

# Construction Loan Program

## Important Terms and Details

Our construction product is a one-time construction to permanent financing program. We do only one closing for both the interest-only draw period and the permanent end financing with one rate for both phases. We have an established program that works well, particularly when all parties understand the details. Below is some important information that will help us make sure your borrower's experience is a smooth one.

### Submission

Complete construction documentation must be provided at time of file submission. Complete documentation includes the following:

- ASI cost analysis (found on the Partners Bank Correspondent site)
- P&S for land if applicable (copy of deed if land is already owned)
- Executed final contract with builder
- Complete plans & specs
- Estimates/contracts for any work/materials not included in contract
- Executed W9 for any/all contractors that will receive direct payment from the bank

### Owner General Contractors

We will consider on an exception basis, and only for very well-qualified borrowers with significant relevant experience,

- PRIOR to submission, we require a letter from the borrower/GC clearly outlining their ability/qualifications in acting as their own GC.
- Maximum LTV is limited to 80%.
- In addition to above requirements, Owner GCs also must provide all proposals, estimates and contracts for all aspects of the project. These must be itemized and total the figures on the ASI cost analysis.

### Closing

- Based on the specific project, we determine the construction holdback
- Payoff of any liens currently on the land (if finances) OR
- Disburse funds for the purchase of the land
- Borrower's cash to close includes initial down payment and closing costs.
- Escrows will not be established until the loan has converted to principal & interest payments.

### After Closing Loan information

- Borrower is billed monthly for interest only on any funds that have been disbursed.
- 12 month construction period is standard but shorter periods can be established.
- Once construction is complete, the loan converts to repayment of principal & interest for the remaining term of the loan (30, 20 or 15 years generally)
- Borrower can convert prior to the end of the construction period by notifying the Bank that they wish to do so. There's no fee to convert early.

### Construction disbursement management

- The GC completes some portion of the work and contacts ASI, the construction management company, to request an inspection.
- ASI inspects the property and the work done, collects lien waivers as appropriate, and notifies the Bank of any disbursements that can be made.
- Disbursements are only done for work that is completed or materials that are onsite. The Bank cannot honor contracts with payment terms other than that.
- Disbursements are made via check, wire or account transfer as determined by the Borrower and GC.

## FAQ's

### **Because the amount due on the loan will change during the IO construction period (dependent upon the amount drawn), how do you determine the monthly payment figure on the CD/LE?**

- We have been advised to simply use the Interest-Only payment on half of the loan amount. Because of the varying nature of this amount, we advise you to remind the borrower that this number can and will change over time.

### **Why must the builder provide the "ASI" cost analysis if they have a fixed price (inclusive) contract to build?**

- ASI must see how the individual costs break out, so they can determine the appropriate percentage associated with each component. For example, lumping "materials" into one figure, makes it difficult if a builder is seeking a draw for reimbursement for roofing and siding if these aren't individually broken out.

### **Why won't Partners Bank disburse for work yet to be completed?**

- In order to protect the interests of the customer (and Partners Bank), ASI will only authorize disbursement for work completed, as it is the only way to ensure funds are appropriated correctly. Most builders understand this, but please be SURE they are aware. In the event that the customer has paid funds directly, we can generally reimburse them, once the work is verified completed and the lien waiver is provided.

### **How is the LTV calculated?**

- If the borrower is the owner of record prior to closing (there is no seasoning requirement), we will generally allow the "as completed" value to determine our LTV. If they are purchasing the lot as part of the loan, we will use the acquisition costs

### **Who is ASI, and why do the ASI inspection fees vary?**

- We contract with ASI to provide our site inspections and to assist in managing the construction process. They are a very experienced construction management firm based out of Exeter NH. Because they make a physical trip to the property location for each inspection (payment requisition), they base their fees on the distance they must travel. We generally disclose for 5 inspections and their standard set up fee (which involves a detailed analysis of the construction package). Fees can vary greatly, depending on location, so please check with Partners Bank prior to quoting any fees. Overall, their fees are very competitive, and we receive great feedback (from builders and borrowers) on the services ASI provides. <http://asicompanies.net/>

### **Does Partners Bank require a 10% contingency?**

- Generally we do NOT require a contingency, but will seldom discourage it. One of the biggest benefits to utilizing ASI is their expertise in analyzing construction documentation. Upon review, they may recommend a contingency or that a particular cost be reexamined for accuracy. Obtaining ASI "approval" is always listed as a PTC condition, and why we require the construction documentation to be complete and accurate at time of initial loan submission.

### **What is the process in dealing with unused funds?**

- Once construction holdback proceeds are fully disbursed, and we have final Certificate of Occupancy and/or a final disbursement approval from ASI, we will allow any excess funds to be applied towards the principal of the loan or given to the borrower. If the overage is substantial, the borrower may elect to

put it towards the principal and have the loan re-amortized. We do charge a nominal fee to modify the loan.

## PROGRAM BENEFITS

ONE TIME CLOSING-

BENEFIT-EASE OF USE-ONLY ONE SET OF CLOSING COSTS

IO DURING CONSTRUCTION PERIOD

BENEFIT-LOWER PAYMENT DURING PROCESS-MAY PROVIDE THE ABILITY TO SAVE \$\$\$\$

ASI INVOLVEMENT/MONITORING

BENEFIT- **LOCAL** PROFESSIONALS IN THE CONSTRUCTION FIELD WHO "SPEAK THE LANGUAGE"-DO A GREAT JOB IN COMMUNICATING EFFECTIVELY WITH THE BUILDER WHILE PROTECTING THE BORROWER AND BANKS INTERESTS.

UP TO 85% LTV WITH NO PMI

BENEFIT-ALLOWS HIGHER LTV (CERTAIN RESTRICTIONS APPLY)

LOW PERMANENT RATE

BENEFIT -UNCOMPLICATED -NO SECOND CLOSING

REASONABLE FEES-THE ONLY "ADDED" FEES ARE ASI INSPECTION FEES AND TITLE UPDATE FEES

BENEFIT-NO COMPLICATED POINT ADDONS OR EXPENSES