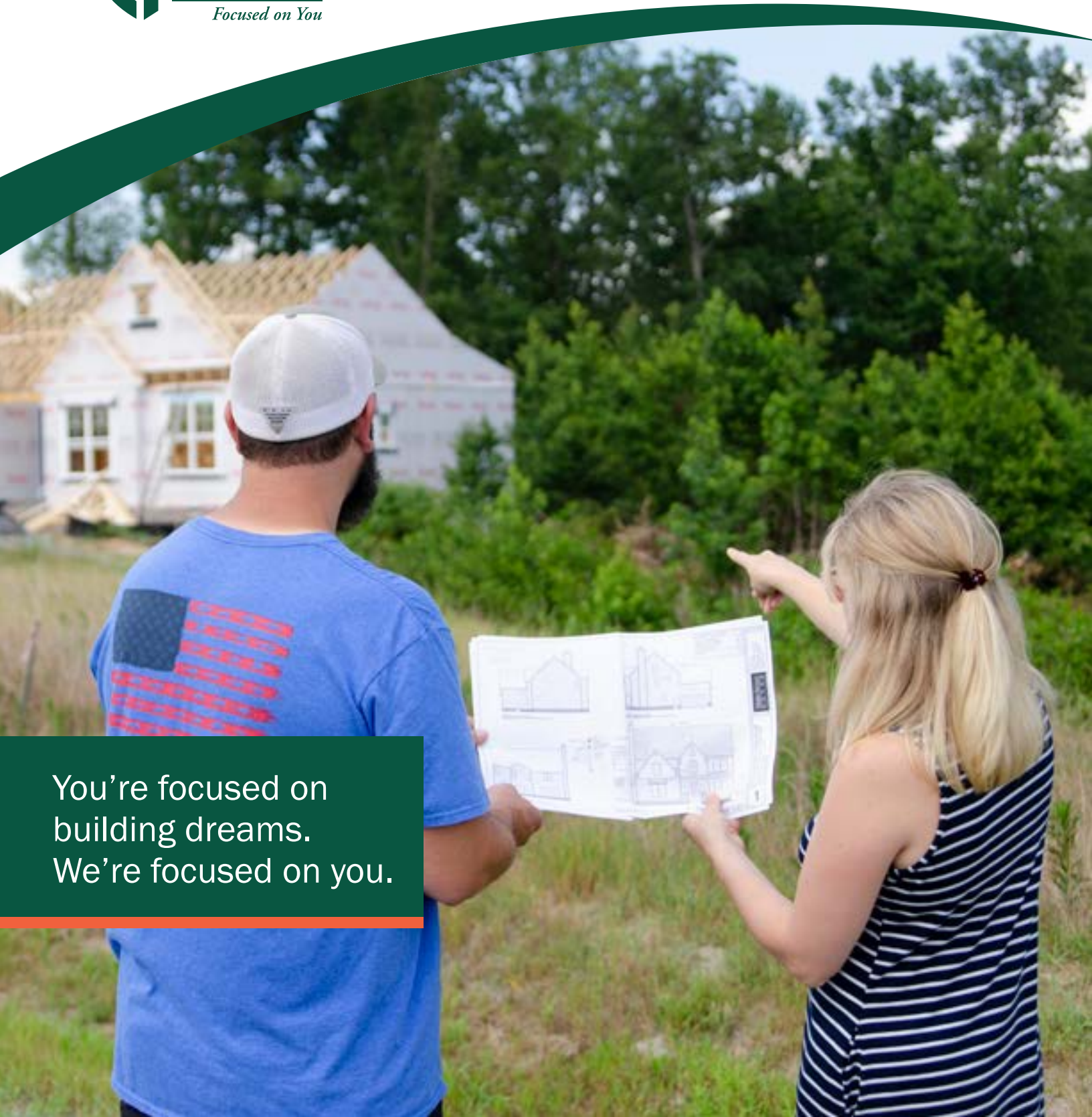




# Construction Loan Program

Customer Guide &

Frequently Asked Questions



You're focused on building dreams. We're focused on you.



# Welcome.

Thank you for choosing C&F for your **construction loan**.

We're delighted to have the opportunity to partner with you in building your new home. This guide will provide you with several helpful and important pieces of information regarding our construction loan process. Please read all pages and contact your Mortgage Loan Originator with any remaining questions. We are here to help!

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## Why choose C&F?

C&F Bank has financed the construction of thousands of homes, which has helped us develop unique financing solutions to meet nearly every customer need. Our financing solutions come with years of experience and a commitment to making home financing easy and affordable. C&F Bank's partnership with C&F Mortgage is the perfect example of this – we have created an ideal construction and permanent mortgage-financing scenario, fitting each homeowner with the right loans.

- **Experts who know the process.** C&F's focus on construction and home loans enables our Relationship Managers to guide you quickly and efficiently through the construction financing process. C&F has a dedicated, specialized team with in-house processing, underwriting, closing, draw administration and servicing which ensures your loan is well managed from start to finish. Our streamlined process helps to avoid unexpected surprises and provides peace-of-mind when building your home. Our team concept ensures customers have an exceptional experience.
- **Strength. Stability. Security.** C&F Bank was established in 1927 with the merger of two small community banks. Today, our Bank is proud to serve the Central and Eastern parts of the Virginia community with 32 retail bank branches. Additionally, C&F Mortgage operates over 20 mortgage offices throughout the states of Virginia, North Carolina, South Carolina, West Virginia and Maryland. More than half of C&F's total lending business each year is represented by construction and mortgage loans, further cementing our place as the lender of choice for members of our communities looking for a financial partner in the homebuilding process.



