



TEG[®]
Federal Credit Union



**CONSTRUCTION
TO PERM GUIDE**



CONSTRUCTION TO PERM INFO PACKAGE

Thank you for your interest in TEG's Construction to Perm (CTP) product – your construction loan and permanent mortgage all rolled into one. TEG is dedicated to helping our members become successful homeowners, and we're committed to providing the tools and resources that you need to efficiently build and get into your new home.

Our CTP features a single close, an interest only construction term, and an automatic conversion to a fixed mortgage. Included in this package is our step-by-step process from your first call to one of our experienced loan officers to completion of your new home, and answers to some frequently asked questions. This information guide will make the financing of your home with a Construction to Permanent loan clear and easy to understand, from start to finish.

When you are ready to get started, or if you would like to have a more in-depth discussion about this product, please contact one of our mortgage loan officers. We look forward to working with you.

Sincerely,

TEG Mortgage Department
1 Commerce Street
Poughkeepsie, NY 12603
845.452.7323
MortgageOfficers@TEGFCU.com

Meet our mortgage loan officers.

Meet with your loan officer

The first step will be to establish your desired budget. Consider what the estimated cost of your project (lot acquisition plus construction). Consider how much you are looking to finance and the funds you have available for an up-front deposit.

With this information your mortgage loan officer will work to prequalify you for your Construction to Perm loan. Be sure to discuss with your loan officer what your living arrangements will be and if you are planning to sell your current residence so that we can properly calculate your living expenses during construction.

Like with any mortgage loan, we will consider your credit history, income, and assets to determine how much you qualify to borrow. This will help you establish an estimated budget to select the home you want to build.

Select your home design and builder

If you do not already own a lot, select one and get a contract to purchase the land. The purchase of your lot or payoff of any loan on your existing land can be included in your TEG Construction to Permanent loan.

- Get plans for the home you want to build which includes obtaining a complete set of construction drawings as well as plans and specifications. These could be purchased or drawn up for you by an architect.
- Select a builder. We recommend you review your builder's references, licenses and financial background when making your selection.
- Get a detailed construction proposal from your builder. This proposal does not have to be fully executed in order to start the process.
- Important Note – Even though you have your construction proposal and plans and specs in place, no work is to be completed prior to closing. An early start may hinder our ability to obtain proper title insurance coverage and may prevent us from closing your loan.
- Modular Homes/Kit and other prefab construction: If your construction falls into one of these categories, you will need agreements from both the manufacturer and builder.

Please note: We recommend that you do not put down a deposit and commit to a delivery date to the modular construction company prior to receiving a conditional underwriting approval. TEG will not be responsible to accommodate a manufacturer's delivery date schedule created prior to closing.

- This is a good time to begin working on your draw schedule with your builder.

Builder Draw Schedule

TEG will provide a draw schedule template to be completed by your builder and approved by you and TEG. This document is very important as it will govern how loan disbursements are made during the construction phase of your loan.

- TEG will allow an initial disbursement to your builder, not to exceed 80% of the lot value to get the project started.
- Subsequent disbursements will be for completed items and will require an inspection.
- Special order items requiring upfront payment may be eligible for disbursement without inspection if the material and labor cost is itemized individually on the draw schedule. Disbursements for these items will require a vendor invoice, with payment to be made directly to the vendor.

Examples of items that may be eligible include:

- Custom Cabinets
 - Windows or Specialty Doors
- General building materials are not eligible for disbursement until they have been installed.

Submit your application

- Now that your total construction cost (lot acquisition plus cost to construct) has been determined, please contact your loan officer so we can finalize your application and proposed loan amount.
- Provide your property address, plans and specs, construction proposal, and updated income and asset statements as needed.
- You will receive your initial disclosures which will require your signature. Your loan officer will be able to answer any questions you may have.
- Once the executed loan disclosures have been received, your loan will go to processing.



Obtain TEG credit and project approval

Your processor will be your primary point of contact and will communicate with you and your loan officer to ensure a smooth transaction. Your processor will collect any additional documents needed.

Once all documents have been collected, the file will be submitted to underwriting for approval.

Your processor will review your approval letter with you and will let you know what additional items are needed to get your loan cleared to close.

Close your loan

The closing attorney will schedule your closing once you are cleared to close.

- Prior to closing you will receive an initial closing disclosure so you will know what funds will be needed for closing.
- If the remaining cost to construct exceeds the loan amount, that amount will be included in your cash to close.
- In addition to standard closing documents, you will sign a construction loan agreement.
- There will be no builder draw requests processed at closing.

Once we have received your closed loan package from the attorney, our servicing department will reach out to you to provide information on your next steps and provide the draw request form.

- During the construction phase, the draw schedule agreed on by you and your builder, and approved by TEG, will determine amounts for each disbursement.
- Any funds that you paid at closing to be used towards the cost of construction will be used prior to advancing funds on your construction loan.
- If your draw schedule calls for an initial builder advance, it will be disbursed at this time.

Build your home

Your builder will begin construction and you will work with our servicing department when you are ready to request additional funds.

