



CUSTOMER GUIDE &
FREQUENTLY ASKED QUESTIONS

 **Bank**
FOCUSED ON YOU

 **Mortgage
Corporation**
FOCUSED ON YOU

One-Time Close Construction Loan Program



Welcome.

**Thank you for choosing C&F
for your construction loan.**

We're delighted to have the opportunity to partner with you in building your new home. This guide will provide you with several helpful and important pieces of information regarding our construction loan process. Please read all pages and contact your Mortgage Loan Originator with any remaining questions. We are here to help!



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Why choose C&F?

C&F Bank has financed the construction of thousands of homes, which has helped us develop unique financing solutions to meet nearly every customer need. Our financing solutions come with years of experience and a commitment to making home financing easy and affordable. C&F Bank's partnership with C&F Mortgage is the perfect example of this — we have created an ideal construction and permanent mortgage-financing scenario, fitting each homeowner with the right loans.

Experts who know the process. C&F's focus on construction and home loans enables our Loan Officers to guide you quickly and efficiently through the construction financing process. C&F has a dedicated, specialized team with in-house processing, underwriting, closing, draw administration and servicing which ensures your loan is well managed from start to finish. Our streamlined process helps to avoid unexpected surprises and provides peace-of-mind when building your home. Our team concept ensures customers have an exceptional experience.

STEP 1

Getting Started

A C&F Mortgage Pre-Qualification provides you with the confidence of knowing how much you can afford before you start planning to build your new home. It is easy to apply online or directly with a C&F Mortgage Loan Officer. We can help you determine which construction product best suits your needs and provide a detailed mortgage analysis for your construction and permanent financing. Contact your C&F Mortgage Loan Officer or apply directly on their website to get started.



STEP 2

Construction Loan Process High-Level Overview

Our goal is to help you fully understand the construction process as this is new for many, even if you have purchased a home in the past. During the building period, your monthly mortgage payment will be based off of an interest only payment on what has been drawn up to that point. As your builder takes more draws on your construction loan, your outstanding balance will increase until all draws have been taken.

You will receive a monthly mortgage statement from C&F detailing your interest only payment and current outstanding balance. During this first year, you will be billed directly by the county for your real estate taxes. This mortgage payment process will continue for the first year unless you chose the option to modify your loan to another product after construction is complete, but before your first anniversary date of your construction loan closing.

See the FAQ section for more detail on your loan modification option. If you chose **not** to modify, your loan will automatically convert to the permanent phase of your loan after the first year, which is the C&F 7-year balloon product. *Your payment remains fixed for the next 7 years based on the interest rate you locked at the time you closed your construction loan. The Principal and Interest payment will be amortized over 30 years. There is no prepayment penalty on your One-Time construction loan and you can pay down/pay off or refinance at any point during the next seven years.

STEP 3

Phases of your Construction Loan

The process of your construction loan is broken into a few phases and some of these phases are happening simultaneously.

Phase 1 – Pre-Approval to Loan Closing:

After you complete your mortgage application, you will be sent a One-Time Close mortgage analysis and documents needs list based on your specific circumstance.

We will also ask you and your builder for a fully ratified contract and the detailed house plans. Once you are comfortable with the financing analysis and we have received your initial loan disclosures, supporting documentation and ratified contract with house plans, we are ready to proceed with initial underwriting.



Our construction team will be reaching out to your builder with any additional documentation needed from them on your build. These include items such as:

- Well and septic construction permits (if applicable)
- Soil test
- Draw disbursement schedule
- Site plan or house location survey
- Builder's Risk Insurance (Please note that Builder's Risk Insurance is either carried by the builder or the client. Please contact your builder to specify the responsible party. You can shop for Builder's Risk Insurance just as you would for homeowner's insurance. Builder's Risk Insurance is further discussed in the FAQ section of this document)
- Building permit

Required Asset Reserves:

Reserve requirements on a mortgage loan refer to the amount of liquid assets a borrower needs to have after closing on a mortgage. Lenders often require borrowers to have reserves to ensure they can continue making mortgage payments even in case of financial difficulties or cost overruns during construction. These reserves are typically expressed as a certain number of months' worth of mortgage payments. For your construction loan, you will need to have 6 months of permanent loan payment reserves (Principal, Interest, Taxes, Insurance and monthly HOA) plus an additional 5% of the building contract price in the form of liquid assets or retirement accounts.

Your Appraisal:

An appraisal is required on all construction loans and is a protection for you to make sure a fair market value is established. During your approval process, C&F Mortgage will order your appraisal once we have your signed loan disclosures and fully ratified construction contract and house plans. An independent appraiser will value your home and property as if your home was already built using similar home comparables in their evaluation.

The appraisal fee will be collected from you at the time the appraisal is ordered. The cost of your appraisal may vary based on the location and complexity of the home and property. It typically takes about 2-3 weeks for your appraisal to be completed and reviewed once it is ordered.



