

Your dream **home** can
now become **reality.**

**Our Guide to Construction/Renovation
Permanent Financing**



Home!



First National Bank

FIRST NATIONAL BANK | FINANCING OPPORTUNITIES

You've been dreaming of your new home for years – whether you are looking to build a custom home from the ground up or to renovate an existing home to meet your family's needs



We can help provide the resources you need to make your dream a reality.



EXPERT

Turning your dream home into reality.

We can help make the entire process simple and easy to understand. Our First National Bank mortgage experts will hold your hand through the entire process and guide you until you move into your new dream home and begin enjoying it for many years to come.

OVERVIEW

A Construction/Renovation to Permanent Loan isn't too much different than a traditional mortgage loan, other than your new home is not completed yet.

Typically you can use the financing to acquire the lot or existing home and finance it along with all of the construction or renovation costs all in one convenient mortgage loan.

If you already own the property, we typically pay off any existing financing you have with the construction/renovation permanent loan and, depending upon the loan to value ratio which is determined up front, we may be able to finance all of the costs including the settlement charges into the loan as well.

GUIDANCE

Why Construction/Renovation Permanent Financing?

In addition to obtaining the financing you need, you will have the security of knowing your dreams are secure.

- **Cost Control** – Your interest rate can be locked in at the time of application and remains fixed for the term of the loan, including the construction period. Depending upon the state in which your property is located, you may enjoy substantial savings in transfer and recordation taxes as well.
- **Options** – You can choose the type of financing you want at the time of application, whether it is a fixed or adjustable rate mortgage.
- **Convenience** – a “True One Time Close” Construction/Renovation Permanent loan requires only one settlement, it’s all done up front so that all you need to do after settlement is build your new home, move in at time of completion, and enjoy it!
- **Beauty by design** – You get to design your new home to meet the needs of your family’s lifestyle and dreams.

INTEGRITY



& SERVICE

How to Begin

PROFESSIONAL CONSULTATION AND PRE-APPROVAL

The best place to begin is with your First National Bank mortgage expert. We can review your needs, educate you on the process and show you how much home you can afford. We'll also provide you with down payment requirements and a total cost estimate which includes average payments during the construction period as well as your final monthly payments which begin after your new dream home has been completed and you have moved in to start enjoying it.

MAKING FORMAL APPLICATION

The process of applying for a Construction/Renovation Permanent Loan is similar to that of a typical mortgage loan. The only real difference is that because the house isn't completed, you may have several contracts for the property. As with any mortgage loan, we will request and review your financial history, credit, and income, as well as, have your new home appraised up front as if it were completed.

The items needed to issue an underwriting commitment include but are not limited to:

- Last 2 years tax returns, business and personal, as applicable
- Last 2 years W2s and K1s, as applicable
- Last 2 months bank, investment and retirement account statements
- Your most recent 30 days paystubs
- Your house plans, specifications and builder contract
- Your lot/property contract, or if you already own the lot/property, a copy of the deed and settlement sheet from the time you purchased it
- Contact information for your builder so that we may validate their credentials and get them set up within our system
- Homeowner's insurance with a builder's risk rider

TEAM

THE PROCESS BEGINS, AFTER APPLYING FOR THE LOAN.

Within a couple of days after applying for the loan, you will receive a welcome phone call from the processor on your application. They will provide you with any additional disclosures required, as well as, review your information and ask you some clarifying questions. They may request any additional supporting information required to complete your request.

Your builder will be contacted to confirm their licensure, verify we have all of their information and to set them up for your loan. An appraisal is ordered once we have the final plans and contracts to determine what the value of your new home will be after it is completed and we take care of ordering the title work.

Your application will then move to the underwriting phase where your qualifications, including the appraised value, is confirmed. Once it is approved and all the conditions are cleared, your loan moves to the closing department so the required documents can be prepared for settlement.

SETTLEMENT

After your loan has been fully approved, the closing department prepares the documentation necessary for the title company to close your loan. This is similar to a traditional mortgage loan, other than the funds we will set aside for your home to be completed. Construction/Renovation Loans require that each time a builder is seeking a progress draw (to get paid for the work they have completed to date), we send out an independent inspector to confirm the work has been completed, in accordance with the house plans, specifications, and the state and local authorities have approved it when necessary. This is done prior to releasing any funds to your builder to protect your's and the Bank's interest. Funds are not released unless the work has been completed. Funds are not released for materials on site.

