

ONE-TIME CLOSE CONSTRUCTION LOAN INFORMATION PACKET



At AmeriFirst we are committed to providing you with all the information you need regarding your construction loan. This guide will walk you through the process from beginning to end, making sure you have all the information you need to fully understand your loan and the different phases of the construction process.

Table of Contents

- AmeriFirst’s One-Time Close Construction Loan 2
 - What is a construction to permanent loan? 2
 - How much can I borrow to build my new home? 2
 - Will my interest rate adjust? 2
 - Will the loan have an escrow account to pay insurance and property taxes?..... 2
 - Do I have to make payments while my new home is being built? 3
 - Mortgage Payment Reserve Account 3
 - What fees are involved? 3
- Getting Started..... 4
 - Pre-Qualification, Application, and Processing..... 4
 - Underwriting 4
 - Closing..... 5
- Construction Phase 5
 - Construction Timeline 5
 - Draw Overview..... 6
 - How to Request a Draw 6
 - Payment of Principal, Interest and Escrow 7
 - Completing the Construction..... 7
 - Final Draw and Construction Completion Requirements 7
 - Escrow Account and Future Property Taxes..... 8
 - Annual Escrow Analysis..... 8
- Loan Servicing – Customer Care Department 8
- Loan Originator 9
- Borrower..... 9

AmeriFirst's One-Time Close Construction Loan

The sections below address some frequently asked questions about this loan product.

What is a construction to permanent loan?

AmeriFirst's one-time close construction loan is a 30 year, fixed rate, USDA Rural Development (RD) construction to permanent mortgage.

A construction to permanent loan combines the features of a construction loan (a short term interim loan for financing the cost of construction) and a traditional long term permanent mortgage. This is achieved with a single loan closing before construction begins. Some benefits of AmeriFirst's one-time close construction loan are:

- The construction loan is made directly to you.
- The lot can be purchased at closing, or you can build on land you already own.
- Construction can begin as soon as the loan closes.
- There is only one application, one closing, and one loan.
- No requirement to refinance to a permanent loan after the project is complete.
- Eliminates another loan qualification, another appraisal, and dual fees associated with a second loan.
- No need for extended rate lock periods or negotiating rate after construction is complete.
- The loan allows for a nine-month construction period.
- You get to build a brand new dream home!

How much can I borrow to build my new home?

Your Loan Originator will work with you to determine how much you might qualify to borrow. Your down payment can be as little as 0%, so the maximum mortgage amount is up to 100% of the appraised value.

If you already own your own land, any equity you have in the property can be used towards your down payment and closing costs. However, land equity cannot be withdrawn as cash.

Will my interest rate adjust?

No. Once your loan is locked in during the origination process and prior to closing, that interest rate will remain fixed for the 360-month term of the loan.

Will the loan have an escrow account to pay insurance and property taxes?

An escrow account is required on the loan for payment of property taxes and insurance. At the time of closing a Builder's Risk policy will be required for the construction phase, once the construction is completed, the Builder's Risk policy will need to be converted to a standard Homeowner's Insurance Policy.

Do I have to make payments while my new home is being built?

Yes. The beginning principal balance of your loan will be the full amount that you were approved for and closed on. The monthly payment will include principal, interest, and escrow (for insurance, property taxes, and the RD guarantee fee). In some cases, a Mortgage Payment Reserve Account will be set up to make some, or all, of your mortgage payments during the construction phase (see next section).

Mortgage Payment Reserve Account

The RD construction program does allow for mortgage payments of principal, interest, and escrow (for insurance, property taxes, and the RD guarantee fee) to be rolled into the loan **depending upon the appraised value of your new home**. If the appraisal does come in high enough to accommodate a Mortgage Payment Reserve Account (MPRA), then an MPRA will be established.