Our goal is to order your appraisal as early in the process to establish the value of your home that we can lend on. The value used is the lesser of the appraised value -or- the cost of construction plus the value of your land. If you purchased your land within the last year, the land value is based off your purchase price or land value on the appraisal (whichever is less). Your appraisal is valid for 120 days.

Home Stretch for Settlement:

Once your loan is fully approved and all needed documentation is received from the builder, we are ready to close your One-Time Construction to Permanent loan. You will receive a Closing Disclosure at least 3 days prior to settlement with details of your loan and any funds required for you to bring to closing. In this Closing Disclosure, you will also see a comparison with the loan estimate you received at the beginning of the process.

Additionally, in order to keep your loan process smooth and without delays, it is important to refrain from or first consult with your mortgage loan originator before you do any of these potentially credit altering actions through the duration of your build and until closing of your permanent mortgage:

- Deplete your assets
- Open new credit accounts
- Increase your balance on credit cards
- Make large purchases
- Miss any bill payments
- Allow your credit to be pulled
- Dispute items with the credit bureau
- Change jobs

Your Mortgage Loan Originator will be happy to walk you through any potential guideline and regulation pitfalls that could create a need for increased documentation, delays, or reconsideration of the loan approval.

Phase 2 - Home Construction:

Now that your loan has closed, construction of your new home can begin. Upon completion of each phase of construction, your builder will request disbursements or “draws” as outlined in your draw disbursement schedule. The following steps will occur:

- An inspection will be ordered by C&F to ensure the work has been completed
- The inspector will complete an inspection report
- A title “bring down” and lien waiver (if applicable) will be performed prior to each disbursement
- Upon receipt of a satisfactory inspection report and title bring down, the draw funds will be disbursed
Payments will be provided by direct wire payments to the builder

Upon Completion

C&F Bank will consider the project to be complete when the Bank’s appraiser and the city or county inspectors have found the home to be complete and the remaining proceeds of the loan may be subject to disbursement at that time. When your home construction is complete, C&F Bank will request the following items:

- A final inspection of the home
- A Certificate of Occupancy issued by the city or county
- Termite soil treatment certificate
- Well bacteria test (if applicable)
- Well and septic operations permit (if applicable)

STEP 4

Loan Modification Option and Process

You will have the opportunity between the end of your construction term (12-month term but can be extended up to 18 months) and when Certificate of Occupancy (COC) is issued to modify your loan to a secondary market mortgage product, for example and 30-year fixed conventional loan.

- You will have the opportunity between the end of your construction and when Certificate of Occupancy (COC) is issued to modify your loan to a secondary market mortgage product, for example and 30-year fixed conventional loan.
- The modification rate will be based on the product you choose and current market mortgage rates.
- There is a small fee that is required to record your modification. Other additional costs may apply.
- A new credit report and updated income and asset documents may be required depending on your circumstance. Also, a new appraisal may be required if the appraisal is over 1 year old at the time of closing.
- The modification process will usually begin when your home is approximately 80% complete and the modification will be completed once your home is finished and the certificate of occupancy issued by the city/county. If you choose not to modify your loan, your loan will automatically convert to the terms outlined on your construction loan to the C&F 7-year balloon product.
- C&F Mortgage can modify loan amounts up to the conforming limit. This modification opportunity gives you more options and flexibility to determine the best route for you depending on the interest rate environment at the time your home is completed. Please contact your loan officer for additional questions.
- Homeowner's insurance will need to be in place at the time of your modification. Customary escrow prepaids for taxes and homeowner's insurance will need to be collected at the time of the loan modification.

Frequently Asked Questions

Q. Can my lot be purchased using loan funds?

A. Yes, if you choose to include the lot purchase as part of the loan, a disbursement will be made at loan closing to finalizing the purchase of the lot.

Q. Can I use the equity in my lot toward my down payment?

A. Yes. Your land/lot equity can be used in your mortgage analysis and potentially reduces the funds you will need. If you have owned your property for less than 1 year, the value of your property will be established by using the lesser of the purchase price of your lot or the property value given on the appraisal. If you have owned the property for over 1 year or your property was gifted/inherited, the property value will be established from the property value on the appraisal. You will need to provide the deed of gift if the property was gifted/inherited.

Q. Can I choose any builder I want?

A. Yes, however the Builder must be Class A licensed (or North Carolina equivalent) for a minimum of two years. The Bank will request a Builder Profile and Authorization directly from the builder to review qualifications.

Q. What if I have a disagreement with my builder during the construction process?

A. While the bank does not typically get involved in disputes between your builder and you, we ask that you please notify us as soon as possible if these arise. Any disagreements will ultimately need to be resolved between your builder and you.

Q. Can I be reimbursed for the deposit I paid to my builder?

A. Yes. Once the amount of lot equity is determined and the loan amount is finalized, it is possible for you to be reimbursed from the loan proceeds.

