Fannie Mae

Construction-to-Permanent Financing: Single-Closing Transactions

Single-closing transactions may be used to combine the interim construction loan financing and the permanent financing if the borrower wants to close on both the construction loan and the permanent financing at the same time.

These types of loans are eligible for delivery to Fannie Mae when construction is completed and the loan converts to a permanent phase – subject to certain Selling Guide requirements that are summarized in this matrix.

<table>
<tr><td>Construction Phase</td><td colspan="2">When a single-closing transaction is used, the lender will be responsible for managing the disbursement of the loan proceeds to the builder, contractor, or other authorized suppliers.

Because the loan documents specify the terms of the permanent financing, the construction loan will automatically convert to a permanent long-term mortgage upon completion of the construction.

Loans that combine construction and permanent financing into a single transaction are eligible for delivery to Fannie Mae only after the construction is completed.

The construction loan period for single-closing construction-to-permanent transactions may have no single period of more than 12 months and the total period may not exceed 18 months.</td></tr>
<tr><td>Loan Purpose</td><td colspan="2">Conventional first mortgage to:

▪ finance the purchase of a property, or

▪ pay off an existing mortgage debt (a refinance mortgage)</td></tr>
<tr><td>Modifications</td><td colspan="2">See “Modifications of Single-Closing Construction-to-Permanent Mortgages” in Selling Guide B5-3.1-02.</td></tr>
<tr><td>Down Payment</td><td colspan="2">The borrower must use his or her own funds to make the minimum borrower contribution unless:

▪ the LTV or CLTV ratio is less than or equal to 80%; or

▪ the borrower is purchasing a one-unit principal residence and meets the requirements to use gifts, donated grant funds, or funds received from an employer to pay for some or all of the borrower's minimum contribution.

See B3-4.3-04, Personal Gifts; B3-4.3-06, Grants and Lender Contributions; and B3-4.3-08, Employer Assistance, for additional information.</td></tr>
<tr><td>Lot Ownership Requirement</td><td>Purchase

The borrower is not the owner of record of the lot at the time of the first advance of interim construction financing.</td><td>Limited Cash-Out Refinance (LCOR)

The borrower is the owner of record of the lot at the time of the first advance of interim construction financing.</td></tr>
</table>

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide* and *Servicing Guide*. In the event of any conflict with this document, the Selling Guide and/or Servicing Guide will govern.

© 2025 Fannie Mae

LTV Calculation	**Purchase** Divide the loan amount of the construction-to-permanent financing by the lesser of: ▪ the purchase price (sum of the cost of construction and the sales price of the lot), or ▪ the "as completed" appraised value of the property (the lot and improvements). Note: The loan amount of a manufactured home can include all allowable costs as listed in B5-2-03, Manufactured Housing Underwriting Requirements.	**LCOR** Divide the loan amount of the construction-to-permanent financing by the "as completed" appraised value of the property (the lot and improvements).
Eligibility and Underwriting	Per Fannie Mae *Selling Guide* (see especially the Eligibility Matrix). Eligibility extended to manufactured homes. Note: Cash-out refinance transactions are not eligible for single-closing construction-to-permanent mortgages.	
Requirements for Delivery to Fannie Mae – Age of Credit Documents	All credit documents must be no more than 4 months old as of the note date (that is, the closing date of the construction loan). Income, employment and credit reports must be no more than 4 months old at the time of conversion to permanent financing. As an exception, these documents may be dated more than 4 months but not exceeding 18 months old at the time of the conversion to permanent financing if the following conditions were met at the time of the original closing of the construction loan: ▪ The LTV, CLTV and HCLTV ratios do not exceed 95%. ▪ The loan casefile was underwritten through DU and received an Approve/Eligible recommendation. If either of the above conditions was not met, or an eligible loan term was modified subsequent to the last DU submission, the lender must, no more than 4 months prior to conversion, obtain updated income, employment, and credit report documents and requalify the borrower(s) in accordance with the Requalification Requirements in Selling Guide B5-3.1-02, Conversion of Construction-to-Permanent Financing: Single-Closing Transactions. Updated asset documentation is not required unless: ▪ Upon requalification, more reserves are required than were at the time of original qualification (in which case, the full amount of reserves needs to be verified), or ▪ The borrower brings additional funds to the transaction (in which case, the additional funds need to be documented and must come from an eligible source)	

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide* and *Servicing Guide*. In the event of any conflict with this document, the Selling Guide and/or Servicing Guide will govern.

© 2025 Fannie Mae