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# COASTAL'S GUIDE TO CONSTRUCTION-TO-PERMANENT FINANCING

## 3 WAYS TO BUILD YOUR DREAM HOME

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Finance the construction of a new home on your own lot

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Finance the purchase of a lot and construction

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Cover the cost of major renovations to your existing home

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PORCH CORNICE  
SCALE - 1 1/2" = 1'-0"

REAR PROJECTION CORNICE  
Scale - 1 1/2" = 1'-0"

Metal O.G. Gutter

Facia  
Soffit  
Boxing  
Freize  
Mold

Plaster

Cabinets

Clearance

Beam

Brick Bedding

UP 1/2 Riser

Hot water

10'-11"

Double Joints

Hose Bibb

19'-0"

9'-6"

10'-0" Case

10'-0" Case

10'-0" Case

10'-0" Case

1'-0" 1'-6" and conc

3'-5 1/4"

10'-2"

Surface





## We Make Construction-To-Permanent Financing Simple

Building a new home or completing a major renovation to your existing home is a big commitment requiring time and money. At Coastal, we can make things easier for you with our construction-to-permanent financing. Our program allows you to combine your construction financing and permanent mortgage into one loan, with a range of added benefits.

At Coastal Credit Union, we'll make the financing of your home construction costs clear and easy to understand. We will walk you through the construction-to-permanent loan process with attention and expert guidance at every step. You'll save time and money with one loan, one closing and one set of closing costs.

### Here's How It Works

Our construction-to-permanent loan provides options for:

1. Financing the construction of a new home on your lot.
2. Financing the purchase of a lot as well as the home construction.
3. Or, if you are completing a major renovation on your existing home, you can finance the renovation costs and current mortgage, if any, with one convenient loan.

## The Benefits of Coastal's Construction-To-Permanent Financing

We'll make sure you know upfront the financial aspects of building or renovating your home before you begin.

**Savings** – Save time and money with one loan qualification and one set of closing costs. And with North Carolina's real estate transfer tax, our construction-to-permanent loan may save you hundreds of dollars if the locality bases the transfer tax on the cost of the land alone.

**Convenience** – Take up to 12 months for the construction of your home, and during construction, you make interest-only payments on funds dispersed.

**Flexibility** – Include lot financing or build on your own lot. You can build a primary residence, a second home or vacation home, or renovate an existing home.

**Choices** – Choose a fixed rate loan or a 5/1, 7/1 or 10/1 adjustable rate mortgage (ARM) as your permanent financing.



## Let's Get Started

### Get Pre-Qualified

To get started, you'll need to know how much home you can afford. This starts with applying to get pre-qualified for the total loan amount.

If approved, this includes:

