



INTERIM CONSTRUCTION LOANS FREQUENTLY ASKED QUESTIONS

Where do I begin?

Your loan process can begin by contacting your construction loan specialist at Compass Bank. Please contact:

Deya Campos at (210)370-6133 or (210)316-6463

Other Contacts:

Denise Bowen at (210)370-6135

Mark Blankinship at (210)370-6138

Tom McKane at (210)370-6025

What do I need to provide?

You will need to provide:

- Application – which can be faxed, emailed, taken over the phone, or completed in person
- Two consecutive pay stubs for both borrowers (covering the last 30 days)
- W-2 forms and 1099's (if applicable) covering the last 2 years
- Most recent bank statements and retirement statements for all accounts covering the last two months
- A copy of the settlement statement for the purchase of the land (if applicable)
- A copy of the borrower's and co-borrowers (if applicable) Driver's License and Social Security Card

The builder will need to provide:

- Construction contract between you and the builder.
- Plans and specifications of your new home.
- Cost breakdown

How long will the process take?

The loan process will take about two weeks if we get all the required documentation up front.

How is an interim construction loan structured?

Most interim construction loans have a term of 12 months and are designed as advancing lines of credit. As construction progresses, advances, also referred to as draws, will be made up to the approved loan amount. You will be required to make monthly interest only payments on the outstanding loan balance. The interest rate on the construction loan is prime rate - floating.

I own my lot, and want to know if I can use the equity towards my down payment?

Whether you own your lot outright, or you are still paying on a note for your land, any equity you have accumulated can be used toward your down payment.

Where might equity come from?

Cash, Earnest Money, Builder Deposit, and Lot Value

What factors does the bank look at when considering my construction loan?

Equity, Liquidity, Credit History, Debt Load, Appraised Value, Acceptable Contractor

Where does the closing take place?

The closing of your loan will take place at a title company

What fees should I expect to pay at my construction loan closing?

The following represents the typical closing costs for your construction loan:

| | |
|-------------------------------------|-------------------------------|
| Appraisal Fee | \$350.00 |
| Credit Report | \$ 15.00 |
| Lenders Inspection 4 @ \$50/ea. | \$200.00 (builder draws) |
| Flood Certification | \$ 15.00 |
| Attorney's Fee's | \$300.00 |
| Settlement Fee to Title Co. | \$125.00 |
| Recording Fee to Title Co. | \$100.00 |
| Title Insurance Binder to Title Co. | <u>(based on loan amount)</u> |
| Total | \$\$\$\$ |

Plus Origination/Construction Fee (depending on financing option that is chosen)

Interim Loan Financing:

- 12 month, Interest Only at Prime Floating (currently at 8.00 with 1/2 % origination fee)
- 12 month, Interest Only at Prime Floating + 1% (currently 9.00% with no origination fee)

Who attends the closing?

All borrowers and spouses must attend the closing unless a specific power of attorney was executed and approved by Compass Bank and the title company. A representative of the builder duly authorized to execute documents will also need to attend the closing.

What do I bring to closing?

You should be prepared to bring a cashier's check payable to the title company for the closing costs and down payment. A settlement statement showing an actual cost breakdown will be provided at least one day prior to closing. Please check with your title company prior to closing to verify additional documentation that may be required.

When can construction begin?

Construction can begin once all liens have been filed. Most liens are filed shortly upon closing, thus construction can usually begin the day after closing. It is extremely important that NO work begins, nor any materials delivered to the site prior to the interim construction loan closing.

How does the construction advances work?

Documents provided to you and your builder at the interim construction loan closing will include an advance request form. This form must be submitted for all advances. The advance request must be signed by the builders authorized agent and by all borrowers. They may be faxed, mailed, or delivered directly to the bank. Once received the Construction department will arrange for an inspection of your home. The inspection is intended solely to determine whether all of the work has been completed according to the advance request form. We are not inspecting the quality of construction, but merely verifying the work was done. You are the one that must be satisfied with the quality of construction. You may want to consider hiring an independent inspector. It is important you understand that funds will only be advanced for work already completed. Once the proper documents are executed and a satisfactory inspection is obtained, the funds are released directly to the builder.

How can I convert my interim construction loan to the permanent mortgage?

When you are 60 days from completion on your home, it is time to start getting things in order for the permanent loan. Your interest rate on your permanent mortgage can now be locked. When you are 30 days from completion let the title company know the status. That will allow ample time for the title to be updated. This is a good time to make arrangements for homeowners insurance. Have your insurance company call my office to discuss your coverage. You make the arrangements prior to loan modification but pay the insurance premium when the loan is modified. It is extremely important that you advise me when the final draw is released so a payoff can be obtained. A final inspection is also required. Please call my office when everything is complete so we can send the appraiser to do his final inspection.

For More Information or Help in Financing Your New Home

Please Contact:

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