



Construction Loans Step-by-Step

Welcome to Banner Bank. Building your home is an exciting project and we want to be on your team from the start. The following will give you an overview of your construction loan process and what to expect step-by-step:

STEP 1: Pre-approval

Once you complete your loan application and provide the income and asset documentation, I will pull your credit report, analyze the loan documents, and run your loan through an automated underwriting system to obtain a preliminary approval of your construction loan. I will then issue you a pre-approval letter.

STEP 2: Construction exhibits

As soon as you are pre-approved, you and your builder will need to work on getting me the construct exhibits:

- Plans and specs
- Contract
- Plot Plan (how the house sits on the land
- Cost Breakdown
- Any other bids that are needed for items over \$3,500.00)

STEP 3: Appraisal

Using the construction exhibits you have provided, I will order the appraisal. The appraiser will give me a projected value of what your house will be worth upon



completion. While the appraisal is being done, we will gather information on your builder, order the title report, and make sure we have all your up to date documentation. This is when most borrowers lock in their interest rate.

STEP 4: Underwriting

Once the appraisal is in, we will provide you a copy and submit the complete file to underwriting for approval.

STEP 5: Closing

As soon as underwriting approves your file it goes to our closing department so your loan documents can be prepared and emailed to the title company. Your escrow officer will call and schedule the signing appointment and let you know the exact amount of closing funds. When your loan is closed, any existing liens will be paid off if you already own the property, or if you are purchasing the property-the lot will be paid for in full and you will be in title. The closing is taking place before construction begins, you are bringing your down payment in at this time (if applicable) and when the house is done, you do not need to have a second closing.

STEP 6: Construction

Your builder can request monthly draws during construction. We will approve draws based on our inspection of what has been completed on your house. You will pay monthly interest only payments (plus mortgage insurance if applicable) based on the amount of funds drawn. Remember, part of the funds drawn may have been used to purchase or pay off your property.



STEP 7: Completion

When your home is done, we ask the appraiser to re-inspect the property to confirm its completion based on the construction exhibits provided in Step 2 and to confirm the value. At this time if your loan is eligible for a float down rate, we will also ask you to provide updated income and asset documents so that we can be sure you qualify for the for the float down. We then lock in your float down rate (assuming that rate is lower than the rate you currently have). NOTE: It is very important to avoid any behavior that will adversely affect your credit score or financial status during the building of your home. We also ask for a copy of the occupancy approval from the building authority.

STEP 8: Loan Modification

Once the final draw is disbursed, your loan will be modified into permanent financing and you will start making your full house payment.

Although this is by no means a comprehensive list, hopefully it will give you a general idea of our construction loan process. Once we receive construction exhibits (Step 2) it normally takes approximately 45 days to close your construction loan. It is my goal to make your loan process as smooth as possible, so please feel free to ask me any questions. I look forward to working with you.