- Most disbursements will require that phase of the project to be complete.
- Advances for special order items such as windows and cabinets are allowed if the Construction Draw Schedule itemizes the materials separately from the labor. Payments for the special orders will be paid directly to the vendor after invoice and draw request has been provided. Advances for general building materials are not allowed.
- We will order an inspection and will update title periodically to ensure there are no liens or judgments on the property.
 - The inspections are performed solely for the benefit of TEG and should not be relied upon by the borrower or builder to ensure quality, craftsmanship, code compliance or adherence to the plans and specs.
- If you are building a modular or kit home, request for final payment should be made at least 7 days in advance to avoid any delays so you can make payment “curbside” at delivery. Funds will be payable to the dealer.
- You will continue to order requests for advance as your project progresses.
- During construction you will be making monthly interest payments based on the amount advanced.
- The following will be needed to process the final draw request to your builder:
 - Final inspection as per plans and specs that shows the build is 100% complete
 - Certificate of occupancy
 - Final title update
 - Executed letter of borrower completion
 - Builder lien waiver





Convert to permanent mortgage

Once the construction of your new home is finished (or at the end of the construction term) the interest only phase of your loan is over. At conversion, you will begin paying monthly principal and interest payments. To convert to the permanent phase, the following items are required:

- Final payment for outstanding interest accrued during the construction phase.
- Evidence of homeowner's insurance, showing that the course of construction coverage has been removed.
- If an escrow account for taxes and insurance is desired, one can be established. You will be required to fund this account.

Please be aware:

- Materials stored and incomplete items are not eligible for disbursement.
- Do not approve funds to be released to the contractor for unsatisfactory work.
- If work stops for an extended period of time, or there are any issues that may cause significant delays, let us know.
- You are responsible for making the mortgage payment each month, even if the construction is not satisfactorily completed.
- Do not pay the builder up front for any items included in the approved draw schedule.

continued...

- You are responsible to pay your builder directly for any change orders and overages that exceed the contract price.
- Your loan amount cannot be increased post-closing. Unless a contingency reserve was included in your draw schedule, there are no additional loan proceeds available.
- Your builder is responsible for paying all subcontractors and material suppliers involved with your project. If payment does not occur, a lien can be filed against your property, which would need to be resolved prior to disbursement of any additional loan funds.
- You are responsible for paying property taxes and insurance directly as they become due.



HOME SWEET LOAN- LET TEG HELP YOU BUILD YOUR DREAM HOME

At TEG Federal Credit Union, it's about finding solutions to get you to your most important life moments. It's about watching your family grow. It's about neighbors helping neighbors. It's about being a part of the Hudson Valley Community.



FREQUENTLY ASKED QUESTIONS

INSURED
BY NCUA



<p>What properties can I finance with construction and permanent home financing?</p>	<p>Construction to Permanent financing is limited to single-family homes. The style and method of construction must be typical for the area. If you are considering a non-standard project, please discuss with your mortgage officer so that we can provide better direction as to whether the project would be eligible for TEG financing. The TEG CTP loan product is limited to Dutchess, Orange, Ulster, Putnam, Rockland, Sullivan, and Westchester Counties. Exceptions outside of these counties, while still in New York state, will be considered on a case-by-case basis.</p>
<p>Can I finance an investment property?</p>	<p>No. The Construction to Perm Loan may only be used with the property that is intended as an owner-occupied primary residence or second home. Our Business Lending Department can assist with construction to perm financing for the investment properties and builder construction only.</p>
<p>Can I act as my own general contractor?</p>	<p>No. A qualified general contractor or builder is required to oversee the project.</p>
<p>Can I start my project before loan closing?</p>	<p>No, you may not start the project before loan closing. An early start may hinder our ability to obtain proper title insurance coverage and may prevent us from closing your loan.</p>
<p>Do I have to own my lot prior to closing?</p>	<p>No, you do not. The lot may be purchased simultaneously with the closing of the Construction to Perm loan.</p>
<p>I paid cash for my lot. Can I get cash back at closing?</p>	<p>No. We consider this equity into the project and credit towards your down payment.</p>
<p>Who are the construction funds released to?</p>	<p>Funds may be released directly to the builder, subcontractor, or supply vendors as directed on the draw request.</p>
<p>Can a subcontractor or materials supplier file a construction lien against my home?</p>	<p>Yes. Even though you might pay your builder, if your builder does not pay the subcontractors or materials supplier, they can file a construction lien against your property.</p>
<p>Who pays for cost overruns during the construction phase?</p>	<p>The Borrower is responsible for paying the overages.</p>
<p>How are payments calculated during the construction phase?</p>	<p>You will be making monthly interest only payments based on the amount advanced. The construction phase is over when the project is complete or 12 months after closing, whichever comes first.</p>
<p>What happens if my project is not completed prior to the maturity of the construction phase?</p>	<p>You may request an extension for your project to allow time to complete construction. If granted, conversion to the permanent phase will take place at the end of your scheduled construction term and you will begin making principal and interest payments on your loan amount. An interest-bearing escrow hold back account will be established to fund the remainder of your project and the draw request process will remain the same.</p>
<p>How much will my property taxes be on my completed home?</p>	<p>TEG will use the appraiser's estimate as to what your taxes will be at completion for qualification purposes. Your local tax assessor may be able to answer any additional questions regarding what the estimated taxes on your completed home will be.</p>



Apply online or call us today! 845.452.7323 | TEGFCU.com