: -270,000
Estimated Cash to Close: 20,282

Adjustments and Other Details

| UCD | Non-UCD | Fee Description | Amount | POC | Paid By | Adjustment Type |
|-----|---------|-------------------|---------------|------------------------------|----------|-----------------|
| | | Cost to Construct | \$ 270,000.00 | | | |
| | | Cost to Construct | \$ 270,000.00 | <input type="checkbox"/> POC | Borrower | Other |

D. TOTAL LOAN COSTS (A + B + C) Sub Total: 3,753

Adjustable Payment (AP) Table Ignore 1st ARM Adjustment

Interest Only Payments? Yes For your first 9 payments
 Optional Payments? No For your first [] payments
 Step Payments? No For your first [] payments
 Seasonal Payments? No []

Monthly Principal and Interest Payments

First Change/Amount: 1st Payment
 Subsequent Changes: Every Payment
 Maximum Payment: \$1,259 starting at 10th payment

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Examples of AUS findings

Freddie Mac Additional Data

1st Loan #: 2396266 LTV: 95.000/95.000/95.000 Rate: 3.250% Est Closing Date: []
 Loan Amount: \$285,000.00 DTI: 10.124/15.837 Not Locked FS, KRZ

Freddie Mac Additional Data

To avoid resubmission charges enter your LP Key Number and Loan Prospector ID that are found on your Feedback Certificate that was received after your initial file submission to LP.

LP Key Number: C2250044 Loan Prospector ID: 60392615

Lender

Contact: Loan Test Officer Loan #: 2396266
 Phone: 973-983-5626 Processing Point: Underswriting
 Fax: Secondary Finance: No secondary financing
 Alt Phone: Req'd Doc Type: Full documentation

Purpose of Loan []
Property Type **Manufactured Home Multivide**
Building Status []
New Construction Type []

LPA

Loan Product Advisor

Feedback Certificate

SUMMARY | LOAN DETAILS | TRANSACTION DETAILS | CREDIT REPORT DETAILS | MORTGAGE DETAILS | ASSET DETAILS | LOAN-TO-VALUE RATIOS | QUALIFYING RATIOS | MESSAGE SUMMARY

BORROWER NAME: John Homeowner NUMBER OF SUBMISSIONS: 2 LP KEY NUMBER: C2250044

Assessment Summary

PURCHASE ELIGIBILITY: **ELIGIBLE** RISK CLASS: **ACCEPT** Representation & Warranty Relief: **NOT ELIGIBLE** COLLATERAL RBWP RELIEF: **NOT ELIGIBLE** INCOME RBWP RELIEF: **NOT ELIGIBLE** ASSET RBWP RELIEF: **NOT ELIGIBLE**

Loan Details

BORROWER NAME: John Homeowner 999-40-5000 ADDITIONAL BORROWER: Mary Homeowner 500-22-2000 APPRAISAL IDENTIFIER: N/A LENDER LOAN NUMBER: 2396266
 PROPERTY ADDRESS: 1400 MAIN DR NW WASHINGTON, DC 20012 MORTGAGE TYPE: Conventional DOCUMENTATION LEVEL: Streamlined Accept

Loan-to-Value Ratios

LTV: **95.00%** TLTV: **95.00%** HLTV: **95.00%**

Qualifying Ratios

PROPOSED HOUSING(PITI): \$676.69 HOUSING RATIO: **5%** PRESENT HOUSING EXPENSE: \$2,657.00 DEBT RATIO: **10%** TOTAL MONTHLY INCOME AMOUNT: \$15,000.00 OCCUPANT HOUSING RATIO: **5%** TOTAL MONTHLY DEBT: \$1,533.69 OCCUPANT DEBT RATIO: **10%** MAX MORTGAGE LIMIT: N/A

Credit Report Details

SELECTED BORROWER: MARY HOMEOWNER SELECTED REPOSITORY: Experian INDICATOR SCORE: 771 CREDIT REORDERED: N/A CREDIT REACCESSSED: N/A

| BORROWER | REPOSITORY AND CREDIT SCORE | CREDIT REFERENCE # |
|----------------|---|--------------------|
| John Homeowner | Experian 785 TransUnion N/A Equifax N/A | 999999999405000 |
| Mary Homeowner | Experian 771 TransUnion N/A Equifax N/A | 999999999405000 |

Mortgage Details

PRODUCT TYPE: 30 Year Fixed Rate AMORTIZATION TYPE: Fixed AMORTIZATION MONTHS: 360 LOAN AMOUNT: \$285,000.00 INTEREST RATE: 3.2500%
 LOAN PURPOSE: **Purchase** PURCHASE PRICE: \$300,000.00 ESTIMATED PROPERTY VALUE: \$300,000.00 APPRAISED PROPERTY VALUE: \$300,000.00 NUMBER OF UNITS: 1
 PROPERTY TYPE: **Manufactured** OCCUPANCY: **Primary Residence** REFINANCE TYPE: N/A CASH OUT AMOUNT: N/A NEW CONSTRUCTION: **Construction To Permanent**
 OFFERING IDENTIFIER: N/A INTEREST RATE BUYDOWN: No SALES CONCESSIONS: N/A ARM QUALIFYING RATE: N/A ARM QUALIFYING PITI: N/A
 AFFORDABLE SECOND: N/A SECONDARY FINANCING: \$0.00 HELOC BALANCE: N/A HELOC LIMIT AMOUNT: N/A LENDER SUBMITTED RESERVES: \$28,917.06

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Asset Details

TOTAL ELIGIBLE ASSETS \$45,000.00

TOTAL FUNDS TO BE VERIFIED \$18,582.94

THIRD PARTY ASSET VALIDATION N/A

REQUIRED BORROWER FUNDS \$18,582.94 + REQUIRED RESERVES \$0.00 + PAID DOWN DEBITS \$0.00 + PAID OFF DEBITS \$0.00

Transaction Details

| | | | | |
|---|---------------------------------------|--|---|--|
| AUS STATUS Complete | LOAN PROCESSING STAGE Underwriting | ASSESSMENT EXP DATE 2021-04-18 | ASSESSMENT TYPE Credit | LPA VERSION S5 0.06 |
| LOAN PRODUCT ADVISOR ID 60392615 | TRANSACTION ID 2002967370 | AUS TRANSACTION NUMBER 87950123 | DATE/TIME REQUESTED 2021-01-15T20:34:34Z | DATE/TIME ASSESSED 2021-01-15T20:34:39Z |
| SELLER NUMBER 158895 | BROKER NUMBER N/A | CORRESPONDENT NUMBER N/A | MSP NUMBER N/A | |
| ORIGINATING COMPANY American Financial Resources, Inc. | | SUBMITTING COMPANY American Financial Resources, Inc. | | |

Message Summary 32

| | | | | | | | | |
|-------------------------------|----------------------------------|--|--------------------------------|------------------------------|---------------------------------|---------------------------------|------------------|-----------------------------|
| PURCHASE RESTRICTION MESSAGES | DATA QUALITY AND SYSTEM MESSAGES | AFFORDABLE LENDING AND ACCESS TO CREDIT MESSAGES | EMPLOYMENT AND INCOME MESSAGES | ASSETS AND RESERVES MESSAGES | CREDIT AND LIABILITIES MESSAGES | PROPERTY AND APPRAISAL MESSAGES | GENERAL MESSAGES | MORTGAGE INSURANCE MESSAGES |
| 0 | 0 | 0 | 6 | 10 | 4 | 6 | 4 | 2 |
| RESULTS | RESULTS | RESULTS | RESULTS | RESULTS | RESULTS | RESULTS | RESULTS | RESULTS |

Employment and Income Messages

| CODE | MESSAGE |
|---------|--|
| FEI0029 | Based on Loan Product Advisor's overall assessment, the loan is not eligible for income representation and warranty relief; however, it may be eligible for relief offered through Freddie Mac's selling representation and warranty framework. |
| FEI0034 | Signed IRS Form 4506-T. Any borrower, whose income is used to qualify, is required to sign IRS Form 4506-T no later than the Note Date. |
| FEI0102 | A 10-day pre-closing verification (10-day PCV) for John Homeowner is required for each source of employment income used to qualify. The 10-day PCV must be dated no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date. |
| FEI0102 | A 10-day pre-closing verification (10-day PCV) for Mary Homeowner is required for each source of employment income used to qualify. The 10-day PCV must be dated no more than 10 Business Days prior to the Note Date or after the Note Date but prior to the Delivery Date. |
| FEI0069 | Employment/base income for John Homeowner for base non-fluctuating earnings or fluctuating hourly earnings must be supported by a YTD paystub documenting all YTD earnings and W-2(s) for the most recent calendar year, OR a written VOE documenting all YTD earnings and earnings for the most recent calendar year. |
| FEI0069 | Employment/base income for Mary Homeowner for base non-fluctuating earnings or fluctuating hourly earnings must be supported by a YTD paystub documenting all YTD earnings and W-2(s) for the most recent calendar year, OR a written VOE documenting all YTD earnings and earnings for the most recent calendar year. |

Assets and Reserves Messages

| CODE | MESSAGE |
|---------|--|
| FAR0050 | Based on Loan Product Advisor's overall assessment, the loan is not eligible for asset representation and warranty relief; however, it may be eligible for relief offered through Freddie Mac's selling representation and warranty framework. |
| FAR0121 | The total funds to be verified are no less than \$18,582.94. This amount includes required Borrower Funds (\$18,582.94), required reserves (\$0.00), any debts to be paid off at or before closing (\$0.00) and any debts to be paid down at or before closing (\$0.00). |
| FAR0013 | The following asset(s) total \$45,000.00 and are eligible sources of funds: Checking: \$45,000.00. |
| FAR0124 | Required Borrower Funds are calculated as \$18,582.94 based on information submitted: purchase price (\$300,000.00) + alterations, improvements and repairs (\$0.00) - loan amount (\$285,000.00) + transaction costs (\$3,582.94) - proceeds from subordinate financing (\$0.00). |
| FAR0043 | Lender credit may only be used towards the Borrower's Closing Costs. In the event the lender credit exceeds Closing Costs, the lender credit must be reduced or the amount exceeding the Closing Costs must be applied as a principal curtailment to the new Mortgage. |
| FAR0082 | No reserves are required. |
| FAR0091 | Owner-Occupied or Second Home Property: Financing concessions cannot exceed three percent of value. |
| FAR0036 | This loan was submitted with \$45,000.00 in depository accounts (checking, savings and/or money market). |
| FAR0081 | Document the source of funds for any single deposit that exceeds \$7,500.00, which is 50% of the total monthly qualifying income OR reduce the asset amount by the unverified deposit and resubmit. |
| FAR0107 | Depository accounts: For each account (checking, savings, money market, CDs, and other depository accounts) used to qualify the borrower, obtain an account statement covering a 1-month period or a direct verification. |

