

Home Construction Loans and Home Site Financing

Build Your Dream Home

Our financing is available for you if you own your own home site and use an approved builder. We want to make it a great experience and help you save money in the process. Many lenders offer alternative construction and mortgage financing programs that sound great on the surface, but may cost you much more in the end. Here's how you get started and save with us:

First, our lender will discuss your credit qualifications, equity requirements and the entire process from beginning to end, so you will know what to expect. They will consult with you and advise you of everything you will need. You may not have all of these at the time of your consultation, but you will ultimately provide:

- The legal description of your property.
- Information about the builder you have selected, so that we may approve their credentials.
- The contract between you and your builder.
- The name of the provider for your builder's risk insurance.
- The plans and specifications of the home you intend to build.
- The cost breakdowns of the total amount charged by your builder.
- Statements or proof of any cash you may need to qualify for the loan and pay any origination fee or third party fees.
- Your most recent paystubs, two years W-2 forms, complete Federal Tax Returns, Retirement Account Statements and other pertinent financial information as requested by your lender.
- Your lender will let you know if there is more we need during your application process.

You will be qualified for the long term mortgage at the time you apply for your construction loan, because when your construction loan is completed it will be repaid by the new mortgage loan. Your lender will go over the best option for you during your interview.

You are eligible to borrow up to 80% of the cost of the price of your home site plus the cost of the construction of your home or 80% of the actual appraised value, whichever is less.

Depending on the size and scope of your home construction or seasonal variables that may occur because of anticipated weather conditions or market conditions, your construction loan term will be negotiated with your lender on a term of 6 to 12 months.

The interest rate of your construction loan is typically 1% above the current rate of any long term mortgage you qualify for at the time of your application. As an example, if the 30 year mortgage you qualify for is 4.25% APR, the interest rate for your construction loan is 5.25% APR. The additional interest rate is only for the construction period.

Your construction loan is set up on a "draw note", similar to a credit line. Advances are made to you to pay your builder on a scheduled basis, typically one or two times a month, after our inspection confirms the work advanced for is completed. A "draw note" is our best arrangement for you, because you only pay interest on the amounts you actually draw. Many other lenders advertise a single close loan and charge a single origination fee of up to 1.5%, however, the entire loan is drawn in many cases and placed into an escrow account and disbursed back to you in draws. You are charged interest from the closing date. There may also be a higher interest rate charged during your construction phase and many of these lenders also charge additional servicing or inspection fees of up to \$1,500. We do not charge any extra fees on your construction loan. Our servicing and inspection costs are covered by a 1% origination fee for the draw note and the interest rate. At the time your construction loan is converted to your long term mortgage, you will pay an additional 1% origination fee along with minimal third party fees for your loan. Here is an estimated comparison of just the origination fees, lender fees and interest costs of our construction loan vs a single close loan as described for \$250,000 over a nine month term:

Westmark Construction Loan \$250,000

Origination fee of 1% - \$2,500

Lender administrative, underwriting or inspection fee \$0.

Interest at 5.25% APR estimate (typically this is equal to half of the note drawn over nine months, but may be less or more depending on how frequently you make draws. The longer you wait the better for you, because you pay less interest).

Interest billed over 9 months on average of 50% of the term loan funded - \$4,851

Estimated total Origination Fee, Lender Fees and Interest Charges over 9 months - \$7,351

**Other Lenders' Alternative:
Single Close Construction/Long Term Loan \$250,000**

Origination fee of 1.5% - \$3,750

Lender administrative, underwriting or inspection fee – up to a total of \$1,500

Interest at 5.25% APR over 9 months on full \$250,000 - \$9,711

Estimated total Origination Fee, Lender Fees and Interest Charges over 9 months - \$14,961

That is over a \$7,500 difference you will save on your construction loan as a member. Though you will pay an origination fee for your long term mortgage of 1%, your net savings for origination fees, lender fees and interest is still \$5,000.

Home Site Financing

If you have not bought a home site to build your home and want to in the near future, we offer options for financing developed lots and underdeveloped land up to 5 acres for you. Our Construction Loan Coordinator can help you make your decision for what is best for you and advise you while discussing your intentions for building a home on the site you select in the future and how to proceed.

We offer financing and consultation for the following type of home building sites:

- Developed lots include “stub outs” or “hook ups” for city water, sewer and electrical services. These are eligible for up to 80% financing of the cost of the lot.
- Underdeveloped lots or acreages that do not have “stub outs” or “hook ups” for city water, sewer or electrical services are eligible for 60% of the appraised value or evaluation of the site, provided the property has frontal access and granted ingress and egress to a county or city maintained paved road. These are typically limited to 5 acre sites. If you need a larger parcel, please speak to our Construction Loan Coordinator.

To qualify, you must be able to afford a home ultimately built on your lot or acreage. It must be valued more than four times the value of your proposed home site, i.e., the building cost of an actual home on a site valued at \$80,000 must be at least \$240,000 for the total value of \$320,000 for the home and land.

Buying your lot or land and paying it off will provide significant equity in your construction loan, when you are ready. Often it is sufficient for the total equity required, but depends on the appraisal at the time you choose to build.

General Terms:

- 60 months fixed rate loans for amount financed below \$50,000.
- 120 months fixed rate loans for amounts financed above \$50,000 to \$100,000.
- There is a 1% origination fee for each loan including any third party fees.

Lots or land loans cannot be granted to make cash advances on land that is already owned or gifted.

Lots or land used for agricultural purposes are not granted under this program.

