



Processing Construction Loans

For use with Encompass Broker & Banker Editions

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Introduction

Encompass provides extensive support for construction-only and construction-to-permanent loans. This document provides detailed information about the types of construction loans supported in Encompass, the Encompass features that support construction loans, the workflow scenarios for processing different types of construction loans, the changes made to disclosures and document packages to support construction loans, and the process for recording disclosure tracking records for construction-to-permanent loans with separate disclosures for the construction and permanent phases.

NOTE: *Freddie Mac loans use the term “construction-conversion” to describe construction loans that convert to permanent loans on the completion of the construction phase. In this guide the term “construction-to-permanent” is used to describe these types of loans.*

- “Construction Lending Scenarios” on page 2 describes the different types of construction lending scenarios supported by Encompass.
- “Construction Management Form” on page 4 describes the Construction Management form, which provides a central location for selecting the type of construction loan, entering construction data, tracking the progress of the loan, and recording contact information for the loan.
- “Configure Your Construction Process” on page 11 provides configuration guidelines and procedures to help Encompass administrators implement your company’s policies for processing construction loans.
- “Process Construction-Only Loans” on page 26 explains the workflow for originating construction-only loans.
- “Process Construction-to-Permanent Loans with Blended Disclosures” on page 28 explains the workflow for originating construction-to-permanent loans with blended disclosures.
- “Process Construction-to-Permanent Loans with Separate Disclosures” on page 35 explains the workflow for originating construction-to-permanent loans with separate disclosures.
- “Additional Information” on page 45 provides additional information about Calculating Cash to Close calculations, escrow and ARM payments for blended disclosures, and some frequently asked questions.
- “Order eDisclosure and Closing Docs for Construction Loans” on page 48 explains how to order disclosures and closing docs for construction loans, and describes the documents included in the package types
- “Disclosure Tracking” on page 52 explains how disclosure tracking records are created and maintained for construction-to-permanent loans that use separate disclosures for the construction and permanent phases.

Construction Lending Scenarios

Encompass supports the following types of construction loans:

- Construction-only
- Construction-to-permanent with blended disclosures
- Construction-to-permanent with separate disclosures

A brief description of each loan type is provided below. For detailed descriptions of the workflows used for each type of construction loan, refer to the appropriate section later in this document.

Use the Construction Management form to select the type of construction loan you want to originate. The features that support each of these construction scenarios are dynamically generated on the Construction Management form when you select the appropriate option for Purpose of Loan (field ID 19) at the top of the Construction Management form.

The screenshot shows the 'Construction Management' form with tabs for 'Basic Info', 'Loan Info', and 'Project Data'. The 'Loan Info' section is active, showing 'Loan Type' (Conventional checked, VA unchecked, USDA-RHS unchecked), 'Lien Position' (First checked, Second unchecked, Sub. Financing button), and 'Purpose of Loan' (Construction - Perm unchecked, Construction checked, Construction Perm Disclosed Separately unchecked). The 'Purpose of Loan' section is highlighted with a red border.

Although your users can manually select these options when originating a construction loan, the recommended best practice is to configure the Purpose of Loan options in the loan templates that your company creates for the various types of construction loans that you support.

NOTE: Encompass does not support bi-weekly construction loans and does not support loans with construction terms that are greater than two years.

Construction-Only

A construction-only loan finances the initial construction of a dwelling on residential property. The loan is temporary financing that covers the construction phase only. When initial construction of the dwelling is complete, the borrower obtains permanent financing from the same lender or a different lender (take-out lender).

Encompass supports the following types of construction-only loans:

- **Fixed Rate** - Construction-only Fixed Rate loans.

- **ARM** - Adjustable Rate (ARM) construction-only loans.

A construction-only loan is processed by selecting only the **Construction** option for the Purpose of Loan.

The screenshot shows the 'Purpose of Loan' field with three options: 'Construction - Perm' (unchecked), 'Construction' (checked), and 'Construction Perm Disclosed Separately' (unchecked).

You will typically originate a construction-only loan if the borrower has decided to shop for a lender to finance the permanent loan at a later time or is not yet ready to commit to originating the permanent phase with your company.

For more detailed information about the workflow for construction-only loans, refer to "Process Construction-Only Loans" on page 26.

NOTE: A two-time-close construction-to-permanent loan occurs when the borrower takes out a construction-only loan with your company to finance the initial construction of the dwelling (construction phase) and then takes out a permanent loan with your company to refinance the mortgage when the construction phase is complete. These types of transaction are processed in Encompass as two separate loan transactions: a construction-only loan to finance the initial construction of the dwelling (construction phase) followed by a refinance loan to finance the permanent phase.

Construction-to-Permanent

A construction-to-permanent loan (also known as a C2P loan) is a single transaction that finances the initial construction of a dwelling on residential property and then converts to a permanent loan when the construction phase is complete. Construction-to-permanent loans can have either one or two closings.

For a construction-to-permanent one-time-close, the creditor has the option to disclose the loan using either a single blended Loan Estimate and a single blended Closing Disclosure (disclosing the combined terms for both the construction and permanent financing) or separate Loan Estimates and Closing Disclosures (disclosing the terms for the construction and permanent phases separately). Encompass users can select either of these disclosure options. This provides user with the flexibility to select the best execution for their borrower, loan scenario and back office processes.

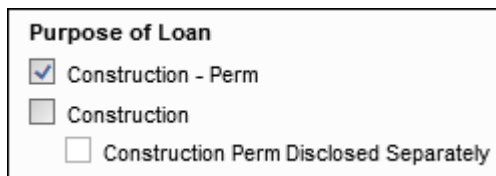
Construction-to-Permanent with Blended Disclosures

With *blended disclosures* (also known as *combined disclosures*), each disclosure package contains combined terms for both the construction and permanent phases in a single blended disclosure form, specifically:

- One blended Loan Estimate provided for both the construction and permanent loan terms.
- One blended Closing Disclosure provided for both the construction and permanent loan terms.

The construction-to-permanent loan with blended disclosures is completed within a single loan file, and the information for the construction and permanent phases of the loan is maintained and tracked in the Construction Management form.

A construction-to-permanent loan with blended disclosures is processed by selecting only the **Construction-Perm** option for the Purpose of Loan.



The screenshot shows a form titled "Purpose of Loan" with three radio button options. The first option, "Construction - Perm", is selected with a checked checkbox. The other two options, "Construction" and "Construction Perm Disclosed Separately", have unchecked checkboxes.

Encompass supports the following types of construction-to-permanent loans with blended disclosures:

- **Fixed-Rate-to-Fixed-Rate** - An interest-only fixed-rate construction loan that converts to a fully amortized fixed-rate permanent loan upon completion of the construction phase. Encompass supports Fixed-Rate-to-Fixed-Rate loans with the same rate or different rates for the construction and permanent phases of the loan.
- **Fixed-Rate-to-ARM** - An interest-only fixed-rate construction loan that converts to an ARM permanent loan upon completion of the construction phase. Encompass only supports Fixed-Rate-to-ARM loans with the same initial rate for the construction and permanent phases of the loan.

For more detailed information about the workflow for construction-only loans, refer to “Process Construction-to-Permanent Loans with Blended Disclosures” on page 28.

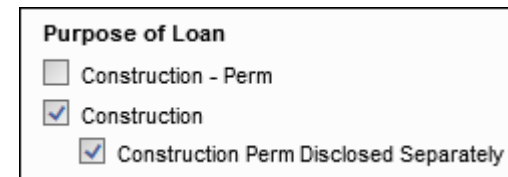
Construction-to-Permanent with Separate Disclosures

With *separate disclosures*, each disclosure package contains a separate disclosure for the construction and permanent terms of the loan, specifically:

- Two Loan Estimates are issued that disclose the construction terms and the permanent terms separately.
- Two Closing Disclosures are issued that disclose the construction terms and permanent terms separately.

The construction-to-permanent loan with separate disclosures is completed using two loan files in Encompass, one for the initial construction phase and another for the permanent phase of the transaction. Use the Construction Management Form to link the two loan files. An on-demand synchronization utility (*Link & Sync*) enables users to synchronize selected data between the two loan files. Link & Sync also enables the ordering and maintenance of documents from within one loan file: the construction-only (primary) loan file. When transitioning to permanent financing, the permanent loan file (also known as the *auxiliary* loan file) can be used for duplication into a new loan file as needed for the required transition to permanent activities.

A construction-to-permanent loan with separate disclosures is processed by selecting the **Construction** option for the Purpose of Loan in the construction-only (primary) loan file and then selecting the **Construction Perm Disclosed Separately** checkbox.



The screenshot shows a form titled "Purpose of Loan" with three radio button options. The "Construction" option is selected with a checked checkbox. The "Construction Perm Disclosed Separately" option also has a checked checkbox. The "Construction - Perm" option has an unchecked checkbox.

The permanent terms are documented in a separate permanent (auxiliary) loan file, which is linked to the primary loan file. The auxiliary loan file has a Purpose of Loan (field ID 19) of **No Cash-Out Refi** or **Cash-Out Refi**.

Link & Sync enables Encompass users to maintain consistency and easy access between the linked loan files while the construction-to-permanent loan transaction is being processed. To ensure that the loan file remains compliant, you must link the loan files prior to generating initial disclosures when using the Link & Sync functionality. Encompass creates a combined document package for disclosures and maintains disclosure tracking across both files if you use the Encompass Docs Solution and Link & Sync.

Encompass supports construction-to-permanent transactions with separate disclosures for all the scenarios listed above for blended disclosures, plus the following additional loan scenarios:

- **ARM-to-Fixed-Rate** - An interest-only ARM construction loan that converts to a fully amortized fixed-rate permanent loan upon completion of the construction.
- **ARM-to-ARM** - An interest-only ARM construction loan that converts to a fully amortized ARM loan upon completion of the construction.

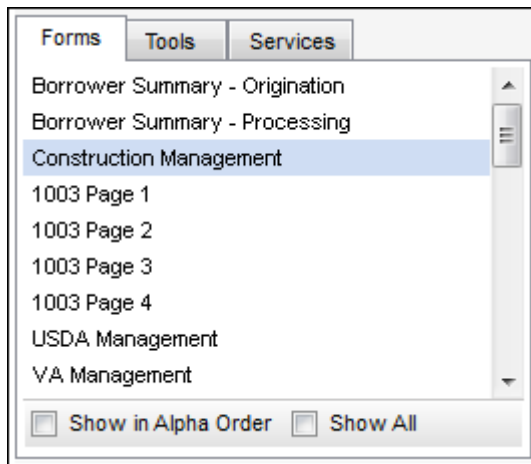
For more detailed information about the workflow for construction-only loans, refer to “Process Construction-to-Permanent Loans with Separate Disclosures” on page 35.

Construction Management Form

The Construction Management form is the heart of the process for originating construction and construction-to-permanent loans in Encompass. It serves as a central location for selecting the type of construction loan, entering construction data, tracking the progress of the loan, and recording contact information for the loan.

To Access the Construction Management Form:

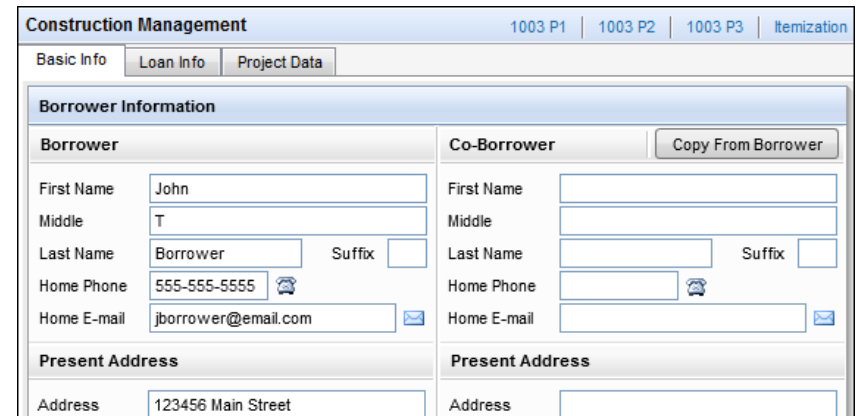
- Open a loan file, click the **Forms** tab on the lower-left panel in a loan file, and then click **Construction Management**.
- Or, on the menu bar, click the **Forms** menu and then click **Construction Management**.



- **Project Data** - Enter or review construction dates, pre-closing requirements, disbursement terms, vendor information, and contact information for the borrower's designee. You can also enter take-out lender information for construction-only loans if needed.
- **Linked Loans** - This tab is only accessible when you originate a construction-to-permanent loans with separate disclosures (one-time-closing). Use the tab to link the construction loan file to a separate loan file used to process the permanent phase of the loan.

Basic Info Tab

The Basic Info tab on the new Construction Management form contains basic borrower information and property information. Most of the fields are populated from data entered on other Encompass input forms such as the Borrower Summary - Origination or the 1003 URLA Part 1.

A screenshot of the 'Construction Management' form in Encompass. The form has three tabs: 'Basic Info', 'Loan Info', and 'Project Data'. The 'Basic Info' tab is active. The form is divided into two main sections: 'Borrower Information' and 'Present Address'. The 'Borrower Information' section is further divided into 'Borrower' and 'Co-Borrower' columns. The 'Borrower' column has fields for First Name (John), Middle (T), Last Name (Borrower), Home Phone (555-555-5555), and Home E-mail (jborrower@email.com). The 'Co-Borrower' column has fields for First Name, Middle, Last Name, Home Phone, and Home E-mail. There is a 'Copy From Borrower' button between the two columns. The 'Present Address' section has an 'Address' field with the value '123456 Main Street'.

Tabs on the Construction Management Forms

The Construction Management form includes three tabs:

- **Basic Info** - Enter or review basic borrower information and property information.
- **Loan Info** - Enter or review basic loan information and fields that are specific to construction loans.

Loan Info Tab

The Loan Info tab contains basic loan information and construction-specific fields. Many of the fields on this tab are populated based on data entered in other Encompass input forms, but there are also new fields that are specific to construction loans that Encompass users may need to complete.

Loan Info Section

The Loan Info section includes several key fields for construction loans, including the Purpose of Loan, the Lot/Land Status, and the Rescission Notice fields.

The screenshot shows the 'Construction Management' interface with the 'Loan Info' tab selected. The 'Loan Info' section is divided into several categories:

- Loan Type:** Conventional, VA, USDA-RHS
- Lien Position:** First, Subordinate,
- Purpose of Loan:** Construction - Perm, Construction, Construction Perm Disclosed Separately
- Property will be:** Primary, Secondary (Gross Rent: , Occup Rate: %), Investment
- Lot/Land Status:** Initial Acquisition (Not Owned), Refinance (Owned), Lot Owned Free and Clear
- Rescission Notice:** Secured by Consumer's Current Principal Dwelling, Non-rescindable Transaction
- Other fields:** Loan Amount () and Loan Program ()

Purpose of Loan

The Purpose of Loan (field ID 19) option determines the type of construction loan being originated. When you use loan templates to create your construction loans, the appropriate Purpose of Loan option is applied from the template, but you can also manually set the construction loan type by selecting the appropriate option for Purpose of Loan.

Depending on the Purpose of Loan selection, different content displays on the tab. When no Purpose of Loan is selected, only the Loan Info and Additional Details sections display. When you select the options described below, Encompass dynamically generates content that is specific to the construction loan type you are originating. This dynamically generated content is described in more detail later in this paper.

- **Construction-only loan** - If you are processing a construction-only loan, select the **Construction** option. The Construction Only section displays below the Additional Details section.

The screenshot shows the 'Construction Only' section with the following fields:

- Loan Terms:** Note Rate (5.000%), Qual Rate (%), Term (360 mths), Due In (360 mths), Period (5 mths)
- Amortization Type:** Fixed Rate, ARM - ()
- Rate Adjustment:** 1st Adj Cap (%), 1st Change (mths), Adj Cap (%), Adj Period (mths), Life Cap (%), Apply Life Cap Low ()
- Other fields:** Max Life Int. Rate (5.000%), Margin (%), Index (%), Floor (%), Floor Basis (, Round: up dn), Floor Vrbg (%), Margn + Indx (%), Index Type ()
- Buttons:** Get Index

- **Construction-to-permanent loan with blended disclosures** - If you are processing a construction-to-permanent loan with blended disclosure, select the **Construction-Perm** option. The Construction - Perm (1x Close) section will display at the bottom of the **Loan Info** tab below the Additional Details section.

- **Construction-to-permanent loan with separate disclosures** - If you are processing a construction-to-permanent loan with separate disclosures, select the **Construction** option and then select the **Construction Perm Disclosed Separately** checkbox. The Construction Only section displays below the Additional Details section. Use the Construction Only section to enter and view information about the construction phase of the loan.

When you select the **Construction** and **Construction Perm Disclosed Separately** checkboxes, a **Linked Loans** tab also displays at the top of the Construction Management form.

Use the **Linked Loans** tab to link the construction loan file to a separate loan file used to process the permanent phase of the loan. The synchronization functionality can be used to duplicate data between the two loan files.

Lot/Land Status

The Lot/Land Status options define the state of the land on which the building will be constructed:

- Select the **Initial Acquisition (Not Owned)** checkbox when the lot is being purchased as part of the construction loan transaction. When this option is selected, the transaction is for the purchase of the real property upon which the dwelling will be constructed and for the construction of the dwelling. For the LE/CD, the Purpose will be a Purchase transaction. The LTV will be based on the lesser of As Completed Purchase Price (CONST.X58) or As Completed Appraised Value (CONST.X59).
- Select the **Refinance (Owned)** checkbox when the transaction is for the construction of a dwelling on real property that is already owned by the borrower(s) and there is existing debt owed on the property. For the LE/CD, the Purpose will be a Refinance. The LTV will be based on the As Completed Appraised Value (CONST.X59).

Lot/Land Status

Initial Acquisition (Not Owned)

Refinance (Owned)

Lot Owned Free and Clear

- By default, the Lot Owned Free and Clear checkbox is read-only (grayed-out), but is enabled for editing when the Refinance checkbox is selected.
 - When both the Refinance (Owned) and the Lot Owned Free and Clear checkboxes are selected, *Construction* is automatically populated to the loan's Purpose field (field ID LE1.X4) on the Loan Estimate (LE) Page 1 and Closing Disclosure (CD) Page 1.
 - If the Lot Owned Free and Clear checkbox selected, the transaction is for the construction of a dwelling on real property that is already owned by the borrower(s) and there is no existing debt owed on the property. For the LE/CD, the Purpose will be Construction. The LTV will be based on the As Completed Appraised Value (CONST.X59).
- If ordering AUS, select the **Refinance (Owned)** checkbox prior to ordering AUS, and then clear the checkbox prior to issuing disclosures.

Rescission Notice

The Rescission Notice option indicate whether the borrower has the right to cancel the loan under the TILA 12 CFR 1026(f) right of rescission requirements.

- **Secured by Consumer's Current Principal Dwelling** - Select this option if the construction or construction-to-permanent loan will be secured by the consumer's current and existing primary dwelling. This will cause Encompass to

generate a Notice of Rights to Cancel. Refer to 12 CFR § 1026.23 for additional information on what types of construction and construction-to-permanent loans are rescindable.

- **Non-rescindable Transaction** - Select this option if the loan is exempt from the TILA 12 CFR § 1026.23 right of rescission requirements. This option suppresses the Notice of Right to Cancel disclosure and rescission rules. Do not select this option without consulting your company's compliance experts.

Rescission Notice

Secured by Consumer's Current Principal Dwelling

Non-rescindable Transaction

Lot/Land Details Section

Use the Lot/Land Details section to document the cost of the lot and any lien information. This is the same information that displays on the 1003 URLA Part 1. The As Completed Purchase Price (field ID CONST.X58) is the sum of the Original Cost (field ID 21) and the Cost of Improvements (b) (field ID 23). The As Completed Appraised Value (field ID CONST.X59) is the sum of Cost of Improvements (field ID 23) and the Present Value of Lot (a) (field ID 22).

