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Don't let limited existing housing slow down your business. Lumber prices are falling and new construction is back!

Existing housing stocks throughout the U.S. have continued to decline, especially for low- and moderate-income households, and homebuyers continue looking for other available options. One of the best options available is offered by USDA. The Combination Construction to Permanent (CTP) loan, also known as the "single-close" loan program, can be used to finance stick built and manufactured homes.

Why lenders are choosing the single-close loan program.

Keeps your business booming even with limited existing housing. The program has experienced a steady increase in activity during 2021 with single-close loans being made in 27 states and Puerto Rico. The utilization of the program can expand your portfolio substantially in this market of unconventionally low inventory and the recent decrease in lumber costs will further aid in the program's effectiveness.

No additional lender approval is required. Any USDA approved lender may offer the single-close program to their eligible applicants without obtaining additional approval. The lender must self-certify to having at least two years of SFH construction lending experience as well as adequate controls for monitoring and disbursing the construction costs. Lenders without the necessary construction experience may employ a construction loan management company that has at least 2 years of SFH construction experience.

USDA issues a guarantee before construction even begins. A fantastic feature of the single-close program for lenders is the fact that USDA provides the loan note guarantee at loan closing, before the first shovel goes into the ground. The establishment of the guarantee prior to construction significantly reduces risk for lenders, investors, and builders.

Why homebuyers are choosing the single-close program.

Reduced risk and more flexibility. The prospect of financing a new home build can be daunting for a new homebuyer since interim financing must first be secured for the lot purchase and home construction. Then a second loan with additional fees and closing costs is necessary for the permanent, long term mortgage. A single-close loan eliminates the need for two loan transactions, combining the features of a short-term construction loan and a traditional "take-out" permanent loan with a single loan closing transaction. As with all USDA SFH guaranteed loans, there is no down payment required and the maximum loan amount is 100% of the "as improved" appraised value, plus the guarantee fee.

They have options. The single-close program allows for two product options: a standard option with interest only payments made during construction, and a securitizable version where full PITI payments are made. The securitized version eliminates the need for a loan modification upon completion of the build. This allows for the loan to be packaged or sold prior to construction and eliminates the need for a warehouse line of credit. Both options allow for payments during construction to be escrowed from loan funds, making the program affordable and obtainable for most low- and moderate-income applicants. Whichever option they choose, the lender receives the Agency's Loan Note Guarantee at signing, prior to construction!

Join the increasing number of approved USDA lenders offering the single-close program and help your eligible applicants realize the dream of new home ownership.

For more information, please contact the Lender and Partner Activities Branch at sfhgldlenderpartner@usda.gov. Live training webinars can also be arranged with your staff to provide further information and training regarding this program.

