Why FHA/Construction Perm Financing?

Do you need assistance in buying or building a home?

Huntington and FHA could be the answer! FHA/Construction Perm financing helps borrowers become homeowners with low down payments!*

These are the benefits of an FHA/Construction loan:

- *One-time closing construction loan*
- *Up to 270 day rate lock*
- *Financing available to 96.50% of the lessor of the appraised value or purchase price*
- *Fixed rate mortgage loan programs available*
- *Financing available for site built, modular or manufactured home on a permanent foundation.*

Call a Huntington Mortgage Loan Officer for complete details.

We can help!

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Huntington
Welcome.

EQUAL HOUSING LENDER

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Huntington

Construction Lending

Frequently Asked Questions

What is a "One-Note" or a "Single Close" construction loan? Why is it a good loan?
A "single close" construction loan is also your permanent financing. We typically qualify all construction loans on Either an ARM or Fixed Rate Mortgage. Another option would be our FHA Construction loan that is a 30 year fixed rate but has County maximum financing limits and can only finance primary residences with as little as 3.5% down.

Do we have to own our lot free and clear?
No. We will pay off your existing land contract or lender.

Does this mean I have to sign new loan documents?
Absolutely not! That's the beauty of our Construction-to-Permanent Loan. Your loan documents were created specifically to cover both the constructing and permanent phases of your loan. You can be assured that you have permanent financing when your home is completed.

If we already own our lot, how do we determine how much we can borrow?
Generally, you will almost always be able to borrow a percentage of the future value of the house, regardless of how long you've owned the lot or the total cost of the build.

What does an Appraiser appraise?
Well, there obviously is no building to go by. However there is a plot of land and specific building plans for your new home. There are also recent sales of similar properties in the area that the appraiser uses to appraise the completed project.

Can your programs be used to finance major remodels or even a "teardown"?
Yes. In these cases the amount which can be borrowed is usually based on the future value of the house after the construction. Exceptions to this would be if the Borrower had less than 20% "in the deal" based on total costs, or the loan balance would be more than the site value (after the old house was torn down) in a "teardown" situation. This type of construction loan can be a refinance on the home in which you live, or an acquisition loan to acquire a property which will be remodeled to be used as your residence.

Can we use any builder?
Our construction lending department will request that a builder acceptance questionnaire be completed by the builder. They will check: "happy homeowners" for whom the builder has completed similar projects, vendor references to insure they have substantial open credit, and other construction lenders with whom the builder may have worked. They will also run a credit report, checking in particular for IRS liens. The IRS can come in and seize the builder's account in cases of severe delinquencies, which could bring your builder to a halt. The bottom line is that the this builder approval process is not only good for the lender, it is good for you. They will probably perform a much more thorough check than you might, though any legitimate, well-capitalized builder will easily pass this approval process. A general rule of thumb is that the builder should have done a minimum of two construction jobs within the last two years on the scale of the proposed build.

Why does the Contractor have to be approved?
This protects the interest of both the Borrower and the Lender. The process takes 3-5 days, and consists of credit and credentials check. This should not be a guarantee or a warrantee of the contractor's quality of work or performance.

Can I act as my own general contractor?
Being an Owner/Contractor is available only to someone who is themselves a builder/remodeler, and who can pass our builder approval process. The construction lender's worst nightmare is a "for sale" sign popping up mid-way through the build.

When does the construction loan term begin?
The Construction loans typically have a 12 month term which begins on the date the borrower signs loan documents. There are certain loan programs where the build time is shortened to a 6 or 8 month term.

How do the loan payments work?
During the Course of Construction, interest is paid only on the principal amount disbursed on the loan.

How is interest calculated and paid during construction?
Interest is charged on disbursed balances, not the whole loan amount. Borrowers are billed every month the interest due on the loans. These statements are generated on the 19th of each month and are due 1st of the next month. Draws will not be released on loans with a past due balance.

What if the appraised value is lower that expected?
Most Appraisers do a very good job of coming up with a fair value. In the event that the home appraises for less than cost, the amount over the appraised value would need to be paid by the customer.

Do we need to sell our current home before building a new home?
Not necessarily. Consult with us first, and we will be able to determine whether you qualify, and for which loan program. If you are already renting, your rent will be ignored by the underwriter. If you need the proceeds from the sale of your current house to close escrow on the construction loan, you'll have to sell your current residence prior to, or simultaneously with, the funding of the construction loan.