Credit and Liabilities Messages

| CODE | MESSAGE |
|---------|--|
| FCL0323 | Installment debt(s) have been submitted with no payment. Include the payment and resubmit to Loan Product Advisor. If the credit report does not contain a payment, document the file with evidence of the monthly payment. For student loans in repayment, deferment or forbearance use the credit report if the monthly payment is greater than zero. If the monthly payment is zero, use 0.5% of the outstanding balance to calculate the payment amount. |
| FCL0003 | The Credit Scores for JOHN HOMEOWNER are TRW (Experian) 785, Equifax 0, Trans Union 0. The Underwriting Score is TRW (Experian) 785. |
| FCL0004 | The Credit Scores for MARY HOMEOWNER are TRW (Experian) 771, Equifax 0, Trans Union 0. The Underwriting Score is TRW (Experian) 771. |
| FCL0259 | 771 is the Loan Product Advisor Indicator Score from TRW (Experian) for MARY HOMEOWNER. |

Property and Appraisal Messages

| CODE | MESSAGE |
|---------|---|
| FPA0014 | Loan is not eligible for collateral representation and warranty relief based on the overall assessment of loan and collateral risk, including appraisal quality, collateral quality and loan characteristics. |
| FPA0037 | The Appraisal Identifier must be provided in order to be eligible for collateral representation and warranty relief. |
| FPA0072 | \$22,375.00 is the maximum loan limit allowed for a 1-unit property located in DISTRICT OF COL County, DC. |
| FPA0057 | Address entered matched to: 1400 MAIN DR NW, WASHINGTON DC 20012, District of Columbia County. Please confirm accuracy. |
| FPA0080 | An update of the original appraisal is required within 120 days before the effective date of the permanent financing. |
| FPA0045 | Manufactured Home Appraisal Report (Form 708) is required. |

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General Messages

| CODE | MESSAGE |
|---------|--|
| FGM0137 | Loan Product Advisor feedback messages were not updated to align with the temporary COVID-19 requirements currently in place. Please reference Single-Family Seller/Service Guide Bulletins and FAQs related to COVID-19. Sellers must comply with COVID-19 requirements regardless of any conflicting Loan Product Advisor feedback messages. |
| FGM0048 | Assessment Expiration Date for this loan is 04/18/2021. |
| FGM0020 | Loan Product Advisor Assessment Expiration Date for JOHN HOMEOWNER is 04/18/2021. |
| FGM0021 | Loan Product Advisor Assessment Expiration Date for MARY HOMEOWNER is 04/18/2021. |

Mortgage Insurance Messages

| CODE | MESSAGE |
|---------|---|
| FMI0032 | This loan is eligible for 16% Custom MI coverage. |
| FMI0023 | This loan requires 30% MI Coverage. |

Example DU

Summary of Findings

| | |
|---|---|
| Casefile ID 1517362414 | Recommendation Approve/Eligible |
| Borrower 1 John Homeowner | Submission Number 2 |
| Borrower 2 Mary Homeowner | Submission Date 01/15/2021 03:43PM |
| Lender Loan Number 2396266 | First Submission Date 01/15/2021 03:20PM |
| DU Version 10.3 | Casefile Create Date 01/15/2021 |
| Mortgage Information | |
| LTV/CLTV/HCLTV 95.00% / 95.00% / 95.00% | Note Rate 3.250% |
| Housing Expense Ratio 10.00% | Loan Type Conventional |
| Debt-to-Income Ratio 15.71% | Loan Term 360 |
| Total Loan Amount \$285,000.00 | Amortization Type Fixed Rate |
| Sales Price(purchase transactions) \$300,000.00 | Loan Purpose Purchase |
| Actual/Estimated Appraised Value \$300,000.00 | Refi Purpose |
| Months Reserves 17 | |
| Property Information | |
| Property Address 1400 Main Street, Washington, DC, 20013 | Number of Units 1 |

How to Setup a Conventional OTC loan with Interest Only Payments During Construction

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Day 1 Certainty

Property Information

Appraisal Waiver Not Eligible

Appraisal Rep & Warrant Not Applicable

Risk / Eligibility

- 1 The risk profile of this loan casefile appears to meet Fannie Mae's guidelines. (MSG ID 0008)
- 2 This loan casefile appears to meet Fannie Mae's eligibility requirements. (MSG ID 0009)
- 3 The risk assessment of the loan casefile may not be accurate because the following accounts on the loan application did not have a minimum monthly payment and DU was unable to calculate an accurate debt-to-income ratio. The lender must ensure the DTI used in the risk assessment is accurate. If a payment must be included in the DTI, the payment amount must be entered on the loan application and the loan casefile resubmitted to DU. If the minimum monthly payment is \$0.00, the lender must include documentation in the loan file confirming the \$0.00 payment amount. Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For student loans, the lender may qualify the borrower with the \$0.00 payment if there is documentation to support that the \$0.00 payment is associated with an income-driven repayment plan; alternatively, the lender must

either use 1% of the outstanding balance as the estimated payment or derive a fully amortizing payment using the student loan documentation. (MSG ID 0034)

| BORROWER | CREDITOR | ACCOUNT NUMBER | BALANCE |
|----------------|------------|----------------|------------|
| John Homeowner | SALLIEMAE | *****4520 | \$5,000.00 |
| John Homeowner | SALLIE MAE | *****4520 | \$5,000.00 |

- 4 For single-closing construction-to-permanent financing, special feature code 151 must be provided at delivery. If the credit and appraisal documents are dated more than four months, but not exceeding 18 months old at the time of the conversion to permanent financing, the loan casefile is only eligible for delivery if the documents were dated within 120 days of the original closing date of the construction loan, the LTV, CLTV, and HCLTV do not exceed 70 percent, the representative credit score is at least 700, the loan casefile received an Approve/Eligible recommendation, and the loan terms were not changed prior to conversion. (MSG ID 2485)
- 5 Refer to all Fannie Mae Lender Letters related to the "Impact of COVID-19" for additional instructions on temporary policies that may apply to this loan casefile. (MSG ID 3485)

Findings

- 6 The following risk factors represent strengths in the borrower's loan application: (MSG ID 1437)

CREDIT PROFILE

Debt-to-Income Ratio

Verification Messages / Approval Conditions

- 7 According to the Social Security Administration (SSA), based on the approximate issuance date of the Social Security number (SSN) and the borrower age on the application, the SSN entered for Mary Homeowner appears to have been issued prior to the borrower's date of birth. The SSN accuracy must be confirmed, and if incorrect, it must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be validated directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae. (MSG ID 0012)
- 8 This loan is subject to all lender specified conditions and must comply with all applicable federal, state, and local laws and regulations. (MSG ID 0278)
- 9 Based on the credit report obtained through DU, this loan casefile must close on or before 05/11/2021.
 - All credit documents must be no more than four months old on the note date, and
 - For guidelines on the age of the appraisal or property inspection report, refer to the Selling Guide. (MSG ID 0420)
- 10 The subject property was submitted as a manufactured home. Verify that the property is legally classified as real property and that it meets the manufactured home guidelines established in the Fannie Mae Selling Guide. (MSG ID 0693)
- 11 This loan casefile was underwritten as a construction transaction. If the appraisal was completed based on plans and specifications, construction must be complete, a final interior property inspection must be performed, and the appraiser must provide a certificate of completion. The certificate must be accompanied by photographs of the completed improvements. (MSG ID 1215)
- 12 If there is a home equity line of credit secured against the subject property:
 - The maximum allowable HCLTV is 95 percent,
 - Verify the terms of the home equity line of credit for compliance with the Selling Guide, and
 - Calculate the HCLTV using the maximum credit limit of the equity line. (MSG ID 1802)

- 13 Loan Level Price Adjustments may be applied when this loan is delivered to Fannie Mae. Refer to the Selling Guide and Loan-Level Price Adjustment (LLPA) Matrix on fanniemae.com for specific details. (MSG ID 2343)

- 14 Mortgage insurance is required.

- The lender may either obtain mortgage insurance coverage of at least 18% with an MI loan-level price adjustment or obtain mortgage insurance coverage of 30%. Refer to the Loan-Level Price Adjustment Matrix on fanniemae.com.
- Verify the mortgage insurance premium is accurately reflected in the loan application. (MSG ID 2477)

- 15 According to the Social Security Administration (SSA), the Social Security Number (SSN) entered for Mary Homeowner may not be associated with him/her. The SSN accuracy must be confirmed, and if incorrect, it must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be validated directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae. (MSG ID 2741)

Employment and Income

- 16 Document Mary Homeowner's income using a paystub and a W-2 from the prior year, or using a standard Verification of Employment (1005).

The paystub must:

- Be dated no earlier than 30 days prior to the initial loan application date,
- Include all year-to-date earnings, and
- Include sufficient information to appropriately calculate income.

Otherwise, additional documentation must be obtained.

If a W-2 is not available from the prior year, the lender must determine if the income would still be acceptable per the Selling Guide.

If a standard Verification of Employment (1005) will be obtained it must include all year-to-date earnings as well as prior year earnings if a W-2 is not being provided.

Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide. (MSG ID 0182)

- 17 Document John Homeowner's income using a paystub and a W-2 from the prior year, or using a standard Verification of Employment (1005).

The paystub must:

How to Setup a Conventional OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage.

- Be dated no earlier than 30 days prior to the initial loan application date.
- Include all year-to-date earnings, and
- Include sufficient information to appropriately calculate income.

Otherwise, additional documentation must be obtained.

If a W-2 is not available from the prior year, the lender must determine if the income would still be acceptable per the Selling Guide.

If a standard Verification of Employment (1005) will be obtained it must include all year-to-date earnings as well as prior year earnings if a W-2 is not being provided.

Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide. (MSG ID 0162)

18 Perform and document a verbal verification of employment for each borrower. For all borrowers who are:

- Not Self-Employed- no more than 10 business days prior to the note date, or
- Self Employed- within 120 calendar days prior to the note date.

Direct verification by a third party employment verification vendor is acceptable if:

- Completed within the same timeframes, and
- The information is not more than 35 days old as of the note date.

If the borrower is in the military, obtain either a Military Leave and Earnings Statement within 31 calendar days prior to the note date or a verification of employment through the Defense Manpower Data Center.
<https://mla.dmdc.osd.mil/mla/#/home>

Lenders also have the option of obtaining the verbal verification of employment after the note date (and prior to delivery of the loan to Fannie Mae), but when using this option must ensure compliance with the Selling Guide. (MSG ID 2499)

19 Obtain a completed and signed Form 4506-T for each borrower whose income is used to qualify for the loan at or before closing:

- If all of a borrower's income has been validated through the DU validation service, a completed and signed Form 4506-T is not required for that borrower.
- Form 4506, Form 4506T-EZ, or Form 9821 may be used in lieu of Form 4506-T.