Year Aqd	Original Cost	Existing Lien	Present Value of Lot (a)	Cost of Improvements (b)	Total (a+b)
2015	200,000.00	40,000.00	220,000.00	125,000.00	345,000.00
As Completed Purchase Price		325,000.00			
As Completed Appraised Value		345,000.00			

NOTE: Record the cost to build in a Verification of Liability (VOL) record and select the **Will be paid off** checkbox in the Debt Information section. If you are using the Alternate Disclosure forms, record the cost to build as a non-VOL entry in the Payoffs and Payments table accessible by clicking the **Payoffs & Payments** button on the Loan Estimate Page 2 or Closing Disclosure Page 3.

Additional Details Section

In the Additional Details section, enter or select the expected Const. Completion Date. The date entered must be prior to the 1st Amort. Date (field ID 1963) (the first payment date for the permanent phase of a construction-to-permanent loan). Leaving this field blank will result in a fatal audit warning when you generate eDisclosures or order closing documents.

Additional Details	
Est. Interest On	<input type="text"/> %
Number of Days	<input type="text"/> %
Est. Closing Date	// <input type="text"/> <input type="button" value="Calendar"/>
First Payment Date	// <input type="text"/> <input type="button" value="Calendar"/>
Const. Completion Date	// <input type="text"/> <input type="button" value="Calendar"/>
1st Amort. Date	// <input type="text"/> <input type="button" value="Calendar"/>
Final Payment Date	// <input type="text"/> <input type="button" value="Calendar"/>
Max LTV	<input type="text"/> %
Holdback	<input type="text"/> %
Holdback	\$ <input type="text"/>
Project Delay Surcharge	<input type="text"/> %
Required Interest Reserves	\$ <input type="text"/>
Required Interest Reserve (Compound Interest)	<input type="checkbox"/>
Creditor Prohibits Borrower from Making Interest Payments	<input type="checkbox"/>
Estimated Construction Interest	<input type="text"/>

An optional Max LTV field (field ID CONST.X5) is used to record the total loan amount that cannot exceed the final appraised value of the improved property. If this field is left blank, **N/A** prints on the Commitment Letters and Loan Agreements.

Fields for the holdback percentage (field ID CONST.X7) and holdback amount (field ID CONST.X8) are available to indicate the portion of the loan amount set aside to ensure adequate funds are available for release for the final disbursement:

- When both a percentage and an amount are entered, the percentage is populated to the Commitment Letters and Loan Agreements.
- When neither field is populated, N/A is populated to the Commitment Letters and Loan Agreements.

Use the Project Delay Surcharge field (field ID CONST.X9) to enter the percentage of the total loan amount (other than undisbursed funds in the interest reserve account) that will be charged monthly if the project is not completed on time.

Use the two checkboxes to indicate required interest reserves or prohibitions on interest payments:

- **Required Interest Reserve (Compound Interest)** (field ID 4086) - Indicates that the loan has an interest reserve required by the creditor.

- **Creditor Prohibits Borrower from Making Interest Payments** (field ID 4087) - Indicates that the creditor doesn't allow the borrower to make interest payments.

NOTE: Selecting the **Creditor Prohibits Borrower from Making Interest Payments** checkbox result in a higher calculated Estimated Construction Interest due to the estimated compound interest accruing during the construction period.

Project Data Tab

Use this tab to track important construction dates and pre-closing requirements, to enter disbursement terms and vendor information, and to identify and enter the name and contact information for the borrower's designee.

- **Important Dates** - Type or select the key dates in this section, which are populated to the Commitment Letter issued to the borrower. Then type the number of days within which the lender's copy of the Commitment Letter must be returned.

Construction Management		1003 P1	1003 P2	1003 P3	Itemization	REGZ-LE
Basic Info	Loan Info	Project Data				
Project Data						
Important Dates						
Construction Contract Date	// <input type="text"/> <input type="button" value="Calendar"/>	Return Lender's copy of this commitment				
Commitment Letter Date	// <input type="text"/> <input type="button" value="Calendar"/>	within <input type="text"/> days.				
Commitment Expiration Date	// <input type="text"/> <input type="button" value="Calendar"/>					
Occupancy Certificate Date	// <input type="text"/> <input type="button" value="Calendar"/>					

- **Pre-Closing Requirements** - Select the pre-closing documents required prior to closing and then type or select the date when the borrower provided the required information. For a construction-only loan, the Take-out Commitment date is the date printed on the Take-Out Commitment Letter when another lender is financing the permanent phase. To add a requirement that is not on the list, select **Other** and then type the requirement description in the text field.

Pre-Closing Requirements			
	Date Received		Date Received
<input type="checkbox"/> Take-out Commitment	//	<input type="checkbox"/> Environmental Assessment	//
<input type="checkbox"/> Title Insurance	//	<input type="checkbox"/> Soil Report	//
<input type="checkbox"/> Survey	//	<input type="checkbox"/> Water Test	//
<input type="checkbox"/> Permits	//	<input type="checkbox"/> Percolation Test	//
<input type="checkbox"/> Utility Letters	//	<input type="checkbox"/> Payment and Performance Bonds	//
<input type="checkbox"/> Plans and Specifications	//	<input type="checkbox"/> Lien Agent (North Carolina)	//
<input type="checkbox"/> Construction Contract	//	<input type="checkbox"/> Flood Hazard Determination	//
<input type="checkbox"/> Budget	//	<input type="checkbox"/> List of Construction Agreements	//
<input type="checkbox"/> Contractors Agreement	//	<input type="checkbox"/> Other	//
<input type="checkbox"/> Architect's Certificate	//		

- **Disbursement Terms** - Enter the terms under which the loan funds can be disbursed.

Disbursements Terms	
Future Advance Period	<input type="text"/> mths
Minimum days between disbursements	<input type="text"/> days
Additional Disbursements Conditions	
<input type="text"/>	

- **Future Advanced Period** (required) - This field sets (on the Construction Rider to the Security Instrument) the maximum legal limit for the number of months the lender can make advances or disbursements to the borrower. When this field is blank, the value entered in the Construction Period Months (field ID 1176) will print on the Construction Rider.
- **Minimum days between disbursements** (optional) - This field records (on the Construction Rider to the Security Instrument) the number of days the borrower must wait before requesting the next disbursement. When the field is blank, **N/A** is used.
- **Additional Disbursement Conditions** (optional) - This field is used to enter additional conditions that print on an Exhibit page of the Construction Loan Agreement.

- **Vendor Contact Information** - Enter contact information for the architect, builder, and general contractor, or click the **Address Book** icon to add information from your business contact records. Information for the architect and general contractor are printed on various closing documents.

Architect Information	
Architect's Name	Contact Name
License #	Contact Title
Address	Phone
City	Email
State	Zip
	Fax
Builder Information	
Builder Name	Contact Name
License #	Contact Title
Tax ID #	Phone
	Email
	Fax
General Contractor Information	
<input type="checkbox"/> Borrower Acting as Contractor	
General Contractor Name	Contact Name
License #	Contact Title
Tax ID #	Phone
Address	Email
City	Fax
State	Zip
	Completion Affidavit Punch List Total \$
General Liability Insurance Min.	
Employer Liability Insurance Min.	

- In the General Contractor Information section, select the **Borrower Acting as Contractor** checkbox to disable the contractor fields and populate **N/A** in the contractor fields on the construction forms.
- The General Liability Insurance Min. (field ID VEND.X1017) and Employer General Liability Insurance Min. (field ID VEND.X1017) print to the Commitment Letter.
- Use the Completion Affidavit Punch List Total (field ID VEND.X1024) to enter the cost for fixing items at the end of construction.

- **Appointment of Designee** - Enter the name and contact information for the designee, and then type or select the date when the designee accepted his or her appointment.

Appointment of Designee			
Designee Name	<input type="text"/>	Contact Name	<input type="text"/>
Date Designee Accepted	<input type="text"/>	Contact Title	<input type="text"/>
		Phone	<input type="text"/>
		Email	<input type="text"/>
		Fax	<input type="text"/>

- **Take Out Lender** - This section displays for construction-only loans. Complete this section when a different lender is financing the permanent phase of the transaction. The Take Out Lender information prints on the Construction Loan Agreement. When the field is blank, **N/A** will print on the Construction Loan Agreement.

Take-Out Lender			
Take-out Lender Name	<input type="text"/>	Contact Name	<input type="text"/>
NMLS #	<input type="text"/>	Contact Title	<input type="text"/>
License #	<input type="text"/>	Phone	<input type="text"/>
Address	<input type="text"/>	Email	<input type="text"/>
City	<input type="text"/>	Fax	<input type="text"/>
State	<input type="text"/> Zip <input type="text"/>		
Take-Out Commitment Letter Date	<input type="text"/>		

Linked Loans Tab

The **Linked Loans** tab only displays when working with a construction-to-permanent loan with separate disclosures. To access the tab, select the **Construction Only** checkbox on the **Loan Info** tab and then select the **Construction Perm Disclosed Separately** checkbox to indicate that the construction-to-permanent transaction has separate disclosures. For detailed information about separate disclosures, refer to “Process Construction-to-Permanent Loans with Separate Disclosures” on page 35.

Construction Management			
<p>LE1 LE2 LE3 CD1 CD2 CD3 CD4</p>			
<p>Basic Info Loan Info Project Data Linked Loans</p>			
<p>Loan Info</p>			
<p>Loan Type</p> <input type="checkbox"/> Conventional <input type="checkbox"/> VA <input type="checkbox"/> USDA-RHS	<p>Lien Position</p> <input type="checkbox"/> First <input checked="" type="checkbox"/> Second <input type="button" value="Sub. Financing"/>	<p>Purpose of Loan</p> <input type="checkbox"/> Construction - Perm <input checked="" type="checkbox"/> Construction <input checked="" type="checkbox"/> Construction Perm Disclosed Separately	

Configure Your Construction Process

The first step in implementing your construction strategy is to determine the type of construction loans that your company will support and the products you will offer to borrowers. For example:

- **Supported scenarios** - Under Know Before You Owe (KBYO), there may be insufficient room on a Loan Estimate and Closing Disclosure to disclose certain types of construction-to-permanent loans if you are using blended or combined disclosures. For example, if you plan to offer borrowers ARM-to-ARM construction-to-permanent loans, ARM-to-ARM construction-to-permanent loans with different indices, or construction-to-permanent loans with different initial rates, you may want to consider using separate disclosures instead of blended disclosures. At a minimum you will need to discuss more complex transactions with your compliance experts.
- **Rate locks** - Encompass supports a single rate lock for each construction or construction-to-permanent loan file. The rate lock for a construction-to-permanent loan with blended disclosures will reflect the rate lock for the construction phase only. If your company policy requires rate locks for both the construction and permanent phases of a construction-to-permanent loan, consider using separate disclosures instead of blended disclosures
- **ATR/QM Support** - Encompass does not apply ATR/QM requirements or tests to construction-only loans with a construction loan term of 12 months or less because they are exempt from ATR/QM requirements. The following table describes the ATR/QM reviews used for construction loans based on the Purpose of Loan and Construction Term.

Purpose of Loan	Construction Term	ATR/QM Handling
Construction	12 months or less	Exempt
Construction	Greater than 12 months	General ATR/QM review
Construction-Perm	12 months or less	General ATR/QM review, construction term excluded
Construction-Perm	Greater than 12 months	General ATR/QM review, construction term included

- **Federal (Section 32) High Cost Support** - Encompass does not apply Federal (Section 32) high cost threshold tests to a construction-only loan. Encompass does apply Federal High Cost rate and points and fees threshold tests to

construction-to-permanent loans using blended (combined) disclosures. Encompass uses the APR from the combined construction-to-permanent transaction and uses the fees from both the construction and permanent phases of the transaction for purposes of Federal (Section 32) points and fees tests. If you process construction-to-permanent loans using separate disclosures, Encompass applies Federal High Cost rate and points and fees threshold tests to the permanent phase only.

After you determine the construction scenarios and policies your company supports, your administrator can configure the construction process in Encompass by completing the remaining tasks described in this chapter.

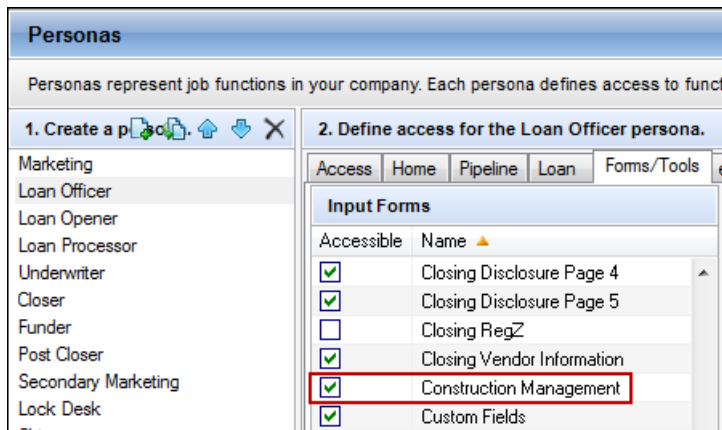
Persona Access to Construction Management

In the Personas setting, review persona access to the Construction Management form. Grant or deny access for each persona as appropriate for your company policies.

To Enable Access to the Construction Management Form:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Company/User Setup**, and then click **Personas**.
- 3 In the Create a Persona panel, select a persona.
- 4 Click the **Forms/Tools** tab.

- On the Input Forms panel, select or clear the **Construction Management** checkbox to grant or deny the persona access to the form.



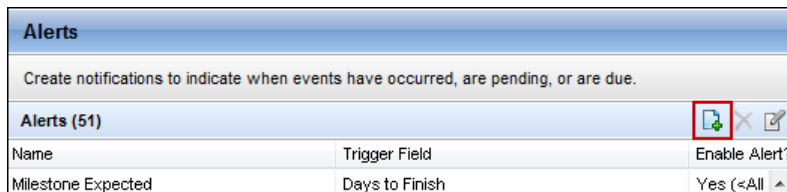
- Repeat steps 3-5 for each persona to whom you want to grant access.

Configure Alerts

Review or adjust your alerts based on your company's policies for construction loans, and create new construction-related alerts as needed.

To Configure an Alert:

- On the menu bar, click **Encompass**, and then click **Settings**.
- On the left panel, click **Loan Setup**, and then click **Alerts**.
- Click the **New** icon to create a new alert, or double-click an existing alert to modify it.

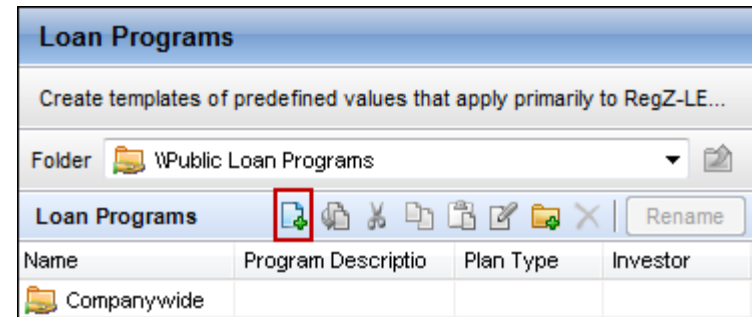


Loan Programs Templates

Create new loan program templates or update existing templates to enable users to apply new or updated loan program templates that contain data that can be applied to your construction loan programs. It is recommended that data for most construction fields be entered in a Data Template for finer granularity of control.

To Access the Loan Programs Setting:

- On the menu bar, click **Encompass**, and then click **Settings**.
- On the left panel, click **Loan Templates**, and then click **Loan Programs**.
- Click the **New** icon to create a new loan program, or double-click an existing loan program to modify it.



Closing Costs Templates

Create or update Closing Costs templates for construction loans to enable users to populate loan files with closing costs data applicable to a specific type of construction loan.

- For construction-only loans, update any existing templates or create new Closing Costs templates as needed.
- For construction-to-permanent loans with blended disclosures, create one template for each different type of blended-disclosure loan that your company will support. Populate each template with fees that combine the closing costs for the construction and permanent phases of the transaction.
- For construction-to-permanent loans with separate disclosures, create two templates (one for the construction phase and one for the permanent phase) for each type of separate-disclosure loan type that your company will support.

To Access the Closing Costs Template Setting:

- On the menu bar, click **Encompass**, and then click **Settings**.
- On the left panel, click **Loan Templates**, and then click **Closing Costs**.

- Click the **New** icon to create a new Closing Costs template, or double-click an existing template to modify it.

Closing Costs		
Create templates of predefined values that apply primarily to the Itemization form and the 1003 application.		
Folder Companywide		
Closing Costs (6)		
Name	2015 Itemization	Description
Beta Bank for 2009 FHA Itemization	No	Example closing cost template
Beta Bank for 2009 Itemization	No	Example closing cost template
Beta Bank for 2010 Itemization	No	Example closing cost template for 2010 Itemization
Beta Bank Purchase	No	Example closing cost template
Beta Bank Refinance	No	Example closing cost template
FHA	No	Example closing cost template

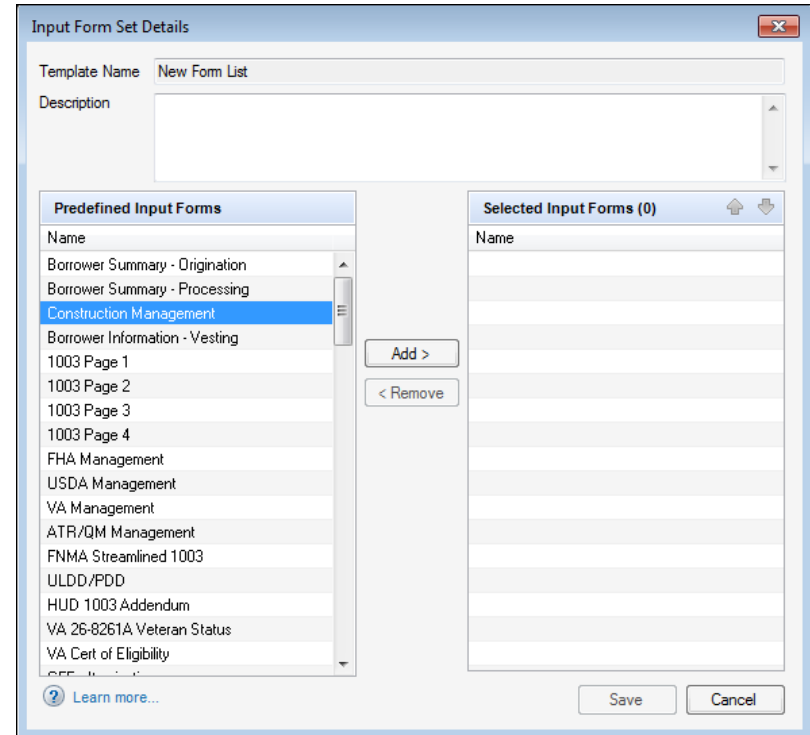
Input Form Sets

If you use Input Form Sets templates (as part of a Loan Template Set or as a standalone template) you can include the Construction Management form as one of the Encompass input forms that display on the **Forms** tab when the Loan Template Set or Input Form Sets template is applied to a loan file.

To Access the Input Form Sets Setting:

- On the menu bar, click **Encompass**, and then click **Settings**.
- On the left panel, click **Loan Templates**, and then click **Input Form Sets**.
- Click the **New** icon to create a new Input Form Set and then double-click the set, or double-click an existing set to modify it.

- In the Predefined Input Forms list, select **Construction Management**.



- Click the **Add** button and then click the **Save** button.

Data Templates

Data Templates are available to use as a component of a Loan Template Set or can be applied individually from within a loan. Review any existing Data Templates with **Construction** or **Construction-Perm** selected for the Purpose of Loan (field ID 19) to determine if the templates still work with your new construction loan policies and updated Encompass functionality. Update templates that can be re-purposed and delete templates that you no longer need. Then create any new templates needed for the new construction loan types your company plans to support.

Table 3.1 The following table lists suggested Data Templates for the construction-to-permanent loan types your company might support.

