

CONSTRUCTION-TO-PERMANENT FINANCING

WHAT IT IS.

In short, a construction-to-permanent loan provides financing for the purchase of a lot and the construction of a home on that lot. Most often the lot purchase and construction financing are rolled into one transaction.

If you already own a lot, the construction-to-permanent loan will finance the construction alone. If there is a mortgage on the lot, you can roll it in with the construction financing by obtaining a limited cash-out refinance loan.

BENEFITS OF CONSTRUCTION-TO-PERMANENT FINANCING.

- It offers you peace of mind when it comes to the financial aspects of constructing a home.
- It enables you to lock in your permanent rate up to a year in advance without a fee.
- If your property is located in a state with a real estate transfer tax, a construction-to-permanent loan can save you thousands of dollars because the transfer tax is based on the cost of the land alone for a construction loan and on the full acquisition cost on a standard mortgage.

BENEFITS OF THE CITIZENS BANK CONSTRUCTION-TO-PERMANENT LOAN.

- You can include lot financing or build on your own lot.
- You can build an owner-occupied or vacation home.
- You can borrow up to \$2 million.

- You may obtain a fixed-rate loan or a 5/1 ARM or 7/1 ARM as your permanent financing.
- When you participate in Citizens' Circle Gold Mortgage Advantage, you get 1/8% off your interest rate by arranging to have your monthly payments automatically deducted from your Circle Gold Checking account after your construction loan has been converted to a permanent loan.*
- You will lock your end-loan interest rate at application.
- With just one closing, you will save time and money. There's a one-time loan qualification and one set of closing costs.
- You have 12 months for the construction of your home.
- During construction you make interest-only payments on funds already disbursed.
- An interest-only feature is available on the permanent financing.
- In many markets, you may live in your existing home while you build your new home with our Home-To-Home Loan[®] program.

GETTING PRE-APPROVED FOR A LOAN.

By getting pre-approved for a loan, you will learn how much home you can afford. You will want to get pre-approved for a loan amount that is based on an estimate of the total cost of land (if you do not already own it) and construction.

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APPLYING FOR THE LOAN.

The approval process for construction-to-permanent financing is similar to the approval process for any other form of mortgage financing. Underwriting will review your income, assets, liabilities, credit history and an appraisal.

The approval process generally takes a few extra weeks because the plans, specs and contract must be reviewed. You will be asked for these things at application:

- Copy of the deed for the land – whether you own it or are purchasing it.
- HUD-1 Settlement Statement for the purchase of the land – if you purchased it within 12 months of application.
- Contract for the purchase of the land, if you do not already own it.
- Contract with a builder. You will need to select a professional general contractor. You are not permitted to serve as your own general contractor. The choice of a builder is yours alone, and it is your responsibility to monitor your builder's performance.
- Complete builder information (i.e., company name, address, phone number and federal taxpayer identification number).
- Plans and specifications for your new home.
- Certificate of liability insurance for the builder.
- Builder's risk/homeowner's policy.
- Building permit. This is required only if the builder expects any disbursements at closing. (No more than 10% will be disbursed at closing.)

You will lock in your permanent interest rate at application. In other words, your permanent rate will be the same as your rate for the construction phase. When you apply for a loan, you will receive a list of frequently asked questions about construction lending and their answers.

PROCESSING THE LOAN.

Shortly after your application has been submitted, you will receive specific disclosures that include important information about your loan and the processing of your loan. Among them is a document that describes the Process for Disbursements to Builders. You will want to read this document carefully as it includes valuable information about disbursement procedures.

In order for your loan to be processed effectively, you will need to supply the required documentation in a timely manner.

Be sure to inform your processor if you make any changes to the contract or pay any additional fees to your builder between application and closing.

Because there is additional preparation required for the closing of a construction-to-permanent loan, the loan file should be complete and to closing as soon as possible, at least 48 hours before the closing is scheduled.

CLOSING THE LOAN.

The closing process for a construction-to-permanent loan is similar to the closing process for any other mortgage loan. These are among the fees collected for construction financing only:

- Fees for inspections required before disbursements can be made during the construction process. (Additional inspection fees, if any, will be collected as they are incurred.)
- Fees due to the title insurance company for title updates, as required in some states at the time of disbursements. (Additional title update fees, if any, will be collected as they are incurred.)

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MORTGAGE PAYMENTS DURING CONSTRUCTION.

- While your home is under construction, you will be billed monthly for interest only on funds already disbursed.
- Any fees due or late charges will also be included on your bill.
- You will not be billed for taxes or insurance during construction.
- You are not *required* to make payments toward the principal of your loan at this time.

DISBURSEMENTS DURING CONSTRUCTION.

- The funds for a construction loan are disbursed, on average, at five predetermined stages during construction as the work is completed.
- The number of disbursements and when they are made are usually included in your contract with the builder.
- Disbursement requests are signed by both borrower and builder. If the funds are being disbursed to the builder, we require verbal authorization from the borrower before we disburse any funds.
- When we receive a disbursement request, we order an inspection and a title update, if necessary.
- Funds are generally disbursed within seven business days of receipt of disbursement request and within 24 hours of receipt of the inspection and any necessary title update.
- The amount of the disbursement is based on the percentage of work completed, as specified in the inspection report.
- Every builder has its own preferred payment schedule and contract documents, and it is possible that some of the terms in the builder documents will conflict with the terms in the documents borrowers will sign with the lender. It is the borrowers' responsibility to ensure that they can meet the requirements of the builder given the guidelines in which the lender can fund the project.

CONVERSION TO A PERMANENT LOAN.

When construction is completed, we will need certain information/documents in order to convert your construction loan to a permanent loan. They vary by loan, but generally include:

- 100% complete inspection report - we will order it from the inspection company.
- Final title update - we will order it from the title insurance company.
- Certificate of Occupancy - it comes to us from the locality through the builder or borrower.
- Completion and acceptance letter - by signing this letter, you and the builder verify that construction is complete (with the potential exception of specified weather-related items, such as landscaping).
- Final lien waiver and/or affidavit - it is signed by the builder and sent to us by the builder.
- Homeowner's insurance policy - first year's premium paid in advance by the borrower.

If you received 1/8% off your interest rate by participating in Citizens' Circle Gold Mortgage Advantage, your monthly mortgage payments will now be automatically deducted from your Circle Gold Checking account.

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You will also be asked to sign a Modification Agreement if your permanent loan will differ in any way from the original note.

- If you elect not to use your entire loan amount, you may have your note modified to a lower principal amount for a fee, and we will recalculate your principal and interest based on the lower amount. (If you reduce your loan amount but choose not to have your loan modified, you will pay the original P&I and pay your loan balance off sooner.)
- If construction is completed in less than 12 months, a Modification Agreement is required to change the date the first payment is due.

MORTGAGE PAYMENTS ON PERMANENT LOAN.

- When your loan is converted to a permanent loan, you will begin paying principal and interest, in most cases, and if an escrow account is established, taxes and insurance as well.
- You will receive a letter letting you know that we have converted your loan and giving you a breakdown of your monthly payment.

FOR MORE INFORMATION CALL ME TODAY.

NMLS ID#

