



lender process guidelines

We have prepared the following guidelines as means to help you work through the lender process:

- 1.** In order to secure your Construction Loan, you will need an estimate of the amount you will need to finance. To help understand the typical costs of construction, please refer to our Budget Builder.

- 2.** Research lenders:
 - Make sure the lender knows it is a construction loan, not a mortgage, that is required.
 - Be aware that some lenders only offer land financing.
 - Refer to our Lenders List for lenders that we have worked with before, in your area.
 - Note that construction loan offerings differ from lender to lender. Some offer both fixed rate and adjustable rate mortgage options, some are limited to ARM's. Check to make sure your lender offers the option to lock your interest rate at application. Depending on your profile, some banks can offer loans of up to 95% of the land and construction total. However, if your credit score is less than 700 or the bank is restricting the loans, you may be limited to 75% or less, depending on your location. Some lenders are equipped to rehabilitate your credit score, if necessary.
 - We recommend looking at banks that allow you to roll your construction loan into a traditional mortgage. This type of financing typically has only one closing and one set of closing costs.
 - Our homes qualify for Energy Star Mortgages, which are currently offered in a few states. Please see http://www.energyprograms.org/energystar/customers/contact_a_lender.html. Some lenders offer construction loans as part of this program.

- 3.** Once you've picked a lender, you will need to have pre-approval for a construction loan. This pre-approval will tell you, your bank, and us what your financial profile allows you to finance and what your monthly payments will be. It is important to talk to a lender who is equipped to pre-approve a loan. The lender will obtain a credit report for you and get your loan approval. Such a lender needs detailed information from you and your credit report in order to get precise underwriting findings.



lender process guidelines (con't)

- 4.** You will then fill out a standard application form. A sample application is included in the Resources section below. Make sure you know with whom it is that you are dealing – it is often easier to deal with a direct lender, not a mortgage broker.
- 5.** After you receive the pre-approval, you would start the process with mkD. When you are ready, you will bring the house plan and purchase order pricing to your lender for appraisal. Your lender will organize the appraisal process. Expect to pay \$400 – \$600 for the appraisal, depending upon the type of dwelling.
- 6.** At this point, your lender will request information from you, such as bank statements, pay stubs, and your project budget. Your lender will make sure that all this information, along with your budget and the appraisal, support the original agreement with the lender.
 - Monetary gifts from family are often permissible as part of the loan process
 - most banks have a gift letter template or you can draft one yourself. It is important to keep in mind that a significant piece of the down payment must usually come from the borrowers own funds, rather than as a gift.
- 7.** Before closing the loan, occasionally there are issues like septic or well design, variances, etc., that need approval from the town or state. The lender may require copies of the building permits or information on zoning, depending on the area and your construction needs.
- 8.** The lender closes the loan and your funding becomes available!