Loan Scenario	Recommended Templates
Blended Disclosures	<ul style="list-style-type: none"> Fixed-Rate-to-Fixed-Rate - Purchase with lot acquisition Fixed-Rate-to-Fixed-Rate - Purchase without lot acquisition Fixed-Rate-to-ARM - Purchase with lot acquisition Fixed-Rate-to-ARM - Purchase without lot acquisition Fixed-Rate-to-Fixed-Rate - Refinance Fixed-Rate-to-ARM - Refinance
Separate Disclosures	<ul style="list-style-type: none"> Construction-only Fixed Construction-only ARM Refinance - Review existing refinance templates

Purpose of Loan

When creating Data Templates for construction loans, configure the following options for the Purpose of Loan (field ID 19):

- **Construction-only** - Select the **Construction** checkbox.
- **Construction-to-Permanent (blended disclosures)** - Select the **Construction-Perm** checkbox.
- **Construction-to-Permanent (separate disclosures)** - Select the **Construction** checkbox and then select the **Construction-Perm Disclosed Separately** checkbox.

NOTE: If your company is originating two-time-close construction-to-permanent loans, which are processed as two separate loans (a construction-only loan for the construction phase and a refinance loan for the permanent phase) make sure you create the appropriate Data Templates for the construction-only and refinance loan scenarios that you are planning to support.

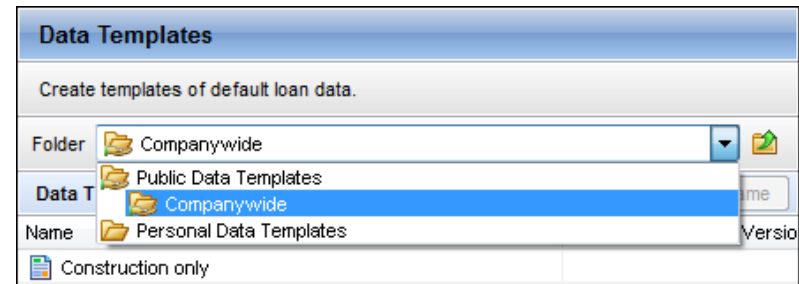
Additional Considerations

When configuring your data templates, consider whether you want to include selections for the Number of Days (field ID 1962) used to calculate the repayment Schedule and the Est. Interest On (1961) selection for using Method A (half loan) or Method B (full loan).

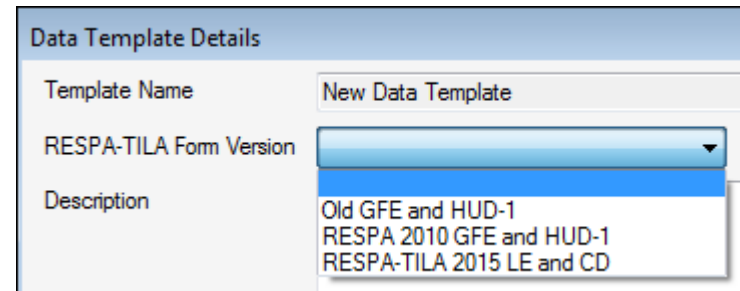
To Create a Data Template:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 In the left panel, click **Loan Templates**, and then click **Data Templates**.

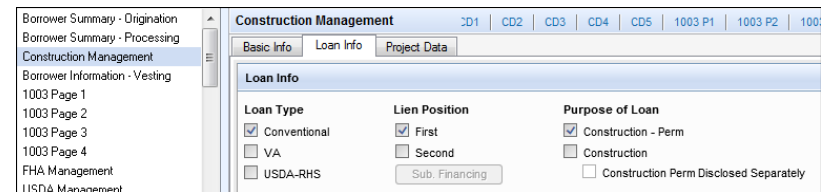
- 3 On the Data Templates screen, select the Public or Personal folder in which to add the template.



- 4 Click the **New** icon, type the name of the template, and then double-click the new template.
- 5 On the Data Template Details window, from the **RESPA-TILA Form Version** drop-down list, select the version of the forms that will be used for the loan when this template is applied.



- 6 Type a Description for the template.
- 7 To add data, select an input form from the list on the left, and then enter required information on the form.



- 8 Repeat step 7 to add data to additional forms.

TIP: After you enter information on each form, use the Description field to note the form and the type of information added. This makes it easier to identify the data you entered in the template if you need to update or review the data later.

9 If the data in a template conflicts with a business rule, select the **Template data will ignore business rules** checkbox at the bottom of the Data Template Details window to ignore the conflicting business rule and apply the template data to the loan.

- If the checkbox is not selected, the business rule will take precedence over the template data.

NOTE: This feature is available only if it has been enabled by your system administrator (using the Settings Manager in the Admin Tools) and applies only to public templates.

10 When finished, click **Save**.

NOTE: When creating a template, do not enter predefined mortgage insurance information on the MIP/PMI/Guarantee Fee Calculation tool. Values entered here could cause discrepancies in the APR values that display on different loan forms.

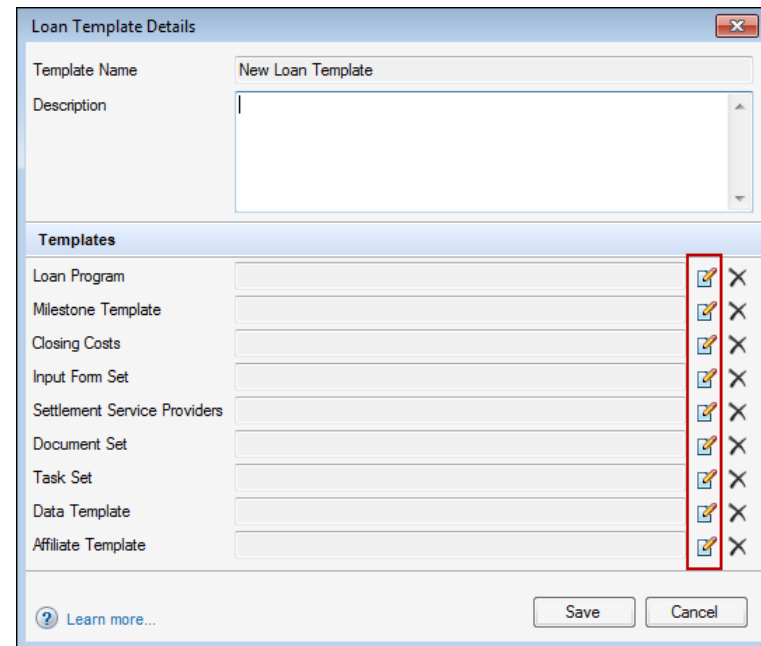
Loan Template Sets

Use the Loan Template Sets tool to create loan template sets for your company's construction loans scenarios. Each loan template is composed of up to eight component templates that contain loan data, milestones, documents, tasks, and other information for frequently used loan scenarios. Using loan template sets saves time and improves the accuracy of loan information. When you start a new loan, the New Loan (or Select Loan Template) window opens, from which you can select a template to apply to the loan.

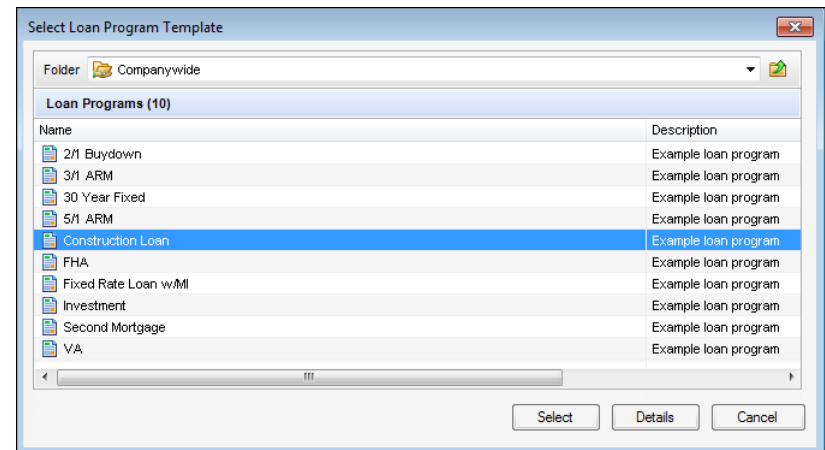
To Create a Loan Template Set:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 In the left panel, click **Loan Templates**, and then click **Loan Template Sets**.
- 3 On the Loan Template Sets setting, select the Public or Personal folder in which to add the set.
- 4 Click the **New** icon, type the name of the loan template set, and then (with the new template selected) click the **Edit** icon.
- 5 On the Loan Template Details window, type a Description.

6 In the Templates section, click the **Edit** icon for one of the eight template components.



7 Select a predefined component from the displayed list, and then click **Select**.



8 Repeat steps 6-7 to add up to eight components to the loan template.

9 Click **Save**.

Add Documents

Create entries in the eFolder Setup setting for any new documents used to originate construction loans, and configure whether these documents are included in the eDisclosure, pre-closing, or closing packages. This enables users to add the documents to the eFolder and include them in document packages.

To Add Documents:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **eFolder Setup**, and then click **Documents**.
- 3 Click the **New** icon to create a new document.
- 4 In the Name field, type the name of the document.
- 5 In the Description field, type a description of the document.
- 6 In the Type field, select one of the three options to indicate the type of document being requested from the borrower: **Standard Form**, **Custom Form**, or **Needed**.
- 7 In the Source field, select the name of the existing document associated with the new document. This field is only active if you selected **Standard Form** or **Custom Form** for the Type field.

- 8 Type the default Days to Receive and Days to Expire.

- 9 In the Available section, select a checkbox to configure whether documents are visible externally:
 - **WebCenter** - The document or service will be visible to borrowers or partners via the WebCenter or Loan Center. This option is used when documents are sent by clicking the Send button in the eFolder, and then clicking **Send Files**.

- **TPO WebCenter Portal** - When a loan has been originated on the TPO WebCenter, the document or service will be visible to the loan originator via the TPO WebCenter. The document will become visible after the loan file is saved in Encompass.
- **EDM Lenders (Send Files to Lender)** - The document or service will be visible when files are sent to lenders. This option is used when documents are sent by clicking the **Send** button in the eFolder, and then clicking **Send to Lender**.

- 10 In the Conversion Preferences section, select the checkbox to maintain a copy of the document in its original file format when the **Enable Document Conversion** checkbox is selected in the Document Conversion setting.

NOTE: If this option is selected, the document can be viewed later in its original format by clicking the **View in Original Format** button in the Document Details or File Manager window in the eFolder.

- 11 Select the image format to use when the file is imported into the eFolder and converted into an image file. The default selection for a new document type is **Black & White**.

- **Color** - Pages with color are converted as color. Pages with minimal color are converted as black and white.
- **Black & White** - Consumes the least amount of space and delivers the fastest retrieval times when viewing files.

NOTE: Although the conversion preferences are selected on the Documents setting, you must use the Document Conversion setting to enable the document conversion process.

- 12 In the Encompass Docs Service section, select the appropriate checkbox to add the document to all eDisclosure, closing, or pre-closing eDisclosure packages.

- If the document is a custom form that requires eSigning, be sure the form includes the required eSigning signature points.
- Click the **Criteria** button to specify criteria for including the document in an electronic disclosure package. The document is included only when one or more of the criteria are met.

NOTE: To include the document any time a specific plan code is applied to the disclosure package, select the **Plan Code** checkbox, and then select the specific plan code(s). Only custom plan codes or plan codes created as an alias are available to select here.

- 13 Select a Signature Type from the list.
14 Click **OK**.

Add Construction Document Groups

Create one or more construction document groups as needed if you want users working on construction loans in the eFolder to select only documents included in these groups. Construction document groups can simplify the management of documents in the eFolder for construction loans.

To Create a Document Group Set:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **eFolder Setup**, and then click **Document Groups**.
- 3 Click the **New** icon to create a new document group.
- 4 In the Document Groups section of the screen, replace the **New Group** name with your own name for the group.
- 5 In the Documents list, select a document, and then drag it onto the name of your document group. To remove a document from the group, select a document, and then drag it back to the Documents list.

- 6 When finished, click the **Save** icon.

Add Conditions

Create preconfigured conditions for new construction-related documents and assign the Encompass role associated with the condition. This enables the underwriter and other authorized Encompass users to quickly add, track, and clear conditions as needed for newly added construction documents.

To Add a Condition:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **eFolder Setup**, and then click **Conditions**.
- 3 Click the **New** icon to create a new condition.

- 4 Type the Name and Description of the condition.
- 5 Click the **Documents** button to select one or more documents that are required to satisfy the condition.
- 6 In the Category field, select one of the six condition categories.
- 7 In the Prior To field, select one of the options (**Approval**, **Docs**, **Funding**, **Closing**) to describe when the condition must be satisfied.
- 8 In the Owner field, select the role that is expected to provide the condition requirements to the underwriter.
- 9 Select the **Allow to Clear** checkbox to allow the owner to clear the condition.
- 10 Enter a number to automatically populate the Days to Receive field for a condition.
- 11 Select the **Internally** or **Externally** checkbox (or both) to indicate the type of condition form on which this condition will be printed. For example, if you do not want the condition to print on the Conditional Approval letter, select Internally. If neither option is selected, the condition will not be included on any condition forms.
- 12 Click **Save**.

Add or Update Condition Sets

Create new condition sets or update existing condition sets for construction loans. This enables the underwriter and other authorized Encompass users to quickly add sets of conditions that can be used with construction loans.

To Create a Condition Set:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **eFolder Setup**, and then click **Condition Sets**.
- 3 Click the **New** icon.

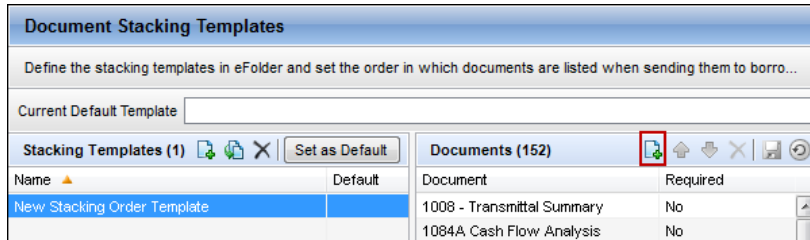
- 4 Type the Name and Description of the condition set.
- 5 To add conditions to the set, select one or more conditions in the All Conditions list, and then click **Add**.
- 6 To remove conditions from the set, select one or more conditions in the Selected Conditions list, and then click **Remove**.
- 7 Click **Save**.

Document Stacking Templates

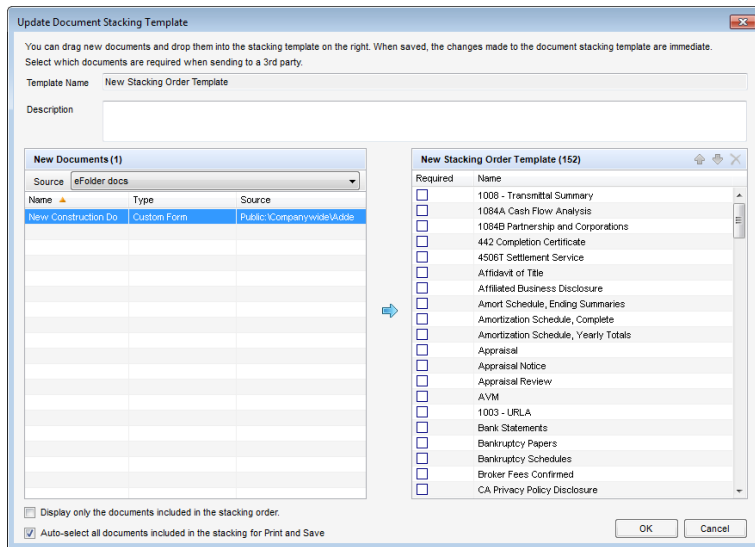
Review all existing document stacking templates, which users can apply to the Documents list in the eFolder and when sending documents via the **Send** button in the eFolder. Add new construction forms to the stacking orders as needed.

To Update a Document Stacking Template:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **eFolder Setup**, and then click **Document Stacking Templates**.
- 3 Click a stacking template to review the stacking order, and then click the **New** icon to add documents.



- 4 In the left panel, select an option from the **Source** list, select a document, and then click the **Right Arrow** icon in the center of the window to add the document to the stacking order template on the right.



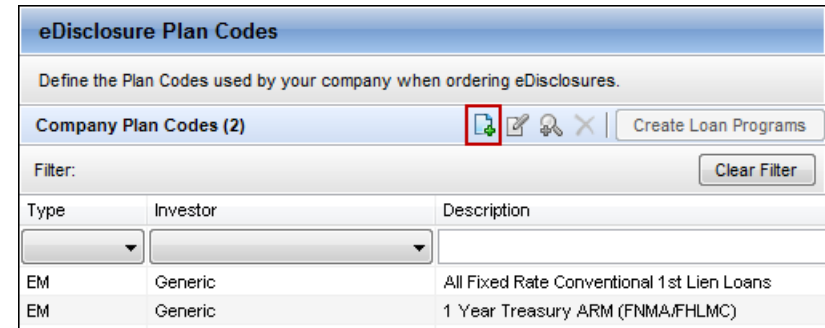
- 5 Use the **Up** or **Down** icons to reposition the document in the stacking order.
- 6 Select the **Required** checkbox if the document is required when sending documents.
- 7 When finished, click **OK**.

eDisclosure Plan Codes

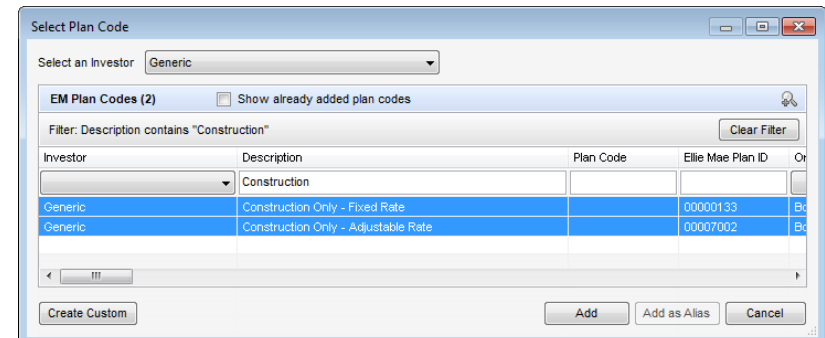
Two construction plan codes are available in the Generic plan codes listed in the eDisclosure Plan Codes setting. Add these two construction plan codes to the list of plan codes Encompass users can select when generating eDisclosures.

To Add eDisclosure Construction Plan Codes:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Docs Setup**, and then click **eDisclosure Plan Codes**.
- 3 Click the **New** icon, and then select **Generic** from the **Select an Investor** list.



- 4 Type **Construction** in the Description field and then press the **Enter** key to search for the construction plan codes.



- 5 Select **Construction Only - Fixed Rate** and **Construction Only - Adjustable Rate**, and then click **Add**.

Closing Doc Plan Codes

Two construction plan codes are available in the Generic plan codes listed in the Closing Docs Plan Codes setting. Add these two construction plan codes to the list of plan codes Encompass users can select when ordering Closing Docs.

To Add Closing Doc Construction Plan Codes:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Docs Setup**, and then click **Closing Doc Plan Codes**.
- 3 Click the **New** icon, and then select **Generic** from the **Select an Investor** list.

Type	Investor	Description

- 4 Select **Construction Only - Fixed Rate** and **Construction Only - Adjustable Rate**, and then click **Add**.

Investor	Description	Plan Code	Ellie Mae Plan ID
Generic	Construction Only - Fixed Rate	00000133	
Generic	Construction Only - Adjustable Rate	00007002	

eDisclosure Stacking Templates

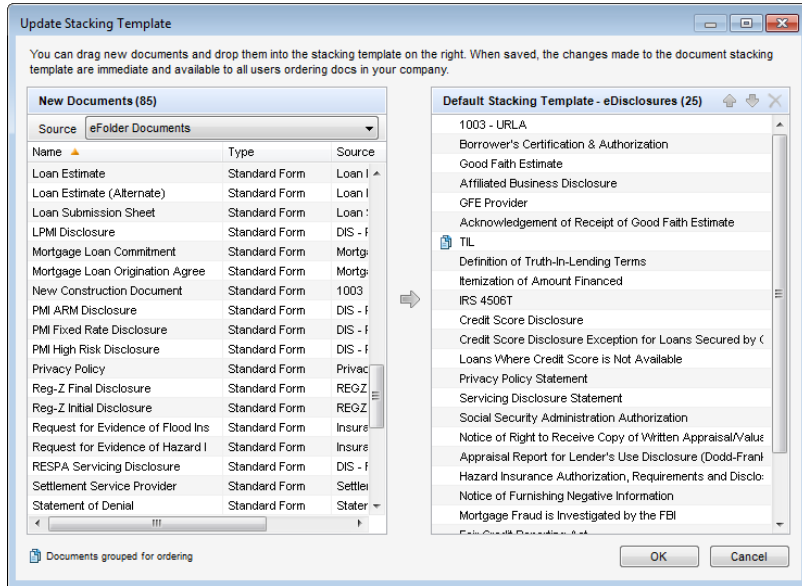
Review all existing eDisclosure Stacking Templates and add new construction forms to the stacking orders as needed. The newly added construction documents will be included in the stacking templates that users can apply when sending eDisclosures.