Refer to the Selling Guide for additional information. (MSG ID 2471)

DAY 1 **20 DU did not receive** report data from the vendor(s) shown below. (MSG ID 3303)

| BORROWER | VENDOR AND REP TYPE | REP ID | REASON |
|----------------|---------------------------|---------|---|
| John Homeowner | The Work Number (VOI/VOE) | 2396266 | Report was not ordered, or vendor did not have report on the borrower, or report ID and borrower SSN do not match those provided to the vendor. |
| Mary Homeowner | The Work Number (VOI/VOE) | 2396266 | Report was not ordered, or vendor did not have report on the borrower, or report ID and borrower SSN do not match those provided to the vendor. |

DAY 1 **21 DU could not validate** borrower employment shown below for the reason provided. (MSG ID 3307)

| BORROWER | DU EMPLOYER | VENDOR AND REP TYPE | REP ID | VENDOR MATCH | REASON |
|----------------|----------------------|---------------------|---------|--------------|-------------------|
| John Homeowner | ABC Mortgage Company | Missing | Missing | Missing | No VOI/VOE report |
| Mary Homeowner | ABC Title Company | Missing | Missing | Missing | No VOI/VOE report |

DAY 1 **22 DU could not validate** borrower income shown below for the reason provided. (MSG ID 3313)

| BORROWER | DU INCOME TYPE | VENDOR AND REP TYPE | REP ID | VENDOR MATCH | DU REPORTED AMOUNT | REASON |
|----------------|------------------------|---------------------|---------|--------------|--------------------|--|
| John Homeowner | Base Employment Income | Missing | Missing | Missing | \$10,000.00 | No report received by DU that validates this income type |

How to Setup a Conventional OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage.

| | | | | | | |
|----------------|------------------------|---------|---------|---------|------------|--|
| Mary Homeowner | Base Employment Income | Missing | Missing | Missing | \$5,000.00 | No report received by DU that validates this income type |
|----------------|------------------------|---------|---------|---------|------------|--|

Assets

- 23 Verify assets totaling \$18,582.00 from the liquid assets listed on the 1003. Refer to the Selling Guide for additional information. (MSG ID 0063)
- 24 A miscellaneous other credit has been entered in Section VII of the loan application.
- Verify that the minimum borrower contribution is made for the transaction.
 - Verify that contributions by others do not exceed the limits permitted in the Selling Guide.
- All credits applied in this section must be eligible and documented according to the requirements of the Selling Guide. (MSG ID 0676)
- 25 If depository assets are needed to support the amount of funds required and reserves:
- Verify these assets with a verification of deposit or bank statements covering a two-month period.
 - Refer to the Selling Guide for guidance on evaluating un-sourced large deposits, and
 - Direct verifications provided by a third party asset verification vendor are acceptable if completed in accordance with the Selling Guide. (MSG ID 1880)
- 26 Earnest money is listed as another credit on the details of transaction.
- If the deposit is used to make any part of the borrower's minimum contribution that must come from his or her own funds, the source of funds for the deposit must be verified. (MSG ID 1887)

Property and Appraisal Information

- 27 DU could not verify the submitted subject property address for this transaction.
- An appraisal based on an interior and exterior property inspection reported on Form 1004 is required for one-unit properties:
 - Form 1004C is required for manufactured homes.

- Form 1073 is required for units in condominium projects.
- Form 2090 is required for units in cooperative projects.

Alternatively, modify the subject address and resubmit to determine whether DU is able to verify the updated subject property address. (MSG ID 1824)

Observations

- 28 According to the Social Security Administration (SSA), the Social Security number (SSN) for John Homeowner either has not been issued, or was recently issued. The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. Refer to the General Borrower Eligibility Requirements section of the Selling Guide for additional information. (MSG ID 0011)
- 29 This case was submitted to DU version 10.3 by American Financial Resources - Retail. The following information is associated with this loan: Casefile ID is 1517362414 and Submission number is 2. If the loan is delivered to Fannie Mae, the Casefile ID must be provided at delivery. (MSG ID 0643)
- 30 The LTV and CLTV for this single-closing construction-to-permanent transaction were calculated based on the lesser of the appraised value or acquisition cost (sales price plus the land). (MSG ID 1214)
- 31 The following list of special feature codes is provided to assist you in determining which codes may be associated with this loan. Other codes may be required. Refer to the Special Feature Codes list on fanniemae.com for a comprehensive list. (MSG ID 1387)

| SPECIAL FEATURE CODE | DESCRIPTION |
|----------------------|-------------|
| | |

How to Setup a Conventional OTC loan with Interest Only Payments During Construction K. Hovnanian American Mortgage.

| | |
|-----|--|
| 235 | Manufactured Homes |
| 151 | Single-Closing Construction-To-Permanent Financing |
| 127 | DU Loan |

32 Based on the data entered, this loan casefile has been identified as a **First Time Homebuyer** case.

- Correctly identify the borrower as a First Time Homebuyer at delivery.
- Refer to the Selling Guide Glossary for additional information on the identification of a first time homebuyer. (MSG ID 2096)

33 The following **Credit Report** is associated with this submission:
(MSG ID 2113)

| BORROWER NAME | CREDIT AGENCY | CREDIT REPORT ID | CREDIT REPORT DATE |
|----------------|---------------|------------------|--------------------|
| Mary Homeowner | Factual Data | 999999990405000 | 01/11/2021 |

| | | |
|----------------|------------------------|-------------|
| John Homeowner | Base employment income | \$10,000.00 |
|----------------|------------------------|-------------|

36 The following **assets** were counted towards available funds. With the exception of cash on hand, all available funds greater than the amount required to close have been added to cash reserves. (MSG ID 0059)

| BORROWER | ASSET TYPE | INSTITUTION NAME | AMOUNT |
|----------------|------------------|------------------|-------------|
| John Homeowner | Checking Account | Best Bank | \$45,000.00 |

Underwriting Analysis Report

| | | | |
|--------------------|--------------------|-------------|------------|
| Recommendation | Approve/Eligible | Casefile ID | 1517362414 |
| Borrower 1 | John Homeowner | | |
| Borrower 2 | Mary Homeowner | | |
| Lender Loan Number | 2396266 | | |
| Submission Date | 01/15/2021 03:43PM | | |

Property Information

| | | | |
|------------------|--|-----------------|---|
| Property Address | 1400 Main Street, Washington, DC, 20013 | Number of Units | 1 |
|------------------|--|-----------------|---|

How to Setup a Conventional OTC loan with Interest Only Payments During Construction

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| Mortgage Information | | | |
|-----------------------|--------------------------|-------------------------------------|--------------|
| Loan Type | Conventional | Loan Amount | \$285,000.00 |
| Amortization Type | Fixed Rate | Financed MI Amount | \$0.00 |
| Balloon | No | Total Loan Amount | \$285,000.00 |
| Community Lending | No | Sales Price (purchase transactions) | \$300,000.00 |
| Payment Frequency | Monthly | Actual/Estimated Appraised Value | \$300,000.00 |
| Lien Type | First Mortgage | P&I | \$1,240.34 |
| Amt. Subordinate Fin. | \$0.00 | Note Rate | 3.250% |
| Loan Purpose | Purchase | Qualifying rate | 3.250% |
| Refi Purpose | | Bought Down rate | 0.000% |
| Owner Existing Mtg | | Term (Months) | 360 |
| Buy Down | No | | |
| LTV/CLTV/HCLTV | 95.00% / 95.00% / 95.00% | | |
| Income | | | |
| Base | \$15,000.00 | Commission | \$0.00 |
| Bonus | \$0.00 | Over Time | \$0.00 |
| Other | \$0.00 | Positive Net Rental | \$0.00 |

| Subj. Pos. Cash Flow | \$0.00 | Total | \$15,000.00 |
|---------------------------------|-------------|-----------------------------------|-------------|
| Qualification Ratios | | | |
| Housing Expense | 10.00% | Debt-to-Income | 15.71% |
| Expense Ratio | | | |
| Including <= 10 Mos. | 15.71% | | |
| Proposed Monthly Payment | | | |
| First P&I (Qualifying) | \$1,240.34 | Total Housing Payments | \$1,499.72 |
| Second P&I | \$0.00 | Negative Net Rental | \$0.00 |
| Hazard Insurance | \$75.00 | Subj. Neg. Cash Flow | \$0.00 |
| Taxes | \$125.00 | All other Payments | \$857.00 |
| Mortgage Insurance | \$59.38 | Total Expense Payments | \$2,356.72 |
| HOA Fees | \$0.00 | Present/Principal Housing Payment | \$2,400.00 |
| Supplemental Property Insurance | \$0.00 | | |
| Other | \$0.00 | | |
| Funds | | | |
| Total Available Assets | \$45,000.00 | Net Cash Back | \$0.00 |
| Funds Required to Close | \$18,582.94 | | |

How to Setup a Conventional OTC loan with Interest Only Payments During Construction
K. Hovnanian American Mortgage.

| | | | |
|----------------------------------|-------------|--|-------------|
| Reserves Required to be Verified | \$0.00 | Excess Available Assets, not required to be verified by DU | \$26,417.06 |
| Total Funds to be Verified | \$18,582.94 | Months Reserves | 17 |
| Cash Back | \$0.00 | | |

The Recommendation for this case is: **Approve/Eligible**

NOTICE: The DU Underwriting Findings report does not constitute an approval or denial of the loan application. Lenders must comply with all laws and regulations, including those related to privacy and nonpublic personal information, in connection with the DU Findings report. For information about sharing the DU Findings report, please see the DU Schedule to your Software Subscription Agreement.

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Scenario – Purchase of Lot from Builder

1. Borrower does not own the lot prior to the first draw of the construction loan (interim construction financing). Borrower uses proceeds from the interim construction financing to both: a) purchase the lot and b) finance construction of the home.
2. Once construction is complete, the borrower modifies the construction loan into a purchase.
3. The property now appraises at \$300,000.

1003 URLA Lender Input Form

- Purpose of Loan
 - C to P
- Property will be
 - Primary
- Construction Loan Details
 - Period = Construction in months
 - Original Cost = “land only”
 - Present Value of lot
 - Cost of improvements = “total cost - land”
- Transaction Detail
 - Construction-Conversion/Construction-to-Permanent
 - Single-Close
- Lot/Land Status
 - Initial Acquisition
 - Land Value Type = NA

The screenshot shows the '1003 URLA - Lender' form with the following details:

- Purpose of Loan:** Purchase, Cash-Out Refi, No Cash-Out Refi, Construction, Construction - Perm, Other -
- Property Will Be:** Primary, Secondary, Investment, FHA Secondary Residence
- Energy Improvement:** Mortgage loan will finance energy-related improvements, Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through property taxes (e.g., the Property Assessed Clean Energy program).
- Purpose of Refinance:** [Dropdown]
- Refinance with Original Creditor:** Yes, No
- Refinance Type:** No Cash Out, Limited Cash Out, Cash Out
- Refinance Detail:** Year Aqd [Field], Original Cost [Field], Existing Liens to be Paid Off [Field]
- Refinance Program:** Full Documentation, Interest Rate Reduction, Streamline With Appraisal, Streamline Without Appraisal, Other [Dropdown]
- Construction Loan Detail:** Period: 9 months, Lot Acquired date: //, Original Cost: 30,000.00, Existing Lien: 0.00, Present Value of Lot (a): 30,000.00, Cost of Improvements (b): 270,000.00, Total (a+b): 300,000.00
- Transaction Detail:** Construction to Perm Disclosed Separately, Conversion of Contract for Deed or Land Contract, Renovation, Construction-Conversion/Construction-to-Permanent, Single-Closing, Two-Closing
- Lot/Land Status:** Initial Acquisition, Refinance, Land Value Type: Not Applicable

