



## **Checklist for New Construction Loan**

When completing a new construction property there are certain requirements that must be met for FHA, VA and USDA. This checklist will advise on the basic requirements needed for each loan type.

New Construction is defined as a property either stick built or manufactured home that is built or placed within the most recent 12 months. Occupancy does not negate the need for the new construction documentation.

*It is important to note that if the area the property is in does not issue Certificate of Occupancy status, FSB requires on the letterhead of the County or Authorizing Department of the County a statement to this effect and it must be signed/dated by a member of the Department confirming this information.*

### **FHA Requirements - this section has been updated to reflect the October 2020 updates**

FHA follows Handbook 4000.1 specifications for New Construction requirements. This section will summarize what is needed to meet HUD guidelines. For the full reading of the requirements, please visit

[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsg](https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg)

For max financing, the following requirements are needed:

- Builder's Certification of Plans, Specifications and Site (Form HUD-92541)
- Builder's One Year Warranty (Form HUD-92544)
- Wood Infestation Report (Form NPCA 99a and 99b)
- Local Health Authority well water analysis and/or septic report, where applicable
- Appraisal that is "as is". If the appraisal is "subject to" completion, the home may be considered "under construction" and additional items may be required.
- Certificate of Occupancy or HUD Form 92051
  - If a Certificate of Occupancy is not issued by the local authority, the following will be required:
    - A Final Inspection on HUD form 92051 completed by a Licensed or Certified Home Inspector that satisfies the HUD requirement for RCI or CI certification. (Residential Combination Inspector or Combination Inspector) OR

- A third party who is a registered architect or structural engineer and has met the licensing and bonding requirements of the state in which the property is located in.
  - When a licensed architect or structural engineer is used to perform this inspection, underwriting must be provided proof of their licensing and bond under the applicable state and local laws for the file

\*\*If Manufactured Home – Foundation Inspection/Engineers Report is required

\*\*\*Reminder – manufactured homes in a flood zone are not eligible for financing with FSB

### **VA Requirements**

VA requirements can be found in the VA Handbook. Ch 10 outlines the details of New Construction. This is a summary of the requirements needed for new construction properties. To review the full guidelines, please view the handbook following this link: [http://benefits.va.gov/warms/pam26\\_7.asp](http://benefits.va.gov/warms/pam26_7.asp). Requirements may be adjusted accordingly to meet the requirements of the NOV at the time of approval.

#### *Property is New Construction – preferred by FSB*

If the property is considered new construction by VA’s definition: the property must be fully completed or completed except for customer preference items (such as, interior wall finishes, floor covering, appliances, fixtures an equipment, etc.) In addition, the property was completed less than one year and never owner-occupied. An “as is” appraisal is preferred, however the underwriter will review a “subject to” appraisal to determine if the remaining repairs needed to meet MPR will allow the property to be classified as New Construction. If classified as New Construction, the following will be needed:

- VA Form 26-1859 – 1-year Warranty of Completion of Construction
- Certificate of Occupancy (if available)
- VA Not Inspected Acknowledgement for New Construction form
- VA Builder ID – please reference the “*How To Obtain a VA Builder ID*” instructions!  
This should be completed prior to the ordering of the appraisal

Timing of the application and appraisal is crucial for this option. To avoid the need for a 10 year builder warranty, the timing should wait until the home is fully complete or with 5% left if the weather does not allow for the remaining items to be finished.

#### *Property is Proposed/Under Construction or Existing Construction*

If a home is starting construction or currently under construction at the time of application as evidenced by the appraisal, then a more detailed list of documentation is required. In these situations, the appraisal will be marked “subject to” plans & specs or “subject to” and the required MPR’s will show the home still needs a majority of the work to be completed. The following will be needed:

When the property is appraised as...	...then...
existing construction	no warranty is required.
proposed or under construction with a full complement of VA inspections	only a 1 year builder’s warranty is required.
proposed or under construction (with only a final VA inspection and local inspections are accepted in lieu of VA first and second stage inspections per Section 14.03)	only a 1 year builder’s warranty is required.
proposed or under construction (with only a final VA inspection and local inspections are <b>not</b> accepted in lieu of VA first and second stage inspections per Section 14.03)	<ul style="list-style-type: none"> <li>• both a 1 year builder’s warranty, <b>and</b></li> <li>• a 10 year insured protection plan are required.</li> </ul>

Each set of proposed construction exhibits must include

- specifications on VA Form 26-1852, Description of Materials, signed and dated by the builder in all cases and by the veteran when one is under contract in an individual case processed as “proposed or under construction”. Other specification formats are also acceptable, provided they are signed and dated by the builder and veteran as described above and are sufficiently detailed for VA appraisal and compliance inspection purposes.
- plot plan which includes the location of the well/septic systems, if applicable.
- all exterior building elevations.
- foundation or basement plan.
- plan of all floors.
- sectional wall details.
- a certification signed and dated by a technically qualified and properly identified individual (such as, builder, architect, engineer, etc.) which states, “I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials’ Model Energy Code and the requirement for lead-free water piping.” VA will accept HUD Form 92541, Builder’s Certification of Plans, Specifications and Site, in lieu of this certification.

**Note:** In most cases for HUD Form 92541 to be acceptable, it must have the identifying information at the top completed, as well as Items 2 and 4 **or** Items 5, 6, 9, 10, 12 and 13.

\*\*If Manufactured Home – Foundation Inspection/Engineers Report is required

\*\*\*Reminder – manufactured homes in a flood zone are not eligible for financing with FSB

### **USDA Requirements**

To satisfy USDA requirements for new homes (stick built and manufactured) the following requirements must be met:

- Certification from a qualified individual or organization that the reviewed plans and specs comply with applicable development standards (meets local building codes). Qualified individuals or organizations able to provide this certification:
  - Licensed architects
  - Professional engineers
  - Plan reviewers certified by a national model code organization listed in 7 CFR 1924, Part A, in Exhibit E
  - Local building officials authorized to review and approve building plans and specifications, and
  - National codes organizations
- Building Permit
- Certificate of Occupancy
- Final Inspection
- 10-year insured builder warranty plan acceptable to Rural Development
  - Or, when three construction inspections are performed, a final inspection plus a 1-year insured builder warranty plan acceptable to RD is allowed in lieu of the 10-year builder warranty plan.
- Evidence of thermal standards meet or exceed International Energy Conservation Code (IECC) in effect at the time of construction.
  - The builder may certify confirmation with IECC standards
  - Or, a qualified, registered architect or a qualified, registered engineer may certify confirmation with IECC standards

### **Manufactured Homes**

- Manufactured homes must be less than 12 months old and never occupied. They must include the site.
- To be an eligible unit, the new unit must have a floor area of not less than 400 square feet
- The unit must meet the Federal Manufactured Home Construction and Safety Standards (FMHCSS)
- The unit must be placed on permanent foundation built to FHA guidelines in effect at the time of certification
- A foundation certification is always required
- The home must be classified and taxed as real property

- The unit may never have been installed or occupied on any other site or location. The unit may only be moved from the manufacturer's or dealer's lot to the site on which the unit will be guaranteed.

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For further details regarding financing a manufactured home with Rural Development, please see Chapter 13 in the USDA Handbook.