After the appraisal has been completed, you will want to inquire with your Loan Originator as to whether or not an MPRA will be established. **If an MPRA is established, it will be indicated on your Construction / Permanent Rider (Rider) that is signed at closing.** This Rider will disclose the following:

- The estimated maximum number of payments that can be made from the MPRA prior to the completion of construction.
- The Lender will withdraw the amount necessary to make the monthly mortgage and escrow payments during the construction process.
- If the MPRA is depleted prior to completion of construction you agree to pay directly to the Note Holder (AmeriFirst Home Mortgage) all required mortgage and escrow payments due from your own funds.
- After the construction is completed, any funds remaining in the MPRA can no longer be utilized to make monthly mortgage payments and will be applied to reduce the principal balance of your mortgage loan.

What fees are involved?

The fees involved will be disclosed to you on your Loan Estimate when you submit a full application. These fees are paid in advance at your loan closing so that you do not need to budget extra money to pay them during construction. Typical fees include, but are not limited to:

- Fair lending loan fees
- Construction Administration
- Project Review
- Builder Validation
- Construction Draws
- Inspections (Interim and Final)
- Survey
- Tile Updates

This list is not all-inclusive and some fee amounts may vary. Refer to your Loan Estimate for the exact fee amounts for your loan.

Note: The builder can contribute up to 6% towards your fees and closing costs, and may be motivated to do this if they don't have the option to carry their own construction financing.

Getting Started

To get started, talk to your Loan Originator. Your Loan Originator will explain how to begin and assist you throughout the loan origination process (described below).

Pre-Qualification, Application, and Processing

Pre-qualification is the first step in the loan origination process. During this stage, your loan originator will estimate how much you can afford to borrow towards the building project. This is not an approval as it is only based on the loan officer's initial review of the financial information you provide to them (approvals can only be issued by an underwriter once they have fully reviewed all the required documentation). However, pre-qualifications are important because they give you a picture of how much you will be able to spend on the project before you decide to move forward with a full application.

When you are ready to proceed with a full application, contact your loan originator. When a full application is received your loan originator will provide you with a Loan Estimate within 3 business days of application. You will then need to provide certain documentation so we can process and underwrite the loan. This will include standard documentation needed for an RD loan as well as construction related documentation. General construction documentation would include the following (additional information may be required):

- Deed/settlement statement for the land or contract to purchase the land
- Contract with a licensed builder (the borrower cannot be the builder)
- Builder information
- Plans for the home construction
- Insurance
- Building permit
- Location survey

Underwriting

Once all the required documentation has been received your file will be submitted to an underwriter. The underwriter will review all the information to determine if the loan can be approved. They will also evaluate cash flow needs to ensure you have the ability to pay the required mortgage payment as well as any interim housing expenses while your new home is being built.

The builder and construction plans will be reviewed along with your builder for financial reliability and qualifications for the proposed scope of work. They must have a minimum of 2 years' experience, be stable, reputable, and properly credentialed. This is important to make sure that your new home can be built from start to finish.

The construction plans will be reviewed by comparing the project against the proposed budget based on market value. The plans, budget, contract, appraisal, and permitting requirements will all be considered to ensure that the loan will be sufficient to complete the construction of your home.

Closing

Once your loan is approved, it will proceed to the closing process. As part of the closing process, you will be required to obtain builder's liability insurance to protect the project while your new home is being built. This insurance must be maintained for the duration of the project. If any payments become due on this insurance policy during the construction phase, you may be responsible for paying out of pocket to maintain the insurance. Contact your insurance carrier or agent for information on this policy.

If your down payment exceeds the cost of purchasing or paying off the land and your own funds will go towards construction costs, you will not be charged interest on those funds. Interest is only charged on the balance that you borrow through your loan. Any funds that you put down in excess of purchasing or paying off the land will be managed through our draw process without accruing interest.

You will receive your Closing Disclosure three business days before closing allowing you full review of all the final details before proceeding with the loan. As soon as the documents are signed and the loan is closed, construction can begin.

