



# Two-Closing Construction to Permanent (C-to-P) Financing Transaction Process

## Introduction

Two-closing construction-to-permanent mortgage transactions utilize two separate loan closings with two separate sets of closing documents:

- The first closing is to obtain the interim construction financing (and may include the purchase of the lot)
- The second closing is to obtain the permanent financing upon completion of the improvements. This is done in the form of a refinance. A modification may NOT be used to update the original note.

## Process

The origination and delivery process can be broken down into three phases, shown below, though in practice some steps may overlap or be done at the same time.

In phase 1, the initial loan is underwritten and structured as a construction loan; the permanent terms are not set at this stage and only the construction loan is closed.

In phase 2, the loan is serviced and draws are issued in accordance with the build schedule. As the completion date gets closer, the permanent loan is underwritten and approved. The underwriting process for the permanent loan can occur as the construction is taking place, and in some cases may be completed before the construction is completed (Step 8 below). Note that the lender that originates the permanent loan DOES NOT need to be the same lender that originated the construction loan.

In phase 3, once the project completes and any outstanding liens are satisfied, the permanent loan is closed to refinance the construction loan. The loan is then salable to Fannie Mae as either a cash-out refi or a limited cash out refi, subject to Guide eligibility.

Phase 1 - Pre Close	Phase 2 - Construction	Phase 3 - Permanent Loan
<ol style="list-style-type: none"> <li>Contractor underwriting and acceptance.</li> <li>Project review and acceptance.</li> <li>Construction loan rate set.</li> <li>Credit underwriting and construction loan approval.</li> <li>Construction loan closed.</li> </ol>	<ol style="list-style-type: none"> <li>Contractor draw requests processed per contract draw schedule.</li> <li>Inspections confirm progress in accordance with draw schedule.</li> <li>Completion - Complete 1004D; obtain lien waivers and Certificate of Occupancy.</li> </ol>	<ol style="list-style-type: none"> <li>Permanent loan rate locked.</li> <li>Credit underwriting and permanent loan (refinance) approval.</li> <li>Permanent loan set.</li> <li>Loan sold to Fannie Mae.</li> </ol>