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

1003 URLA – Lender – L4 Qualifying the Borrower – Minimum Requirement Funds or Cash Back

- DU or LPA
- Include the Lot and Contract to build total in section A “Sales Contract Price”

| DUE FROM BORROWER(S) | | |
|--|-------------------------|---------------|
| A. Sales Contract Price | | \$ 300,000.00 |
| B. Improvements, Renovations, and Repairs | | \$ |
| C. Land (if acquired separately) | | \$ |
| D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction (See Table 3a. Property You Own) | | \$ |
| E. Credit Cards and Other Debts Paid Off (See Table 2c. Liabilities - Credit Cards, Other Debts, and Leases that You Owe) | | \$ |
| F. Borrower Closing Costs (including Prepaid and Initial Escrow Payments) | | \$ |
| | Estimated prepaid items | 2,689.84 |
| | Estimated closing costs | 7,916.69 |
| | MP, PMI, Funding Fee | 5,028.95 |
| G. Discount Points | | \$ |
| H. TOTAL DUE FROM BORROWER(S) (Total of A thru G) | | \$ 315,635.48 |

Aggregate Escrow Account Input Form

FHA:

- Escrow 1st payment date bases
 - “1st Amort Date”
- Mortgage Insurance applicable

USDA:

- Escrow 1st payment date bases
 - 1st Amort Date
- Mortgage Insurance as applicable

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Construction Management Input Form

- Loan Amount - If not previously updated enter here
- As Completed Purchase Price:
 - This is the sum of the Present Value of Lot and Cost of Improvements
- As completed Appraised Value:
 - Is the actual appraisal value from Field 356 “Appraised Value”
- Est. Interest On:
 - A (Half Loan)
- Number of Days:
 - 365/365
- Est Closing Date:
 - Closing date from contract
- First payment date:
 - First payment date of Interest only payment
- Const. Completion Date:
 - Date estimated from contract or agreement
- 1st Amort Date:
 - Date of first regular payment
- Final Payment Date:
 - Fully amortized date to payoff
- Principal Prepayments and Excess funds Not Advanced may reduce “number” of monthly payments.
- Construction Loan Terms
 - Interest Rate = Same as perm loan
 - Period = Construction time
 - Amortization
 - Select Fixed Rate
 - Construction Period Included in the Loan Terms
 - Leave box unchecked – FHA
 - Check Box - USDA

Construction Management

Basic Info
Loan Info
Project Data

Loan Info

| | | |
|---|--|---|
| Loan Type <input type="checkbox"/> Conventional <input type="checkbox"/> VA <input type="checkbox"/> USDA-RHS | Lien Position <input checked="" type="checkbox"/> First <input type="checkbox"/> Subordinate <input type="button" value="Sub. Financing"/> | Purpose of Loan <input checked="" type="checkbox"/> Construction - Perm <input type="checkbox"/> Construction <input type="checkbox"/> Construction Perm Disclosed Separately |
| Property will be <input checked="" type="checkbox"/> Primary <input type="checkbox"/> Secondary <input type="checkbox"/> Investment | | Lot/Land Status <input checked="" type="checkbox"/> Initial Acquisition <input type="checkbox"/> Refinance |
| Gross Rent <input type="text"/> Occup Rate <input type="text"/> % | | Rescission Notice <input type="checkbox"/> Secured by Consumer's Current Principal Dwelling <input type="checkbox"/> Non-rescindable Transaction |

Loan Amount
 Loan Program

| Year Acq | Original Cost | Existing Lien | Present Value of Lot (a) | Cost of Improvements (b) | Total (a+b) |
|----------|---------------|---------------|--------------------------|--------------------------|-------------|
| 2021 | 30,000.00 | 0.00 | 30,000.00 | 270,000.00 | 300,000.00 |

As Completed Purchase Price
 As Completed Appraised Value

Additional Details

| | | | | |
|--|---------------|---|---------------------------------------|---|
| Est. Interest On | A (Half Loan) | Max LTV | <input type="text"/> | % |
| Number of Days | 365/365 | Holdback | <input type="text"/> | % |
| Est. Closing Date | 03/31/2022 | Holdback | \$ <input type="text"/> | |
| First Payment Date | 05/01/2022 | Project Delay Surcharge | <input type="text"/> | % |
| Const. Completion Date | 12/01/2022 | Required Interest Reserves | \$ <input type="text"/> | |
| 1st Amort. Date | 02/01/2023 | Required Interest Reserve (Compound Interest) | <input type="checkbox"/> | |
| Final Payment Date | 01/01/2053 | Creditor Prohibits Borrower from Making Interest Payments | <input type="checkbox"/> | |
| Principal Prepayments and Excess Funds Not Advanced may reduce the <input type="text" value="number"/> of my monthly payments. | | Estimated Construction Interest | <input type="text" value="3,582.88"/> | |

Construction - Perm (1x Close)

Construction Loan Terms

| | | | |
|---------------|-------------------------------------|---|--|
| Interest Rate | 3.250 % | Amortization Type | <input checked="" type="checkbox"/> Fixed Rate |
| Period | <input type="text" value="9"/> mths | <input type="checkbox"/> Construction Period Included in the Loan Terms | |

Important: If the permanent loan Interest Rate changes throughout the loan process, ensure the Construction Loan Terms Interest Rate is updated also.

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

RegZ – LE Input Form

Construction Mortgage

- 1st Int Change Adj
 - Prmsry Note Pmt Date
- Rate Type
 - Note Interest Rate

Construction Mortgage

1st Int Change Adj: Prmsry Note Pmt D | Est. Closing Date: 03/31/2022

Est. Interest On: A (Half Loan) | First Payment Date: 05/01/2022

Number of Days: 365/365 | Final Payment Date: 01/01/2053

Period: 9 mths | 1st Amort. Date: 02/01/2023

Construction Period Included in the Loan Terms

Interest Rate: 3.250 % | Occupancy Cert Date: //

Rate Type: Note Interest Rate | Required Reserves: []

Inspection Fee \$: [] | Required Interest Reserve (Compound Interest):

Initial Acquisition of Land: | Creditor Prohibits Borrower from Making Interest Payments:

Refinance: | Estimated Construction Interest: 3,592.88

FHA Example:

Projected Payment: The interest only payments would assume that the full amount of draw is completed at time of closing. Borrower interest only payments are based on actual drawn amount. Therefore, the interest the borrower pays will vary as the draw balance increases.

Amortization Schedule: Should show no Principal payment until the projected completion time in months.

Projected Payments: Customize | View Payment Schedule

Period: Year 1 | Years 2 - 31 | 1,272.53

Principal & Interest: Min 399, Max 1,273

Mortgage Insurance: 190

Estimated Escrow: 200

Total Est. Monthly Payment: Min 789, Max 1,663

Amortization Schedule

| Frst# | Prd Date | Rate | Payment | Principal | Interest | MI | Balance |
|-------|------------|-------|----------|-----------|----------|--------|------------|
| 1 | 05/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 2 | 06/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 3 | 07/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 4 | 08/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 5 | 09/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 6 | 10/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 7 | 11/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 8 | 12/01/2022 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 9 | 01/01/2023 | 3.250 | 399.21 | 0.00 | 399.21 | 0.00 | 292,397.00 |
| 10 | 02/01/2023 | 3.250 | 1,462.36 | 490.62 | 791.91 | 189.83 | 291,916.38 |
| 11 | 03/01/2023 | 3.250 | 1,462.36 | 481.92 | 790.61 | 189.83 | 291,434.46 |
| 12 | 04/01/2023 | 3.250 | 1,462.36 | 483.23 | 789.30 | 189.83 | 290,951.23 |
| 13 | 05/01/2023 | 3.250 | 1,462.36 | 494.54 | 787.99 | 189.83 | 290,466.69 |
| 14 | 06/01/2023 | 3.250 | 1,462.36 | 495.85 | 786.68 | 189.83 | 289,980.84 |
| 15 | 07/01/2023 | 3.250 | 1,462.36 | 497.17 | 785.36 | 189.83 | 289,493.67 |
| 16 | 08/01/2023 | 3.250 | 1,462.36 | 498.48 | 784.05 | 189.83 | 289,005.19 |
| 17 | 09/01/2023 | 3.250 | 1,462.36 | 499.81 | 782.72 | 189.83 | 288,515.38 |
| 18 | 10/01/2023 | 3.250 | 1,462.36 | 491.13 | 781.40 | 189.83 | 288,024.25 |
| 19 | 11/01/2023 | 3.250 | 1,462.36 | 492.46 | 780.07 | 189.83 | 287,531.79 |

USDA Example

Projected Payments: Customize | View Payment Schedule

Period: Year 1 | Years 2 - 30 | 888.82

Principal & Interest: Min 277, Max 888

Mortgage Insurance: 58

Estimated Escrow: 200

Total Est. Monthly Payment: Min 535, Max 1,146

Amortization Schedule

| Frst# | Prd Date | Rate | Payment | Principal | Interest | MI | Balance | Ave Annual UPB |
|-------|------------|-------|---------|-----------|----------|-------|------------|----------------|
| 1 | 07/01/2022 | 3.250 | 277.32 | 0.00 | 277.32 | 0.00 | 202,020.00 | 0.00 |
| 2 | 08/01/2022 | 3.250 | 277.32 | 0.00 | 277.32 | 0.00 | 202,020.00 | 0.00 |
| 3 | 09/01/2022 | 3.250 | 277.32 | 0.00 | 277.32 | 0.00 | 202,020.00 | 0.00 |
| 4 | 10/01/2022 | 3.250 | 277.32 | 0.00 | 277.32 | 0.00 | 202,020.00 | 0.00 |
| 5 | 11/01/2022 | 3.250 | 277.32 | 0.00 | 277.32 | 0.00 | 202,020.00 | 0.00 |
| 6 | 12/01/2022 | 3.250 | 277.32 | 0.00 | 277.32 | 0.00 | 202,020.00 | 0.00 |
| 7 | 01/01/2023 | 3.250 | 946.39 | 340.98 | 547.14 | 58.37 | 201,679.12 | 0.00 |
| 8 | 02/01/2023 | 3.250 | 946.39 | 341.81 | 546.21 | 58.37 | 201,337.31 | 0.00 |
| 9 | 03/01/2023 | 3.250 | 946.39 | 342.73 | 545.29 | 58.37 | 200,994.58 | 0.00 |
| 10 | 04/01/2023 | 3.250 | 946.39 | 343.66 | 544.36 | 58.37 | 200,650.92 | 0.00 |
| 11 | 05/01/2023 | 3.250 | 946.39 | 344.59 | 543.43 | 58.37 | 200,306.23 | 0.00 |
| 12 | 06/01/2023 | 3.250 | 946.39 | 345.52 | 542.50 | 58.37 | 199,960.61 | 0.00 |
| 13 | 07/01/2023 | 3.250 | 946.39 | 346.46 | 541.56 | 58.37 | 199,614.95 | 0.00 |
| 14 | 08/01/2023 | 3.250 | 946.39 | 347.40 | 540.62 | 58.37 | 199,268.95 | 0.00 |
| 15 | 09/01/2023 | 3.250 | 946.39 | 348.34 | 539.68 | 58.37 | 198,922.61 | 0.00 |
| 16 | 10/01/2023 | 3.250 | 946.39 | 349.28 | 538.74 | 58.37 | 198,575.93 | 0.00 |
| 17 | 11/01/2023 | 3.250 | 946.39 | 350.23 | 537.79 | 58.37 | 198,228.81 | 0.00 |
| 18 | 12/01/2023 | 3.250 | 946.39 | 351.18 | 536.84 | 58.37 | 197,881.22 | 0.00 |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Loan Estimate Page 1

This scenario has the borrower acquiring the lot at time of closing. Therefore, for TRID integrated disclosures, the LE will show as a Purchase.

