

7. Transactions Involving Properties for Proposed Construction, Under Construction or Existing Construction Less Than One Year Old

Introduction This topic contains information on transactions involving properties for proposed construction, under construction or with existing construction less than one year old, including

- financing limit, and
- criteria for maximum financing.

Change Date March 10, 2010

4155.1 2.B.7.a Financing Limit Properties that are proposed, under construction or existing construction less than one year old are limited to 90 percent financing.

The 90 percent financing for properties proposed, under construction, or existing construction less than one year old is calculated by using the *lesser* of the

- appraiser's estimate of value, or
- sales price, plus or minus required adjustments for
 - seller contributions
 - inducements to purchase, and/or
 - additions to the mortgage amount.

Reference: For more information on required adjustments, see [HUD 4155.1 2.A.](#)

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7. Transactions Involving Properties for Proposed Construction, Under Construction or Existing Construction Less Than One Year Old, Continued

**4155.1 2.B.7.b
Criteria for
Maximum
Financing**

The table below describes the criteria that properties must meet to be eligible for greater than 90 percent financing, whether or not the property has been previously occupied.

One of those criteria must be evidenced in order for the borrower to be eligible for a high ratio mortgage.

Criteria	Description
Approval of Dwelling Site Plans	The dwelling’s site plans and materials were approved before construction began by <ul style="list-style-type: none"> • the Department of Veterans Affairs (VA) • an eligible DE underwriter, i.e. Conditional Commitment issued prior to framing, or • an early start letter issued by a DE underwriter.
Local Jurisdiction Building Permit and Certificate of Occupancy	The local jurisdiction has issued both a <ul style="list-style-type: none"> • building permit or equivalent prior to construction, and • Certificate of Occupancy or equivalent. <p><i>Note:</i> This does not apply to condominiums or manufactured housing. These properties have special circumstances for financing approval.</p>
Builder’s Warranty	The dwelling is covered by a builder’s ten-year insured warranty plan that is acceptable to HUD.
Dwelling Relocation	The dwelling <ul style="list-style-type: none"> • will be moved to a new location, and • is eligible for an insured mortgage at the new location based on approval of the dwelling site plan criteria listed previously in this table.