

# The Bank's Construction Loan Process

Detailed below is The Bank Construction Loan process. The information below is intended to not only be informative but also to serve as a checklist.

- Loan Application:** You will need to complete a loan application. Available on website under Real Estate Construction Loan page.
- Lot/Land Selection:** We will need a copy of your contract to purchase your property.
- Builder:** Bring your own builder; we rely on you for the selection of the builder of your new home. The Bank reserves the right to review the builder solely for further consideration of the loan requirements and willingness to proceed with the loan approval.
- Plan:** We need a complete set of construction drawings suitable for building permit.
- Cost Estimate/Specifications:** We will need a brief description of the materials and workmanship required for your new home. As well as a detailed cost estimate of your project.
- Appraisal:** Once The Bank receives items listed above, an appraisal will be ordered. (Applicant will be responsible for appraisal fee at this time.)

# Frequently Asked Questions

## **How long does the approval process take?**

Prepare for the home construction loan mortgage process to take a few weeks longer than a standard mortgage approval (7-10 days) might, due to the plans, specs and contracts that must be reviewed before it can be approved. Getting pre-approved can help accelerate the process and determine how much home you can afford. Be sure to factor the cost of the land into the estimate if you will need financing for the lot as well.

## **What fees will I face when closing the loan?**

The closing process for home construction loans is similar to any other mortgage closing, but there are some fees you will only see on construction home loans.

- Fees for inspections, which are required before disbursements can be made during the construction process. (Any additional inspection fees will be collected as they are incurred)
- Fees paid to the title insurance company for title updates. (Some states require these at the time of disbursements.)

## **What mortgage payments do I make during construction?**

During construction you will be responsible for interest-only monthly payments on funds that have already been disbursed. You may also see fees or late charges on your bill, but you will not be billed for taxes or insurance during construction. You are also not required to make payments toward the principal of your loan during construction.

## **How do disbursements work?**

Loan disbursements will be based on work completed as the home is constructed, and draws will be available at your request based on the progress. Completed work is determined by The Bank's inspection.

To order an inspection, you will need to contact your Bank representative who will arrange for a local inspector to inspect the completed work based on the draw schedule. The inspector

does not provide opinions regarding quality of workmanship, and will only evaluate the percentage of work completed.

Draws are typically released within 1-2 business days of receipt of your draw request. Draw funds are deposited into your construction checking account.

You will receive monthly statements beginning the month following your first disbursement. Your statement will include interest accrued on the loan funds disbursed through that statement date.