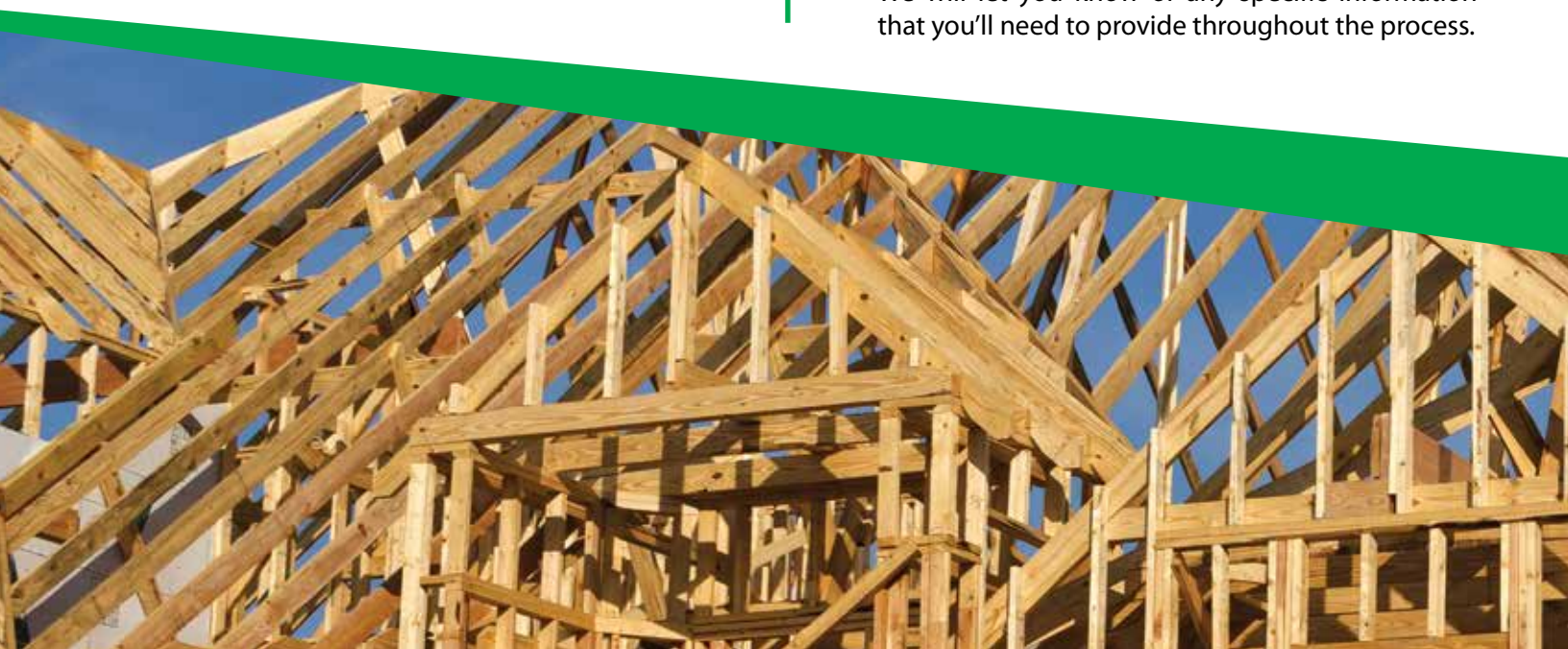
1. An estimate of the total cost of the land (if you don't already own it).
2. The cost of construction.

### Apply For The Loan

Just like traditional mortgages, applying for construction-to-permanent financing involves reviewing your income, assets, liabilities, credit history, and the appraisal.

We will also review the plans, specs, and build contract which may add a few extra days to the process.

We will let you know of any specific information that you'll need to provide throughout the process.







ROOM  
18.19M2

## The Construction-To-Permanent Loan Process

### Processing the Loan

After we receive your completed mortgage application, we'll send you disclosures that include important details about your loan and the processing of your loan.

One of the disclosures is called "Agreement for Construction Draws", which will need to be signed by you and your builder. Be sure to read this document carefully as it includes valuable information about the disbursement procedures.

To make sure we process your mortgage efficiently, be sure to provide us any required documentation or information in a timely manner. We'll order an appraisal after we've received the plans, specs, and the contract. It is important this is fully executed between you and your builder to ensure the value of the property is properly appraised.

Be sure to let your Coastal mortgage loan officer know if you pay any additional fees or deposits di-

rectly to your builder while your loan is being processed. This is so you can receive the proper credit for the payment at loan closing. If the construction of your home requires additional funds in excess of the loan amount, you must provide these funds to us at closing.

### Closing the Loan

The closing process for a construction-to-permanent loan is similar to the closing process for any other mortgage. However, at closing, fees will be collected for the inspections that will take place at various times during the construction phase.

An inspection is required before each draw disbursement to the builder. If more inspections are required beyond what was collected for at closing, you will be billed separately for the additional fees.



# The Construction Phase

## **The Initial Construction Disbursement**

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The initial construction disbursement can take place at closing or sometime after closing. If you personally contributed funds at closing we will disburse these funds first before using your loan proceeds.

