



CONSTRUCTION LOAN PROGRAM INFORMATION GUIDE

www.MTFCU.coop



ABOUT
MTFCU

MAKING HOME LOANS FOR OVER 65 YEARS

Members Trust of the Southwest FCU has been making home loans for over 65 years. Our team of experienced mortgage professionals is here to support you. From local Mortgage Loan Officers to local processing and underwriting, we offer a unique experience to you and your family today and for many years to come.

KNOWLEDGE IS POWER.

Knowing your choices gives you the power to make good decisions. Our construction loan introduction packet provides valuable information that aims to help you become more informed about MTFCU's construction loan program and the construction process in general. Our experienced, local team of mortgage professionals is available to assist you from start to finish.



A man and a woman are looking at a large architectural blueprint. The man is on the left, and the woman is on the right, pointing at a section of the plan. The blueprint shows various rooms labeled: BED 2, BED 1, BATH, LIVING, KITCHEN, DINING, and COMB. ROOM. The background is a warm, orange-toned image of a person's silhouette holding up a house-shaped cutout against a sunset sky.

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WHERE TO START

Where do you begin when looking to build a home?

Home buying, in general, can seem overwhelming. Maybe you have already bought a house or two and are now looking to build your dream home. Let us help reduce the stress of home building by providing the information and support you need from the very beginning! MTFCU's licensed, experienced mortgage team is here to help. Stop by one of our branches or give us a call to discuss options, programs, and get answers to your questions.

What should I bring with me when I meet with an MTFCU Mortgage Loan Officer?

Here is what you'll need to get started on your application:

- ✓ The most recent paystub(s) covering 30 days reflecting all year-to-date income information.
- ✓ Most recent two years of W2s.
- ✓ If self-employed, have rental income, or receive commission income, your most recent two years' worth of tax returns (both business and personal all pages).
- ✓ Last two months of complete bank statements.
- ✓ If you already own the lot you want to build on, please be ready to answer the following questions:
 - When did you purchase it?
 - How much did you purchase it for?
 - How much do you owe on it?

Your Mortgage Loan Officer will meet with you, discuss loan options, and if needed any options to strengthen your financial health.





TIPS FOR BUILDING YOUR HOME

Over the years, we have learned a few keys to making sure the process of designing, building, and moving into your home is one of the most rewarding and satisfying experiences in your life. While it can be difficult and stressful; careful planning, preparation, and patience are necessities when designing and building your home.

Keys:

- **Plan your budget**

Start thinking about how much you can afford and stick within it. Do not overestimate what you can afford and what you have saved up. There are always things that undoubtedly arise during construction due to changes in materials, desires, and the labor market. Leave some breathing room.

- **Choose your home site**

Do you want city or country living? Do you want a well and septic? What about fuel (natural gas, propane), etc.? Deciding on your home site can have dramatic impacts on the design, construction, and costs of your new home. The general rule of thumb, the more complex, the more expensive.

- **Build your team**

A lot of times, this is what makes or breaks the home building experience. Who needs to be on your build team? The below list is an idea, but it should be based upon your individual needs and is not meant to be all-inclusive or viewed as required by MTFUCU:

Financial Institution

Find an institution you trust. We feel Members Trust of the Southwest FCU is your most trusted and best source for construction and mortgage financing you will find in the area. Speak to one of our licensed originators and you will see why we are the best.

Architect

Find a licensed architect that is an expert in the type of home you want to build.

Municipal Services

Cities and counties have certain building requirements that range from the types of homes that can be built to requirements for septic, water treatment, distances from other properties, etc. They also oversee the permitting process. Without the proper permits, you cannot build a home. Reach out to your town or county to see what their requirements are for building a home.

Builder

This is a tough choice. With so many options out there, where would you begin? Below is a portion of the suggestions from the US Federal Trade Commission website:
www.consumer.ftc.gov/articles/0242hiringcontract.

- Do your research:
 - Ask friends, neighbors, coworkers who they have used, what they did, and if they would use them again.
 - Look at websites you trust to provide clear, concise, and accurate feedback regarding the potential contractor(s).
 - Find out how long they have been in business.
 - Check for qualification, such as licensing.
- Ask questions such as:
 - How many other builds has the contractor done like yours?
 - Ask for a list of referrals and call them. Ask them about their experience working with the contractor regarding timing, costs, and overall work quality.
 - What types of insurances do they carry?
 - Who are the subcontractors? Do your own research on each of these subcontractors.

At this point, you have done a lot of work. There is still more, but do not despair, the planning is always the hardest part, yet proper planning will help to provide you with a great experience. A few more things to look at before you can start building.

- **Negotiating a contract with your builder.**

- It is important to understand the ins and outs of any contract you sign with an architect, builder, or MTFCU.
- Ask questions, take your time completing research, and consider consulting with an attorney.
- Get everything in writing and signed by all parties.
- Make sure any bid covers all aspects of the job. If any aspects are not covered, how will you fill in those gaps?
 - Will you need to arrange with other contractors to complete those items?
 - If there are changes in the home design or materials during the construction process, what are the impacts both financially and in time? Who is going to cover these expenses? Who needs to know about these changes?

Now that your team is built, and the contract is finalized, the next



FINANCING YOUR BUILD WITH MTFCU

big step is to finalize your financing with MTFCU!

Documentation

Here is what you will need to bring in:

(if needed please reference the previous list for any additional documentation)

- 1 Building plans/blueprints.
- 2 Cost breakdowns.
- 3 Signed contract with the builder.