Construction Phase

After your loan closes, an assigned Draw Processor will reach out to you and your builder to welcome you to the construction phase, provide their contact information, and walk you through the next steps of the process. The Draw Processor will be your point of contact for everything related to the construction of your home. During the construction phase, it is very important to stay in contact with your Draw Processor and your builder regularly. Since every construction project is different, communicating closely with your Draw Processor helps to make sure that all parties have the same expectations, and that everyone works together to get your new home built as quickly and efficiently as possible.

Because the Draw Processor is committed to helping your construction project go as smoothly as possible, they will follow up with you and your builder as needed to check the status of the construction. However, if you have a question or new information about the construction, you don't need to wait for your Draw Processor to contact you – you can contact your Draw Processor at any time. Good communication about the construction progress will help your Draw Processor better serve you, so please do not hesitate to reach out to them with any questions or concerns.

If you have questions about your loan that are not related to the construction process (such as questions about your bill or monthly payments) the Customer Care Department can assist you. You can reach the Customer Care Department at 1-844-814-7788, or by email to customercare@amerifirst.com. The Customer Care Department is available Monday through Friday from 8:00 a.m. to 7:00 p.m. Eastern Standard Time.

Construction Timeline

Construction must begin within 30 days of the loan closing. The expected length of the construction period varies and will be determined before closing; however, most projects will be scheduled for completion within 9 months. It is important for the project to stay on time, so any delays may not exceed 30 days. If an extension is needed due to weather related conditions, contact your Draw Processor for assistance (weather related delays may be approved on a case by case basis).

Once the building plans have been finalized and the loan is closed, changes cannot be made. This is important because the loan terms are based on the completed home as collateral for the loan, and changes to the building plans could affect the valuation of the property.

Draw Overview

During the construction phase, disbursements are made from your loan funds to pay your builder. These disbursements are referred to as “draws.” Each draw will decrease the balance set aside in escrow to build your home. The draws will not exceed the full loan amount established at closing. Once the construction phase is complete, the total amount you borrowed will be reduced by any unused funds. This means that your principal balance going into the permanent phase will equal the amount of funds used to build your home (less any principal payments you might make during construction).

The draws will take place in three stages:

- **Initial draw:** The initial draw is issued at closing to pay off the lot purchase, or if you already own the land, it will be used to pay off any loans due against the property. If no funds are needed to purchase or pay off a lot, there will be no initial draw. **Funds are not released to begin the construction process at this point – the builder must be able to fund the start of the project.**
- **Interim draws:** Most construction projects will have 5-7 draws, depending on the schedule set at closing. Inspections will be completed to verify that the required percentage of work is complete before draws will be issued. The draws are based on the percentage of the project that is complete. There will be a 10% holdback (for example, if the inspection shows that \$40,000 of the project is complete, we will hold back \$4,000 as the 10% and issue a \$36,000 draw). Interim draws are capped at 80% of the project amount.
- **Final draw:** Once the construction is complete, the final draw will pay your builder’s final invoice, including any funds that were not previously released due to the 80% cap and all holdbacks.

How to Request a Draw

Whenever possible, we recommend that you and/or your builder contact your Draw Processor at least 10 days before the draw will be needed. This will help your Draw Processor plan ahead and make sure the draw process is completed as quickly as possible once your builder is ready for the draw. For example, if the Draw Processor knows that a draw will be needed in the next week, they can start preparing the paperwork early and get everything ready that will be needed for the draw.

When it is time for a draw, your Draw Processor will explain the process and provide you with any applicable paperwork needed to complete the draw. You will need to sign a Construction Draw Disbursement Authorization form, which authorizes us to issue the next draw from your construction funds (and specifies where we should send the draw).

Your Draw Processor will also need to order an inspection to verify the percentage of completed work. An inspector will review the construction project and provide us with an inspection report. If the report shows that enough work has been completed to issue another draw, the draw process can move forward.

Note: Keep in mind that the inspector will only be looking at the overall percentage of completed work, and will not be reviewing the specific items you agreed upon with your builder (such as making sure the correct fixtures are being installed, the style of flooring you chose is correct, etc.). Make sure that you stay involved with your builder and let them know if something doesn't look right so it can be corrected before the project progresses any further.

