CONSTRUCTION LOAN PROGRAM FAQs

Because the amount due on the loan will change during the interest-only 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.

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 and scope of project, 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/

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 make 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 to vendor or contractor, we can generally reimburse them, once the work is verified completed by ASI and the corresponding 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

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 proceeds are fully disbursed, and we have final Certificate of Occupancy and 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 of the loan. We do charge a nominal fee to modify the loan.

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When a customer is required to bring funds to close per the LE, how does that work?

- The borrower is REQUIRED to bring that amount to the actual closing table. Like any other loan that requires a cash contribution (down payment, etc.) those funds are brought to closing. I mention this because some borrowers may assume that they can "self- fund" during the construction period and tap into the Partners construction escrow once they have exhausted their own money. We must guard against borrowers spending those funds prior to contribution and not having enough funds to complete the transaction.

How does the modification/float down work?

- Upon 100% completion of the project and conversion to end loan, the borrower may elect to pay the modification fee ($750-1,000 depending on loan amount) to take advantage of falling rates. The Bank will compare a likewise transaction (LTV, loan amount) and add 1/8th to its current rate offering as the modified rate, avoiding costly refinances.

What happens if construction takes longer than 12 months?

- The loan automatically converts to full P&I at the 12-month mark. The remaining construction funds are put into a "holdback" account and dispersed in a similar fashion as the construction period. The borrower will be paying P&I for the full original loan amount at the 12-month mark.

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