



What insurance is required for a Construction-to-Permanent Loan?

1. Course of Construction Casualty Insurance. This is an "all risk" policy covering fire, extended coverage, builder's risk, replacement cost, vandalism, and malicious mischief. As the owner, you would be the named insured, with the insurable value equal to the replacement cost of the improvements of the loan amount, whichever is lower. The lender is also named as an additional insured. Once the improvements are completed and the permanent phase begins, the course of construction policy is usually converted to a standard "all risk" homeowner's policy.

2. Worker's Compensation Policy. This covers the Site Supervisor, subcontractors, and others who will be working on your property. This policy is usually provided by the general contractor. As an Owner Builder, you're acting as your own general contractor, and therefore, a waiver of this insurance is required to be executed.

3. General Liability Insurance in the form of a comprehensive general policy or included as a broad form liability endorsement. As an Owner Builder, you are required to provide a minimum amount of \$300,000 for each occurrence, extended to both property and personal injury.

4. Flood Insurance. You are required to have flood insurance if your home is being built in an area that the federal government has identified as a Special Flood Hazard Area.

As an Owner Builder, can I use the equity in my existing home as down payment on my dream home?

Yes, you may obtain a Bridge Loan. This enables you to use the equity in your home as the down payment on our Construction-to-Permanent Loan. And during construction, there are no monthly mortgage payments on

the Bridge Loan. This lets you live in your existing home while you're building your dream home. Your Bridge Loan is not due until your new home is finished or you sell your existing home.

How do I get my money?

Unlike a standard home purchase, funds during construction are disbursed based upon a percentage of completion. You can, however, request a start-up advance to help get the project going. We will disburse 5% of the construction amount as well as funds for upfront expenses such as permits and utility connects upon verification. The next disbursement will be made when the home is at least 10% complete and a copy of your permit is received.

Borrowers have easy access to their construction loan information through a personalized, secure website called "My Loan Information." Here, borrowers can request draws, view available funds for each item in their budget, and monitor their account billing statement.



Building Your Dream Home...Yourself



An Owner Builder guide to home construction

Are you a general contractor planning to build your own home? Or an individual interested in actively managing your home construction project? The following questions and answers are what every Owner Builder needs to know.

What if I want to build my own home?

Most people who build their dream home do so with the services of a custom homebuilder who is also a licensed general contractor. The builder is responsible for delivering a high quality finished product within budget, in a prescribed time period, and in a lien-free condition. However, if you are a

general contractor planning to build your own home, or someone who wants to actively manage his/her new home construction, you may do so as the "Owner Builder." As an Owner Builder, you could be involved in

every aspect of the new home construction, including design, budgeting and financing, obtaining permits, gathering bids from qualified subcontractors, scheduling the work, making payments and even actually managing construction projects.

As an Owner Builder, can I obtain financing for the construction?

Yes, you can. And, if you are not a licensed general contractor, you can still qualify for this program provided that you work with a licensed site supervisor.

What is a Site Supervisor and what qualifications do he/she must have?

A Site Supervisor is a licensed general contractor or an individual who has a minimum of two years experience in construction management. This person serves as a consultant on your home construction project and can help ensure that your new home is completed in compliance with

your plans and specifications, meets all health and safety standards, building codes and other requirements, and is completed in a prescribed period of time and within budget.

You are required to have a contract with your Site Supervisor detailing the management services to be provided.

If I'm a licensed general contractor, do I have to hire a Site Supervisor?

No. If you're a licensed general contractor, you are not required to hire another general contractor to oversee your project. You can serve as your own Site Supervisor.

Why is a Site Supervisor required?

Your lender is lending you money on your dream, it is important to us that your dream is completed in compliance with your plans and specifications, meets all health and safety standards, building codes and other requirements, and is completed in a prescribed period of time and within budget. Your Site Supervisor can also assist you in preparing a detailed budget, selecting and hiring qualified subcontractors, and ensuring that there are no surprises along the way so when your dream home is finished, you will enjoy living in it for years to come.

Where can I find a Site Supervisor?

Word of mouth from friends, family, and others is a great way to find a licensed general contractor. Be sure and ask for a copy of his/her license and check it with your local licensing authorities or governing board, if your state or community has one. Ask for references from individuals for whom he/she has provided similar services.

As an Owner Builder, do I actually have to do any of the labor myself?

No. As an Owner Builder, you are responsible for managing the project to completion. You can do some of the work yourself or simply serve as the project manager.

If I do some of the work myself, can I apply my sweat equity towards my



down payment, and can I be paid for the work that I perform on my home?

No, we do not allow the use of sweat equity as part of the down payment. And, you will not be paid for any work that you complete on your home. However, the sweat equity you create may be realized by the savings in labor incurred throughout your construction project.

What documentation is required when applying for a Bank Construction-to-Permanent Loan?

Because you are asking the lender to loan you money on your dream, your lender will need to see that dream as clearly as you do. Therefore, in addition to standard credit documentation, your lender will want, at a minimum, copies of the following to start the process:

1. Final plans and specifications for the proposed construction. These are needed in order to obtain an appraisal.
2. Purchase contract for the lot (or Settlement Statement if you've already purchase it)
3. Property Profile (Description of Materials)
4. Line Item Cost Breakdown
5. Copy of Site Supervisor's license
6. Copy of Site Supervisor's contract for management services
7. Builder's statement or application (completed by you if you're a general contractor, or by your Site Supervisor)

Also keep in mind that you need to obtain the necessary building permits for your community. Remember, we're here to help if you have any questions.