Once we have received all of the completed paperwork, including an inspection report showing that a sufficient percentage of work has been completed, it takes approximately one week for the draw to be ordered and issued. The draw funds will be wired directly to the contractor.

Payment of Principal, Interest and Escrow

This fully amortizing 360-month mortgage loan provides for a fixed payment of principal and interest over the full 360-month term. In addition, your loan requires monthly payments into an escrow account for the purposes of paying property taxes, insurance, the RD Guarantee fee and other similar items. These payments will be made monthly as part of the required monthly mortgage payment that is due **during both the construction and permanent phases of the loan.**

Note: AmeriFirst is authorized to withhold future draws if the monthly payments are not made as required (or for any other breach or default per your loan documents). If you experience a hardship or difficulty making your payments, please contact our Payment Assistance Department at 1-844-814-7780 or paymentassistance@amerifirst.com.

Completing the Construction

Once the construction is complete, we recommend that you meet with your contractor to do a thorough walk through of the finished home. This is important to make sure that everything was completed as agreed. Once you have verified that everything was completed correctly, contact your Draw Processor to discuss what is needed to begin the final draw and construction completion process.

Note: Before you can move into your new home, you will need a Certificate of Occupancy (or equivalent) from your local authority. This is to ensure that the home is safe and habitable.

Final Draw and Construction Completion Requirements

In order to complete the construction phase of the loan, your Draw Processor will need to receive all of the final draw paperwork. Your Draw Processor will reach out to you to explain what documents and information will be needed to move forward with this process. For example, the following will be required:

- Final inspections must be completed to verify the construction project as complete.
- A final survey must take place to verify all buildings and other improvements lie wholly within the boundary of the property.
- The local authority will need to issue a Certificate of Occupancy/final inspection.
- A title update will be obtained.
- The builder will need to return a signed and notarized lien waiver.
- The final draw will be paid out to your builder.

There are also items you may need to pay for out of pocket:

- You will need to convert your Builder's Risk policy to a 12-month homeowner's insurance policy which could require additional out of pocket funds.
- If any liens or title defects have come up since the loan closed, these will need to be resolved.

Note: This list is not all-inclusive; your Draw Processor will let you know the exact documents and information required for your specific construction project.

Escrow Account and Future Property Taxes

Although your loan will have an escrow account for property taxes and insurance, at the beginning of the loan the taxes that will be collected will be land taxes only since your home has not yet been built. After your home is built and assessed by the local tax authority, the taxes in the future will be based off of the assessed value of your new home as opposed to the land only. ***This means that in the future your monthly mortgage payment will increase as the higher taxes become due.***

Annual Escrow Analysis

Each year an escrow analysis is performed which takes into account changes in property taxes and insurance premiums. Adjustments to your monthly mortgage payments may occur at that time if there has been a change in property tax or insurance premiums in order to keep the escrow account on track.

Loan Servicing – Customer Care Department

Our Customer Care Department will handle the day to day administration of your loan and is available to assist you with any questions. You can reach the Customer Care Department at 1-844-814-7788, or by email at customercare@amerifirst.com. Customer Care is available Monday through Friday from 8:00 a.m. to 7:00 p.m. Eastern Standard Time.



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Down payment and terms shown are for informational purposes only and are not intended as an advertisement or commitment to lend. Please contact us for an exact quote and for more information on fees and terms. Not all borrowers will qualify.

ONE-TIME CLOSE CONSTRUCTION LOAN INFORMATION PACKET. ACKNOWLEDGEMENT



Loan Number: _____

Loan Originator

By signing below, I certify that I have provided a copy of this One-Time Close Construction Loan Information Packet to the borrower referenced below.

Loan Originator

Date

Borrower

By signing below, I acknowledge that I have received a copy of the One-Time Close Construction Loan Information Packet.

Borrower

Date

Co-borrower (if applicable)

Date

Co-borrower (if applicable)

Date

Co-borrower (if applicable)

Date