To Update eDisclosure Stacking Templates:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Docs Setup**, and then click **eDisclosure Stacking Templates**.
- 3 Click a stacking template to review the stacking order, and then click the **New** icon to add documents.

Name	Default
Default Stacking Template - eDisclosures	Yes

- In the left panel, select a Source and select a document, and then click the **Right Arrow** icon in the center of the window to add the document to the stacking order template on the right.



- Use the **Up** or **Down** icons to reposition the document in the stacking order.
- When finished, click **OK**.

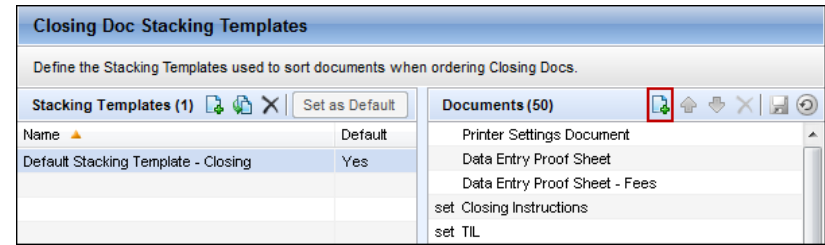
Closing Doc Stacking Templates

Review all existing Closing Docs Stacking Templates and add new construction forms to the stacking orders as needed. The newly added constructions documents will be available in the stacking templates that users can apply when sending eDisclosures via the eFolder.

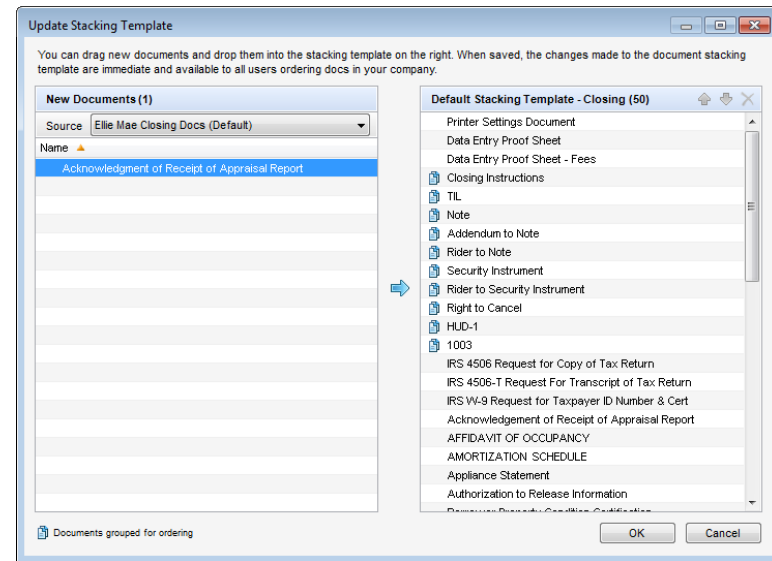
To Update Closing Doc Stacking Templates:

- On the menu bar, click **Encompass**, and then click **Settings**.
- On the left panel, click **Docs Setup**, and then click **Closing Doc Stacking Templates**.

- Click a stacking template to review the stacking order, and then click the **New** icon.



- In the left panel, select a Source and select a document, and then click the **Right Arrow** icon in the center of the window to add the document to the stacking order template on the right



- Use the **Up** or **Down** icons to reposition the document in the stacking order.
- When finished, click **OK**.

Business Rules

Review your existing business rules in light of the construction policies your company plans to implement. Adjust and remove existing rules, and create new business rules as required to enforce your company policies regarding construction loans. Implement the rules in a test environment to verify the results prior to implementing them in your production environment.

Field Data Entry Business Rules

Use the Field Data Entry tool to define and manage rules that enforce company policy by preventing users from entering data on specified fields for construction loans.

To Access the Field Data Entry Setting:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Business Rules**, and then click **Field Data Entry**.
- 3 On the Field Data Entry tool, click the **New** icon.

Field Triggers Business Rules

Create field triggers business rule to copy values from one field to another field for data that is treated differently for construction loans.

To Access the Field Triggers Setting:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Business Rules**, and then click **Field Triggers**.
- 3 Click the **New** icon to add a new rule.

Persona Access to Fields Business Rules

Create business rules to limit persona access to fields on Construction loans. Review the Construction Management form and your templates to decide on the appropriate access to fields. Establish whether users can modify interest calculated on, interest days, and other fields. Create rules to ensure that persona access to the fields is in line with your business policies.

To Access the Field Triggers Setting:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Business Rules**, and then click **Field Data Entry**.
- 3 Click the **New** icon to add a new rule.

Input Form List Business Rules

Create or update Input Form List business rules for construction and construction-to-permanent loans to enable users to quickly access the Construction Management form when the input form sets are applied to a loan.

To Access the Field Triggers Setting:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Business Rules**, and then click **Input Form List**.
- 3 Click the **New** icon to add a new rule.

Update the Default Input Forms List

Review the Default Input Forms List and update the list as needed.

To Set the Default Input Forms and Display Order:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Loan Setup**, and then click **Default Input Forms**.
- 3 Select a form and click **Default** to add it to the default list, or click **Not Default** to remove it from the default list.
- 4 Select a form and click the **Up** or **Down** arrows to move it to a new position.
- 5 Click the **Save** icon.

Sync Templates

Use the Sync Templates setting to configure fields that are synchronized when a user manually synchronizes two loan files that have been linked for construction-to-permanent loans with separate disclosures. Select fields that should be identical in the two loan files, for example, the property address or loan amount. Do not synchronize fields that should be different in the two loan files, for example the purpose of loan, purchase price, or down payment. Other fields such as the interest rate and amortization, can fall under either category depending on your company's supported scenarios. For example, the interest rate for a Fixed-Rate-to-Fixed-Rate loan with the same interest rate can be included in the Sync Template.

The following fields are automatically synchronized when a Disclosure Tracking entry is created for a linked loan:

- Borrower Type (field ID 4008)
- Borrower First Name (field ID 4000)
- Borrower Middle Name (field ID 4001)
- Borrower Last Name (field ID 4002)
- Borrower Suffix (field ID 4003)
- Borrower Home Email (field ID 1240)
- Co-Borrower Type (field ID 4009)
- Co-Borrower First Name (field ID 4004)
- Co-Borrower Middle Name (field ID 4005)
- Co-Borrower Last Name (field ID 4006)
- Co-Borrower Suffix (field ID 4007)
- LE Date Issued (field ID LE1.X1)





- Closing Cost Estimation Expiration Date (field ID LE1.X28)
- Time (field ID LE1.X8)
- Time Zone (field ID LE1.X9)
- Estimated Closing Date (field ID 763)
- CD Date Issued (field ID CD1.X1)
- Closing Date (field ID 748)
- Intent to Proceed (field ID 3164)
- LE Sent On (field ID 3972)
- Intent to Proceed Received Date (field ID 3197)
- Intent to Proceed Received By (field ID 3973)
- Intent to Proceed Received Method (field ID 3974)
- Intent to Proceed Received – Other Description (field ID 3975)
- Intent to Proceed Comments (field ID 3976)

Enable Access to the Sync Templates Setting

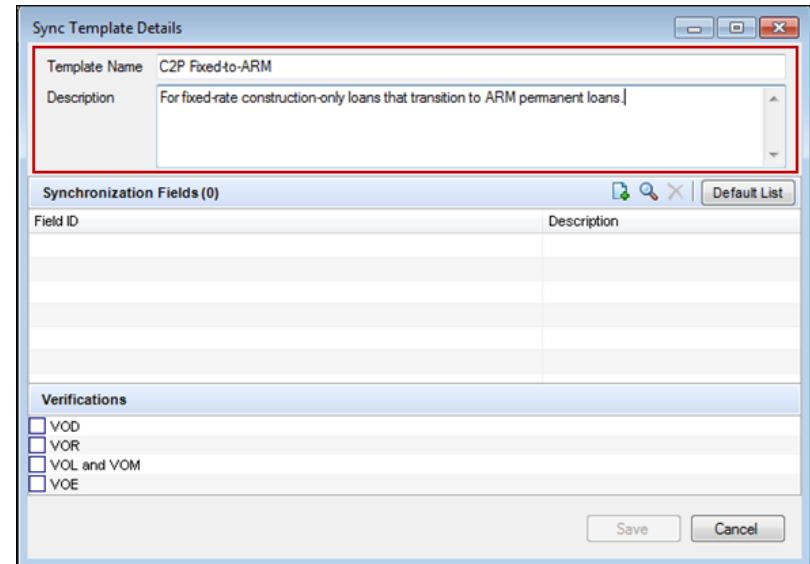
Administrators configure access to the Sync Templates setting from the Personas setting by selecting the **Sync Templates** checkbox on the **Settings** tab in the Company Settings section.

To Create a Sync Template:

- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Loan Setup**, and then click **Sync Templates**.
- 3 To create a new template, click the **New** icon.

Sync Templates	
Create sync templates that can be applied when users link two loans together. When a sync template is applied to ...	
Sync Templates (1)    	
Name ▲	Description
Const-to-Perm Sync	Const-to-Perm Sync Template

4 Type a Template Name and Description.



Sync Template Details

Template Name: C2P Fixed-to-ARM

Description: For fixed-rate construction-only loans that transition to ARM permanent loans.

Synchronization Fields (0)

Field ID	Description

Verifications

VOD

VOR

VOL and VOM

VOE

Save Cancel

- To add Synchronization Fields using field IDs, click the **New** icon, enter up to 10 field IDs on the Add Required Fields window, and then click **Add**. If you need to add additional fields, click **Add More**.

- To add fields by selecting them from forms, click the **Find** icon.
 - On the Find Fields window, select a form from the list on the left.
 - Right-click the fields you want to add to the synchronization list. Selected fields are highlighted a peach color.

- When finished, click **OK**.
- To remove a field, select a field from the Field ID list, and then click the **Delete** icon.
 - To include fields from verifications, select the appropriate checkboxes in the Verifications section at the bottom of the screen. All fields on the selected verifications will be synchronized.

- To replace the selected fields and verifications with a list of default fields and verifications set by Encompass, click the **Default List** button.
- When finished, click the **Save** icon.

To Duplicate, Edit, or Delete a Template:

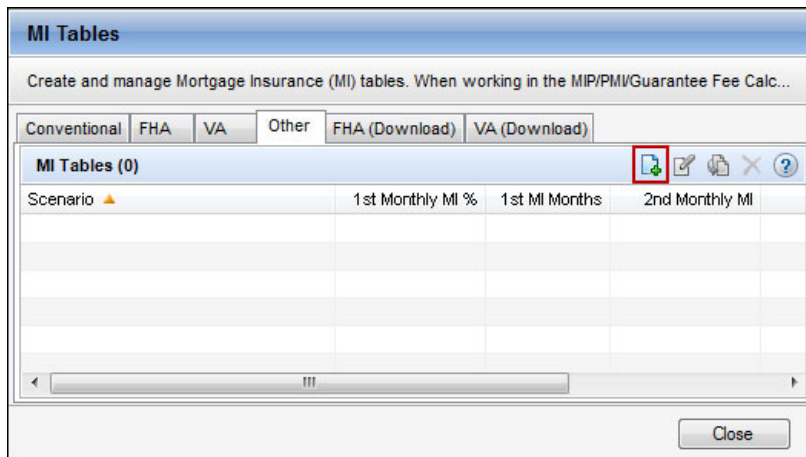
- To duplicate a template, select a template on the list, click the **Duplicate** icon on the upper-right, rename the template, and then click **Save**.
- To edit a template, double-click a template on the list, edit the name, description, field list, and verifications as needed, and then click **Save**.
- To delete a template, select a template on the list and then click the **Delete** icon.

MI Tables

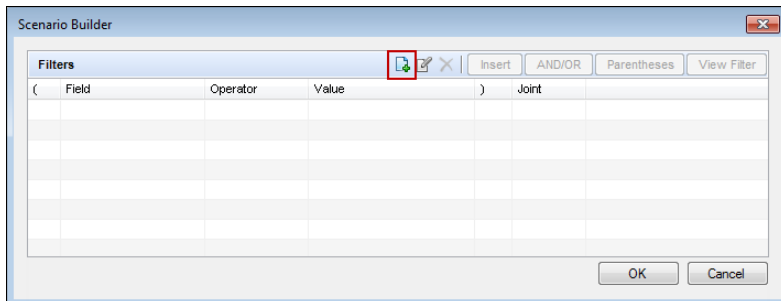
Review the MI Tables setting in the Encompass Settings if your company plans to collect mortgage insurance during the construction phase. If your company uses general MI Tables that do not exclude construction, the **Get MI** button on the MIP/PMI/Guarantee Fee Calculation tool will retrieve the mortgage insurance amount from the table. If your company has specific mortgage insurance programs for construction, you can add construction and construction-to-permanent criteria in the MI Table setup.

To Add a Scenario to a Table:

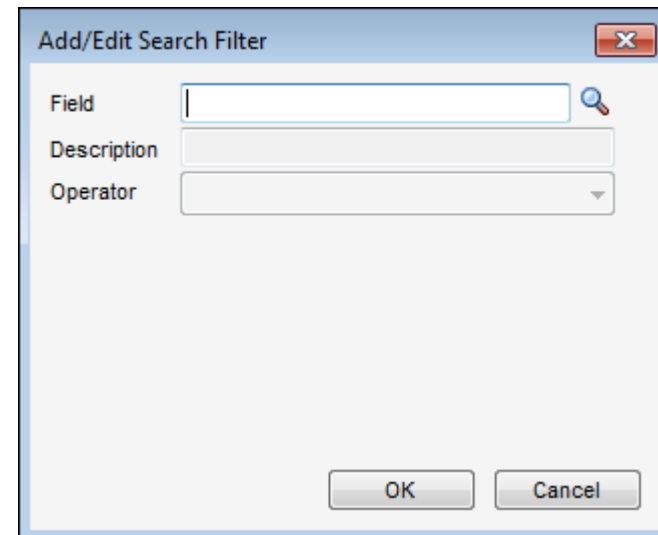
- 1 On the menu bar, click **Encompass**, and then click **Settings**.
- 2 On the left panel, click **Tables and Fees**, and then click **MI Tables**.
- 3 Click one of the first four tabs (**Conventional**, **FHA**, **VA**, or **Other**), and then click the **New** icon at the top of the MI Tables list.



- 4 Click **Create**, and then click the **New** icon on the Scenario Builder window.



- 5 Enter a field ID, or click the **Find** icon to select from a list of commonly used fields as follows.



- On the Select Field window, scroll down and double-click the desired field.
 - You can also type one or more letters (or numbers) of the field description in the Find field and click **Find**. The first occurrence of the characters in the list is found. Select the desired field and click **OK**.
- 6 The Operator and Value fields enable you to specify how the selected field will filter data. Click the Operator, then type a Value.
 - Examples: field = **Lender Name**, Operator = **Starts With**, Value = **I**; field = **Loan Amount**, Operator = **Between**, From = **200000**, To = **400000**.
 - 7 Click **OK**.
 - 8 Repeat steps 4-7 until the scenario contains all the criteria needed.

NOTE: With multiple filters, you can use parentheses to group together filters. Example: To filter by loan amount and state, with different loan amounts per state, create two sets of filters (Loan Amount and Subject Property State) in parentheses. Click the **Parentheses** button, select the filters, click the **New** icon, and then click **OK**.

NOTE: To change the qualifier (Joint) between multiple criteria from AND to OR, click the **AND/OR** button.
 - 9 When finished, complete the information on the MI Scenario screen.
 - 10 Click **OK**.

Process Construction-Only Loans

To process a construction-only loan, create a single loan file in Encompass, and then enter and maintain the construction information in the Construction Management form.

To Create a Construction-Only Loan:

- 1 On your Encompass Pipeline, click the **New** icon.
- 2 On the New Loan window:
 - Click **New Blank Loan**.
 - Or, select a construction loan template, and then click **Select Template**.
- 3 Follow your company business practices and policies to complete basic borrower, property, and loan information on the Borrower Summary – Origination, 1003 URLA, and other loan forms, and then complete the 2015 Itemization and verifications. You will enter detailed information about the construction loan terms on the Construction Management form.
- 4 In the panel on the lower-left of the loan file, click the **Forms** tab and then click **Construction Management**.
- 5 On the **Loan Info** tab, select **Construction** for the Purpose of Loan (field ID 19) if not already selected.

The screenshot shows the 'Construction Management' form with the 'Loan Info' tab selected. Under the 'Purpose of Loan' section, the 'Construction' checkbox is checked and highlighted with a red box. Other options include 'Conventional', 'VA', 'USDA-RHS', 'First', 'Second', 'Construction - Perm', and 'Construction Perm Disclosed Separately'.

NOTE: In the Additional Details section, follow your investor guidelines for setting the First Payment Date for construction-only loans.

- 6 Complete the **Construction Only** section at the bottom of the **Loan Info** tab.
- 7 In the Loan Terms section, enter the **Term** and **Due in** months for the construction phase, for example, **12** and **12** for a one-year construction loan.
- 8 Enter the Construction Terms in the Period Months field (field ID 1176).

- 9 For a construction-only fixed loan, select **Fixed Rate** for the Amortization Type.

The screenshot shows the 'Construction Only' form with the 'Loan Terms' section. The 'Amortization Type' is set to 'Fixed Rate' (checked). Other fields include Note Rate (4.125%), Qual Rate, Term (12 mths), Due In (12 mths), Period (12 mths), Rate Adjustment, 1st Adj Cap, 1st Change, Adj Cap, Adj Period, Life Cap, Apply Life Cap Low, Max Life Int. Rate (4.125%), Margin, Index, Floor, Floor Basis, Round (up), Floor Vrbg, My interest rate will never be less th, Margin + Indx, and Index Type.

- 10** For a construction-only **ARM** loan, select ARM for the Amortization type, click the **Find** icon to select an ARM Type, and then complete the information in the Rate Adjustment section.

Construction Only

Loan Terms

Note Rate	4.125 %	Amortization Type	<input type="checkbox"/> Fixed Rate <input checked="" type="checkbox"/> ARM - <input style="border: 1px solid red;" type="text"/>
Qual Rate	%	Rate Adjustment	
Term	12 mths	1st Adj Cap	<input type="text"/> %
Due In	12 mths	1st Change	<input type="text"/> mths
Period	12 mths	Adj Cap	<input type="text"/> %
		Adj Period	<input type="text"/> mths
		Life Cap	<input type="text"/> %
		Apply Life Cap Low	<input type="checkbox"/>
		Max Life Int. Rate	4.125 %
		Margin	<input type="text"/> %
		Index	<input type="text"/> %
		1st Adj Cap	<input type="text"/> %
		Floor	<input type="text"/> %
		Floor Basis	<input type="text"/>
		Round	<input checked="" type="checkbox"/> up <input type="checkbox"/> dn
		Floor Vrbg	<input type="text"/> %
		My interest rate will never be less th	<input type="text"/>
		Margin + Indx	<input type="text"/> %
		Index Type	<input type="text"/>
		Get Index	<input type="text"/>

NOTE: Encompass automatically calculates the balloon payment for a construction loan.

- 11** Complete any additional fields on the **Loan Info** tab as needed.
- 12** Use the **Project Data** tab to track important construction dates and pre-closing requirements, to enter disbursement terms and vendor information, and to identify and enter the name and contact information for the borrower's designee.
- 13** Complete the remaining Encompass forms and tools based on your company business practices and policies.

NOTE: Do not enter interest-only months in the Interest Only field (field ID 1177) for Construction-Only loans because it is automatically registered as interest-only.