- Purpose
 - Purchase
- Product
 - 9 mo. Interest Only, Fixed Rate

Loan Term: 30 yrs, 9 mths
 Construction Period Included in the Loan Terms
 Purpose: Purchase
 Product: 9 mo. Interest Only, Fixed Rate
 Loan Type:
 Conventional USDA-RHS
 FHA Other-
 VA

Loan Term: 30 yrs
 Construction Period Included in the Loan Terms
 Purpose: Purchase
 Product: 6 mo. Interest Only, Fixed Rate
 Loan Type:
 Conventional USDA-RHS
 FHA Other- RHS
 VA

Loan Estimate Page 2

- Adjustments and Other Credits
 - Add a UCD for Cost to Construct. This amount does not include cost of Lot.
- Adjustable Payment (AP) Table
 - No data entry required and will update with prior input forms completed

Adjustments and Other Credits

| | |
|--|-----|
| 1. Survey Fee | 250 |
| 2. Title - CPL (Closing Protection Letter) | 75 |
| 3. Title - Lender's Title Insurance | 500 |
| 4. Title - Settlement Fee | 650 |
| 5. Title - Title Examination | 250 |
| 6. Title - Title Search | 250 |
| 7. | |
| 8. | |
| 9. | |
| 10. | |
| 11. | |
| 12. | |
| 13. | |
| 14. | |

Lender Credits 1,462

Calculating Cash to Close Payoffs & Payments Use Alternate

Third Party Payments Not Otherwise Disclosed 0.00
 Use Actual Down Payment & Closing Costs Financed

Total Closing Costs (J) 14,734
 Closing Costs Financed -14,734
 Down Payment/Funds from Borrower 0
 Deposit 2,500
 Funds for Borrower -247,663
 Seller Credits 0
 Adjustments and Other Credits -270,000
Estimated Cash to Close 19,837

Adjustable Payment (AP) Table Ignore 1st ARM Adjustment

Interest Only Payments? YES For your first 9 payments
 Optional Payments? NO For your first payments
 Step Payments? NO For your first payments
 Seasonal Payments? NO

Monthly Principal and Interest Payments
 First Change/Amount 1st Payment
 Subsequent Changes Every Payment
 Maximum Payment \$1,273 starting at 10th payment

All Construction to Perm screens are complete and loan file is ready to disclose.

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Examples of AUS findings

Freddie Mac Additional Data

| | | | |
|---------------------------|---------------------------|--------------|-------------|
| Loan #: 2406884 | LTV: 95.790/95.790/95.790 | Rate: 3.250% | Est Closing |
| Loan Amount: \$292,397.00 | DTI: 11.082/16.796 | Not Locked | FS: Kr2 |

| Freddie Mac Additional Data | | | |
|---|-------------------|--------------------|------------------------|
| To avoid resubmission charges enter your LP Key Number and Loan Prospector ID that are found on your Feedback Certificate that was received after your initial file submission to LP. | | | |
| LP Key Number | C8030164 | Loan Prospector ID | 63324878 |
| Lender | | | |
| Contact | Loan Test Officer | Loan # | 2406884 |
| Phone | 973-983-5626 | Processing Point | Underwriting |
| Fax | | Secondary Finance | No secondary financing |
| All Phone | | Req'd Doc Type | Full documentation |

| | |
|------------------------------|-----------------------------|
| Purpose of Loan | Purchase |
| Property Type | Manufactured Home Multiwide |
| Building Status | Proposed |
| New Construction Type | Construction Conversion |

LPA

FHA TOTAL Scorecard Feedback Certificate

SUMMARY LOAN DETAILS TRANSACTION DETAILS CREDIT REPORT DETAILS MORTGAGE DETAILS ASSET DETAILS LOAN-TO-VALUE RATIOS QUALIFYING RATIOS MESSAGE SUMMARY

| | | | |
|---------------------------------|--|----------------------------|---------------------------|
| BORROWER NAME John Homeowner | | NUMBER OF SUBMISSIONS 6 | LP KEY NUMBER C8030164 |
|---------------------------------|--|----------------------------|---------------------------|

| | | | |
|---|-----------------------------|---|---|
| Assessment Summary | | Representation & Warranty Relief | |
| PURCHASE ELIGIBILITY INELIGIBLE | RISK CLASS ACCEPT | COLLATERAL R&W* RELIEF NOT ELIGIBLE N/A | INCOME R&W* RELIEF NOT ELIGIBLE |
| ASSET R&W* RELIEF NOT ELIGIBLE | | | |

Loan Details

| | | | |
|---|--|-------------------------------|-------------------------------|
| BORROWER NAME John Homeowner 999-40-5000 | ADDITIONAL BORROWER Mary Homeowner 500-22-2000 | APPRAISAL IDENTIFIER N/A | LENDER LOAN NUMBER 2406884 |
| PROPERTY ADDRESS 1400 MAIN DR NW WASHINGTON, DC 20012 | MORTGAGE TYPE FHA | DOCUMENTATION LEVEL Accept | |

Loan-to-Value Ratios

| | | |
|----------------------|-----------------------|------------------------|
| LTV 95.78% | TLTV 95.78% | HTLTV 97.46% |
|----------------------|-----------------------|------------------------|

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

FHA TOTAL Scorecard Feedback Certificate

SUMMARY LOAN DETAILS TRANSACTION DETAILS CREDIT REPORT DETAILS MORTGAGE DETAILS ASSET DETAILS LOAN-TO-VALUE RATIOS QUALIFYING RATIOS MESSAGE SUMMARY

Mortgage Details

| | | | | |
|---|---------------------------------------|---|---|--|
| PRODUCT TYPE 30 Year Fixed Rate | AMORTIZATION TYPE Fixed | AMORTIZATION MONTHS 360 | LOAN AMOUNT \$292,397.00 | INTEREST RATE 3.2500% |
| LOAN PURPOSE Purchase | PURCHASE PRICE \$300,000.00 | ESTIMATED PROPERTY VALUE \$300,000.00 | APPRAISED PROPERTY VALUE \$300,000.00 | NUMBER OF UNITS 1 |
| PROPERTY TYPE Site Built | OCCUPANCY Primary Residence | REFINANCE TYPE N/A | CASH OUT AMOUNT N/A | NEW CONSTRUCTION Construction To Permanent |
| OFFERING IDENTIFIER N/A | INTEREST RATE BUYDOWN No | SALES CONCESSIONS N/A | ARM QUALIFYING RATE N/A | ARM QUALIFYING PITI N/A |
| AFFORDABLE SECOND N/A | SECONDARY FINANCING \$0.00 | HELOC BALANCE \$0.00 | HELOC LIMIT AMOUNT \$0.00 | LENDER SUBMITTED RESERVES \$25,723.51 |

Transaction Details

| | | | | |
|--|---|---|--|---|
| AUS STATUS Complete | LOAN PROCESSING STAGE Underwriting | ASSESSMENT EXP. DATE 2021-07-19 | ASSESSMENT TYPE Credit | LPA VERSION S5.1.00 |
| LOAN PRODUCT ADVISOR ID 63324878 | TRANSACTION ID 2068509414 | AUS TRANSACTION NUMBER 63369126 | DATE/TIME REQUESTED 2022-01-20T22:20:38Z | DATE/TIME ASSESSED 2022-01-20T22:20:43Z |
| SELLER NUMBER 158895 | BROKER NUMBER N/A | CORRESPONDENT NUMBER N/A | MSP NUMBER N/A | |
| ORIGINATING COMPANY American Financial Resources, Inc. | SUBMITTING COMPANY American Financial Resources, Inc. | | | |

| | | | | | | | | |
|---|--|--|--|--|--|---|--|---------------------|
| RESTRICTION MESSAGES 0 RESULTS | SYSTEM MESSAGES 0 RESULTS | LENDING AND ACCESS TO CREDIT MESSAGES 0 RESULTS | INCOME MESSAGES 6 RESULTS | RESERVES MESSAGES 5 RESULTS | LIABILITIES MESSAGES 14 RESULTS | APPRAISAL MESSAGES 9 RESULTS | INSURANCE MESSAGES 10 RESULTS | 0 RESULTS |
|---|--|--|--|--|--|---|--|---------------------|

Employment and Income Messages

| CODE | MESSAGE |
|---------|--|
| FEI0029 | Based on Loan Product Advisor's overall assessment, the loan is not eligible for income representation and warranty relief; however, it may be eligible for relief offered through Freddie Mac's selling representation and warranty framework. |
| FEI0107 | If applicable, provide an explanation for employment gaps greater than 180 days. |
| FEI0109 | Employed: For all borrower(s) obtain one or a combination: most recent paystubs covering a minimum of 30 consecutive days showing YTD earnings, and written Verification of Employment (VOE) to confirm current employment covering most recent 2 years, or direct electronic verification by a TPV vendor with the completed verification conforms with requirements in the FHA Handbook 4000.1, Section II, to confirm current employment covering most recent 2 years for JOHN HOMEOWNER, MARY HOMEOWNER. |
| FEI0116 | W-2(s) are not required if current employer confirms 2 year history, only base pay is used to qualify and borrower signs IRS Form 8821/4506. |
| FEI0108 | W2s: If borrower not employed with same employer for previous 2 years, and/or not all conditions in FHA handbook can be met, then Mortgagee must obtain one or a combination of: most recent 2 years W-2(s), or a written Verification of Employment (VOE) covering 2 years, or direct verification by Third Party Verification (TPV) vendor covering 2 years with the completed verification conforms with FHA requirements in the HUD Handbook for JOHN HOMEOWNER, MARY HOMEOWNER. |
| FEI0111 | Commission Income: If borrower receives commission income greater than 25% of annual income, obtain most recent 2 years Federal tax returns. Commission must be averaged over 2 years; commission received > 1 year but < 2 years, can be considered if borrower can document likelihood income will continue, and Lender soundly rationalize accepting the commission income. Refer to the FHA Handbook 4000.1, Section II, for income documentation requirements for both Traditional and Alternative. |