## **Disbursements During Construction**

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The construction loan funds are disbursed periodically during construction as work is completed and verified by inspection.

Disbursement requests are typically made by the builder. You will, however, be required to authorize the builder's ability to request the funds.

We will order an inspection when we receive a disbursement request. Funds are generally disbursed within 5 business days from the date of request. The amount of the disbursement is based on the work completed, as specified in the inspection report.

## **Interest Payments During Construction**

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While your home is under construction or renovation, you will be billed monthly for interest-only on funds already disbursed. During construction, we will not collect escrow for your real estate taxes, hazard insurance or, if applicable, flood insurance. You will be responsible for paying any bills you receive from your local tax authority or insurance provider.

# Transitioning To The Permanent Phase

Once construction is complete, we will need certain information/documents in order to disburse the final draw and transition your loan to the permanent phase.

## **Modifying the Loan**

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When you enter the permanent phase, if the terms of your loan have changed in any way, you will need to sign a Modification Agreement. If you do not use your entire loan amount, your note will be modified to a lower principal balance.

## **Mortgage Payments During the Permanent Phase**

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Once your loan transitions to the permanent phase you will begin making monthly principal and interest payments. Your new mortgage payment may also include escrow for your real estate taxes, hazard insurance, flood insurance, and PMI, if applicable. You will receive notice from us with a breakdown of your new monthly mortgage payment.



# A Step-By-Step Look

Here is a brief overview of what you can expect during the stages of your construction-to-permanent loan.



## Meet with Coastal Loan Officer

First, meet with a Coastal Loan Officer to discuss loan programs and the pre-approval process. Your loan officer will navigate the pre-approval process with you, outlining the items needed for a formal pre-approval. Once received and processed, the pre-approval letter is issued.



## Pre-Plan with a Builder

Sit down with a builder/architect to discuss plans for your new home. The size, style amenities and costs should be discussed at this time. This is where you'll agree upon the start time and completion time frames for the construction.



## Sign Final Construction Contract

All design, specs and price for the home are finalized and the construction contract(s) are signed. You'll meet with your Coastal loan officer to finalize the loan application, builder approval, and appraisal. Upon approval, a loan commitment is issued and a closing date is set for your new home.



## Construction Loan Closing

Next, you'll close with a real estate attorney. If you do not already own the lot, this is when the purchase is made. Coastal will set up a construction loan account to ensure sufficient funds are available for the completion of construction.



## Builder Starts Construction

Now the construction of your home begins. The builder will request periodic draws as construction proceeds. After you authorize a draw, Coastal will disburse the funds to the builder per the terms of the agreement.



## Interest Payments Begin

As funds are advanced, interest begins to accrue on what you have already approved. Coastal will begin sending interest due monthly statements. As the builder requests additional draws, more funds will be used and more interest will be due.



## Your New Home Is Now Completed!

Upon completion of construction, the builder will request the final draw. You and the builder will reconcile all change orders that took place during the building process. You'll need to pay any overage at this time. Next is the final draw, which is a minimum of 10% of the loan amount. Upon final inspection confirming construction, a Certificate of Occupancy, and your authorization, the final draw funds will be released to the builder.



## Permanent Mortgage Modification

It is at this point your interest only payment is modified to fully amortizing payments of the terms agreed upon at closing or to a fixed rate option. Within a month or two, your principal and interest payments will begin. Congratulations, you successfully completed the one-time close construction-to-permanent mortgage loan. Enjoy your new home!





"We'll look after your needs to make sure you get the best Construction-to-Permanent financing."

Marty Pell, SVP, Chief Lending Officer

## Get your plans in motion.

It's never too early to explore your options, so talk with a Coastal Loan Officer today.

[COASTAL24.com/Mortgage](https://COASTAL24.com/Mortgage)



All loans are subject to approval.



 **COASTAL**  
— CREDIT UNION —

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