

FREQUENTLY ASKED QUESTIONS

1. What is a construction-to-permanent loan?

A construction loan provides mortgage funds to acquire or refinance land, as well as provide construction funds to build a new home or to renovate an existing home on that property. A construction-to-permanent loan will also provide funds for the permanent mortgage.

2. What types of construction will the lender finance?

McLean Mortgage Corporation offers financing for both primary residences and second homes within our market area for new homes built on site and significant renovation projects.

3. Can I act as my own contractor?

The owner/borrower providing contracting services on their own home is not permissible. A Class "A" Licensed Contractor is required. The contractor will be subject to review of credentials by McLean Mortgage Corporation and must complete a registration process as well.

4. What kind of financing is available?

You may select from a wide variety of fixed and adjustable rate mortgage options with various rate options, subject to qualification standards. Please discuss these options with your mortgage advisor.

5. How long is the construction period of my loan?

The construction period is twelve (12) months from the date of closing.

6. Can my construction loan be extended?

The original twelve (12) month construction term can be extended by submitting a written request to McLean Mortgage Corporation. That request must specify the time period needed to complete construction.

Extension(s) will be at the sole discretion of lender, and will be subject to a fee of one half of one percent (.50%) of the loan amount for a 90-day extension period.

7. Can I use any builder/contractor?

The builder/contractor selected will have to provide required financial information and proper credentials, which are subject to review and approval. The submission will include builder profile information, evidence of contractor license and appropriate insurance. *However, McLean Mortgage Corporation does not warrant the builder's workmanship. The selection of the general contractor/builder with whom the contractual agreement is made is at the sole discretion of the borrower/property owner.*

8. Can I make changes to the house plans/specs during construction?

Your house must be built in accordance with the plans & specs submitted with the original loan application. Any significant changes that would potentially alter the appraised value must be re-evaluated by the appraiser who performed the original appraisal. *Any changes which may result in an adverse effect on the appraised value is not permissible.*

9. Will the lender release funds as required by my contract agreement with the builder?

The contract agreement will not determine the release of funds. The lender advances funds in accordance with the percentage of completion of work, based on a site inspection and using the established draw form. These procedures are specified within the terms and conditions of the construction loan agreement.

10. Will the lender advance construction funds prior to work being completed?

Funds are only released for work which is completed. Funds are not advanced for other purposes, including the purchase or storage of materials.

11. How much advance notice does the lender require for draw requests and construction inspections?

A minimum of three business (3) days advanced notice is required. This allows sufficient time to schedule the inspection, order a title exam and process the funding.

12. Can I pay off my construction loan with my permanent mortgage prior to the scheduled construction maturity date?

You may close on the modification at any time, provided that the house is 100% complete, an occupancy permit has been obtained, and final credit qualification has been established. Please contact your mortgage advisor should this occur and express your desire to convert to your permanent loan.

13. Will the lender pay real estate taxes and insurance that may be due during the construction period?

It is the sole responsibility of the borrower/owner to pay taxes and insurance during construction. Escrow accounts for real estate taxes and insurance will be established at the time the permanent mortgage is in place. Your initial tax and insurance escrow contributions will be collected from you at that time.

14. What payments will I make during the construction period of my loan?

Interest-only payments will be billed monthly. No principal payments are collected during the construction period. The calculation of interest-only payments are based on the outstanding balance of funds advanced to date. A monthly interest statement which will be provided will reflect a payment due date of the 1st day of each month.

15. Can interest payments be financed into the loan?

McLean Mortgage Corporation will consider requests which include a reserve for interest payments. The interest reserve must be included in loan calculations. The amount of interest reserve, and whether or not it is allowable, is limited to the restrictions of the loan-to-value ratio.

16. What interest rate is charged on the construction loan during construction?

Interest is based on the Prime Rate of Interest as published by the Wall Street Journal and floats with this prime index. The loan will have a margin which is added to the prime rate. Regardless of the index and the margin, the loan will have a floor rate. Please consult with your mortgage advisor to get a current quote for the construction loan.

17. Can the permanent loan interest rate be locked during construction?

Extended rate lock options are available on certain construction loan products. Please consult with your mortgage advisor to determine what options are available.

18. If the permanent loan interest rate floats during construction, when can it be locked?

If the rate on the permanent loan is floating while the home is being constructed, the interest rate can be locked as the project nears completion. The term of the lock must be long enough provide for the completion of construction, as well as time to close on the permanent loan.

19. The home is finished, what transpires next?

When notification is received that the project is nearing completion, it will be important to speak with your mortgage advisor. It will likely be necessary to update some of your credit information and a new appraisal will be required.

Note: Any adverse change in your financial condition or in the value of the subject property could affect your final loan approval and may hinder your ability to modify the construction loan to a permanent loan.

20. Will there be more costs to pay at the Modification (One-Time Close)?

The associated recording fees for the Loan Modification Agreement will have already been collected at the initial closing. The required deposits to establish the escrow accounts for taxes and insurance will be collected at the time of modification.

21. Will there be more costs to pay at the Refinance (Two-Time Close)?

There will be associated costs customary to a refinance transaction. However, there are potential discounts which may be offered by using the same lender and title/settlement agent. Additionally, the required deposits to establish the escrow accounts for taxes and insurances will be due at closing.

22. Can I waive escrows and opt to pay my own taxes and insurance?

Escrows may possibly be waived if allowed by the loan option selected. Typically the loan-to-value must be 80% or lower, the property must be your primary residence and waiving escrows must be allowed by federal and state regulations.