In some cases, depending upon the circumstances, the Bank may release up to 10% of the construction/renovation proceeds up-front at time of closing, less any money you have put on deposit with the builder, to cover initial permits and site worked required to get started. This should be spelled out and agreed to in your contract up front as to the method of payment required.

W O R K

Let the building begin

Right after you close your Construction/Renovation Permanent Loan, the construction can begin. Within a couple of weeks you will receive a "Welcome Package" which has the details regarding how to access and request draws from the building escrow, as your home is being built. You will pay low interest only payments based only on the amounts we disburse from the escrow. If you have provided any funds in the form of down payment that the Bank is escrowing, those funds of course would be released first so that no interest would be assessed.

Before any progress payments are disbursed, we would of course need to have a copy of the building permits and proof of insurance. These are required prior to the first draw disbursement.

At time of first draw we would also require a copy of a location survey which shows the foundation for your new home, on the lot and confirms it is within the area designated by the local authorities. This is done up front as if it were to be in the wrong spot, a foundation is much easier to move than an entire house. It's less costly as well.



How the building disbursements work

The disbursements during the construction process are typically requested by your builder when certain milestones of completion are made. The milestones are established up front prior to closing the loan.

When your builder requests a disbursement, the Bank will contract an independent inspector to inspect the job and confirm the work has been completed. In some states which require it, the Bank will order a title update. If required, you will have to pay those additional fees. They are typically collected up front at time of closing.

FINAL DRAW AND CONVERSION TO PERMANENT

When your beautiful new home has reached completion and your builder has requested the final draw, we will need to get certain items in order to transition your loan to permanent as follows:

- The **Final Inspection** confirming your new home is completed.
- The **Use & Occupancy Permit** which the builder is required to obtain from the local jurisdiction to confirm your house is habitable and you have the permission to reside there.
- A final **Completion Acceptance Agreement** executed by both you and your builder certifying the house is complete per your agreement. Please note, various punch out items and minor loose ends that may be in process of being completed may be exempt. An example might be a nail pop, or a missing cabinet knob, etc.
- A final **Lien Waiver** from your builder.
- A **Title Update** to confirm no liens other than the Bank's mortgage loan are against the property.
- Your insurance policy to be updated to a **Homeowner's Policy** without the builder's risk rider showing you have paid the premium for the next full year.

Permanent phase mortgage payments

Once the Bank has disbursed the final draw to your builder, your loan will automatically convert to permanent status. Thirty days after the final draw payment to your builder, you will have to begin making regular monthly payments consisting of principal and interest, as well as escrow for taxes and insurance, unless you paid for a waiver up front at time of settlement on the loan.

You will also receive at this point, an escrow contribution catch up letter. You should budget for this up front as we do not collect for escrows at closing, nor during the construction phase of the loan, unless your new home resides within a designated flood hazard area. If so, we will require you to obtain flood insurance and escrow with us as required by Federal law.

The escrow catchup contribution is established to collect enough money to pay your property taxes and insurances to establish enough money in the account to pay your bills when they become due, less any payments expected to be made before the due dates. The Bank will collect an additional 2 months payment buffer to make sure you have enough funds to pay the bills at the earliest possible payment date.

Modifying your loan

Should any of the terms of your loan change over the course of the Construction Phase, you may be required to execute a modification agreement. This typically happens when:

- You use less than the full loan amount to build your new home, or you make a principal pay down before conversion.
- You complete your home earlier than the 12 month Construction Phase or require an extension as that would affect the amortization period of the loan in the permanent phase. For example, if you finished 3 months early, the Bank would re-amortize your loan for the original permanent phase, plus 3 months which would lower your total monthly payments.
- If this should be required, you would get notification from the Bank and a detailed monthly payment breakdown is provided.

LET'S GET
MOVING!



Make the dream of your new home happen. Let a First National Bank mortgage expert provide you with the professional resources.



For more information, please contact a First National Bank mortgage expert. Stop by any of our office locations or visit us online at fnb-online.com.

Come **home** to FNB.



First National Bank

1-800-555-5455

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