Process Construction-to-Permanent Loans with Blended Disclosures

To process a construction-to-permanent loan with blended disclosures, create a single loan file in Encompass, and then enter and maintain the information for the construction and permanent phases of the loan on the Construction Management form.

To Create a Construction-to-Permanent Loan Using Blended Disclosures:

- 1 On your Encompass Pipeline, click the **New** icon.
- 2 On the New Loan window:
 - Click **New Blank Loan**.
 - Or, select a construction loan template, and then click **Select Template**.
- 3 Follow your company business practices and policies to complete basic borrower, property, and loan information on the Borrower Summary – Origination, 1003 URLA, and other loan forms, and then complete the 2015 Itemization and verifications. You will use the Construction Management form to enter detailed loan information.
- 4 In the panel on the lower-left of the loan file, click the **Forms** tab and then click **Construction Management**.
- 5 On the **Loan Info** tab, select **Construction-Perm** for the Purpose of Loan (field ID 19) if not already selected.

The screenshot shows the 'Construction Management' form with the 'Loan Info' tab selected. Under the 'Purpose of Loan' section, the 'Construction - Perm' radio button is selected and highlighted with a red box. Other options include 'Conventional', 'VA', 'USDA-RHS', 'First', 'Second', 'Construction', and 'Construction Perm Disclosed Separately'.

- 6 In the Additional Details section, use the drop-down list to indicate whether you will reduce the payment amount or the number of monthly payments as a result of principal prepayments or excess funds not advanced.

The screenshot shows a text box with the text: 'Principal Prepayments and Excess Funds Not Advanced may: reduce the [dropdown] of my monthly payments.' The dropdown menu is currently set to a downward-pointing arrow.

- 7 Enter information for the construction and permanent phases of the loan in the Construction-Perm (1x Close) section at the bottom of the **Loan Info** tab.

- In the Construction-Perm (1x Close) section, enter or review the Construction Loan Terms. Select **Fixed** for the Amortization Type if not already selected.

NOTE: ARM rates for the construction phase are not supported with blended disclosures. Use the separate disclosure workflow to originate a construction-to-permanent loan with an ARM construction phase.

- In the Construction-Perm (1x Close) section, enter or review the Permanent Loan Terms and select an Amortization Type if one is not already selected.

- Enter Rate Adjustment information for ARM loans as needed.

The screenshot shows the 'Construction - Perm (1x Close)' form. It is divided into two main sections: 'Construction Loan Terms' and 'Permanent Loan Terms'.
Construction Loan Terms: Interest Rate is 4.125%, Period is 12 mths, Amortization Type is Fixed Rate. There is a checkbox for 'Construction Period Included in the Loan Terms' which is currently unchecked.
Permanent Loan Terms: Note Rate is 4.125%, Qual Rate is blank, Term is 360 mths, Due In is 360 mths. Amortization Type is ARM. Rate Adjustment includes 1st Adj Cap (1.000%), 1st Change (36 mths), Adj Cap (2.000%), Adj Period (24 mths), Life Cap (6.000%), Max Life Int. Rate (10.125%), Margin (4.000%), and Index (2.000%). Other fields include Floor (4.000%), Floor Basis, Round (up), Floor Vrbg, and Index Type (Fannie Mae 6 Month LIBOR). A 'Get Index' button is located at the bottom.

NOTE: The Due In months are typically the same as the Term, for example 360 for a 30-year loan, and are modified only when using different loan and amortization terms.

8 Complete any additional fields on the **Loan Info** tab as needed.

NOTE: In the *Additional Details* section, the *First Payment Date* for construction-to-permanent loans must be set to the 1st of the month to be compliant with regulations for loans that are sold to GSEs.

9 In the Construction Loan Terms, enter interest-only months for the construction phase in the Period field (field ID 1176).

NOTE: Select the **Construction Period Included in the Loan Terms** checkbox (field ID CONST.X1) to use the number of months in the permanent phase to populate the Loan Terms disclosed on the Loan Estimate (the construction months will be treated as part of the permanent phase). Clear the checkbox to use the total combined months for the construction and permanent phases.



10 In the Permanent Loan Terms section, if the permanent phase of the loan has interest-only months, enter the number of months in the Perm - Interest Only field (field ID 1177).

11 Use the **Project Data** tab to track important construction dates and pre-closing requirements, to enter disbursement terms and vendor information, and to identify and enter the name and contact information for the borrower's designee.

Product Descriptions for Construction-to-Permanent Loans Using Blended Disclosures

For construction-to-permanent loans with blended disclosures, the following logic is used to populate the loan's Product field (field ID LE1.X5), depending on whether the loan is a Fixed-Rate-to-Fixed-Rate or Fixed-Rate-to-ARM loan.

Fixed-Rate-to-Fixed-Rate with the Same Rate

When both the construction and permanent phase of the construction-to-permanent loan have the same Fixed Rate, the description lists the number of months (or years if applicable) of interest-only payments followed by a comma and the words Fixed Rate. Examples:

- 9 mo. Interest Only, Fixed Rate
- 1 Year Interest Only, Fixed Rate
- 13 mo. Interest Only, Fixed Rate

Fixed-Rate-to-Fixed-Rate with Different Rates

When both the construction and permanent phases of a construction-to-permanent loan have fixed rates, but the rate is different for each phase (step rate), the description lists the number of months (or years if applicable) of interest-only payments followed by a comma, the number of months of interest only payments, a slash mark, and the words 0 Step Rate. Examples:

- 9 mo. Interest Only, 9 (Mo.)/0 Step Rate
- 1 Year Interest Only, 1 (Yr.)/0 Step Rate
- 13 mo. Interest Only, 13 (Mo.)/0 Step Rate

Fixed-Rate-to-ARM with the Same Initial Rate

When the construction phase of a construction-to-permanent loan has a Fixed Rate, but the permanent phases is an ARM loan, the description lists the number of months (or years when applicable) of interest-only payments followed by a comma and a description of the ARM rate. The ARM description includes the construction phase as part of the introductory rate period and first adjustment. Examples:

- For a loan with a nine-month fixed-rate construction phase and a 3/1 ARM permanent phase, the 9 months (equal to .75 years) of the construction phase added to the initial phase of the permanent ARM loan description:

9 mo. Interest Only, 3.75/1 Adjustable Rate

- For a loan with a 12-month fixed-rate construction phase and a 5/1 ARM permanent phase, the 12 months (1 year) of the construction phase are added to the initial phase of the ARM description:

1 Year Interest Only, 6/1 Adjustable Rate

NOTE: *Encompass* does not support ARM loans for the construction phase of a construction-to-permanent loan with blended disclosures.

Rate Locks for Blended Disclosures

Encompass supports a single rate lock for each loan file. The rate lock for a construction-to-permanent loan with blended disclosures will reflect the rate lock for the construction phase only. If your company policy requires rate locks for both the construction and permanent phase, consider using separate disclosures instead of blended disclosures.

How Data Populates to the Loan Estimate and Closing Disclosure Forms for Construction-to-Permanent Loans with Blended Disclosures

This section describes the logic used to populate information to the Loan Estimate and Closing Disclosure input forms for construction-to-permanent loans with blended disclosures.

Interest Rate Section of the Loan Terms Table

In the Interest Rate section on the Loan Terms Table on the Loan Estimate Page 1 and Closing Disclosure Page 1, Encompass calculates and discloses the interest rate adjustments after consummation for construction-to-permanent loans that use blended disclosures for the construction and permanent phases of the loan as a combined transaction. The description that displays in the **Can this amount increase after closing?** column in the Interest Rate section in the Loan Terms table treats the construction and permanent phases of the loan as one combined transaction, with the initial interest rate being the rate at consummation (the initial rate for the construction loan). The timing of any increases in the interest rate are described based on counting from the date that interest for the first scheduled periodic payment begins to accrue after the date of the consummation of the loan, starting with the initial construction phase.

When the permanent phase of the loan is an ARM loan, the initial interest rate from the construction phase of the loan displays and the **Yes** option is selected in the **Can this amount increase after closing?** column. Additionally, the section displays:

- The frequency and date of the interest rate adjustments.
- The maximum interest rate and the first date when the maximum interest rate can be reached.

NOTE: The dates for the first potential adjustment and the maximum interest rate are calculated from the date that interest for the first scheduled periodic payment begins to accrue after the date of the consummation of the loan, starting with the initial construction phase.

Example: When the interest rate during the construction phase is fixed, and the interest rate for the first five years of the permanent phase is fixed, and the interest rate for the permanent phase then adjusts every year thereafter, the content shown below is populated in the Interest Rate section.

Interest Rate	Yes	• Adjusts every	Year	starting in	Year	6
3.500 %		• Can go	as high as	6.500 %	in year	8
• See AR Table on page 2 for details.						

For Fixed-Rate-to-Fixed-Rate loan transactions with blended disclosures, when a loan has a rate change between the construction and permanent phases of the loan (step rate), the interest rate section of the table will reflect the step rate terms.

Monthly Principal & Interest Section of the Loan Terms Table

The Monthly Principal & Interest section on the Loan Terms Table on the Loan Estimate Page 1 and Closing Disclosure Page 1 calculates and discloses the monthly principal and interest as well as any adjustments after consummation for construction-to-permanent loans with blended disclosures. Encompass calculates the initial interest-only payment based on the selection made for the Est. Interest On (field ID SYS.X6): based on an estimate of half of the note amount for the **Method A (Half Loan)** option or based on the full note amount for the **Method B (Full Loan)** option.

Method A (Half Loan)	Method B (Full Loan)
<p>Monthly Principal & Interest</p> <p>\$ 350.00</p>	<p>Monthly Principal & Interest</p> <p>\$ 700.00</p>

The description that displays in the **Can this amount increase after closing?** column in the Monthly Principal & Interest section in the Loan Terms table treats the construction and permanent phases of the loan as one combined transaction, with the first monthly principal and interest payment for the construction loan used as the first payment on the table. The timing of any increases in the payment are described counting from the due date of the initial interest-only periodic payment, starting with the initial construction phase.

The Monthly Principal & Interest section discloses whether the payment increase from the payment at consummation, starting with the initial construction phase. If there are multiple periods of adjustment, the Monthly Principal & Interest section discloses the frequency of only the first adjustment to the periodic principal and interest payment, regardless of the reason for the first adjustment.

Example: A loan has an interest-only payment period that ends in nine months. The loan also has a six-year Fixed Rate that then adjusts every year. The change in the interest-only period payment (nine months) triggers an adjustment to the periodic principal and interest payment before the change in the interest rate (six years), so Encompass discloses the adjustment to the principal and interest (or interest only) payment for each year starting in month ten.

The date of an adjustment is disclosed as the year in which the event occurs. When the first adjustment occurs 12 months after consummation or 24 or more months after consummation, Encompass discloses the adjustment date as the year in which the event occurs. The timing of adjustments that occur after a period of whole years are disclosed as occurring in the following year.

Example: When the interest rate first adjusts at the beginning of the 61st month (one month after the fifth year), the principal and interest payment is disclosed as adjusting in **Year 6**. A monthly periodic payment that adjusts starting with the 73rd scheduled payment is disclosed as adjusting in **Year 7**.

When the first adjustment occurs less than 24 months after confirmation (with the exception of an adjustments that occur at 12 months), Encompass discloses the adjustment date in months. The timing of adjustments that occur after a specified period of months are disclosed by adding 1 to the number of months in the specified period.

Example: When the first adjustment is a change in the interest rate after 9 months, the principal and interest payment is disclosed as adjusting in Month 10.

Monthly Principal & Interest *Can this amount increase after closing?* **Content**

For construction-to-permanent loan transactions with blended disclosures, the content that displays in the **Can this amount increase after closing?** column for the Monthly Principal & Interest varies according to the scenarios described below.

Fixed-Rate-to-Fixed-Rate - For loans where the rate is fixed for both the construction and permanent phases of the loan:

- The **Yes** option is populated (field ID NEWHUD.X8) in the **Can this amount increase after closing?** column.
- Four bullets display on the right side of the **Can this amount increase after closing?** column:
 - Bullet 1 discloses that the monthly Principal & Interest payment amount adjusts as shown below, depending on whether **A (Half Loan)** or **B (Full Loan)** is selected as the **Est Interest On** option (field ID SYS.X6):
 - **A (Half Loan):** Every month starting in month 1.
 - **B (Full Loan):** Once at a specified number of months or years after consummation.
 - Bullet 2 indicates whether the payment can or does go as high as the first payment amount of the permanent phase, and lists the number of months or years after consummation when the first permanent payment is made.
 - Bullet 3 indicates that the initial payments are interest only, and lists the number of months or years after consummation when the last interest-only payment is made.
 - Bullet 4 is a note referring users to the AP Table on page 2 of the form.

Fixed-Rate-to-ARM - For loans where the construction phase of the loan has a Fixed Rate, but the permanent phases of the loan has an Adjustable Rate (ARM):

- The Yes option is populated (field ID NEWHUD.X8) in the Can this amount increase after closing? column.
- Four bullets display on the right side of the Can this amount increase after closing? column:
 - Bullet 1 discloses that the monthly Principal & Interest payment amount adjusts as shown below, depending on whether **A (Half Loan)** or **B (Full Loan)** is selected as the **Est Interest On** option (field ID SYS.X6):
 - **A (Half Loan):** Every month starting in month 1.
 - **B (Full Loan):** At specified periodic intervals beginning at a specified number of months or years after consummation.
 - Bullet 2 indicates whether the payment can or does go as high as a specified amount, and lists the number of months or years after consummation when the highest payment is or may be due.
 - Bullet 3 indicates that the initial payments are interest only, and lists the number of months or years after consummation when the last interest-only payment is made.
 - Bullet 4 is a note referring users to the AP Table on the Loan Estimate Page 2 or the Closing Disclosure Page 4 for details.

Encompass populates the construction interest-only payments on the Loan Terms table on the Loan Estimate Page 1 and the Closing Disclosure Page 1 for fixed-rate and ARM loans when the **A (Half Loan)** or **B (Full Loan)** option is selected for the Est. Interest On (field ID SYS.X6).

Projected Payments Table

For construction-to-permanent loans that use blended disclosures, the Projected Payments table reflects the interest-only payments during the construction phase followed by the amortizing payments for the permanent phase. If the permanent phase of the loan is an ARM loan, then the table calculates the best-case and worst-case scenario for the construction-to-permanent loan payment streams to populate the Projected Payments table.

If the loan converts from a construction loan to a permanent loan within the first 12 months, Encompass calculates and discloses the range of payments that apply during the initial year (even for a construction-to-permanent loan with the same rate for both the construction and permanent phases) and selects the **Only Interest** checkbox (field ID LE1.X44). The Monthly Principal & Interest (field ID 4085) displays the initial interest-only payment calculated according to whether the **A (Half Loan)** or **B (Full Loan)** option was selected for the Est. Interest On (field ID SYS.X6). The maximum payment displays the highest payment amount for year 1, which could be either an interest-only payment or a principal-and-interest payment.

If the loan converts from construction to permanent at or after the 13 month, the first column does not contain payments from the permanent phase of the loan. An additional column is added to the table to disclose the periodic principal and interest payment change that occurs at the time the loan converts from the construction phase to the permanent phase. Additional rate or payment changes, automatic mortgage termination (if applicable), or balloon payment might trigger the creation of additional columns.

Example: The Projected Payments table below is for a construction-to-permanent loan with a 9-month 3.5% interest-only construction phase. The permanent phase is an ARM loan with the first rate adjustment 72 months into the permanent phase of the loan (81 months or 6 years and 9 months from consummation) followed by yearly rate adjustments until the 3% Life Cap on the adjustments is reached.

Period	Year 1	Years 2 - 6	Year 7	Years 8 - 31
Principal & Interest	Min 409 Max 1,592	1,591.80	Min 1,592 Max 1,749	Min 1,592 Max 2,070
<input type="checkbox"/> Mortgage Insurance	0	0	0	0
<input type="checkbox"/> Estimated Escrow	0	0	0	0
Total Est. Monthly Payment	Min 409 Max 1,592	1,591.80	Min 1,592 Max 1,749	Min 1,592 Max 2,070

Scenario for Transactions That Transition from Construction to Permanent Phases During the Second Year

There is a scenario that occurs when working with a construction-to-permanent transaction (blended disclosures) where the transition from the construction-to-permanent phases occurs during the second year (between 13 and 23 months). In accordance with CFPB rules [Comment 37(c)(3)-1], the change is listed as occurring in the third year in the Projected Payment table, even though the transition actually takes place during the second year. If you commonly originate construction-to-permanent loans (blended disclosures) with 18-month interest-only construction periods, and you believe that the timing described in the disclosure might cause confusion for borrowers, consider using separate disclosures for these construction-to-permanent loans.

Adjustable Payment (AP) Table

For construction-to-permanent loans that use blended disclosures for the construction and permanent phase of the loan, Encompass combines the construction and permanent phases when populating the Adjustable Payment (AP) Table on the Loan Estimate Page 2.

For a fixed-rate construction-to-permanent loan with the same rate for the construction and permanent phases of the loan, the logic shown below is used to populate the following fields in the AP Table:

- **Interest Only Payments?** - The **Yes** option is selected and the number of payments is populated by adding the total number of construction period months (field ID 1176) plus the number of permanent interest-only months (field ID 1177). Do not complete field 1177 unless a part of the permanent phase is also interest-only.
- **First Change/Amount** - The first fully amortizing payment of principal and interest after the interest-only period and the payment number when the amount is due.
- **Subsequent Changes** - The phrase **No subsequent changes** is populated.
- **Maximum Payment** - The amount of the maximum monthly principal and interest payment that occurs after the interest-only payment and the payment number when the amount is due.

Adjustable Payment (AP) Table		<input type="checkbox"/> Ignore 1st ARM Adjustment
Interest Only Payments?	Yes	For your first 6 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	\$1,602 at 16th payment	
Subsequent Changes	No subsequent changes	
Maximum Payment	\$1,602 starting at 16th payment	

For a construction-to-permanent loan with a fixed-rate construction phase and an ARM permanent phase, the logic shown below is used to populate the following fields in the AP Table:

- **Interest Only Payments?** - The **Yes** option is selected and the number of payments is populated by adding the total number of construction period months (field ID 1176) plus the number of permanent interest-only months (field ID 1177). Do not complete field 1177 unless a part of the permanent phase is also interest-only.
- **First Change/Amount** - The amount or range of the first periodic principal and interest (or interest only) payment that can change counting from the first periodic payment due after consummation of the initial construction phase, and the payment number when the amount is due. A range is shown when, at the time of the payment, the loan is in the Adjustable Rate part of the construction-to-permanent loan that contains a payment range.
- **Subsequent Changes** - The frequency of subsequent changes to the periodic principal and interest payment.

- **Maximum Payment** - The amount of the maximum monthly principal and interest payment that occurs beginning with the first periodic payment of interest in the construction phase, and the payment number when the amount is due.

The screenshot shows a form titled 'Adjustable Payment (AP) Table' with a checkbox for 'Ignore 1st ARM Adjustment'. It contains four rows of payment options, each with a dropdown menu and a text field for the number of payments. Below these is a section titled 'Monthly Principal and Interest Payments' with three rows of payment details, each with a lock icon and a text field.

A new field (field ID CD4.X46) is being used in the Adjustable Payment (AP) Table to disclose the length of the interest-only payments when **Construction-Perm** is selected for the Purpose of Loan (field ID 19). The new field displays the combined interest-only period for the construction and permanent phases of the loan. It replaces the field (field ID 1177) that is used in the table when **Construction-Perm** is not selected for the Purpose of Loan.

Comparisons Section of the Loan Estimate Page 3

For construction-to-permanent loans that use blended disclosures, Encompass combines the construction loan phase and the permanent loan phase when calculating the amounts in the Comparisons section on the Loan Estimate Page 3. The calculations for the construction loan phase depends on whether the A (Half Loan) or B (Full Loan) option is selected for the Est. Interest On (field ID SYS.X6).

