

Contractor and Project Approval process and procedures

The following are procedures for approval of contractor and work proposal for a Fannie Mae Homestyle Renovation Mortgage loan:

1. Loan officer will review our internal Exclusionary List (located in our internal Towne Connect) to verify contractor is not on list.
2. Loan officer will send the following documentation to Contractor/Contract Approval e-mail. Documentation for **both** contractor and work proposal approval should be sent **at the same time** to: construction@townemortgage.com.

CONTRACTOR APPROVAL DOCUMENTATION REQUIRED:

- ✓ Contractor Profile completed by each contractor (Fannie Mae Form 1202)
- ✓ Fully completed W-9 (s)
- ✓ General contractor license or license for each specialized repair/improvement. Full Builders license required for projects consisting of additions/GLA increases or major structural modifications.
- ✓ Liability insurance policy (minimum \$300,000 coverage)
- ✓ Workman's Compensation Insurance policy: Evidence of Worker's Compensation insurance, if Contractor has employees. If no employees, a Certificate of Exemption or a letter from the contractor stating he/she has no employees is required.

WORK PROPOSAL/PROJECT APPROVAL DOCUMENTATION REQUIRED:

- ✓ Construction Contract (form 3734) signed by borrower and contractor
- ✓ -Detailed work proposal including:
 - Breakdown of Labor/Materials
 - Detailed Description of Improvements
 - Detailed permit requirements (if required)
- ✓ Draw Schedule
- ✓ Architectural drawings including layout and dimensions when modifying floor plan and/or addition of GLA

3. Renovation Loan Specialist will review the documentation provided and will make determination if contractor is qualified and meets all requirements for approval. Will also review the contract and evaluate the detail and completeness of the proposal, feasibility of the project, and cost of renovation work.
 - Amount of contingency required will be determined by the Construction Loan Specialist and will be included on the Work Proposal/Contract Approval form.
 - Renovation Loan Specialist will contact the contractor and/or borrower for any additional information or documentation needed for approval. Loan officer and processor will be notified via e-mail of any delays
 - If all documentation is in order and contractor is approved, the Construction Loan Specialist will sign the Contractor Approval and Construction contract approval forms and e-mail forms back to the loan officer and the processor. Approval process will generally take 48 hours.
4. Entire contractor/contract approval packages with all exhibits will then be uploaded into Encompass e-folder for the loan.
 - If loan **has not** been submitted to underwriting for initial approval, then no further steps are necessary.
 - If loan has been preliminarily approved, the Renovation Loan Specialist will resubmit loan to underwriting for underwriter review and preparation of Homestyle Renovation Maximum Mortgage Worksheet (form 1035)

Appraisal Order Process

Appraisal **may not** be ordered until both contractor and work proposal are approved by Construction loan Specialist.

- Appraisal must be ordered through one of Towne’s approved appraisal management companies
- The Work Proposal Approval and Contract must be sent with the appraisal order with instructions for the appraiser to provide an “as completed” value.