

BUILDING YOUR DREAM HOME:

APPLYING FOR A ONE-TIME CLOSE CONSTRUCTION LOAN.

The decision to build your own home is definitely exciting and rewarding. It gives you the power to call the shots about floor plans, room sizes, and lets you put your personal touch on all the finishes. Yes, there are a lot of details to consider and decisions to make, but don't worry; Mortgage Center is here to help make this process easy! This guide is designed to educate you about our unique and convenient, one-time close construction loan and provides you with the information that you will need to make applying for a construction loan simple.

Pre-Qualification For Financing



Obtaining a pre-qualification is the first step on your path to building your dream home. Mortgage Center offers construction financing for single family homes that are to be occupied as either a primary or secondary residences. Our loan originators will help you determine the maximum amount of financing for which you qualify for or the payment amount you will be comfortable with.

Your loan originator will take your application and request the appropriate supporting financial documentation. Once those items are received by Mortgage Center, your loan request will be analyzed and, if approved, an approval letter will be provided. This letter will be beneficial to you and your builder in order to determine the size of the house and the amenities you can include.

Selecting a Builder



The building process can take an average of six months to complete and there is a great deal of communication required between you and your builder. You need to feel comfortable communicating with your builder and trusting that he or she is honest and dependable. Mortgage Center cannot recommend a contractor or builder for you. However, we do need to obtain information from the builder you have selected to review his or her experience level, credit history, licensing and references. The builder will need to meet our required Builder Standards. Our acceptance of a builder does not constitute a representation or warranty to you of the builder's qualifications, licensure, competency, ability, character, or reputation.

Required Information From Your Builder:

- A copy of the Builder's License.
- A builder information form, completed by the builder.
- A copy of the signed contract between you and the builder.
- A Sworn Statement provided by the builder to the title company and Mortgage Center listing a complete cost breakdown.
- A copy of the blueprint signed by you and the builder.
- A copy of the specifications signed by you and the builder.
- List of homes currently under construction by the builder.
- A copy of the builder's risk insurance and homeowner's insurance.

Closing on Your Construction Loan:

Prior to the construction loan closing, the following items will need to be provided:

- All required information from your builder as listed on the previous page.
- An appointment of designee, signed by the borrowers.
- A notice of commencement provided to the title company for recording, a copy of which must be posted at the site along with blank notice of furnishing forms.
- A copy of the building permits.
- A survey site map of the property indicating the proposed building site.
- A foundation survey. (Required once the footings/foundation are in place.)

The construction loan closing will take place at the title company selected by Mortgage Center. You will be responsible for paying all closing costs, fees and charges due at the initial closing of your construction loan. You will be responsible for the payment of any tax or insurance assessments due and any that may come due during the construction phase. There may be additional costs for services required throughout the construction process that are not collected or paid for at closing. These expenses will be the responsibility of you and/or your contractor. Your first disbursement or “draw” may take place at closing, if you are paying off land.



Loan Payments During the Construction Phase

You will receive a monthly billing statement. Your payment will be based on the outstanding balance drawn on your construction loan. The payment will be an interest only payment billed on the 1st of the month.

The Draw Schedule:

Funds are disbursed from the construction loan at the completion of certain phases of construction, as outlined below. These disbursements will begin after all your equity is in place.

FIRST DRAW

- Any amount due to pay off the land.

SECOND DRAW

- Footer, foundation and any other underground work are properly installed in accordance with all plans and specifications.
- If a slab foundation, the sub-floor is complete and the appropriate governmental approval is posted on the job site.

THIRD DRAW

- Exterior framing (floor, walls, roof) and exterior sheathing (wall, roof) are complete.
- Wiring and plumbing are roughed.
- Heating ductwork is complete.
- Basement floor is poured.
- Windows are installed.
- Exterior doors are installed with hardware.
- Septic/sewer tap is complete.

FOURTH DRAW

- Roof is complete.
- Exterior trim and siding/brick are complete.
- Wall insulation and drywall are complete.
- Fireplace is installed.
- Cabinets and vanities are installed.
- Interior doors are hung and interior trim is complete.
- Heating unit is installed. Well/water tap is complete.

FIFTH DRAW

- The rough grading is complete.
- Exterior and interior painting are complete.
- All plumbing and electrical are complete.
- Ceiling insulation is complete and all appliances are installed.
- All tile work and flooring are complete.
- A/C compressor is set and charged (per commitment).
- House is cleaned and ready for occupancy. Area is clear of all construction debris. Driveway and all exterior concrete are complete.
- House is complete according to original plans and specification list. Lender must approve any exceptions.
- An occupancy permit has been issued by the appropriate governmental agency.
- Final walk through and acceptance by borrower.

Disbursement of Funds

Disbursement of each draw will be made once the following have been completed:

- ❑ Your builder will submit a request for funds for work completed and materials purchased, both to you and to Mortgage Center.
- ❑ Mortgage Center will forward a copy of the request to the title company.
- ❑ The title company will contact the builder and obtain the necessary Waivers of Mechanic's or Materialman's Liens. The title company will check the amounts against the initial Sworn Statements to insure the amount requested is as stated. A Mechanic's/Materialman's Lien is a legal means by which a laborer or subcontractor, who has performed work or provided a service or material on your project, is given a lien on the property. The lien's purpose is to protect the contractor and must be satisfied by the contractor signing an Unconditional or Partial Lien Waiver stating they have been paid for the work performed.
- ❑ The title company will insure that the waivers are acceptable and forward an authorization to Mortgage Center indicating their approval to disburse the funds.
- ❑ Mortgage Center will send an appraiser to inspect the home to determine the percentage of completion and to confirm that the work for which the builder has requested funds is done.
- ❑ If everything is satisfactory, the funds will be disbursed. The disbursement process will take an average of four business days.

Ready to apply? Call a mortgage loan expert today at **800.353.4449.**



Cost Overruns and Charge Orders:

Be aware that cost overruns are very common in construction projects. The cost of changes must be carefully reviewed before the expenditure is made. Any additional costs, which are outside the building contract, may not be incurred without the prior written approval of Mortgage Center. A written request for the change must be submitted to Mortgage Center and must contain the signatures of the borrower(s) and the builder.

The borrower will be responsible for immediate payment of any costs outside the building contract. It is not the policy of Mortgage Center to advance construction loan funds or increase mortgage balances to pay for these items. Therefore, after the change has been approved and the item is installed, or work is completed, the borrower must provide satisfactory evidence that any money owed has been paid along with the source of funds used. If such proof is not provided in a timely manner, the processing of any further draws for work or materials will be delayed until the required documentation is received.



Converting Your Construction to Permanent Financing

Your loan will be automatically converted to a fully amortizing loan upon completion of construction. This means your loan will convert to a typical mortgage, where at the time of conversion, your regular principal and interest payment will be due.

If your account will have an escrow for taxes, insurance, and/or private mortgage insurance, those payments will be due as well.