Process and Steps

With this information, the Mortgage Loan Officer can now finalize the loan program and submit the loan to the Loan Processor.

The Loan Processor will then review the file, order the appraisal, and gather any needed documentation.

During this time, the Loan Processor and Mortgage Loan Officer will be in contact with you frequently to work on the funds needed for a down payment, closing costs, and prepaids/reserves. The down payment is the difference in the amount of funds needed to build the home vs. the loan amount. For instance, the lot is \$50,000, the contract with the builder/subcontractors is \$150,000. The total cost to build is \$200,000. If your loan amount is \$160,000, the down payment is \$40,000.

On top of the down payment, there may be other fees that need to be paid such as prepaid taxes and homeowner's insurance. These are the "prepaids/reserves". This is what is used to establish your "Escrow Account" or the account you pay into and MTFCU draws on to pay for your property taxes and hazard insurance when they become due. Your Mortgage Loan Officer can go into more detail with you on this subject.

Once the appraisal is in, the Loan Processor submits the file to the Underwriter. This is one last check to make sure everything is in line.



Timeframes

It typically takes 4-6 weeks from submission to processing to underwriting.

Now that your loan is through processing and underwriting, the loan is almost there! We need to review the property history or title of the land. This process can take 2-3 weeks depending on the complexity of the land records.

Closing Your Loan

Once through the legal/title review, your MTFCU Loan Processor will reach out to you and schedule a closing. During this closing, you might need to bring in some funds, and you might not. Discuss with your Mortgage Loan Officer and they can guide you on how much you need to bring in for closing. After the build, you will need to refinance the construction loan into long-term financing.

Arrive at the scheduled date, time, and location and close on your loan. You have now navigated the planning of your project and obtained the needed financing. Now the exciting stuff begins to happen. The actual build!

A FEW THOUGHTS ON THE FINANCING:

- ✓ Interest is only paid on the amount drawn/advanced.
- ✓ Interest-only payments from you are required during the construction term.
- ✓ There will be additional costs when the home is finished such as a survey and additional recording fees from the county when the home is finished.

THE BUILDING PROCESS

During construction, you will need to pay the amounts for your down payment before MTFCU will issue any “draws” or advances on your construction loan. MTFCU will need the canceled checks and invoices showing the amounts paid and how they correlate to the cost breakdown provided.

Now that you have paid your down payment, MTFCU will begin issuing draws on the construction loan as the home is built. MTFCU will allow for a maximum of 6 draws from the loan.



Draw Process

- Confirm that the items needed to be paid are complete. MTFCU will not disburse funds for incomplete or partially completed work items.
- Complete the draw request form and deliver it to MTFCU as outlined on the request. Please make sure the payment method is entered. If a wire is chosen, an additional wire fee may be charged.
- Once received, MTFCU will review the request, ask any questions, and will order an inspection from an appraiser. Each inspection has a cost but will be disclosed and collected at loan closing.
- Once the inspection is completed, sent to MTFCU by the appraiser, and reviewed by MTFCU staff, MTFCU will issue the draw check or wire and notify you that it has been processed and will be delivered as outlined on the request.
- MTFCU cannot disburse more for a line item on the breakdown than originally budgeted. If there are any overages they will need to be covered by your personal funds.
- Once the home is completed, and all necessary construction documents are signed, MTFCU will disburse the remaining funds as you direct to the contractor or sub-contractors.

Change Orders and Cost Overruns

What happens if something changes in the building of your home? For example, the well had to be dug deeper than anticipated, or the carpet you wanted is no longer available or you want to switch out the countertops?

These are known as cost overruns and/or change orders. Anything that costs more than the budgeted amount when the initial closing happened, will need to be covered by your personal funds. These do not count towards your down payment since the original down payment, loan amount, etc. was calculated based on the original budgeted amount.

As the home begins to take shape, you see your dreams coming into reality. Your hard work, time, and organization are starting to pay off. This is an exciting time! It is a time many of us at MTFCU have experienced and we share your excitement!

When the home is almost complete (approximately 45 days before completion), you will want to discuss long-term financing with your Mortgage Loan Officer. During this discussion, MTFCU will pull credit, and re-document income, assets, verify your employment and underwrite the loan to verify no significant financial changes have happened during the construction of your home.

A FEW MORE THINGS THAT WILL BE NEEDED:

- ✓ A final draw request.
- ✓ Final Bills Paid Affidavit
- ✓ Affidavit of completion
- ✓ An updated survey showing the home and the well/septic (if applicable)
- ✓ Decide on the loan terms you want for the long-term financing (such as a 30-year fixed-rate or other MTFCU eligible mortgage product).

Once all these documents are received and reviewed by MTFCU, a refinance closing will be scheduled with your Loan Processor.

At this point, the home is finished, your refinance closing has happened, and you are into your brand-new home!





FINAL THOUGHTS

It is a journey to build your own home. This journey is a rewarding one. The advice, knowledge, and guidance of our MTFCU Team have proven invaluable for our members during this journey. It is important to know that your construction financing with MTFCU comes with more than just money. It comes with a commitment to serve, help, and guide you through the process. It comes with an assurance that the right things will be done on time and in the right way.

We are here to serve you and your family today and for years to come.

MEMBERS TRUST - QUALITY FINANCIAL SERVICES DELIVERED IN AN EFFICIENT AND FRIENDLY MANNER.