What if the project costs are more than estimated?
Cost over run is a legitimate concern, whether caused by unforeseen circumstances or extras added later in the projects. We recommend having an allowance for extras added in for this very reason.

Frequently Asked Questions

What is Builder's Risk Insurance?
Homeowners normally obtain Hazard Insurance (required by Lenders). In the case of a construction loan, an additional insurance policy is required. This policy is often referred to as Builders Risk Insurance or a Homeowner's Insurance Policy with Dwelling Under Construction coverage.
Builder's Risk Insurance, is sometimes paid by the general Contractor, but needs to be stated in the contract negotiated.

What is a Draw?
A Draw is a request to have funds disbursed from your construction loan. Your disbursements are intended to cover specific expenses incurred during your home's construction. Sworn statements and lien wavers/ or receipts must be submitted to the title company and the bank's construction department. They use these as a basis for processing your request.

Can I take a draw to pay for deposits on material/suppliers?
No, we typically only reimburse for items and work already completed. Under special circumstances, exceptions can be made and have to be approved by our construction lending department.

How does the disbursement process work?
Disbursements on a construction loan are designed to reimburse the Builder/Contractor as the construction of the home progresses. We will disburse construction proceeds based on the amount of the work that has been completed on the project. For example, the budget is $100,000 and the project is 10% complete (based on the inspector's view), Huntington Bank's Construction Lending Department will disburse up to $10,000 on the project. This disbursement would be in addition to any advances or deposits the borrower may be entitled to receive. Disbursements for soft or direct cost expenses must be verified by an inspection.

Who does the Builder/Contractor contact to request funds?
Each construction project is assigned to a construction draw administrator whose contact information may be found in your welcome package. Also the Builder/Contractor will receive a Welcome Packet with important information about the construction draw process and how to contact us.

How are deposits for kit and modular homes handled?
We can disburse 10% of the funds allocated for the kit or modular home as a deposit. The remaining 90% of the funds designated for this kit or modular package are disbursed when the house or materials are delivered to the site and set onto the foundation. This holds as a guide and can be modified in certain situations with prior approval by the construction department manager.

How many inspections are allowed and what is the cost?
We allow the Builder/Contractor to request 5 draws. The costs associated with the draws will be paid at the time of closing. Additional draws are available but may incur additional draw inspection fees.

Where will my draw funds be disbursed?
Draw funds are typically disbursed to the title company for disbursement directly to subcontractors. Disbursement options will depend upon what the draw/advance is for at the time of request.

How will Borrowers know if their draw request has been approved?
When we receive the borrower's Draw Request in the Construction Department , we immediately order an inspection to verify the status of construction on the Borrower's home. The inspection is performed within 2 to 3 business days from the time we receive the Draw Request. When the inspector verifies the percentage of completion and we receive verification from the title company that the property is free of any mechanics liens, the Draw Request will be funded. A construction draw administrator verifies that there is a Blanket Borrower Authorization in the file for draw requests.

What happens once I've reached my final Draw Request?
By the time you make your final Draw Request, your home should be complete. You can then request your remaining loan funds (if additional funds remain), and "roll" your loan into the permanent loan phase, provided that the conditions outlined in your Construction Loan Agreement are met. When requesting your final Draw, the following items must be submitted:

If the borrower is an Owner/Builder:
• Final Draw Request
• Affidavit from borrower stating all material providers and subcontractors have been paid in full.
• Copy of recorded Notice of Completion (if applicable) and a Certificate of Occupancy.
• Evidence of current homeowner's insurance
• Final Progress Inspection
• Borrower's mailing address and e-mail address for future correspondence

If the home was built using a General Contractor/Builder:
• Final Draw Request
• Affidavit from builder stating all material providers and subcontractors have been paid in full.
• Unconditional Lien Waiver upon final payment signed by the General Contractor/Builder
• Copy of recorded Notice of Completion (if applicable) and a Certificate of Occupancy.
• Evidence of current homeowner's insurance
• Final Progress Inspection
• Borrower's mailing address and e-mail address for future correspondence In addition, the loan must be in good standing according to the terms of the Construction Loan Agreement. Once the final Draw request has been funded, the construction loan will be rolled into a permanent loan.

Can we pay our loan balance down at the end of construction before our note is modified into a fixed rate?
Yes you can. A common occurrence is that the Borrowers have now sold their previous residence, and they wish to use some of these funds to buy down the construction loan prior to the note being modified to longer term fixed rates.