- **In 5 years Total you will have paid amount** (field ID LE3.X17) - Encompass uses the combined payment stream for the construction and permanent phases of the loan to calculate the total principal, interest, mortgage insurance payments, and loan costs through the end of the 60th month of the combined construction-to-permanent loan transaction.
- **In 5 Years Principal you will have paid** (field ID LE3.X18) - Encompass uses the combined payment stream to calculate the total principal scheduled to be paid through the end of the 60th month after the due date of the first periodic payment (starting with the first payment of the construction phase).
- **APR** (field ID 799) - Encompass continues to use the construction-to-permanent blended disclosure APR calculation that was used in earlier versions of Encompass. This logic also applies to the calculation used for the Closing Disclosure.

- **TIP** (field ID LE3.X16) - Encompass uses the combined payment stream interest payments (plus per diem interest fee amount) to calculate the Total Interest Percentage, which includes interest payments (starting with the construction phase) and the per diem interest amount divided by the note construction-to-permanent loan amount.

Support for Estimated Escrow with Blended Disclosures

Encompass supports estimated escrow calculations for construction-to-permanent loan transactions with blended disclosures. Two new fields have been added to the Aggregate Escrow Account form to set up the date for the first payment for the initial escrow account. You can set up these fields in your data templates for construction-to-permanent loans (blended disclosures). For blended disclosures, Encompass starts all escrows, including mortgage insurance, on the same start date.

- **Escrow 1st Payment Date Basis** (field ID HUD69) - This field is a drop-down list with two options - **1st Payment Date** and **1st Amort Date** - that enable you to set up escrow to begin with the construction phase or the permanent phase of the construction-to-permanent loan transaction by starting the escrow account on the 1st Payment Date (field ID 682) or the 1st Amort. Date (field ID 1963). When you select **Construction-Perm** as the Purpose of Loan (field ID 19), you can select one of the options from the drop-down list in the Escrow 1st Payment Date Basis field.

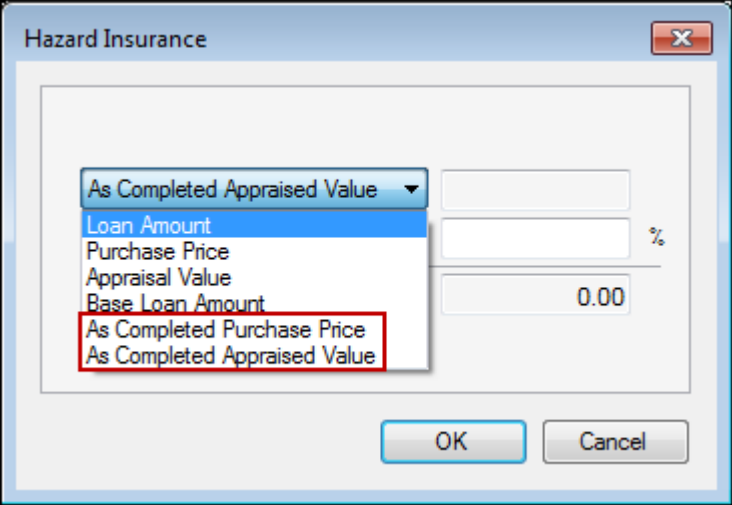
NOTE: When you select an option other than **Construction-Perm** for the Purpose of Loan, the Escrow 1st Payment Date Basis field is read-only and is populated with **1st Payment Date**.

- **Escrow 1st Payment Date** (field ID HUD68) - By default, the 1st Payment Date (field ID 682) is copied to the Escrow 1st Payment Date field. If you select the **Construction-Perm** option for Purpose of Loan, the Escrow 1st Payment Date is cleared, is populated with the 1st Payment Date, or is populated with the 1st Amort Date, based on your selection for the Escrow 1st Payment Date Basis.

NOTE: Regulation Z, 12 CFR § 1026.38 requires that escrow amounts be disclosed on the fully improved value of the property.

Two new fields on the Construction Management form display the **As Completed Purchase Price** (field ID CONST.X58) and **As Completed Appraised Value** (field ID CONST.X59). The amounts are populated by default based on the user's initial acquisition and refinance selections. Additionally, you can select options to use **As**

Completed Purchase Price or **As Completed Appraised Value** to use in the calculations in the pop-up windows for the estimated hazard insurance and real estate taxes in the Monthly Housing section on the 1003 URLA Part 2.



Process Construction-to-Permanent Loans with Separate Disclosures

To process a construction-to-permanent loan with separate disclosures, create a loan file in Encompass for the construction-only phase of the transaction (referred to as the *primary* loan) and then link the construction-only loan file to a separate loan file for the permanent phase of the loan transaction (referred to as the *auxiliary* loan). From the Construction Management form, you can create and link to a new permanent loan file, or link to an existing permanent loan file. Your Encompass administrator can also create Sync Templates that specify the type of data that is automatically synchronized between the linked files.

When you process the construction-to-permanent loan with separate disclosures, use the primary loan file to process the construction phase of the loan, use the auxiliary loan file to process the permanent phase of the loan. Use the synchronization functionality to synchronize duplicate data (as applicable) and verifications between the primary and auxiliary loan files. Use the primary loan file to request eConsent for electronic disclosures and to generate and send the initial disclosures and closing documents. The eDisclosure package includes two Loan Estimates (one for the construction phase and one for the permanent phase of the loan transaction) and the closing package includes two Closing Disclosures (one for the construction phase and one for the permanent phase of the loan transaction).

When a redisclosure is required due to a change of circumstance, record the change of circumstance in the loan file where the changed circumstance occurred. Encompass rediscloses both loan files and synchronizes the Disclosure Tracking history accordingly.

NOTE: Although two loan files are used to process construction-to-permanent loans with separate disclosures, your company is billed for one transaction as long as the loans are linked before disclosures are sent.

Create a Construction-Only Loan File

The first step in originating a construction-to-permanent loan with separate disclosures is to create a loan file for the construction-only phase of the transaction.

To Create a Construction-Only Loan File:

- 1 On your Encompass Pipeline, click the **New** icon.
- 2 On the New Loan window:

- Click **New Blank Loan**.
 - Or, select a construction loan template, and then click **Select Template**.
- 3 Create a loan file that will be used to process the construction phase of the loan, based on your company practices and policies.
 - 4 Complete basic borrower and loan information on the Borrower Summary - Origination, 1003 URLA, and other loan forms (you will use the Construction Management form to enter detailed loan information starting in Step 5 below), and then complete the 2015 Itemization and verifications.

NOTE: With separate disclosures, all finance charges and fees that apply towards points and fees must be allocated to the construction phase.
 - 5 In the panel on the lower-left of the loan file, click the **Forms** tab and then click **Construction Management**.
 - 6 On the Loan Info tab, select **Construction** for the Purpose of Loan (field ID 19) if not already selected, and then select the **Construction Perm Disclosed Separately** checkbox.

The screenshot shows the 'Construction Management' form with the 'Loan Info' tab selected. The 'Purpose of Loan' section is highlighted with a red box. The 'Construction' checkbox is checked, and the 'Construction Perm Disclosed Separately' checkbox is also checked. Other options like 'Construction - Perm', 'VA', and 'USDA-RHS' are unchecked. The 'Lien Position' section shows 'First' checked and 'Second' unchecked. The 'Loan Type' section shows 'Conventional' checked, 'VA' unchecked, and 'USDA-RHS' unchecked. There is a 'Sub. Financing' button below the 'Lien Position' section.

When you select these checkboxes, the following two features are accessible:

- A Construction Only section displays below the Additional Details section. Use the Construction Only section to enter and view information about the construction phase of the loan, as described below.
- A **Linked Loans** tab displays on the Construction Management form.

NOTE: The first payment date for construction-to-permanent loans must be set to the 1st day of the month to be compliant with regulations for loans that are sold to GSEs.

- 7 In the Additional Details section, use the drop-down list to indicate whether you will reduce the payment amount or the number of monthly payments as a result of principal prepayments or excess funds not advanced.

Principal Prepayments and Excess Funds Not Advanced may:
 reduce the of my monthly payments.

- 8 In the Construction Only section, enter the **Term** and **Due in** months for the construction phase, for example, **12** and **12** for a one-year construction loan.
- 9 For a construction-only fixed-rate loan, select **Fixed Rate** for the Amortization Type.

NOTE: Encompass automatically calculates the balloon payment for a construction loan.

- 10 For a construction-only ARM loan, select **ARM** for the Amortization type, click the **Find** icon to select an ARM Type, and then complete the information in the Rate Adjustment section.

NOTE: Encompass automatically calculates the balloon payment for a construction loan.

- 11 The **Linked Loans** tab enables you to link the construction loan file to a separate loan file used to process the permanent phase of the construction-to-permanent loan and to synchronize data between the linked loan files. Refer to “Link a Construction-Only and Permanent Loan File” on page 37 for details about how to link files and synchronize data.

- 12 After linking the loan files, use the two columns on the **Linked Loans** tab to compare and edit data in the two loans.

13 Click the **Go to Perm** button to switch to the permanent loan file and enter data in the Construction Management form that is specific to the permanent phase of the loan transaction.

14 In the construction loan file, use the **Project Data** tab on the Construction Management form to track important construction dates and pre-closing requirements, to enter disbursement terms and vendor information, and to identify and enter the name and contact information for the borrower's designee.

15 Complete the remaining Encompass forms and tools in the construction and permanent loan files.

16 In the construction loan, order credit, an appraisal, and other services based on your company business practices and policies.

Link a Construction-Only and Permanent Loan File

After creating the construction-only loan file, link it to a separate loan file that will be used for the permanent phase of the construction-to-permanent transaction (separate disclosures). You can create a new permanent loan or link to an existing loan file. After you link the two loan files, you can access the **Linked Loans** tab from either of the linked loan files. Use the Linked Loans tab to enter and view key loan information for both of the linked loan files, in a side-by-side two-column layout.

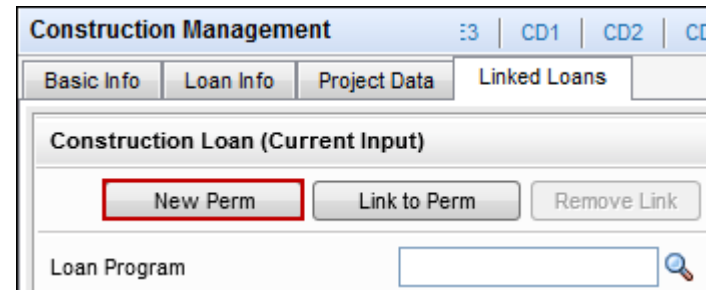
The following rules apply to linked loans:

- Construction and permanent loans can only be linked before sending disclosures for either loan file.
- After disclosures are sent, linked loans cannot be unlinked.
- When loan files for the construction and permanent phases of a loan transaction are not linked prior to sending disclosures, the loan files are not candidates for linking.

To Create and Link to a New Permanent Loan:

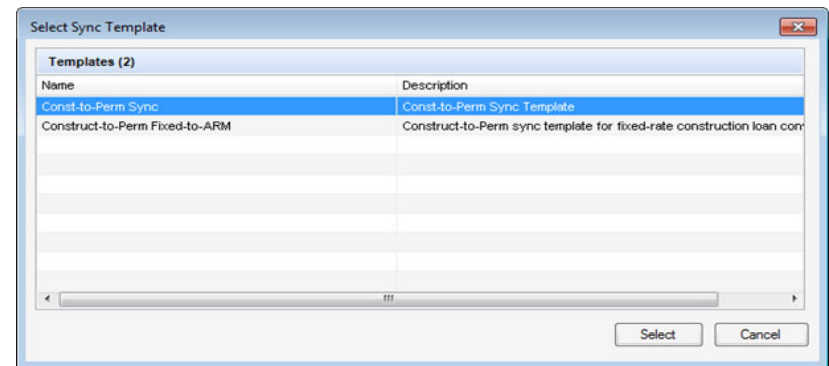
1 On the Construction Management form, click the **Linked Loans** tab.

2 At the upper-left of the form, click the **New Perm** button.



The screenshot shows the 'Construction Management' form with the 'Linked Loans' tab selected. Under the 'Construction Loan (Current Input)' section, the 'New Perm' button is highlighted with a red border. Other buttons visible are 'Link to Perm' and 'Remove Link'. Below this is a 'Loan Program' field with a search icon.

3 If your Encompass administrator has created more than one Sync Template (templates that define the fields and verifications synchronized between the two loans), select a template and then click **Select**.

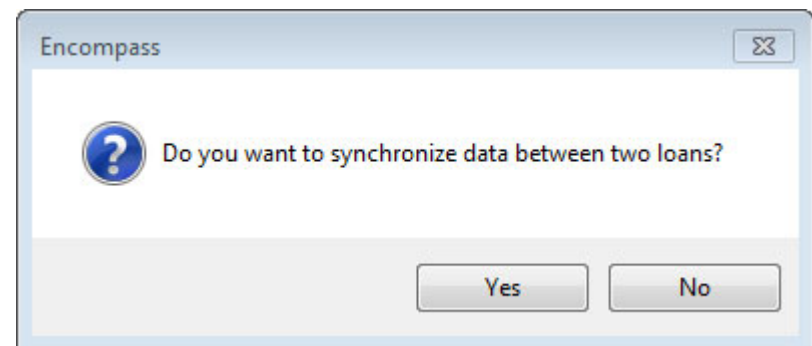


The screenshot shows the 'Select Sync Template' dialog box. It contains a table with two columns: 'Name' and 'Description'. The first row is selected and highlighted in blue.

Name	Description
Const-to-Perm Sync	Const-to-Perm Sync Template
Construct-to-Perm Fixed-to-ARM	Construct-to-Perm sync template for fixed-rate construction loan con

Buttons for 'Select' and 'Cancel' are at the bottom right.

4 When the confirmation window displays, click **Yes** or **No** to select a synchronization option.



The screenshot shows a confirmation dialog box titled 'Encompass'. It contains a question mark icon and the text 'Do you want to synchronize data between two loans?'. At the bottom, there are two buttons: 'Yes' and 'No'.

NOTE: If you select Yes, only loan values from the fields and verifications specified in the template are copied to the permanent loan. Sync templates are configured by your administrator in the Sync Templates setting.

5 After you select a synchronization option:

- The loan file for the permanent phase is added to your Pipeline and linked to the construction-only loan.
- The new loan information displays in the Perm Loan column on the **Linked Loans** tab.
- Click the **Find** icons to review and select the appropriate Loan Program and Closing Cost Program.
- Because the permanent loan file is considered a refinance of the construction-only loan, select **No Cash-Out Refi** for the Purpose of Loan (field ID 19) and make sure you clear the Purchase Price (field ID 136) and Down Payment fields (field IDs 1771 and 1335).

The screenshot shows the 'Construction Management' interface with the 'Linked Loans' tab selected. It displays two loan configurations side-by-side: 'Construction Loan (Current Input)' and 'Perm Loan'. The 'Perm Loan' section has several fields highlighted with red boxes: 'Loan Program' (30 Year Fixed), 'Closing Cost Program' (Beta Bank for 2015 Itemiz), and 'Purpose of Loan' (No Cash-Out Refi). Other fields like 'Appraised Value' (258,000) and 'Loan Amount' (244,200.00) are also visible.

To Link the Construction Loan to an Existing Permanent Loan:

- 1 On the Construction Management form, click the **Loan Info** tab.
- 2 At the top-left of the form, click **Link to Perm**.

The screenshot shows the 'Construction Management' interface with the 'Loan Info' tab selected. The 'Construction Loan (Current Input)' section is visible, and the 'Link to Perm' button is highlighted with a red box. Other buttons like 'New Perm' and 'Remove Link' are also present.

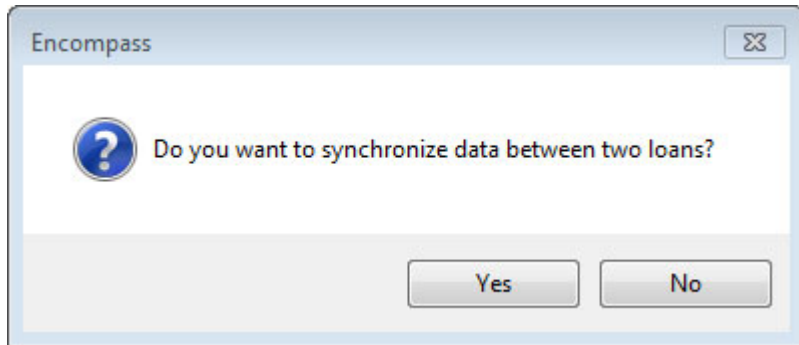
- 3 Select a Loan Folder, select a loan, and then click **Link**.
- 4 If your Encompass administrator has created more than one Sync Template (templates that define the fields and verifications synchronized between the two loans), select a template and then click **Select**.

The screenshot shows the 'Select Sync Template' dialog box. It contains a table with two columns: 'Name' and 'Description'. The first row is selected and highlighted in blue:

Name	Description
Const-to-Perm Sync	Const-to-Perm Sync Template
Construct-to-Perm Fixed-to-ARM	Construct-to-Perm sync template for fixed-rate construction loan con

Buttons for 'Select' and 'Cancel' are visible at the bottom of the dialog.

- 5 When the message window displays, click **Yes** or **No** to select a synchronization option. The new loan information displays in the Perm Loan column on the Linked Loans tab.



NOTE: If you select **Yes**, only the loan values from the fields and verifications specified in the sync template are copied to the newly created loan. Sync templates are configured by your administrator in the Sync Templates setting.

- 6 After you select a synchronization option:
- The loan file for the permanent phase is linked to the construction-only loan.
 - The permanent loan information displays in the Perm Loan column on the **Linked Loans** tab.
 - Click the **Find** icons to review and select the appropriate Loan Program and Closing Cost Program if they are not already selected.
 - Because the permanent loan file is considered a refinance of the construction-only loan, select **No Cash-Out Refi** for the Purpose of Loan (field ID 19) and make sure you clear the Purchase Price (field ID 136) and Down Payment fields (field IDs 1771 and 1335).

Construction Loan (Current Input)		Perm Loan	
Loan Program	C2P Loan - Construction	Loan Program	30 Year Fixed
Closing Cost Program	Construction Costs	Closing Cost Program	Beta Bank for 2015 Itemiz
Loan Type	Conventional	Loan Type	Conventional
Property Will Be	Primary	Property Will Be	Primary
Lien Position	First	Lien Position	First
Purpose of Loan	Construction	Purpose of Loan	No Cash-Out Refi
Appraised Value	258,000	Appraised Value	258,000
Purchase Price	257,750.00	Purchase Price	
Down Payment	5.257 %	Down Payment	
Loan Amount	244,200.00	Loan Amount	244,200.00
Note Rate	4.250 %	Note Rate	6.125 %
Qual Rate	4.250 %	Qual Rate	6.125 %
Term	360 mths	Term	360 mths
Due in	360 mths	Due in	360 mths

NOTE: Be aware that when two loans are originated separately and linked, the application dates are not synchronized. Disclosure alerts are triggered based on individual application dates, with the loan file with the earliest application date triggering disclosure alerts first. To remain compliant with federal regulations, you must send disclosures based on the alert generated by the loan file with the earliest application date.

To Remove the Link:

- 1 To break the link between two loans, click the **Linked Loans** tab on the Construction Management form, and then click **Remove Link**.
- 2 Click **Yes** on the confirmation window to save the loans and remove the link.

Linking and Removing Links for Loans with Disclosures

The following rules apply to linking and unlinking loan files when disclosures have been sent:

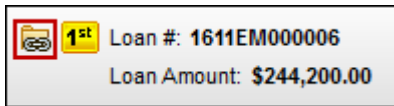
- Loan files cannot be linked if disclosures have been sent for either loan file.
 - If you are working in a construction-only loan file from which disclosures have already been sent, the New Perm and Link to Perm buttons are disabled on the Linked Loans tab.
 - If you are working in a construction-only loan file and you attempt to link to an existing loan file that has been disclosed, a pop-up message informs you that you cannot link to the file because it has already been disclosed.
- After disclosures have been sent for linked files, Encompass disables the Remove Link button and you cannot remove the link between the loans.

Identify and Navigate Between Linked Loan Files

When two loans are linked, a Linked icon  displays next to each of the loans on the Encompass Pipeline.