Q. Is my interest rate locked in?

A. You can discuss locking in your interest rate on our One-Time Construction loan with your C&F Mortgage Loan Officer. Once locked, your rate lock is good for 90 days, so we work to try and ensure your loan is fully approved and all

permits are back prior to your rate lock expiring. You will receive a rate lock confirmation once your rate is locked in that discloses all the details of your rate lock. Your permanent mortgage rate lock will also be locked in at the same time as construction. If you choose to modify your loan to a fixed-rate loan at the end of construction, you can discuss your lock options within 60 -90 days of anticipated completion with your Mortgage Loan Officer as construction is close to completion

Q. Will I need to choose a settlement agent or closing attorney for my construction loan?

A. Yes. You will select which settlement agent you want to use for your loan closing. We recommend checking with your builder to determine if they have a recommendation for a settlement agent that specializes in new construction.

Q. Am I required to have insurance during construction?

A. Yes. C&F must have proof of Builder's Risk or Homeowner's Insurance including Theft of Material prior to loan closing. In addition, if your property is in a designated flood zone, flood insurance is required prior to loan closing. The Bank will provide written notification if flood insurance is necessary.

Q. If I have to bring money to closing towards the construction of my home, where does the money go and when is it disbursed?

A. The money will be held in a Money Market account for your construction. Those funds will be disbursed towards the construction of your home prior to any loan proceeds being disbursed.

Q. What happens if I have change orders during construction and my build goes over budget?

A. Any increase in the cost of construction would typically require Change Orders. All Change Orders should be provided to the Bank for review and approval prior to acceptance. Additional credit review and fees will apply if a loan amount increase is requested. You should contact your C&F Bank Construction Loan Underwriter or Draw Processor to discuss potential options. Change orders after closing increasing the cost to build will require the client to pay the builder directly.

Q. What happens if my construction loan is maturing but my home is not finished?

A. If construction is not complete at the time your loan matures, your construction loan term may be extended to cover adequate time to allow for completion. Through communication with your C&F Loan Officer, an extension agreement and extension fee will be considered.

Q. What if we come in under budget and the builder does not need to take the full amount of the draws?

A: If you come in under budget, the builder will not take the full draw amount. When your loan converts to your permanent loan at first anniversary date of your construction closing or you choose to modify your loan once your home is completed, only the outstanding balance will transfer.

Q. What if I want to pay my real estate taxes and homeowner's insurance within my mortgage payment after construction is finished?

A. The Bank will require an escrow account to be established on loans that remain with them on the C&F 7-year balloon product. At the time of completion of the property, an escrow account will be established for taxes and insurance. Additional funds will be collected from you to ensure enough funds are in the account to pay the initial taxes and insurance when they come due. Further, the monthly taxes, insurance and private mortgage insurance (if applicable) will be included in your monthly payment for your permanent financing.

Q. How long is my appraisal good for?

A. Your appraisal for your construction loan is valid for 120 days. You need to close on your construction loan within 120 days of the appraisal being completed. The independent appraiser can complete a recertification of value for an additional fee prior to the appraisal expiring if closing is after 120 days of the appraisal completion date. If you choose to modify at completion, the appraisal may not be more than 1 year old.

Q. What is the process for the builder providing documents to C&F Mortgage?

A. Our construction team will reach out to the builder directly with a list of needed documents to approve your build. Typically, the building permit issued by the city/county where the property is located is the last item to be received. Often, soil tests, site plans and other permits must be obtained prior the builder requesting a building permit from the city/county. The timing from submission to the county to the time the building permit is issued can vary by locality.

Q. What if my construction contract changes or I put down additional funds prior to closing on my One Time Construction Loan?

A. Please make sure your loan team is aware of any changes or additional funds given to the builder that is not listed on the ratified contract. Please provide any updated addendums as soon as you receive them.

Q. What if I have a change in my employment, income or assets after application, but prior to closing on my loan?

A. Please notify your C&F Mortgage Loan Officer immediately of any changes.

Q. How do I better understand Builder's Risk Insurance?

A. A builder's risk policy is a type of insurance that provides coverage for buildings under construction or renovation. It typically covers damage to the structure and materials on-site due to events like fire, vandalism, or severe weather. This policy helps protect the financial interests of the owner, contractor and other parties involved in the construction project. Please contact your builder to determine who will be responsible for carrying a builder's risk policy during construction. The builder's risk policy will be shown as part of the closing cost in your construction mortgage analysis and can be paid prior to or at closing if you are the responsible party.

Q. What is the maximum loan to value (LTV)?

A. The maximum LTV is 90% Loan-To-Value up to conforming high balance loan limit on primary residence only, 80% LTV up to \$1 million loan amount on primary and secondary residence, 75% LTV \$1,000,001 to \$1.25 million loan amount on primary residence only and 70% LTV \$1,250,001 to \$1.5 million loan amount on primary residence only.

* C&F 7-Year Balloon: This program is a 30-year amortized permanent mortgage with a 7-year balloon. The remaining balance is due and payable at the end of the 7-year term (known as a balloon payment). This program is based on a 20% down payment with an initial period of 7 years amortized for 30 years. Refinance options may be available for this remaining balance.

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