



# CONSTRUCTION- PERMANENT LOANS

Insure during construction or upon completion.  
With MGIC mortgage insurance, the choice is yours: **Insure now or later**



## OPTIONS FOR YOUR CONSTRUCTION LOANS

### Single-Close

- Incorporates both the interim construction financing and the permanent financing into one loan
- May be structured as a purchase when the borrower does not own the lot prior to closing, or rate-term refinance when the borrower owns the lot prior to closing

### Two-Time Close

- Features 2 separate transactions:
  - Interim financing during the construction phase, which we do not insure
  - Permanent financing, which is where MGIC insurance comes in. After construction is complete, MGIC insures the permanent financing loan (see below)
- Structured as a rate-term refinance

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**Tip:** Order your MGIC MI for the permanent loan when underwriting and closing the interim loan. Submit loan purpose as Construction-Perm to receive a 12-month Commitment/Certificate.

# THE FRAMEWORK

# UNDERWRITING REQUIREMENTS

## LTV Calculation

**For purchase loans** – Use the lower of the current as-completed appraised value or the acquisition cost/purchase price (the total of construction costs plus purchase price of the lot).

**For rate-term refinances** – Use the as-completed appraised value.

## Eligible Property Types

- 1-unit, single family detached
- 2-unit
- Manufactured homes
  - The home must be new, purchased from a dealer and not previously occupied

Indicate the loan purpose as construction-permanent to receive a 12-month Commitment/Certificate.

**MI underwriting and pricing are based on the terms of the permanent loan. For additional requirements, see Underwriting Summaries at [mgic.com/guides](https://mgic.com/guides).**

**Loans must close or be modified on or before the Commitment/Certificate expiration date.**

- If you need to extend the Commitment/Certificate effective period, contact your MGIC Underwriting Service Center at [mgic.com/contact](https://mgic.com/contact)
  - Extensions are subject to Underwriting Guidelines in effect on the date of the extension request
  - We may require additional information

**Loans that receive a valid Desktop Underwriter® (DU®) Approve or Loan Product Advisor® Accept response are eligible for MGIC Mortgage Insurance through our Go! streamlined underwriting program. See Section 2 of our Underwriting Guide for more details.**

DU® is a registered trademark of Fannie Mae. Loan Product Advisor® is a registered service mark of Freddie Mac.



# ON THE LEVEL



## DOCUMENTATION TIPS

For both purchase and rate-term refinance loans, provide the executed construction agreement.

Loans that received a valid Desktop Underwriter® (DU®) Approve response or Loan Product Advisor® Accept response are eligible for MGIC Mortgage Insurance through our Go! streamlined underwriting program; follow the Findings/Feedback for documentation. See Section 2 of our Underwriting guide for details.

For all other loans, see Section 3 of our Underwriting Guide.



## MI ACTIVATION CONSIDERATIONS

### Activating MI at Loan Closing (Single-Close)

Activating coverage upon closing the construction-permanent loan offers these benefits:

- Generally, no requirements to update loan documentation post-close, provided information remains unchanged\*
- No need to remember to activate MI later
- MI Commitment won't expire
- MI coverage available during the construction phase, subject to limitations in the Master Policy

**Note:** For monthly premium plans, MI premiums must be remitted during the construction phase. MGIC provides an option to remit the first 12 months of premium up front if preferred.

### Activating MI Upon Completion of Home, at Modification to Permanent Financing (Single-Close)

If you choose to activate your mortgage insurance upon completion of the improvements, for monthly premium plans, no MI premiums are due until construction is complete.

These loans may be subject to additional documentation requirements:

- When the loan documentation age exceeds 6 months, you must provide updates such as:
  - Verbal VOE within 10 days of activation
  - Documentation of timely loan payments to date
  - Appraisal recertification
- You must update representations based on any loan or borrower changes that have occurred since the MI Commitment/Certificate was issued\*
- Follow our modification requirements

### Activating MI (Two-Time Close)

MGIC only insures the permanent loan, not the separate interim construction loan. The MI Commitment expires after 12 months. Activate coverage within 15 days of closing of the permanent loan.

\* As stated in our Underwriting Guide, report all changes or errors you discovered. We'll review the changes to determine if the loan remains insurable; we may request additional information. For Agency loans, you must also follow all Agency documentation requirements. See MGIC Underwriting Guide for complete details and requirements for notifying MGIC of changes prior to MI activation.

## Activation Submission Options

Monthly Premiums, where insurance is activated prior to or after completion and no premium is due at closing.

### Activate insurance via:

- **Electronic Activation** – Use your servicing system or LOS to activate
  - Contact integration\_services @ mgic.com or 1-888-644-2334
- **Loan Center** – Use the Manage Existing Loans tab
  - Open the file folder icon under Loan Options; select *Activate Coverage*
- **MGIC/Link Servicing** – Select Activate Coverage in the main menu
- **Fax** the completed MGIC Activation Notice to 1-800-711-6442
- **Mail** the completed MGIC Activation Notice to MGIC, Box 78461, Milwaukee, WI 53278-8461

Monthly Premiums, where insurance is activated prior to completion and the first year's premium is paid up front at closing.

### Activate insurance via:

- **Mail** 12 months' premium and the completed Activation Notice from the Commitment/Certificate to MGIC, Box 78461, Milwaukee, WI 53278-8461
  - In Month 13, we will bill the current servicer of record for premium due

Single, Annual or Split Premiums, where insurance is activated prior to or after completion.

### Activate insurance via:

- **Loan Center** – Use the Manage Existing Loans tab
  - Open the file folder icon under Loan Options; select Activate Coverage
  - MGIC/Link Servicing – Select Activate Coverage in the main menu
- **Mail** the completed MGIC Activation Notice, along with premium due, to MGIC, Box 78461, Milwaukee, WI 53278-8461



**Mortgage Guaranty Insurance Corporation**

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71-43448 6/30/21