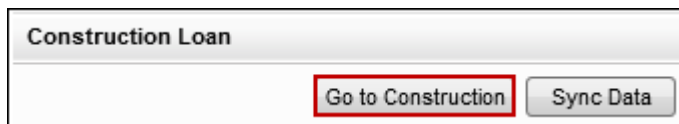
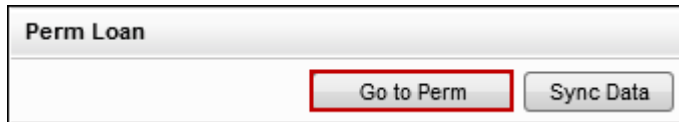
- Click or right-click the **Linked** icon to view the loan numbers for the linked loans.
- Click or right-click the **Linked** icon, and then click **Open Linked Loan** to open the loan that is linked to the selected loan.

A **Linked** icon also displays to the left of the Loan # in the Loan Summary area at the top of each loan file.



- Click or right-click the **Linked** icon, and then click **Go to Linked Loan** to open the loan that is linked to the currently open loan.
- You can also click or right-click the **Linked** icon, and then click **Sync Data** to synchronize data between the linked loans.

You can also move between the linked loans by clicking the **Go to Perm** or **Go to Construction** button on the Linked Loans tab on the Construction Management form. Clicking the buttons closes the current loan and opens the linked loan.



Synchronize Data Between Linked Loans

After linking loan files, you can synchronize data and verifications between the files. Two types of data synchronization can occur between linked loan files: a manual sync and a forced sync.

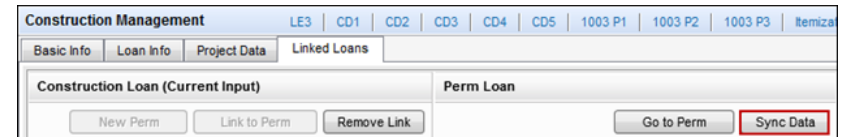
Manual Sync

A manual sync occurs when you click the Sync Data button on the Construction Management form, or when you click the Linked icon in the loan summary and then click the Sync Data option. A manual sync synchronizes data in the fields defined in the Sync Template. Your administrator creates and manages these templates in the Sync Templates setting.

NOTE: Before ordering disclosures or closing documents, make sure you run a manual sync to ensure that all the appropriate data is synced between the two loan files. If you do not run a manual sync, discrepancies might occur in the data that is populated in your disclosure or closing documents.

To Manually Synchronize Data from the Construction Management Form:

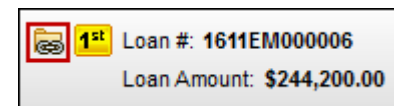
- 1 In the construction-only loan file, click the **Linked Loans** tab in the Construction Management form, and then click the **Sync Data** button at the top of the Perm Loan column.



- 2 If more than one sync template is available, select a sync template, and then click **Select**.
- 3 When the confirmation message displays, click **Yes**. The values in the permanent loan are adjusted to match the values in the construction-only loan based on the template selections.

To Manually Synchronize Data from Within a Loan File:

- 1 In the Loan Summary at the top of either one of the linked loan files, click or right-click the **Linked** icon, and then click **Sync Data**.



- 2 When the confirmation message displays, click **Yes**. The values in the permanent loan are adjusted to match the values in the construction-only loan.

NOTE: Sync Templates are configured in the Sync Templates setting. When synchronizing data, only data in the fields and verifications specified in the loan synchronization template are synchronized.

Forced Sync

A forced sync occurs when an event triggers the creation of a Disclosure Tracking Tool entry for any document that is being tracked. A forced sync synchronizes the following predefined set of fields.

- Borrower Type (field ID 4008)
- Borrower First Name (field ID 4000)
- Borrower Middle Name (field ID 4001)
- Borrower Last Name (field ID 4002)
- Borrower Suffix (field ID 4003)
- Borrower Home Email (field ID 1240)
- Co-Borrower Type (field ID 4009)
- Co-Borrower First Name (field ID 4004)
- Co-Borrower Middle Name (field ID 4005)
- Co-Borrower Last Name (field ID 4006)
- Co-Borrower Suffix (field ID 4007)
- LE Date Issued (field ID LE1.X1)
- Closing Cost Estimation Expiration Date (field ID LE1.X28)
- Time (field ID LE1.X8)
- Time Zone (field ID LE1.X9)
- Estimated Closing Date (field ID 763)
- CD Date Issued (field ID CD1.X1)
- Closing Date (field ID 748)
- Intent to Proceed (field ID 3164)
- LE Sent On (field ID 3972)
- Intent to Proceed Received Date (field ID 3197)
- Intent to Proceed Received By (field ID 3973)
- Intent to Proceed Received Method (field ID 3974)
- Intent to Proceed Received – Other Description (field ID 3975)
- Intent to Proceed Comments (field ID 3976)

Viewing Linked Loans

When two loans are linked, an Encompass user must have permission to view both loan files in order to switch between the linked loan files. For example, an Encompass user assigned to the Processor role for the loan will be able to switch between the linked loan files when both loans are at the Processing milestone in Encompass. However, if one of the loan files has been moved to the Submittal milestone and access to the loan has been granted to the Underwriter role and removed from the Processor, then the processor will no longer be able to switch to the loan file that has moved to the Submittal milestone.

Workflows for Purchase and Refinance Loans

Slightly different workflows are recommended for purchase construction loans, where the land is being acquired as part of the loan transaction, and refinance construction loans, where the borrower already owns the land. The appropriate options need to be selected for Land/Lot Status and Calculating Cash to Close so that Encompass can:

- Accommodate different definitions for the sales price used by the Consumer Finance Protection Bureau (CFPB) and GSEs such as Fannie Mae and Freddie Mac for purchase loans.
- Include different amounts in the calculation of the LTV ratio for purchase loans and refinance loans.

Additionally, the construction costs need to be added to the appropriate area of the 2015 Itemization input form, and your administrator needs to map the line correctly in the Itemization Fee Management setting.

To Complete a Purchase Loan:

- Select the **Initial Acquisition** checkbox (field ID 1964) for the Lot/Land Status in the Loan Info section on the Loan tab on the Construction Management input form.

The screenshot shows the 'Construction Management' form with the 'Loan Info' tab selected. Under 'Lot/Land Status', the 'Initial Acquisition (Not Owned)' checkbox is checked and highlighted with a red box. Other options include 'Refinance (Owned)' and 'Lot Owned Free and Clear'. The 'Property will be' section has 'Primary' checked. The 'Lien Position' has 'First' checked. The 'Purpose of Loan' has 'Construction' checked.

To Complete a Refinance Loan:

- Select the **Refinance** checkbox (field ID Constr.Refi) for the Lot/Land Status in the Loan Info section on the Loan tab on the Construction Management form.
 - Select the **Lot Owned Free and Clear** checkbox if the transaction is for the construction of a dwelling on real property that is already owned by the borrower(s) and there is no existing debt owed on the property.

The screenshot shows the 'Construction Management' form with the 'Loan Info' tab selected. Under 'Lot/Land Status', the 'Refinance (Owned)' checkbox is checked and highlighted with a red box. Other options include 'Initial Acquisition (Not Owned)' and 'Lot Owned Free and Clear'. The 'Property will be' section has 'Primary' checked. The 'Lien Position' has 'First' checked. The 'Purpose of Loan' has 'Construction' checked.

Construction Costs

When the Purpose of Loan (field ID 19) is **Construction** or **Const – Perm**, the cost to build is considered a liability to be paid off. This applies to both purchase and refinance scenarios. The liability is included in the calculation for the **Third Party Payments Not Otherwise Disclosed** (field ID LE2.X29) in the Calculating Cash to Close sections on the Loan Estimate Page 2.

Encompass users can document the cost to build using a VOL or by using data entry method.

Basic Setup of Loan File:

- 1 On the **Forms** tab, click **Construction Management**, and then click the **Loan Info** tab.
- 2 In the Lot/Land Details, provide the Cost of Improvements (b) value (field ID 23). This value impacts the As Completed Purchase Price (field ID CONST.X58) calculation and should be equal to the amount that is added either as a liability being paid off or as a non-VOL entry.

For Construction Refinance Transactions - Using Liabilities:

- 1 On the Construction Management form, click the **Basic Info** tab.
- 2 For the Refinance field (field ID 1092), click the **Payoff** button.

3 Add a liability using the Additional Liabilities pop-up window. On the **VOL** tab, click the **New** icon to create a record for *Cost to Construct* (or a similar description) as a liability.

- From the Account Type dropdown list, select **Mortgage**.
- In the Purpose field, provide a description like *Cost to Construct*.
- From the UCD Payoff Type dropdown list, select **Mortgage Loan**.
- Select the **Will be paid off (*)** checkbox.

4 Add a second liability for the Lot Payoff.

- From the Account Type dropdown list, select **Mortgage**.
- In the Purpose field, provide a description like *Lot Payoff*.
- From the UCD Payoff Type dropdown list, select **Mortgage Loan**.
- Select the **Will be paid off (*)** checkbox.

NOTE: Do *not* select the *This Debt is NOT secured to Subject Property* checkbox, as this populates the Purpose field (field ID LE1.X4) with Home Equity Loan.

For Construction Refinance Transactions - Using Payoffs and Payment Records:

If your business practice dictates that you do not document cost to construct as a liability, the non-VOL functionality available through the Payoffs and Payments table may be leveraged for loans being disclosed on an Alternate Disclosure. This can be used in combination with a payoff for an existing lien for the lot loan.

To add a non-VOL entry documenting *Cost to Construct* and *Lot Payoff*, complete the following fields. Start with *Cost to Construct* and then repeat the steps for *Lot Payoff*:

To Create a Payoffs and Payments Record:

- 1 On the **Forms** tab, click **Loan Estimate Page 2**.
- 2 In the *Calculating Cash to Close* section on the Loan Estimate Page 2, click the **Payoffs & Payments** button.
- 3 On the Payoffs and Payments pop-up window, click the **Add** icon.
- 4 On the Add Other Adjustment window, select the **Other** option from the Adjustment Type drop-down list.
- 5 Enter an **Adjustment Description** (such as *Cost to Construct*) and **Adjustment Amount**.
- 6 Click **OK**.

NOTE: Remember, use the above steps to create a record for *Cost to Construct* and a separate record for *Lot Payoff*.

For Construction Purchase Transactions - Using Liabilities:

In order for the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29) to include *Cost to Construct* equal to the Cost of Improvements (b) (field ID 23), you must add a liability.

1 On the **Forms** tab, click **Loan Estimate Page 1**.

2 Select **Purchase** from the Purpose dropdown list (field ID LE1.X4).

3 Add a liability using the Additional Liabilities pop-up window. On the **VOL** tab, click the **New** icon to create a record for *Cost to Construct* (or a similar description) as a liability.

- From the Account Type dropdown list, select **Mortgage**.
- In the Purpose field, provide a description like *Cost to Construct*.
- From the UCD Payoff Type dropdown list, select **Mortgage Loan**.
- Select the **Will be paid off (*)** checkbox.

4 Add a second liability for the Lot Payoff.

- From the Account Type dropdown list, select **Mortgage**.
- In the Purpose field, provide a description like *Lot Payoff*.
- From the UCD Payoff Type dropdown list, select **Mortgage Loan**.
- Select the **Will be paid off (*)** checkbox.

NOTE: Do *not* select the *This Debt is NOT secured to Subject Property* checkbox, as this populates the Purpose field (field ID LE1.X4) with Home Equity Loan.

For Construction Purchase Transactions - Using Payoffs and Payment Records:

In order for the Cash to Close amount (field ID CD3.X45) to match the cash due to (or from) the borrower (field ID CD3.X23), you need to add a non-VOL entry that can be added to Section K's line K04 Due from Borrower at Closing. To add a non-VOL entry documenting *Cost to Construct* and *Lot Payoff*, complete the following fields. Start with *Cost to Construct* and then repeat the steps for *Lot Payoff*:

To Create a Payoffs and Payments Record:

- 1 On the **Forms** tab, click **Loan Estimate Page 2**.
- 2 In the *Calculating Cash to Close* section on the Loan Estimate Page 2, click the **Payoffs & Payments** button.
- 3 On the Payoffs and Payments pop-up window, click the **Add** icon.
- 4 On the Add Other Adjustment window, select the **Other** option from the Adjustment Type drop-down list.

- 5 Enter an **Adjustment Description** (such as *Cost to Construct*) and **Adjustment Amount**.
 - The Adjustment Amount is the cost of the lot or it can be the cost of the log plus the cost to build.
- 6 Click **OK**.
- 7 Verify that your non-VOL record is reflecting in the Disbursement to Others list in the Payoffs and Payments pop-up window, and that the **Include** checkbox in that section is selected.
- 8 Click **OK**.
- 9 Click **Yes** to confirm the *Do you want to copy Total Payoffs and Payment (k) to line K-04 in the Summaries of Transactions on the CD Page 3?* prompt.

The total of payoffs and payments will only show up in the Borrower's Transaction on the CD Page 3 to line K-04 (field ID L85) and is not designed to populate for Adjustments and Other Credits (field ID LE2.X4) on the LE Page 2 or Adjustments and Other Credits (field ID CD3.X109) on the CD Page 3.

NOTE: Remember, use the above steps to create a record for Cost to Construct and a separate record for Lot Payoff.

Sales Price and LTV Considerations

Additional adjustments must be made to account for the fact that GSEs and the CFPB use different definitions for the sales price of a property, and to ensure that the LTV ratio is calculated correctly for purchase and refinance construction loans.

For a purchase loan, where the lot is being acquired, make the following two selections in order to properly disclose the sales price for UCD purposes and accurately calculate the LTV:

- Select the **Initial Acquisition** checkbox (field ID 1964) for the Lot/Land Status in the Loan Info section on the Loan tab on the Construction Management form.

Selecting this checkbox will:

- Populate the Lot Price (field ID 21) as the Sales Price (field ID L726) on the Loan Estimate Page 1, Closing Disclosure Page 1, and the Closing Disclosure Page 3 for UCD purposes.
- Cause the lesser of the As Completed Purchase Price (field ID CONST.X58) or the As Completed Appraised Value (field ID CONST.X59) to be used in the calculation for the LTV ratio.

NOTE: When an As Completed Appraisal is received on the property, the system will update the value of CONST.X59 with the updated value. This will be leveraged for all subsequent LTV calculations.

- Continue using the Sales Price/Purchase Price (field ID 136) for AUS and ULDD purposes, and in the Summaries of Transactions.

For a refinance loan, where the lot has already been purchased:

- Select the **Refinance** checkbox (field ID Constr.Refi) for the Lot/Land Status in the Loan Info section on the Loan tab on the Construction Management form.

Selecting this checkbox will:

- Cause the Sales Price/Purchase Price (field ID 136) as the sales price for disclosure, AUS, and ULDD purposes, and in the Summaries of Transactions.
- Cause the As Completed Appraised Value (field ID CONST.X59) to be used in the calculation for the LTV ratio.

NOTE: When an As Completed Appraisal is received on the property, the system will update the value of CONST.X59 with the updated value. This will be leveraged for all subsequent LTV calculations.

Additional Information

Cash to Close Calculations: Downpayment/Funds from Borrower and Funds for Borrower

The Calculating Cash to Close sections on the Loan Estimate Page 2 and Closing Disclosure Page 3 input forms use the following logic for the **Down Payment/Funds from Borrower** and **Funds for Borrower** fields when the Purpose of Loan (field ID 19) is **Construction** or **Const-Perm**.

- For construction scenarios where the lot is being refinanced, the payoff amount is included as a liability to be paid off in the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29).
- For construction scenarios where the lot is being purchased, Encompass continues to synchronize the Purchase Price to the Disclosed Purchase Price.
- For construction scenarios where the lot is owned free and clear, and the borrower is not using the equity in the lot to finance the purchase, no purchase price or payoff is documented for the lot cost.
- For all construction scenarios, the lender has the option to document the cost to build as a liability, which updates the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29), or to include the cost to build in the Third Party Payments Not Otherwise Disclosed without adding a liability.

Loan Estimate Page 2

- **Down Payment/Funds from Borrower** (field ID LE2.X2) - The Down Payment/Funds from Borrower is calculated by adding the combined totals of the disclosed Sales Price for the property (field ID L726), the Sale Price of Any Personal Property Included in Sale (field ID L79), and the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29), and then subtracting the combined value of the Loan Amount (field ID 2) minus the Financed Closing Costs (field ID LE2.X1). When the resulting number is greater than 0, the Sales Price (field ID L726) is populated to the Down Payment/Funds from Borrower field. Otherwise **0** is populated to the Down Payment/Funds from Borrower field.
- **Funds for Borrower** (field ID LE2.X3) - The Funds for Borrower is calculated by adding the combined totals of the disclosed Sales Price for the property (field ID L726), the Sale Price of Any Personal Property Included in Sale (field ID L79), and the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29), and then subtracting the combined value of the Loan Amount (field ID 2) minus the Financed Closing Costs (field ID LE2.X1). When the resulting number is greater than 0, then **0** is populated to the Funds for Borrower field. Otherwise the resulting value is populated to the Funds for Borrower field as a positive number.

Closing Disclosure Page 3

- **Final Down Payment/Funds from Borrower** (field ID CD3.X105) - The Final Down Payment/Funds from Borrower is calculated by adding the combined totals of the disclosed Sales Price for the property (field ID L726), the Sale Price of Any Personal Property Included in Sale (field ID L79), and the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29), and then subtracting the combined value of the Loan Amount (field ID 2) minus the Financed Closing Costs (field ID CD3.X104). When the resulting number is greater than 0, the Funds from Borrower (field ID L726) is populated to the Down Payment/Funds from Borrower field. Otherwise **0** is populated to the Down Payment/Funds from Borrower field.
- **Funds for Borrower** (field ID CD3.X107) - The Funds for Borrower is calculated by adding the combined totals of the disclosed Sales Price for the property (field ID L726), the Sale Price of Any Personal Property Included in Sale (field ID L79), and the Third Party Payments Not Otherwise Disclosed (field ID LE2.X29), and then subtracting the combined value of the Loan Amount (field ID 2) minus the Financed Closing Costs (field ID CD3.X104). When the resulting number is greater than 0, then **0** is populated to the Funds for Borrower field. Otherwise the resulting value is populated to the Funds for Borrower field as a positive number.

Escrow and ARM Payments for Blended Disclosures

The Projected Payments and Adjustable Rates tables display some unexpected results under the conditions described below as a result of guidelines that conform with Know Before You Owe (KBYO) regulations.

- For a construction-to-permanent loan, if the first column in the Projected Payments table on the Loan Estimate Page 1 reflects a blend of the construction and permanent phases, the projected payments for the first column reflect a blended construction-perm. For these scenarios, when escrow is not collected until the permanent phase, the first column on the Projected Payments table will disclose the permanent phase per [regulation guidelines](#).
- For a construction-to-permanent loan with blended disclosures for an interest-only fixed-rate construction loan that converts to an ARM permanent loan, the Subsequent Changes (field ID CD4.X33) is populated with **Every year** to disclose the shortest period of adjustment over the remaining course of the loan per [regulation guidelines](#).

- If your company does not want to include this type of information in the disclosures, another option is to disclose the construction and permanent phases separately as described in “Process Construction-to-Permanent Loans with Separate Disclosures” on page 35.

Frequently Asked Questions

This section lists frequently asked questions regarding submitting construction loans to AUS, construction-related entries on the Projected Payments and AP table, and funds paid to the builder outside closing.

Submitting Loans to GSE Automated Underwriting Systems

Q: How do I submit a construction or construction-to-permanent loan to Fannie Mae’s Desktop Underwriter (DU) when the lot has an existing mortgage that is being refinanced as part of the transaction?

A: Prior to submitting the loan file to DU, open the Construction Management input form, click the **Loan Info** tab, select **Construction-Perm** for the Purpose of Loan (field ID 19), and select the **Refinance** checkbox (field ID Constr.Refi) for Lot/Land Status. In the Details of Transaction section on the 1003 URLA Part 3 input form, leave the following fields blank: **a. Purchase Price** (field ID 136), **b. Alterations** (field ID 967) and **c. Land** (field ID 968). The DU results will show the case underwritten as a Limited Cash-Out Refinance.

Q: How do I submit a construction or construction-to-permanent loan to Fannie Mae’s Desktop Underwriter (DU) when the lot is being purchased as part of the loan transaction?

