

Phase 2 Construction

- Once the loan has been approved, the file is transferred to our Construction Loan Department where they set aside the approved Loan Funds into a Construction Loan Account.
- The builder requests draws from this account according to the Executed Contract. There are typically five equal draws and the builder is responsible to pay the subcontractors, collect Lien Waivers, and provide progress reports to the Construction Department.
- The Construction Department orders inspections for each phase of construction, and is provided written inspection reports on the status of construction.
- During construction, billing begins for Interest Only monthly payments on the funds advance for the loan. Interest payments are not required on funds that have yet to be distributed.
- Once the home is complete, Final Construction Inspections have been performed and the Certificate of Occupancy is received, an Appraisal Re-inspection is ordered to confirm the original value on the predetermined appraisal.

Phase 3 Loan Modification

- During the last phases of construction as the home nears completion, the Mortgage Loan Originator will be in contact to begin preparing for Permanent Loan Financing.
- Capacity Documentation (income, assets and credit) must be updated within 120 days of Permanent Loan Financing.

The Mortgage Department determines whether or not the updated capacity documentation meets the original loan approval. As long as this documentation still meets the prior to construction approval, the Permanent Loan Financing is completed.

Note: If you choose to impound taxes and insurance, those funds will be collected at time of Permanent Loan Financing.

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PO Box 4680
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LOAN PRODUCTION OFFICES

MORTGAGE PROCESSING CENTER
Phone: (928) 854-4003

KINGMAN 4155 N. Stockton Hill Rd
Kingman, AZ 86409
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BILTMORE SBA REGIONAL OFFICE
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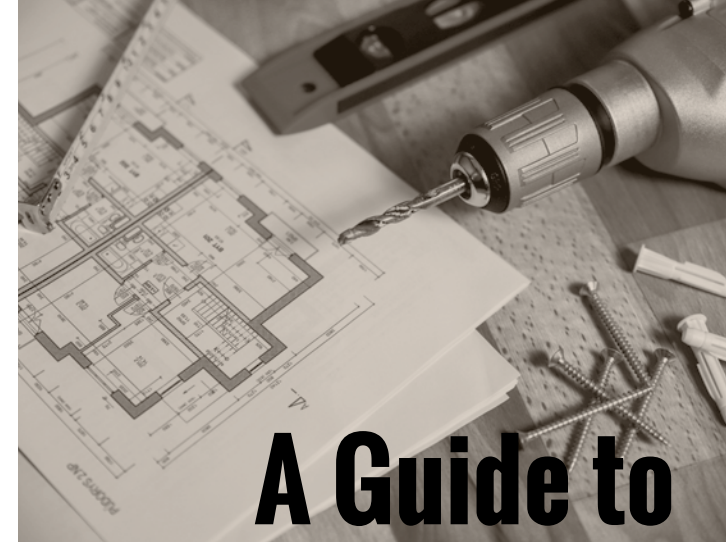
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Horizon Community Bank
NMLS # 566129

www.horizoncommunitybank.com

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A Guide to Construction Loans

Construction Lending can appear to be a complicated process, however we are dedicated to helping you build the home of your dreams.



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The following information will explain some of the common questions about Construction Loans with Horizon Community Bank.

Phase 1 Pre-Construction Planning

- Identify a lot, decide on a builder, have executed contract and are ready to begin building.
- The Mortgage Department will develop project costs by including land value; the executed construction contract; any additional subcontracts such as landscaping, pools, and walls; and any additional paid housing related expenses such as surveys, engineering and plans.
- When the application is complete, an "As-Completed" Appraisal will be ordered to value the home.
- The Processing/Underwriting Department will determine eligibility based on current market guidelines for the permanent loan at the end of construction.

If income, assets or credit changes after the Construction Loan is approved and construction has begun, it may affect eligibility when it comes time to execute the Loan Modification for the permanent loan.

It is because of this, that HCB cautions our Customers to notify their Mortgage Loan Originator if any major changes in assets occur; or if considering applying for additional credit before the home is complete; or there is a change in income.



Introducing Our New Construction Loan Program

Construction Loan

- Financing maximum 80% of Total Project Costs or the Appraised Value, whichever is less.
- 9 months interest only (I/O) on funds advanced on the loan until home is complete.
- Administration of the construction loan distributions to the builder until fully dispersed.
- At the end of construction, when the Certificate of Occupancy is received, the loan will be converted to a 30 year fixed rate loan subject to current market rates.

Determining Home Project Costs

- Add the construction contract (house) + subcontracts (pool, wall, landscaping) + land costs (lot value, engineering, survey, plans) to determine the Total Project Cost.
- All paid costs to acquire property, survey, engineering, architectural costs, and plans will be credited toward minimum 20% down payment.
- If lot is owned free and clear and was purchased within the last 12 months, full value of the purchase price is used for the Construction Project Costs.
- If the lot has been owned for over 12 months, the full appraised value that the Appraiser assigns will be used.

Example - Maximum Financing

| | |
|--------------------------------|------------------|
| General Construction Contract: | \$283,000 |
| Estimated Title & Loan Fees: | \$4,000 |
| Lot Cost: | \$100,000 |
| Pool Contract: | \$70,000 |
| Wall Contract: | \$34,000 |
| Excavation Contract: | \$14,000 |
| Total Project Cost: | \$505,000 |
| Minimum Down Payment: | \$101,000 (20%) |
| Loan Amount: | \$404,000 (80%) |

Borrowers Cost Breakout

| | |
|----------------|--|
| \$77,000 | Lot Equity |
| \$10,000 | Deposit to General Contractor |
| \$3,000 | Deposit to Pool Contractor |
| \$1,000 | Deposit to Wall Contractor |
| \$1,000 | Deposit to Excavation Contractor |
| \$4,000 | Cash for Estimated Title & Loan Fees |
| \$96,000 | Credited toward \$101,000 Down Payment |
| \$5,000 | Additional Cash Needed for Down Payment |



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WE ALSO HAVE PORTFOLIO CONSTRUCTION LOANS FOR NON-CONFORMING LOAN SCENARIOS.