Assets and Reserves Messages

| CODE | MESSAGE |
|---------|---|
| FAR0050 | Based on Loan Product Advisor's overall assessment, the loan is not eligible for asset representation and warranty relief; however, it may be eligible for relief offered through Freddie Mac's selling representation and warranty framework. |
| FAR0105 | Verify all reserves submitted in the amount of \$25,723.51. |
| FAR0102 | Depository Accounts: Obtain Verification of Deposit (VOD) or most recent 2 months bank statement(s) showing that average balance sufficient to cover amount of earnest money deposit at the time of deposit, or direct verification by Third Party Verification (TPV) vendor with completed verification conforms with the FHA requirements in the FHA Handbook 4000.1, Section II, to verify sufficient funds required to close. |
| FAR0036 | This loan was submitted with \$45,000.00 in depository accounts (checking, savings and/or money market). |
| FAR0052 | This loan was submitted with \$11,166.69 in closing costs paid by the borrower. |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Credit and Liabilities Messages

| CODE | MESSAGE |
|---------|---|
| FCL0144 | If CAIVRS indicates delin/lien, enter Yes on app & resubmit |
| FCL0319 | Enter ZFHA as CHUMS ID on HUD 92900. FHA Direct Endorsement Underwriter signature is not required on HUD 92900, unless loan is downgraded to REFER or CAIVRS shows a Federal Delinquency/Lien. Mortgagee's representative must attest data integrity on HUD 92900A. FHA-approved DE Lender must submit this loan for FHA insurance. |
| FCL0281 | If CAIVRS indicates federal delinquency/lien, this loan must be documented and underwritten to FHA's REFER requirements. |
| FCL0317 | Include all debts from credit report, alimony, child support, separate maintenance, negative rent, mortgage debt, installment debt paid through payroll deduction and significant debt (payment greater than \$100) in ratios. |
| FCL0284 | If the credit report utilized by TOTAL indicates that the borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, the mortgage must be downgraded to a Refer and manually underwritten. Exclusions include disputed medical accounts or disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. Please consult the FHA Handbook 4000.1, Section II for full details. |
| FCL0297 | 779 is the FHA TOTAL Scorecard selected credit score from Trans Union for JOHN HOMEOWNER. |
| FCL0299 | 771 is the FHA TOTAL Scorecard selected credit score from TRW (Experian) for MARY HOMEOWNER. |
| FCL0324 | Credit for JOHN HOMEOWNER was requested due to credit freshness expiration. |
| FCL0326 | Credit for MARY HOMEOWNER was requested due to credit freshness expiration. |
| FCL0286 | Merged Credit Reference Number for JOHN HOMEOWNER is 99999999405000. |

Property and Appraisal Messages

| CODE | MESSAGE |
|---------|---|
| FPA0014 | Loan is not eligible for collateral representation and warranty relief based on the overall assessment of loan and collateral risk, including appraisal quality, collateral quality and loan characteristics. |
| FPA0037 | The Appraisal Identifier must be provided in order to be eligible for collateral representation and warranty relief. |
| FPA0057 | Address entered matched to: 1400 MAIN DR NW, WASHINGTON DC 20012, District of Columbia County. Please confirm accuracy. |
| FPA0133 | Loan is not eligible for an appraisal waiver because it does not meet proprietary guidelines. |
| FPA0124 | Loan is not eligible for an appraisal waiver because it is a construction conversion or renovation loan. |
| FPA0123 | Loan is not eligible for an appraisal waiver because the loan is non-conforming. |
| FPA0122 | Loan is not eligible for an appraisal waiver because the mortgage type is not conventional. |
| FPA0134 | Loan is not eligible for an appraisal waiver because the submitted TLTV of 96% cannot exceed 80% for a purchase transaction. |
| FPA0050 | Loan type ineligible - MAF not available for FHA or VA. Follow requirements of HUD Handbook 4000.1 or VA Lenders Guide for appraisal requirements. |

General Messages

| CODE | MESSAGE |
|---------|---|
| FGM0075 | FHA Case Number is required to be submitted to Loan Product Advisor at or before the last submission of this loan. |
| FGM0041 | Lender is responsible for documenting any situation not addressed on this feedback certificate according to the FHA TOTAL Mortgage Scorecard User's Guide and/or HUD Handbook 4155. |
| FGM0020 | Loan Product Advisor Assessment Expiration Date for JOHN HOMEOWNER is 07/19/2021. |
| FGM0021 | Loan Product Advisor Assessment Expiration Date for MARY HOMEOWNER is 07/19/2021. |
| FGM0071 | Review for Accuracy: FHA Underwriting Guidelines vary for New Construction and may affect Maximum Mortgage calculations/LTV. Refer to Handbook and review corresponding Assessment expiration date on feedback certificate. |
| FGM0067 | The FHA Minimum Down Payment submitted for this loan is \$12,631.00. |
| FGM0066 | The FHA Statutory Investment Requirement for this loan is \$10500.00. |
| FGM0080 | The FHA TOTAL Scorecard evaluated this loan through the Loan Product Advisor platform for processing and feedback. |
| FGM0064 | The Maximum Mortgage Limit for District of Columbia County, DC is \$970,800.00. |
| FGM0100 | This loan qualifies for ACCEPT FHA TOTAL Scorecard documentation. |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Example DU

| DU Underwriting Findings | | | |
|-------------------------------------|---|-------------------|--------------------------------|
| SUMMARY | | | |
| Recommendation | Approve/Eligible | | |
| Primary Borrower | John Homeowner | Co-Borrower | Mary Homeowner |
| Lender Loan Number | 2406884 | Casefile ID | 1517362414 |
| Submission Date | 01/20/2022 03:52PM | DU Version | DUG4.0 |
| Mortgage Information | | | |
| LTV/CLTV | 95.79% / 95.79% | Note Rate | 3.250% |
| Housing Expense Ratio | 11.08% | Loan Type | Federal Housing Administration |
| Total Expense Ratio | 16.80% | Loan Term | 360 |
| Total Loan Amount | \$292397.00 | Amortization Type | Fixed Rate |
| Sales Price (purchase transactions) | \$300000.00 | Loan Purpose | Purchase |
| Appraised Value | \$300000.00 | Refi Purpose | |
| Property Information | | | |
| Address | 1400 Main Street Washington, DC 20013 | Property Type | Detached |
| RISK/ELIGIBILITY | | | |
| 1 | This loan has been underwritten through DU for government loans using the FHA TOTAL Scorecard. | | |
| 2 | ZFHA should be entered as the CHUMS ID on HUD 92900-LT for this loan. An FHA Direct Endorsement Underwriter signature is not required on HUD 92900-LT, unless the loan is manually downgraded to Refer in accordance with FHA guidelines. An FHA approved DE Lender must submit the loan for FHA insurance. | | |
| 3 | The FHA Agency Case Number is required by the final submission for this loan. | | |
| 4 | The minimum statutory investment requirement for this loan casefile is \$10500.00, unless a lesser amount is authorized under applicable FHA guidelines. This loan casefile is only eligible if this minimum amount is satisfied using the borrowers' own funds or an acceptable source of gift funds. | | |
| 5 | Refer to all FHA Mortgagee Letters related to COVID-19 for additional instructions on temporary policies that may apply to this loan casefile. | | |
| POTENTIAL RED FLAGS | | | |
| 6 | According to the Social Security Administration, the social security number entered for John Homeowner either has not been issued, or was recently issued. Verify the accuracy of the data entered. | | |
| 7 | Based on the approximate issuance date of the Social Security number and the borrower's age on the application, the Social Security number entered for Mary Homeowner appears to be inconsistent with his or her age. Verify the accuracy of the data entered. | | |
| 8 | According to the Social Security Administration, the social security number entered for Mary Homeowner may not be associated with him/her. Verify the accuracy of the data entered. | | |
| 9 | This loan casefile has experienced an unusually high number of submissions. Excessive submissions can indicate improper manipulation of loan application data. We recommend that you review the loan application to ensure accuracy. | | |

| VERIFICATION MESSAGES/APPROVAL CONDITIONS | | | | | | | | |
|---|--|---------------|---------------|---------------|----------------|---------------|------------|--|
| 10 | The lender must ensure full compliance with all FHA eligibility requirements and all requirements of FHA Single Family Housing Policy Handbook 4000.1. | | | | | | | |
| 11 | For Cash Out Refinances with any form of secondary financing, or for Rate and Term Refinances (No Cash Out) and Purchases where privately held secondary financing exists, the maximum loan amount calculation must be applied outside of DU. For further information including the definition of privately held secondary financing, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1. | | | | | | | |
| 12 | For case numbers assigned on or after January 1, 2015, if a property is resold 180 days or fewer following the date of acquisition by the seller, restrictions may apply. Refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for more information. | | | | | | | |
| 13 | All documentation timeline requirements apply from the date of case number assignment date, unless otherwise specified. | | | | | | | |
| 14 | Any use of third party vendor (TPV) data retrieval must be authorized by the borrower. | | | | | | | |
| 15 | The FHA Loan Underwriting and Transmittal Summary (Form HUD-92900-LT) must be completed. | | | | | | | |
| 16 | This loan casefile may also be subject to other lender specified conditions. | | | | | | | |
| 17 | Approval of this case is subject to underwriter's acceptable review of the LDP GSA list. | | | | | | | |
| 18 | If this loan casefile is an identity of interest transaction, the LTV may not exceed 85 percent, unless the transaction meets an exception as outlined in the Online version of FHA Single Family Housing Policy Handbook 4000.1. | | | | | | | |
| 19 | Properties that are Under Construction or Existing for Less than One Year are limited to a 90 percent LTV unless they meet the Pre-Approval requirements or are covered with a HUD-accepted insured ten-year protection plan, and they meet the required documentation for Maximum Financing. | | | | | | | |
| 20 | Approval for this casefile is subject to obtaining a valid CAIVR number. | | | | | | | |
| 21 | If the borrower acts as a licensed general contractor and builds the house on land previously owned or separately acquired, refer to the Online version of HUD Single Family Housing Policy Handbook 4000.1 for more information. | | | | | | | |
| 22 | A sales contract and any amendments or other agreements and certifications must be provided. | | | | | | | |
| 23 | Documentation evidencing the borrower's identity is required. | | | | | | | |
| 24 | If the loan casefile has not already closed, the following documents have expired. While the document values have been used in the underwriting analysis, obtain more recent documents and resubmit the loan for an underwriting recommendation. For exceptions to this policy, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1. | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Borrower</th> <th>Document Type</th> <th>Document Date</th> </tr> </thead> <tbody> <tr> <td>JOHN HOMEOWNER</td> <td>Credit Report</td> <td>01/11/2021</td> </tr> </tbody> </table> | Borrower | Document Type | Document Date | JOHN HOMEOWNER | Credit Report | 01/11/2021 | |
| Borrower | Document Type | Document Date | | | | | | |
| JOHN HOMEOWNER | Credit Report | 01/11/2021 | | | | | | |
| 25 | If this transaction is a purchase of a HUD REO property, please refer to the sales contract for special financing details. | | | | | | | |
| 26 | If the borrower has experienced a short sale or short payoff, please refer to current FHA guidelines for additional eligibility requirements. | | | | | | | |
| 27 | The FHA TOTAL scorecard no longer returns either Upfront or Annual Mortgage Insurance Premium (MIP) amounts to be displayed by DU. Lenders should consult Appendix 1 of FHA Single Family Housing Policy Handbook 4000.1 for current MIP amounts. | | | | | | | |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

K. Hovnanian American Mortgage LLC

Credit and Liabilities

28 No verification of rental history is required.

29 Desktop Underwriter has used the minimum monthly payments, to calculate the total expense ratio, from the following accounts:

| Borrower | Creditor Name | Balance | Payment |
|----------------|----------------|----------|---------|
| John Homeovner | UNIVERSAL VISA | 950.00 | 25.00 |
| John Homeovner | UNIVERSAL VISA | 950.00 | 25.00 |
| John Homeovner | SALLIEMAE | 1100.00 | 25.00 |
| John Homeovner | SALLIE MAE | 1100.00 | 25.00 |
| John Homeovner | CHASE | 5000.00 | 257.00 |
| John Homeovner | TOYOTA CREDIT | 15838.00 | 500.00 |

30 The following accounts were omitted from the underwriting analysis during liability reconciliation. For each liability, provide documentation that supports the omission.

| Borrower | Creditor Name | Payment | Balance |
|----------------|---------------|---------|---------|
| John Homeovner | SALLIEMAE | 0.00 | 5000.00 |
| John Homeovner | SALLIE MAE | 0.00 | 5000.00 |

31 Include new debt payments resulting from material inquiries listed on the credit report in the debt ratios. You must also determine that any recent debts were not incurred to obtain any part of the required cash investment on the property or funds necessary for closing.

