

One-Time Close Construction Loan Process



We are very excited to be able to offer the One-Time Close Construction / Permanent (OTC) product to our roster of available products. Due to the complexity and moving pieces that are involved with these loans it is very important to ensure that they are handled in the correct order. This roadmap is designed to lay out that process and help avoid issues along the way. If you have any questions regarding these loans either before or during the process, your best point of contact is your assigned Loan Officer.

Please Note: One-Time Close Construction Loans normally take approx. 60-90 days to close.

Step 1 - Working with the Lender and the Builder

1. Fill out an Application and receive a Pre-Approval

- a. Fill out an application at www.MortgagesforAmerica.org under Apply Now.
- b. Once we receive the application we will email you a Borrowers Authorization form. Once we receive that form we will get started on your Pre-Approval.
- c. If everything looks good on your application and credit, we will require the below documents.
 - i. Copy of Driver's License and Social Security Cards
 - ii. Last 2 years W-2's and 1040 Federal Tax Returns – all pages and schedules
 - iii. Last 30 days of paystubs
 - iv. Last 2 months of actual bank statements – all pages – transaction reports are not accepted.
We need the actual bank statements they mail to you or the downloaded .pdf version.
 - v. DD-214 Discharge papers if a VA loan
- d. Once we review everything we will issue a Pre-Approval or a Denial

2. Select a Builder and Land

- a. Select a Builder that you are interested in using them to build your home
- b. The Builder must have at least 2+ years experience building homes with at least 2+ references of a completed home.
- c. Sit down with the Builder and decide the plans and specifications for the home
 - i. If the home is a Stick Built Single Family Home – Builder will provide an estimate based on the plans/specs that have been chosen for the home
 - ii. If the home is a Modular or Manufactured – Builder/Retailer will provide a base model price with any additions or customization that you would like in the home
 - iii. If the home is Modular or Manufactured you will generally have a Manufacturer of the home and a Contractor for the foundation, utility hookups and home placement.
- d. Land Option (2 options)
 - i. You previously purchased the land or it was gifted to you

- ii. You will be purchasing the land as part of the loan
- iii. If Purchasing the land with the loan we would require a land purchase agreement with at least a 60-90 days for a close date. Preferably 90 days.

3. Structuring the Loan with our Loan Builder

- a. We will send you a loan builder form which includes the below questions so we can prepare the Loan Builder. The Loan Builder will show the overall structure of the loan along with the charges and fees for the loan
 - i. Type of loan – FHA, VA or Conventional
 - ii. Home type – Stick Built, Modular or Manufactured
 - iii. Land Details – already owned or purchasing with the loan
 - iv. Months to Build – The builder will tell you how many months it will take to build
 - v. Deposits that have been made to the builder or land
 - vi. If you would like to have the closing costs built into the loan or not

4. Understanding the Closing Costs

- a. There are two types of closing costs that the Builder is required to pay. So, you have to raise the build costs to include those fees and are normally included in the loan.
 - i. Interest payments during construction. The interest is 6.5% during construction that is interest only, multiplied by the number of months to complete construction.
 - ii. Lender Soft Costs - approx. 1.5% in construction/disbursement fees
- b. Contingency Fee – This is a requirement
 - i. There is a 5% contingency that is added to every loan. This is in case your build costs go over the estimate and you need a little extra to complete your home. If it isn't used or any amount is left over it will be deducted off of your principle balance.
- c. Title Fees, Recording Fees and Escrows
 - i. You may roll these into the build costs or pay them in cash at closing
 - ii. We will not know your title and recording fees until we select a title company and pull your title documents and receive an estimate from them. We will estimate those when we create the loan builder.
 - iii. Escrows (real estate taxes and home owner's insurance) – Escrows require 14 months of your home owners insurance and 6-8 months of real estate taxes upfront. We estimate these fees in the loan builder until we have the exact figures.

5. Proceeding with your Loan

- a. Once all of the numbers with the Loan Builder are all agreed up we can then prepare for underwriting.
 - i. We will determine the title company and request their fees.
 - ii. Once we receive the title fees we will issue preliminary disclosures for you to sign.
 - iii. Once we receive the signed disclosures back then we can submit your file to underwriting. Underwriting is generally around 10 business days.
 - iv. We will email you a full Builder Setup Package as the builder will need to be Approved. This email will also include certain builder docs they will need to fill out concerning the construction details. We will also require a Build Agreement.
- b. Once your file is Approved we will proceed with the below steps:
 - i. We will order your Appraisal – generally this takes 1-2 weeks to complete, sometimes longer depending on the areas of the Country.

Due to Appraisal laws this is done via an Appraisal Management Company.

Please note: that we are not permitted to speak to the Appraisers and this process is 100% out of our control.

- ii. We will email you a list of the final conditions needed to complete your loan. We suggest sending them all in at once as piecing them in can delay your file. Each time we submit stipulations into the underwriters, there is a 2-4 day review process. This process is very time consuming and frustrating as everytime we send in stipulations the underwriters generally will issue new sets of final stipulations to complete. There are three levels of review on construction loans because of the risk, hence the reason there are many different requests for stipulations. This process generally takes around 30 days to complete all of the stipulations. The faster you can send your stipulations to us the quicker the process.
 - iii. Once we are closer to closing we will lock in your Cap rate. We do not lock your permanent rate until your construction is completed. However we do lock a Cap rate just in case rates shoot up on us prior to the completion of the construction.
 - iv. Once all stipulations are cleared your file will be sent into final review. This process generally takes 4 business days. If everything is cleared they will issue the cleared to close.
- c. Closing of your Loan
- i. Once your file is cleared to close it takes 2-3 business days for the Closing Disclosure to be issued. Once correct then we can schedule your closing 3 Business Days after the issue date of the Closing Disclosure, due to TRID rules.
 - ii. You will normally close at the Title company and they will coordinate the best date and time with you for closing.
 - iii. Once everything is signed by you then the title company will record everything with the County. This process generally takes around 24-48 hours after closing.

6. After your loan has closed

- a. Once your loan is closed the Title/Escrow Company will begin disbursements to the builder as outlined in the build agreement.
- b. The Escrow Company will continue to issue disbursements after each section is completed and inspected, per the build agreement.
- c. Once the construction is completed and inspected as completed then we will roll your loan into a Permanent loan at then current interest rates. This is when your permanent rate will be locked and your loan rolled into a permanent loan.
- d. If you are on an FHA Construction Loan - After 6 months of payments on your permanent loan we can look at refinancing your loan into a Conventional loan to drop the Mortgage Insurance. We will not charge you any points or lender fees to complete this process.

If you have any questions at all concerning this process, please contact your assigned Loan Officer.

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