A: Prior to submitting the loan file to DU, open the Construction Management input form, click the **Loan Info** tab, and select **Construction** for the Purpose of Loan (field ID 19). In the Details of Transaction section on the 1003 URLA Part 3 input form, enter the total of the **Cost of Improvements (b)** (field ID 23) plus the **Original Cost** (field ID 21) of the lot in the **Purchase Price** field (field ID 136). Leave the following fields blank: **b. Alterations** (field ID 967) and **c. Land** (field ID 968). The DU results will show the case underwritten as Single-Closing Construction-to-Permanent Financing.

NOTE: *It is not necessary to create a VOM record with an attached Mortgage Liability for the construction cost to ensure Cash to Close calculates correctly. VOM records are not traditionally added on a Purchase Transaction as the borrower does not already own the property.*

Q: How do I submit a construction or construction-to-permanent loan to Fannie Mae’s Desktop Underwriter (DU) when the land is owned free and clear?

A: Prior to submitting the loan file to DU, open the Construction Management input form and click the **Loan Info** tab. Select **Construction** for the Purpose of Loan (field ID 19), and then select **Refinance** (field ID Constr.Refi) for the Lot/Land Status. In the Details of Transaction section on the 1003 URLA Part 3 input form, leave the following fields blank: **a. Purchase Price** (field ID 136), **b. Alterations** (field ID 967) and **c. Land** (field ID 968). The DU results will show the case as being underwritten as a Limited Cash-Out Refinance. After DU is complete, clear the **Refinance** (field ID Constr.Refi) checkbox prior to sending the Loan Estimate or Closing Disclosure to the borrower to disclose the transaction as a construction loan.

NOTE: *It is not necessary to create a VOM record with an attached Mortgage Liability for the construction cost to ensure Cash to Close calculates correctly. VOM records are not traditionally added on a Purchase Transaction as the borrower does not already own the property.*

Escrow

Q: Why does the first column in the Projected Payments table show escrow for a construction-to-permanent loan when funds will not be escrowed until the permanent phase of the loan?

A: For a construction-to-permanent loan with blended disclosures, if the first column in the Projected Payments table on the Loan Estimate Page 1 reflects a blend of the construction and permanent phases, the escrow being collected during the permanent phase is disclosed, per Know Before You Owe (KBYO) [regulation guidelines](#). If your company does not want to include this type of information in the blended disclosures as required by KBYO regulations, another option is to disclose the construction and permanent phases separately as described in “Process Construction-to-Permanent Loans with Separate Disclosures” on page 35.

AP Table Adjustments

Q: Why does the Subsequent Adjustment field on my AP Table show an adjustment period that is different from the next actual adjustment for the loan?

For a construction-to-permanent loan with blended disclosures, when an interest-only fixed-rate construction loan that converts to an ARM permanent loan, the Subsequent Changes (field ID CD4.X33) is populated with **Every year** to disclose the shortest period of adjustment over the remaining course of the loan per Know Before You Owe (KBYO) [regulation guidelines](#). If your company does not want to include this type of information in the blended disclosures as required by KYOB regulations, another option is to disclose the construction and permanent phases separately as described in “Process Construction-to-Permanent Loans with Separate Disclosures” on page 35.

Excess Funds to Builder

Q: How do I record excess funds being paid to the builder when the borrower is not required to bring the funds to closing? For example, the cost to build is \$350,000, the loan amount is \$300,000, and the borrower is paying \$50,000 of the cost to build directly to the builder.

A: These funds are recorded as a Deposit (field ID L1128) paid to the contractor outside closing in the Calculating Cash to Close section on the Loan Estimate Page 2.

Order eDisclosure and Closing Docs for Construction Loans

Prior to ordering documents, make sure you complete the Project Data tab in its entirety. This ensures that the loan documents are complete. Additionally, make sure you enter the Const. Completion Date (field ID CONST.X3) in the Additional Details section on the **Loan Info** tab. This field replaces the automatic calculation of the construction completed date for the purposes of the documents. Encompass allows your company to select the completion date that will be populated to your loan documents by manually entering the Const. Completion Date.

Select the correct plan code, based on the type of construction loan you are processing:

- Construction-only fixed-rate loans - Select the **Construction Only - Fixed Rate** plan code.
- Construction-only ARM loans - Select the **Construction Only - Adjustable Rate** plan code.
- Construction-to-permanent loan with blended disclosures - Select the plan code that you will use for the permanent phase of the construction-to-permanent (blended disclosures) transaction. Encompass identifies the Purpose of Loan as Construction-Perm and generates the required documents for both the permanent and construction phases of the transaction.
- Construction-to-permanent loan with separate disclosures - In the construction loan file, select the appropriate plan code for the construction loan (see the first two bullets above). In the permanent loan file, select the appropriate plan code for your permanent loan. ICE Mortgage Technology recommends that you run audits in each of the loan files to resolve audit issues prior to ordering documents. After you resolve the audit issues, order disclosures or closing docs from the primary (construction) loan file. Encompass identifies the Purpose of Loan as Construction-Perm and generates the required documents for the construction and permanent phases of the transaction.

Add Construction Plan Codes

If the construction plan codes do not display when you order eDisclosures or closing docs, follow the detailed procedures below to add them to the list of available plan codes.

To Add Construction eDisclosure Plan Codes:

- 1 Open a loan file, click the **eFolder** icon on the upper-right, and then click the **eDisclosures** button.

- 2 On the Send eDisclosure window, click the **Add Plan Code(s)** icon.

NOTE: If the **Add Plan Code(s)** icon is not visible, you do not have permission to add plan codes. Ask your Encompass administrator to add the plan codes to the list.

- 3 On the Select Plan Code window, select **Generic** from the **Select an investor** drop-down list.
- 4 Type construction in the search field at the top of the Description column, and then press the **Enter** key.

Investor	Description	Plan Code	Ellie Mae Plan ID
Generic	Construction Only - Fixed Rate		
Generic	Construction Only - Adjustable Rate		

- 5 Select the construction plan codes, and then click **Add**.

To Add Construction Closing Docs Plan Code:

- 1 Open a loan file, click the **Forms** tab in the panel on the lower-left, and then click **RegZ-CD**.
- 2 Click the **Plan Codes** button on the second line from the top.
- 3 On the Select Plan Code window, click the **Add Plan Code(s)** icon.

NOTE: If the **Add Plan Code(s)** icon is not visible, you do not have permission to add plan codes. Ask your Encompass administrator to add the plan codes to the list.

- 4 Select **Generic** from the **Select an investor** drop-down list, type **construction** in the search field at the top of the Description column, and then press the **Enter** key.

Investor	Description	Plan Code	Ellie Mae Plan ID
Generic	Construction Only - Fixed Rate		
Generic	Construction Only - Adjustable Rate		

- 5 Select the construction plan codes, and then click **Add**.

Encompass Docs Solution Forms

The following forms will be provided in eDisclosure and closing packages by the Encompass Docs Solutions for construction loans processed in Encompass.

Construction-Only Loans

These forms are available for construction-only loans.

- **Residential Construction Loan Commitment Letter** - The Commitment Letter prints by default in "At Approval" eDisclosure packages. The form can be moved to other eDisclosure packages, moved to Closing Document packages, or suppressed altogether by contacting ICE Mortgage Technology Technical Support. State-specific versions of the form are available for DC, FL, IL, ME/PA, MI, NC, OR, SC, TN, VT, VA. All other states use a multi-state version (GCNSTOCOMJ).
- **Residential Construction Loan Agreement** - The Loan Agreement will print in all Closing Document packages. It is formatted to meet recording requirements for all 50 states for clients who opt to record the Loan Agreement. For recording costs: The Loan Agreement is a minimum of 14 pages for Legal Size states and 17 pages for Letter Size states. The number of pages can grow significantly depending on the number of borrowers, trustee signatures, and state-specific differences. Please pull a sample to confirm the exact number of pages. Additionally, cost consideration needs to include several non-EDS exhibits to be attached such as the Construction Budget, Draw Schedule, and Draw Request Authorization. State-specific versions of the form are available for AZ, DE, FL, KS, KY, ME, MA, MI, MO, NM, NY, NC, PA, SC, TX, WV, WI. All other states use a multi-state version (GCNSTOAGR/GCNSTOAGL).

- **Construction Loan Fixed Rate, Interest-Only Balloon Promissory Note** - The Construction Only Fixed Rate Note will print when the Construction Only - Fixed Rate plan code is selected. State-specific versions of the form are available for AK, CA, ME, MI, OK, OR, PA, TX, VT, WV. All other states use a multi-state version (GCNSTOFNOT).
- **Construction Loan Adjustable Rate, Interest-Only Balloon Promissory Note** - The Construction Only Fixed Adjustable Note will print when the Construction Only - Adjustable Rate plan code is selected. State-specific versions of the form are available for AK, CA, ME, MI, OK, OR, PA, TX, VT, WV. All other states use a multi-state version (GCNSTOANOT).
- **Residential Construction Loan Adjustable Rate Rider** - For recording costs: The Adjustable Rate Rider is a minimum of 3 pages for Legal Size states and 4 pages for Letter Size states. The number of pages can grow significantly depending on the number of borrowers and trustee signatures. Please pull a sample to confirm the exact number of pages. Multistate only (GCNSTOARLU/GCNSTOARDU).
- **Residential Construction Loan Balloon Rider** - For recording costs: The Balloon Rider is a minimum of 2 pages for both Legal Size and Letter Size states. The number of pages can grow significantly depending on the number of borrowers, and trustee signatures. Please pull a sample to confirm the exact number of pages. Multi-state only (GCNSTOBRLU/GCNSTOBRDU).
- **Construction Loan Rider to Security Instrument (Including Security Agreement)** - For recording costs: The Construction Rider is a minimum of 4 pages for Legal Size states and 5 pages for Letter Size states. The number of pages can grow significantly depending on the number of borrowers, trustee signatures, and state-specific differences. Please pull a sample to confirm the exact number of pages. State-specific versions of the form are available for CT, DE, DC, FL, ID, IL, IN, KS, KY, ME, MO, MT, NE, NH, NM, NC, PA, RI, SC, VA. All other states use a multi-state version (GCNSTORLU/GCNSTORDU).

Construction-to-Permanent Loans

These forms are available for construction-to-permanent loans with either blended or separate disclosures.

- **Residential Construction / Permanent Commitment Letter** - The Commitment Letter will print by default in "At Approval" eDisclosure packages. The form can optionally be changed to other eDisclosure packages, moved to Closing Document packages, or suppressed altogether by contacting ICE Mortgage Technology Technical Support. State-specific versions of the form are available for DC, FL, IL, ME/PA, MI, NY, NC, OR, SC, TN, VT, VA. All other states use a multi-state version (GCNSTPCOMJ).
- **Residential Construction / Permanent Loan Agreement** - The Loan Agreement will print in all Closing Document packages. It is formatted to meet recording requirements for all 50 states for clients who opt to record the Loan

Agreement. For recording costs: The Loan Agreement is a minimum of 14 pages for Legal Size states and 17 pages for Letter Size states. The number of pages can grow significantly depending on # of borrowers, trustee signatures, and state-specific differences, please pull a sample to confirm the exact number of pages. Additionally, cost consideration needs to include several non-EDS exhibits to be attached such as the Construction Budget, Draw Schedule, and Draw Request Authorization. State-specific versions of the form are available for AZ, DE, FL, KS, KY, ME, MA, MI, MO, NM, NY, NC, PA, SC, TX, WV, WI. All other states use a multi-state version (GCNSTPAGR).

- **Construction / Permanent Loan Addendum to Note - FIXED RATE VERSION.** The Addendum to Note will print in Construction-Permanent Transactions where the Construction Phase is Fixed Rate. State-specific versions of the form are available for MI, MT, OR, PA, TX, VT, VA. All other states use a multi-state version (GCNSTPFADN).
- **Construction / Permanent Loan Addendum to Note - ADJUSTABLE RATE VERSION.** The Addendum to Note will print in Construction-Permanent Transactions where the Construction Phase is Adjustable Rate. State-specific versions of the form are available for MI, MT, OR, PA, TX, VT, VA. All other states use a multi-state version (GCNSTPAADN).
- **Construction / Permanent Loan Adjustable Rate Rider** - For recording costs: The Adjustable Rate Rider is a minimum of 3 pages for Legal Size states and 4 pages for Letter Size states. The number of pages can grow significantly depending on # of borrowers, and trustee signatures, please pull a sample to confirm the exact number of pages. Multi-state Only (GCNSTPARLU/GCNSTPARDU).
- **Construction / Permanent Loan Rider to Security Instrument (Including Security Agreement)** - For recording costs: The Construction Rider is a minimum of 4 pages for Legal Size states and 5 pages for Letter Size states. The number of pages can grow significantly depending on the number of borrowers, trustee signatures, and state-specific differences. Please pull a sample to confirm the exact number of pages. State-specific versions of the form are available for CT, DE, DC, FL, ID, IL, IN, KS, KY, ME, MO, MT, NE, NH, NM, NC, PA, RI, SC, VA. All other states use a multi-state version (GCNSTPRLU/GCNSTPRDU).

All Construction Loans

These forms are available for all construction loans (construction-only and construction-to-permanent loans with either blended or separate disclosures).

- **Assignment of Plans and Specification with Joinder and Consent of Architect** - This form prints in all Construction packages and is used to assign the plans between the Architect and the Borrower to the Lender in case of default. State-specific versions of the form are available for ME, NC, PA. All other states use a multi-state version (GCNSTOPAPS).

- **Assignment of Construction Contract with Joinder and Consent of General Contractor** - This form prints in all Construction packages and is used to assign the Contract between the Contractor and the Borrower to the Lender in case of default. State-specific versions of the form are available for IL, KY, ME, NC, PA. All other states use a multi-state version (GCNSTOPACC).
- **Assignment of Contracts, Licenses, Permits, and Warranties** - This form prints in all Construction packages and is used to assign the various contracts, licenses, etc. from the Borrower to the Lender in case of default. Note: There is an optional Recordable version of this form for clients who opt to record this Assignment. Please contact Client Care to request the form be swapped out. State-specific versions of the form are available for CO, ME, PA. All other states use a multi-state version (GCNSTOPACL).
- **Residential Construction Loan Agreement Exhibit F - "Affidavit: Section 22 New York Lien Law"** - This form is to be specifically attached to the Loan Agreement as Exhibit F for NY loans. For recording costs: The NY Affidavit is a minimum of 2 pages. The number of pages can grow significantly depending on the number of borrowers, trustee signatures, and the number of Borrower Financed Fees, please pull a sample to confirm the exact number of pages. NY only (NYCNSTOPAEXF).
- **Construction First Payment Letter** - The new payment letter will print in all Construction Packages with the focus on the Construction Phase. For Construction-Permanent packages, the existing payment letters in the library will continue to print for the permanent phase of the loan. These permanent payment letters can be saved to the eFolder for later use or may be suppressed altogether by submitting a request to Client Care. A state-specific version of the form is available for IL. All other states use a multi-state version (GPTC).

Construction-Perm Blended Disclosures

These closing documents are available with construction-to-permanent loans with blended disclosures.

- **Rate Lock Agreements** - When locking the rate in a Construction-Permanent Blended Disclosures loan file, the Rate Lock applies to the Construction Phase Only. The forms are being updated to read the following fields as they are applicable.
 - Interest Rate change from Field 3 to Field 1677
 - Loan Terms from Field 325 to Total Loan Terms of LE1.X2 and LE1.X3
 - Amortization from Field 608 to Const.X13
 - ARM Data Points will be suppressed when Const.X13 is Fixed
 - Monthly P&I from Field 5 to Field 4085

(GRATELJ, GRATELOC, CALOCJ, FLLOCJ, MILOCJ, NHLOCJ, NJLOCJ, PARLAJ, TNLOCJ, WYRLAJ, MARLCJ, MNRLAJ, MOLOCJ, ORLOCJ, ILLOCJ, NMLOCJ, MSLOCJ, CTLOCJ, MTINTJ, DCLOCJ, WAAGRJ, VALOCJ, NYINTJ)

NOTE: For Dual Rate Locks or Locking the Permanent Phase, the recommended workflow is to use Separate Disclosures instead of Blended Disclosures.

Other Closing Documents

These closing documents are available for construction-only loans, construction-to-permanent loans with blended disclosures, and construction-to-permanent loans with separate disclosures.

- **Affidavit of Occupancy** - The form corresponds with the Occupancy Language in the Construction Riders to the Security Instrument. (GAOC)
 - For Construction Only Loans, the form will print the borrower must occupy within 30 days from completion of construction.
 - For Construction-Permanent Loans, the form will print the borrower must occupy within 60 days from completion of construction.
 - For All other Loan Purposes, the form will print the borrower must occupy within 60 days of the Loan Closing.
 - Additionally, for all loans, the **Refinance** checkbox has been updated to read Field 19 = Refinance or Constr.Refi = Yes.
- **Appointment of Designee** - This form is an optional form in the library that can be added upon request. The form pulls the Appointment of Designee fields from Encompass. (GDESIJ)
- **Tax Record Information Sheet** - For all loans, the Refinance checkbox has been updated to read Field 19 = Refinance or Constr.Refi = Yes. (GTXI).

Disclosure Tracking

When disclosure packages are generated or printed for linked loan files that are part of a construction-to-permanent loan transaction with separate disclosures, Disclosure Tracking entries are created in each of the linked loan files. The disclosure date/time stamp for the two tracking entries will be identical, but the snapshot data in the Disclosure Tracking record for each loan file captures loan data that is specific to each loan file. For example, the snapshot data for the construction phase might show a note rate of 5%, while the snapshot data for the permanent phase might show a note rate of 4.5%.

When a Disclosure Tracking Tool entry is generated for a construction loan file that is linked to a permanent loan file, Disclosure Tracking entries are created in each of the linked loan files. The Disclosure Tracking tool uses the following logic to track the disclosures:

- Disclosure Tracking entries are created in the construction loan and then duplicated to the permanent loan with the number of entries and the content of the entries matching in both Disclosure History panels.
- Both entries contains a complete record of the documents sent, but the snapshot in each log will track information relevant to the loan in which the record is made, including:
 - The information in the Loan Snapshot section on the **Details** tab on the Disclosure Details window, including the information in the LE Snapshot, CD Snapshot, SSPL Snapshot, and Itemization Snapshot.
 - The information on the **Reasons** tab on the Disclosure Details window.
- Encompass captures the following information from the construction loan and synchronizes the data with the loan file for the permanent phase:
 - Borrower pair information, including the borrower name, borrower type, and email address
 - Application Date
 - Estimated Closing Date
 - Closing Date
 - Intent to Proceed information
 - eConsent status and all eConsent-related information
 - The Disclosure Information section on the **Details** tab of the Disclosure Details window
 - eDisclosure tracking and fulfillment information from the **eDisclosure Tracking** tab on the Disclosure Details window)
 - Whether a disclosure is included in or excluded from the timeline
- Manual fulfillment details
- When the following information is updated in the construction loan file, Encompass copies the updates to the permanent loan file:
 - Application Date
 - Estimated Closing Date
 - The Sent Date, Sent Method, Actual Received Date, Received Method, and Presumed Received Date on the **Details** tab of the Disclosure Details window
 - Whether a disclosure is included or excluded from the timeline
 - Manual fulfillment details
 - eConsent information
 - eDisclosure tracking and fulfillment information from the **eDisclosure Tracking** tab on the Disclosure Details window)
- Logs and messages for eDisclosures or consent display in the construction loan only, but not in the permanent loan.
- Users cannot manually create Disclosure Tracking entries in the loan files for the permanent phase. Any fields that are automatically synced when a Disclosure Tracking entry is generated are not editable in the loan for the permanent phase, but the **Reasons** tab can be modified.
- Users cannot order manual fulfillment, request eConsent, generate eDisclosures, or order documents in the loan file for the permanent phase.
- Users can print disclosure documents from the permanent loan file, but printing does not trigger the creation of a Disclosure Tracking entry in either loan.
- When you view a document from a eDisclosure or Closing Docs Disclosure Tracking record in the permanent loan file, you will view the same document that is shown for the corresponding record in the construction loan file.
- The syncing of the log from the construction to the permanent loan file and the restrictions on Disclosure Tracking modifications on the permanent loans apply to the Encompass SDK (software development kit) as well.