

# Home Construction Loans





## **Making your dream home a reality.**

There's a lot of thought that goes into designing and building your dream home – How many bedrooms? Carpet or hardwood? A gourmet kitchen? It can be even more exciting and challenging than finding an existing home to move into. The financing also works a little differently. At MVSB, we've put just as much thought into building a better construction loan and we've developed a hassle-free process that will let you concentrate on your house plans while we handle the financing.

Whether you are considering building or renovating an existing property, our in-house experts will help you keep your project in scope and on budget. We look forward to working with you!

## **Local knowledge.**

As an experienced local lender, we have a unique understanding of the market and all the latest lending regulations. Our lending team brings decades of experience and a wealth of knowledge in the construction financing process, making the whole experience easier for your builder and for you. We work with many local builders and are experienced in all facets of construction financing. Trust us to know the complexities of financing homes on the wide range of property types – including homes on an island, mountainside or waterfront.

We understand the value of being a partner of choice for you and your builder. Our lenders and our leadership are locally based, so decisions are made by people who work, live and understand the community in which you are building.

In addition, because we have our own construction inspectors at MVSB, we are able to quickly respond to changes, questions and requests for payment.

As a local mutual bank without stockholders, our decisions are made to benefit the businesses and people who live and work on our local Main Streets, not Wall Street. This allows us flexibility that you likely won't see at banks that are publicly owned and traded.

## **A foundation built on service.**

Our mortgage specialists have built their reputations on knowledge, service and giving customers their undivided attention. That's why we take the time to walk you through each step of the construction loan process. What's more, they will even come to you so that you can spend your time planning the home you've always dreamed of.

## **Keep it easy with one closing.**

The process of financing the construction of a new home has two phases – construction and mortgage. While many lenders hold separate closings at each milestone, MVSB offers one single closing for both phases. While your house is being built, you pay only interest on land (if applicable), construction costs, and any escrow amount, if applicable. Contractors are paid as each portion of the project is completed during the construction phase, helping to keep your home on budget. When the construction term is complete, the loan switches to a traditional principal and interest loan with the rate and term you originally closed on. Construction-to-Permanent Loans, as they are often called, offer the advantages of one set of closing costs, qualification for more than one loan at one time and your rate being set prior to the consummation for the term of the loan.

In addition, our expertise in project and partner review will help to ensure that your project makes sense and it's up to industry standards.

## Partnering with your GC.

Most people building a new home select a General Contractor, who is regularly engaged in the business of building homes. For your protection, your General Contractor must be qualified by MVSB. As we work with many local builders, yours may already be accepted. If not, we will supply easy-to-use instructions and forms that your builder needs to be vetted and accepted.

In special cases, some borrowers have the expertise to manage their own project and either build their own home and/or hire sub-contractors. If you feel this would be appropriate for you, talk to your lender about the process for becoming a qualified Self-General Contractor.

Construction loans require a contract between you and your General Contractor. This Construction Agreement will outline the scope of work, both parties' responsibilities, insurance requirements and completion dates.

MVSB will carefully review this contract, along with additional documents supplied by you and your builder during the loan application process. Our goal is to ensure that your contract is complete, defined costs meet the scope of the project and to identify the need for additional reserves. Your mortgage specialist will help you determine the other information and documentation you need to complete your loan, and will even review the documentation that your builder will be completing for the project.

For all builders – new to MVSB, long-time partners and Self-General Contractors – MVSB has put together the *Construction Loan Process Details for Home Builders* package. Your lender will review it with you and your builder, but we strongly recommend carefully reviewing it and asking any questions so you are fully informed about the process and all parties' responsibilities.

## Some things to keep in mind.

The construction period can be up to 12 months, though many finish their project in quicker time periods.

If the construction budget exceeds the loan proceeds, the difference will be collected from you at closing and held in an escrow account and distributed by the Bank. Your escrowed funds are disbursed first so that you aren't paying interest on borrowed funds until necessary.

Contingencies are funds reserved for unavoidable and unexpected budgetary issues that could happen during the construction process. For all site built, modular or manufactured homes led by a general contractor, there is generally a 5% contingency. The contingency if you opt to act as self-general contractor is 10%. The actual price of a modular, manufactured, log or timber it is not subject to the contingency.





## **Inspections & Disbursements.**

At MVSB, our on-staff construction loan team provides regular inspections to ensure that the project funds are being used appropriately – protecting the borrower, the builder and the Bank. Managing inspections in-house allows us to visit your site promptly when each stage is complete and for funds to be disbursed to your contractor faster than lenders who contract for these services.

The Construction Loan Fee includes the first eight inspections, followed by one inspection per month thereafter.

MVSB will manage the overall project and disbursement schedule to ensure that details of your project make sense and are up to current industry standards and that there are no variances that could adversely affect the final value of the project.

MVSB does not assume any responsibility for workmanship, material, costs, adherence to plans and specifications, code violations or payment of bills incurred by the builder or their subcontractors.



To mitigate risk for you and for us, and to help keep projects within budget, MVSB disburses funds to builders, contractors and sub-contractors once work has been completed. We highly discourage the payment of deposits prior to construction. Please note that disbursements can be paid to order a kit - such as for a log, modular or manufactured home - and paid directly to the dealer.

## Appraisals

A third party Residential Appraiser will review the initial plans and complete a final inspection upon completion of the project. The final appraisal helps ensure that your project was built according to your original plans. The final disbursement will be made upon completion of the appraisal, final inspection, and receipt of the certificate of occupancy, if one is issued by the town or city.

## Change Orders

Any change order and/or variances that could adversely affect the final value of the new home must be communicated to the Bank and the borrower in writing prior to the authorizing the changes being made. It is your responsibility to consult with the Bank to express any concerns about progress on your project. Any change orders that are not in the budget and require borrower funds supplied to MVSB in order to disburse payment.

This will allow us to help you manage the project so that time lines and expenses don't get out of control.

**Learn More or Apply**  
**800.922.6872 or mvsb.com**

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- Savings
- CDs and IRAs
- Health Savings Accounts
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Online Banking, Mobile Banking,  
Mobile Deposit, eStatements, Telephone  
Banking, ATM and Debit Cards,  
Combined Statements
- Mutual Benefits
- Overdraft Protection Services:  
Transfer Account Protection, CheckReserve  
Line of Credit, Courtesy Pay
- Mortgages
- Construction Loans
- Personal Loans
- Home Equity Loans and Lines of Credit
- Credit Cards
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## BUSINESS

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- Business Loans
- Checking
- Savings
- CDs
- Sweep Accounts
- Convenience Services:  
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Deposit, eStatements, Telephone Banking,  
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