32 Evidence of payoff or payment arrangements of any outstanding judgments shown on the credit report is required, if applicable. If the aggregate of all outstanding collection accounts is \$2,000 or greater, verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds. Any payment arrangements must be included in the monthly payment in the borrower's DTI, or if a payment arrangement is not available, calculate the monthly payment using five percent of the outstanding balance of each collection and include the monthly payment in the borrower's DTI. Refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for additional information.

33 A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing. If a mortgage debt does not appear on the application and/or credit report, or if the information on the credit report is incomplete or inaccurate, refer to FHA Handbook 4000.1 for additional requirements.

34 If the credit report indicates a mortgage debt that has been assumed by an unrelated party, or the title has been transferred because of a divorce, the lender must obtain the agreement creating the contingent liability or assumption agreement and deed showing transfer of title out of the lender's name. For other types of contingent liabilities and for additional information, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for additional information.

35 When a debt or obligation is revealed during the application process that was not listed on the loan application and/or credit report that was not considered by DU, verify the monthly payment amount. If the increased amount is outside of tolerances, include the debt in the qualifying ratios and resubmit the loan casefile. Direct verification of debt is not required, unless it is a mortgage. Determine that any borrowed funds will not be used for the homebuyer's cash investment in the loan.

36 For cases assigned on or after 10/15/13, if the credit report reveals that the borrower is disputing any credit accounts or public records, and the total of all outstanding balances for all disputed derogatory credit accounts for all borrowers is greater than or equal to \$1000, downgrade to refer and manually underwrite the loan. If it is less than \$1000, a downgrade to manual underwriting is not required. Disputed charge-offs, collections, and late payments in the last 24 months are considered derogatory. For excluded derogatory account types, please consult the Online version of FHA Single Family Policy Handbook 4000.1.

37 Verify and include any deferred obligations in the calculation of the borrower's debt in accordance with FHA Single Family Housing Policy Handbook 4000.1. Obtain written documentation of the deferral of the liability from the creditor and evidence of the outstanding balance and terms of the deferred liability. Obtain evidence of the anticipated monthly payment obligation, if available.

Employment and Income

38 The following sources of income were used in the underwriting analysis:

| Borrower | Income Type | Verification | Amount |
|----------------|------------------------|--------------|----------|
| John Homeovner | Base Employment Income | 1003 Values | 10000.00 |
| Mary Homeovner | Base Employment Income | 1003 Values | 5000.00 |

39 For Standard documentation, verify Mary Homeovner's employment history and income for the most recent two years. Obtain the most recent pay stub and a written Verification of Employment (VOE) covering two years; or direct electronic verification of employment by a TPV vendor covering two years, subject to FHA requirements. Re-verification of employment must be completed within 10 days prior to the date of the Note, and verbal or electronic re-verification of employment is acceptable. Electronic re-verification of employment data must be current within 30 days of the date of the verification. Refer to FHA's Single Family Housing Policy Handbook 4000.1 for additional information on electronic documentation requirements, alternative employment documentation requirements and requirements when the borrower has not been employed with the same employer for the previous two years.

40 For Standard documentation, verify John Homeovner's employment history and income for the most recent two years. Obtain the most recent pay stub and a written Verification of Employment (VOE) covering two years; or direct electronic verification of employment by a TPV vendor covering two years, subject to FHA requirements. Re-verification of employment must be completed within 10 days prior to the date of the Note, and verbal or electronic re-verification of employment is acceptable. Electronic re-verification of employment data must be current within 30 days of the date of the verification. Refer to FHA's Single Family Housing Policy Handbook 4000.1 for additional information on electronic documentation requirements, alternative employment documentation requirements and requirements when the borrower has not been employed with the same employer for the previous two years.

41 Capital gains or losses must be considered when determining Effective Income. Refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for additional information.

42 If the borrower has changed jobs more than three times in the previous 12-month period, or has changed lines of work, verify and document the stability of the borrower's Employment Income. Obtain either transcripts of training and education demonstrating qualification for a new position, or employment documentation evidencing continual increases in income and/or benefits.

43 For information on calculation of hourly income or income involving a temporary reduction in wages, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1.

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K. Hovnanian American Mortgage LLC

Assets

44 The following assets were counted towards available funds:

| Borrower Name | Account Type | Institution Name | Amount |
|----------------|--------------|------------------|----------|
| Mary Homeowner | Gift | | 10500.00 |
| John Homeowner | Checking | Best Bank | 45000.00 |

45 A gift in the amount of \$10500.00 is listed as a source of funds in the Down Payment section available for closing. List the name, address, telephone number, relationship to the borrower, and the amount of the gift on the loan application or in a gift letter signed by the donor and borrower for each cash gift received. Document the transfer of the gift funds to the borrower's accounts, in accordance with the instructions described in the Online version of FHA Single Family Housing Policy Handbook 4000.1. Cash on Hand is not an acceptable source of donor gift funds.

46 Information about assets furnished on the loan application was used to underwrite this case. The depository assets totaling \$55500.00 must be verified by a written VOD and the Borrowers' most recent statement for each account or direct verification by a TPV vendor of the Borrowers' account covering activity for a minimum of the most recent available month, and the date of the data contained in the completed verification is current within 30 days of the date of the verification. If a VOD is not obtained, a statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, obtain statement(s) for the most recent two months.

47 If the amount of the earnest money deposit or other large deposits exceed 1 percent of the sales price or appears excessive based on the borrower's history of accumulating savings, the lender must verify the deposit amount and the source of funds according to current FHA guidelines. The lender must also determine that any recent debts were not incurred for any part of the cash investment on the property being purchased.

48 If an asset other than real estate or exchange-traded securities is sold for funds to close the mortgage, verify and document the actual sale and the net sale proceeds by obtaining a fully executed closing disclosure or similar legal document. The lender must also verify and document that the transaction was armslength, and that the Borrower is entitled to the net sale proceeds.

49 A gift was entered as a source of down payment. The loan is ineligible for FHA insurance if any of the down payment funds are provided by (a) the seller or any other person or entity that financially benefits from the transaction, or (b) any 3rd party that is reimbursed directly or indirectly by the seller or any other person or entity that financially benefits from the transaction.

50 For recently opened accounts and recent individual deposits of more than 1 percent of the Adjusted Value, obtain documentation of the deposits. Verify that no debts were incurred to obtain part, or all, of the minimum required investment.

51 If a gift is being used, the full amount of the gift must be entered in the Source of Downpayment Section with a valid FHA Down Payment Type Code, to ensure that the correct information is sent to the FHA TOTAL Mortgage Scorecard. Additionally, the gift must be entered in the Assets section as verified. If the gift has been deposited into a depository account, it should not be entered separately as a gift asset to avoid double counting of the gift funds. If the gift has not been deposited into a depository account, it must be shown separately as a gift asset.

Property and Appraisal Information

52 The Uniform Residential Appraisal Report (URAR) (Fannie Mae Form 1004) and the form HUD-92800 5B, Conditional Commitment/DE Statement of Appraised Value are required. Also, a Market Conditions Addendum is required (Fannie Mae Form 1004MC/ Freddie Mac Form 71).

53 Form HUD-92561, Hotel and Transient Use Certification must be obtained and signed by the borrower for all 2 - 4 unit properties and single family properties that are part of a group of five or more properties owned by the borrower within a two block radius.

54 DU could not verify the submitted property address for this transaction. Verify that the subject property address was entered correctly and, if necessary, update the data entry and resubmit the loan casefile.

55 It is the lender's responsibility to ensure that all FHA guidelines are met on the appraisal report, including but not limited to: use of correct forms, acceptable property type, and acceptable validity periods.

Ratio Information

56 If the subject property is located or the borrower resides in a community property state, the debts of a non-purchasing spouse must be included in the borrower's qualifying ratios, except for the obligations specifically excluded by state law. Although the non-purchasing spouse's credit history is not to be considered a reason for credit denial, a credit report must be obtained outside of DU for the non-purchasing spouse in order to determine the debt-to-income ratio (this applies only to community property states). If required by state law, the non-purchasing spouse may be required to sign either the security instrument or documentation indicating that the individual is relinquishing all rights to the property. When the security instrument is executed for this reason, the non-purchasing spouse is not considered a borrower, and not required to sign the loan application.

Other

57 A Required Investment amount of \$20548 was sent to the FHA TOTAL scorecard.

OBSERVATIONS

58 The following credentials from the loan application were used to submit the loan casefile through the FHA TOTAL Mortgage Scorecard:

| Lender ID | Sponsored Originator EIN | Sponsor ID |
|-----------|--------------------------|------------|
| | 1358600035 | 1358600035 |

59 This case was submitted to Desktop Underwriter using the FHA TOTAL Scorecard Version 4.02 by American Financial Resources - Retail Institution. The following information is associated with this loan: Casefile ID is 1517362414, and FHA Submission number is 33.

