



Construction Loan Program



Build the home of your dreams.

Thank you for your interest in our Construction Loan Program. Here at HOME we offer a unique program which allows for financing up to 80% Loan to Value (LTV), based on the "as complete" value and NOT based on the proposed "total to construct" allowing equity to be used toward down payment, closing cost and escrows.

The Details:

- Can be used to Construct or Renovate a 1 to 2 family primary or single family secondary residence on land you currently own, to purchase land and build or to purchase an existing home that can be renovated or demoed to build new. Homes cannot be seasonal.
- Modular Homes allowed with statement provided upfront from manufacturer that they agree to our terms of payment
- Maximum Loan Amounts is \$2,000,000
- Contingency reserves equal to 10% of cost to construct must be documented at the time of underwriting. Funds do not need to be liquidated and are not collected at Closing.
- Only one General Contractor (GC) with one contract for all work to be done is allowed. Borrower and/or Borrower's spouse or domestic partner cannot be the GC
- Maximum of 8 disbursements/draws during construction



The Details cont.

- **Initial Loan Disbursement Calculation:**
 - **Purchase Vacant Lot** – Disbursement of 75% of Purchase Price or Land Value, whichever is less, plus Closing Costs and Prepaids*
 - **Own Vacant Lot Without Lien** - Disbursement of 25% of Land Value, plus Closing Costs and Prepaids*
 - **Own Vacant Lot With Lien** - Disbursement of 75% of Land Value not to exceed Payoff, plus Closing Costs and Prepaids*
 - **Purchase Existing Structure** – Disbursement of 80% of Total Acquisition Cost or As-Is Value per AVM, whichever is less, plus Closing Costs and Prepaids*
 - **Own Existing Structure Without Lien** - Disbursement of 25% of As-Is Value per AVM, plus Closing Costs and Prepaids*
 - **Own Existing Structure With Lien** - Disbursement of 80% of As-Is Value per AVM, not to exceed Payoff, plus Closing Costs and Prepaids*
- This is a one-time close construction loan, once the rate is locked it remains the same throughout the life of the loan. Terms are interest only during construction during the first 12 months then modifies with a 14 or 29 year fully amortized mortgage. Payments are due 30 days from the Closing Date.
 - *Initial 12 month interest only payment does not include the required taxes and insurance which are collected each month from day one.*
- Progress disbursements get paid directly to the borrowers via a HOB checking If borrowers need their own funds to satisfy construction costs we verify their funds during underwriting, but we do NOT collect their funds. The borrowers are responsible to use their own funds, as necessary, to make up for any shortcomings of our disbursements to them to pay the contractor.
- Funds disburse in only two ways, 1) an initial disbursement at closing, 2) progress disbursements for inspected, specified items from the Disbursement Schedule that are 100% complete. Partial disbursements are not allowed.

Closing Costs and Prepaids - Can be rolled into the Loan Amount when sufficient equity is available. In cases where the Loan Amount is not increased to cover these costs, the Borrower(s) must bring the funds to closing.

Construction Contracts – The contract should be a professional form that defines all of the important terms and responsibilities for each party. It could be a fixed-price contract, an estimated price with a promise from the contractor to complete the build as close to the budget as reasonably possible or a “cost-plus” contract. However, we may ask for an updated estimate if the contract and estimate are outdated as we get near the loan closing date.





The Details cont.

Plans and Specs – We require professional plans, specifying the details of materials like those you would provide the local building authority for obtaining a permit. Any specs that aren't in the plans will need to be listed separately.

Subcontractor List – The name(s) of the person or company who will be working with the contractor to complete the build.

Insurance - Generally, a standard HO3 policy will not cover the property while it is under construction. Some insurance companies will not bind an HO3 policy until occupancy permit is received. In these cases, a builders risk insurance is a good option. While other insurance companies WILL issue an HO3 policy and provide a "dwelling under construction" (or similar) endorsement. So, the two most common scenarios that underwriting will accept are as follows:

- a. A 12 month Builders Risk policy, with appropriate amount of dwelling coverage, AND a quote for an HO3 policy that would go into effect once building is complete. The borrowers will be qualified and escrow (if applicable) for the quoted amount of HO3 policy. The Builders Risk policy must be a 12 month policy and must be paid in full either prior to or at closing. It is acceptable for either the borrower or the builder to provide the builders risk policy.
- b. A 12 month HO3 policy with a "Dwelling Under Construction" (or similar) endorsement. This would qualify and escrow the same as a standard loan.

Contractor Liability Insurance - The Contractor is required to have a general liability insurance policy with liability coverage of at least \$1,000,000 and Workers Compensation coverage. Workers comp coverage that excludes owners/officers is common and acceptable. If there is no workers comp coverage, the borrowers have the option of signing a hold harmless agreement (see right). This can now be printed from the file in Encompass, if needed. Liability binder/certificate of insurance should have HOME listed as the certificate holder, and the borrowers and subject listed as a work location in the description section.

Contractor Approval – Approving the contractor is a crucial part of ensuring that the project has a high likelihood of being completed as anticipated. Documentation required for approval are the Executed Contract, Cost Breakdown, Building Plans and Specs, Material Specifications (if not in plans & specs), Subcontractor List, Proof of Liability and Worker's Compensation Insurance and the Contractor Information F& Contractor Notice Form.

Appraisal Order - Once the project and contractor are approved the appraisal can be ordered.

Fees Payable to Lender – Title Updates \$600.00, Final Inspection \$1600.00 (Coos County NH \$2100.00), Plot Plan \$275.00

Contact Charley Farley at cfarley@harborone.com for details.

Subject to underwriting approval. This is not an offer for an extension of credit or commitment to lend.. HarborOne Mortgage NMLS ID:2561.
Rhode Island Licensed Lender. Licensed by the New Jersey Department of Banking and Insurance.