60 The following Credit Report information is associated with this submission:

| Borrower Name | Credit Agency | Credit Report ID | Credit Report Date |
|----------------|---------------|------------------|--------------------|
| JOHN HOMEOWNER | Factual Data | 999999999405000 | 01/11/2021 |
| MARY HOMEOWNER | Factual Data | 999999999405000 | 01/11/2021 |

61 This loan casefile was submitted to DU for Government Loans Release 4.0.

62 County Loan Limit: \$970800.00

63 Maximum Loan Amount: \$289500.00

64 Section of Act: 203(b)

65 County Name: DISTRICT OF COLUMBIA

66 Agency Case Number:

67 The following credit scores were obtained by the credit agency selected by the user and are included in the credit report:

| Borrower | Credit Scores |
|----------------|---------------|
| Mary Homeowner | 783 771 768 |
| John Homeowner | 760 785 779 |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

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| PROPERTY INFORMATION | | | |
|-----------------------------|--|-------------------------------------|-------------------------|
| Property Address | 1400 Main Street Washington, DC 20013 | Number of Units | 1 |
| Property Type | Detached | Occupancy Status | Primary Residence |
| MORTGAGE INFORMATION | | | |
| Loan Type | Federal Housing Administration | LTV/CLTV/HCLTV | 95.79% / 95.79% / 0.00% |
| Amortization Type | Fixed Rate | Loan Amount | \$287369.00 |
| Balloon | No | Financed MI Amount | \$5028.00 |
| Community Lending | No | Total Loan Amount | \$292397.00 |
| Payment Frequency | Monthly | Sales Price (purchase transactions) | \$300000.00 |
| Lien Type | First Mortgage | Appraised Value | \$300000.00 |
| Amt. Subordinate Fin. | \$0.00 | P&I | \$1272.53 |
| Loan Purpose | Purchase | Note Rate | 3.250% |
| Refi Purpose | | Qualifying Rate | 3.250% |
| Owner Existing Mtg. Buydown | No | Bought Down Rate | 0.00% |
| | | Term (Months) | 360 |
| INCOME | | QUALIFYING RATIOS | |
| Base | \$15000.00 | Housing Expense | 11.08% |
| Commission | \$0.00 | Total Expense | 16.80% |
| Bonus | \$0.00 | | |
| Overtime | \$0.00 | EXPENSE RATIOS | |
| Other | \$0.00 | Including ≤ 10 Mos. | |
| Positive Net Rental | \$0.00 | | 0.00% |
| Subj. Pos. Cash Flow | \$0.00 | | |
| Total | \$15000.00 | | |
| PROPOSED MONTHLY PAYMENT | | | |
| First P&I (Qualifying) | \$1272.53 | Negative Net Rental | \$0.00 |
| Second P&I | \$0.00 | Subj. Neg. Cash Flow | \$0.00 |
| Hazard Insurance | \$75.00 | All Other Payments | \$857.00 |
| Taxes | \$125.00 | Total Expense Payment | \$2519.36 |
| Mortgage Insurance | \$189.83 | | |
| HOA Fees | \$0.00 | | |
| Other | \$0.00 | | |
| Total Housing Payment | \$1662.36 | | |
| FUNDS | | | |
| Required | \$16586.00 | Net Cash Back | \$0.00 |
| Available | \$55500.00 | Reserves | \$38914.00 |
| Cash Back | \$0.00 | Months Reserves | 23 |

Example of GUS:

GUS Underwriting Findings Report

Underwriting Summary

Underwriting Recommendation Accept / Eligible

| | | | |
|----------------------|----------|----------------------------|-------------------------|
| Property Eligibility | Eligible | Primary Borrower | Homeowner, John |
| Income Eligibility | Eligible | Submission Type | Preliminary |
| Loan Eligibility | Eligible | Submission Sequence Nbr | 3 |
| Loan Risk | Accept | Submission Date/Time Stamp | 04/21/2022 03:32 PM CDT |
| | | Submitted By | PETER KURUC |

| Borrower Name | Borrower Eligibility | Borrower Risk Evaluation |
|-----------------|----------------------|--------------------------|
| Homeowner, John | Eligible | Accept |
| Homeowner, Mary | Eligible | Accept |

Lender Name AMERICAN FINANCIAL RESOURC

Lender Tax ID 223554558 Lender Agent Name Christopher Guerin

USDA Assigned Branch Number 2 Lender Agent Tax ID 223554558

Lender Loan Number 2404899 USDA Assigned Branch Number

Application ID Number 5138115

Mortgage Information

| | | | |
|----------------------|--------------|---|------------|
| LTV | 101.01 % | Note Rate | 3.2500 % |
| Monthly PITI | \$1,139.59 | Loan Term (months) | 360 |
| Other Monthly Debt | \$807.00 | Amortization Type | Fixed Rate |
| Total Monthly Debt | \$1,946.59 | Loan Purpose | Purchase |
| PITI Ratio | 18.9932 % | Refinance Program | N/A |
| TD Ratio | 32.4432 % | USDA Refi Purpose | N/A |
| Loan Amount | \$202,020.00 | Balance on Mortgage Loans on the Property to be paid off in the Transaction | N/A |
| Sales/Contract Price | \$200,000.00 | | |
| Property Value | \$200,000.00 | | |

Property Information

Property Address 251 Heritage Oaks Dr, Fruit Cove, FL, 32259

Property Eligibility Summary Subject property is located in an eligible area.

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

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| Loan/Applicant Risk |
|---|
| <p>LoanRiskFinding(s) There were no loan risk findings issued.</p> <p>Risk Finding(s) for Homeowner, John There is no risk finding for Homeowner, John.</p> <p>Risk Finding(s) for Homeowner, Mary There is no risk finding for Homeowner, Mary.</p> |
| Lender's Required Conditions |
| <p>Prior to Final Submission Findings(s)</p> <ol style="list-style-type: none">601 - Standard Flood Hazard Determination Form (SFHDF): Obtain FEMA Form 096-0-22 (SFHDF). Submit form to Rural Development when requesting a conditional commitment for loan note guarantee. If an existing dwelling is in a 100-yr. floodplain the lender must ensure flood insurance through FEMA's National Flood Insurance Program (NFIP) is available for the community and flood insurance whether NFIP, 'write your own', or private flood insurance, as approved by the lender, is purchased. Additional requirements for flood insurance are listed in HB-1-3555 Chapter 12.10B, including requirements for new construction properties.622 - Lender Due Diligence: Lenders must apply due diligence when reviewing the loan file to determine if there is any potentially derogatory or contradictory information that is not part of the data submitted to GUS or if there is any erroneous information in the data submitted to GUS. If the lender is aware of any contradictory, derogatory, or erroneous information, lenders are obligated to take action. For example if the lender is aware of debts, late payments or derogatory information that has not been made available to the data submitted to GUS (not all inclusive) an underwriting recommendation of ACCEPT may be required to be manually downgraded by the lender to REFER on the Credit Underwriting page in GUS. The file must be manually underwritten by the lender.30420 - Cash Reserves: Cash reserves are funds that will remain in the applicant's account after loan closing and must be supported with proper documentation per HB-1-3555 Chapter 5.3E. Verification of cash reserves must be retained in the lender's permanent case file. Gift funds from any source may not be included in the cash reserve calculation.30680 - Other Credits: Ensure any amount entered as an 'Other Credit' on the Lender Loan Information page is not duplicated in an 'Asset' account on the Assets and Liabilities page.60000 - Authorized User Accounts: Authorized User (AU) accounts are not the legal responsibility of an authorized user. Lenders are not required to include a monthly payment for an AU account in the total debt ratio but may do so at their discretion. Lenders may include an AU account to validate the credit score for GUS REFER and REFER WITH CAUTION files, as applicable, per HB-1-3555 Chapter 10. AU accounts that are closed or terminated do not require further analysis.60005 - Disputed Account Non-Derogatory: When an applicant's credit report indicates a tradeline or public record is in dispute, an ACCEPT underwriting recommendation may be required to be downgraded to a REFER. A downgrade is not required if any of the following are met regarding the non-derogatory disputed account: 1) The tradeline has a zero dollar |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

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| Borrower/Co-Borrower GUS/GLS Data Comparison | | | | |
|--|----------------------|----------------------|----------|----------|
| Differences Between Specific Borrower/Attribute: | | | | |
| Borrower | GUS Page Association | Name of Attribute(s) | GUS Data | GLS Data |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| Rural Development Required Conditions |
|--|
| <p>Prior to Final Submission Finding(s) There are no USDA Required Conditions Prior to Final Submission.</p> <p>Prior to Conditional Commitment Finding(s) 1. 626 - Confirm Property Eligibility: The Agency must review property eligibility and verify property is located within an eligible rural area. 2. 627 - Request for Loan Guarantee: Ensure the lender provided a facsimile, imaged, photocopy, or original Fbom RD 3555-21 with all applicant signatures. 3. 629 - Environmental Review: The Agency must complete an environmental review in accordance with RD Instruction 1940-G. Environmental reviews are not required for refinance transactions unless the Agency is aware of an environmentally sensitive situation such as a chemical spill, hazardous material waste site, etc. 4. 60002 - Annual Fee CC: Ensure the annual fee for the first year of the loan is correctly populated on Fbom RD 3555-18 / 19E, 'Conditional Commitment for Single Family Housing Loan Guarantee'.</p> <p>Prior to Closing Finding(s) There are no USDA Required Conditions Prior to Closing.</p> <p>Prior to Guarantee Finding(s) 1. 628 - Lender Certification: Confirm the lender has certified by signature on Fbom RD 3555-18 / 19E or electronically in the Agency's Lender Loan Closing system, that all of the requirements of 7 CFR 3555 have been met and that all the requirements listed on the Conditional</p> |

| GUS Underwriting Analysis Report | | | |
|---|--------------------------------------|------------------------------------|------------|
| Property Information | | | |
| Property Address | 251 Heritage Oaks Dr, Fruit Cove, FL | Type of Construction | Site Built |
| Property Value | \$200,000.00 | Estate will be held in | Fee Simple |
| Sales Contract Price | \$200,000.00 | New Construction Requirements Met | By Closing |
| Balance on Mortgage Loans on the Property to be paid off in the Transaction | N/A | Existing Dwelling Requirements Met | N/A |
| | | Structure Type | Detached |
| Purchase is | New | | |
| Const-Conv/Perm | X | | |
| Single-Closing/Two-Closing | Single-Closing | | |
| Renovation | | | |

How to Setup an FHA or USDA OTC loan with Interest Only Payments During Construction

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| Monthly Expenses | |
|--|-------------------|
| Housing Expenses - Proposed | |
| First Mortgage (P&I) | \$879.20 |
| Subordinate Lien(s) (P&I) | \$0.00 |
| Homeowner's Insurance | \$75.00 |
| Supplemental Property Insurance | \$1.00 |
| Property Taxes | \$125.00 |
| Mortgage Insurance (Annual Fee for First Year - Monthly) | \$58.39 |
| Association/Project Dues (Condo, Co-Op, PUD) | \$1.00 |
| Other | \$0.00 |
| Total Housing Expenses | \$1,139.59 |
| Other Expenses | |
| Credit Cards, Other Debts, and Leases that you owe | \$807.00 |
| Other Liabilities and Expenses | \$0.00 |
| Mortgage Loans | \$0.00 |
| Negative Net Rental | \$0.00 |
| Total Other Expenses | \$807.00 |

| Funds To Close | | |
|---|-------------------------|-------------------------|
| Cash To The Borrower | \$0.00 | |
| Cash From The Borrower | \$3,499.02 | |
| Mortgage Debt to be Paid by Closing | \$0.00 | |
| Total Funds Required (sum of Cash To/From Borrower and Mortgage Debt to be Paid by Closing) | \$3,499.02 | |
| Funds Available | \$45,000.00 | |
| Post Closing Cash Reserves | | |
| Cash Reserves | \$41,500.98 | |
| Months of Cash Reserves | 36 | |
| GUS Credit Report | | |
| Credit Report | | |
| Name | Homeowner, John | Homeowner, Mary |
| Credit Report Status | Complete | Complete |
| Provider Name/ Number of Request | Factual Data by CBC (3) | Factual Data by CBC (3) |
| Credit Report Type | Joint/New | Joint/New |
| Reference Number | 99999999405000 | 99999999405000 |
| Date Issued | 4/21/2022 | 4/21/2022 |
| Date Last Updated | 3/1/2022 | 3/1/2022 |

| Credit Report Summary | | |
|---|--------------|-------------------|
| The following credit score, as obtained by the credit agency selected by the user, was used as the indicator score: | | |
| Borrower | Credit Score | Credit Repository |
| Homeowner, John | 779 | TRANS UNION |
| Homeowner, Mary | 771 | EXPERIAN |