## Getting Pre-Qualified

- 1 A C&F Mortgage Pre-Qualification provides you with the confidence of knowing how much you can afford before you start planning to build your new home. It is easy to apply online or directly with a C&F representative. We can help you determine which construction product best suits your needs, provide an estimate of your anticipated mortgage payment, and an estimate of funds needed for closing.

## Applying – Construction Loan Application

- 2 Once you complete a contract to build a home from the builder of your choice, (your builder will need to be registered with C&F) you are ready to apply for your loan. A C&F Bank Relationship Manager will complete a construction application with you. In addition, a detailed credit report will also be obtained at this time.

**At time of application, you will be asked to provide:**

- Two most recent pay stubs
- Two years W-2s
- Two years Federal Tax Returns
- Two-months most recent bank statements
- An executed fixed price, turnkey contract for the construction of the home
- A set of plans and detailed specifications which comply with all city and/or county codes and which include a site plan or survey, floor plan, foundation plan, elevations, and wall sections
- Lot Contract or Deed to the property with settlement statement (if already owned)
- Verification of deposits already paid

C&F Bank requires the use of an experienced Class A, or equivalent, contractor. The Bank will request some information directly from the contractor to ensure certain requirements are met regarding the ability of the contractor to deliver a quality product in a timely manner.

# Creating a Draw Disbursement Schedule

**3** Prior to loan approval, a disbursement or “draw” schedule will be created. This schedule is a timetable for payments to your general contractor, or builder, as construction progresses. Disbursements, or “draws,” are made as predetermined milestones in the construction of your home are completed (i.e. pouring of the foundation, etc.). While each construction project is unique, each draw schedule typically has 5-6 disbursements depending on the size and scope of your project.



## Here is what a common draw schedule looks like:

- **Draw 1:** Completion of Foundation
- **Draw 2:** Rough Framing, Roof, Exterior Windows/ Doors Complete
- **Draw 3:** Rough Plumbing, HVAC, Electric, Drywall/ Insulation Complete
- **Draw 4:** Plumbing, HVAC, Electric Complete; Interior Doors Cabinets, Countertops Installed
- **Draw 5:** Flooring, Exterior Finish Complete; Certificate of Occupancy Issued (where applicable)

# Mortgage Approval

**4** As this is a two-time loan closing, you will have one closing for your construction loan and a second closing for your permanent mortgage. C&F Bank will work with a settlement agent of your choice. Once credit approval for the construction loan is obtained, an appraisal of your proposed new home will be ordered as well as title insurance on the property. Any outstanding requirements related to the construction process will be gathered, including builder’s insurance information. You will communicate directly with the settlement agent regarding scheduling your loan closing. Of course, your Relationship Manager at the Bank will be available to answer questions throughout the process.

Some of the information used for the construction loan approval (i.e. appraisal) may be used for the permanent mortgage application process once your home is complete. The pre-qualification process in step 1 will help provide you information on the amount you could qualify for on a permanent mortgage when construction of your new home is nearly complete.



# Construction Loan Closing

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Once the disbursement schedule is finalized with you and your builder, and all closing conditions have been met, your loan can be prepared to “close.” Commonly known as the “mortgage settlement” or “construction loan closing,” this is the point at which all your construction loan documents are signed. Following settlement, the construction of your home begins. Prior to closing the construction loan, C&F Bank and the Builder should be in receipt of the following documentation:

- Building Permit
- Well and Septic Construction Permits (if applicable)
- Site Plan or House Location Survey
- Builder’s Risk Insurance

At the time of your construction closing, you will pay your down payment and closing costs. A second closing of the permanent mortgage will occur upon the completion of the home. At the time of the second closing, you will pay closing costs and initial escrow balances (property taxes, insurance, and HOA fees, if applicable).

Additionally, in order to keep your loan process smooth and without delays, it is important to refrain from or first consult with your mortgage loan originator before you do any of these potentially credit altering actions through the duration of your build and until closing of your permanent mortgage:

- Deplete your assets
- Open new credit accounts
- Increase your balance on credit cards
- Make large purchases
- Miss any bill payments
- Allow your credit to be pulled
- Dispute items with the credit bureau
- Change jobs

Your Mortgage Loan Originator will be happy to walk you through any potential guideline and regulation pitfalls that could create a need for increased documentation, delays, or reconsideration of the loan approval.

# Home Construction

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Now that your loan has closed, construction of your new home can begin. Upon completion of each phase of construction, you or your builder will request disbursements or “draws” as outlined in your draw disbursement schedule. The following steps will occur:

- An inspection will be ordered by C&F to ensure the work has been completed
- The inspector will complete an inspection report
- A title “bring down” and lien waiver will be performed prior to each disbursement
- Upon receipt of a satisfactory inspection report and title bring down, the draw funds will be disbursed. Payments will be provided by direct wire payments to the builder

### Please keep in mind:

- A building permit must be received prior to construction beginning and any monies being disbursed
- An inspection must be completed prior to each disbursement to the builder
- Any cash investment on your part for the construction project must be brought to closing and held in escrow. These funds will be paid to the builder before any loan funds are disbursed by C&F Bank
- During construction you will make monthly interest-only payments based on the amount of money disbursed to that point. Your monthly interest-only construction loan payment will increase from month to month as your home is built and additional draws are paid to the builder
- Please note you are responsible for any real estate taxes and insurance payments during construction. C&F Bank does not establish escrow accounts during construction

### Upon Completion

C&F Bank will consider the project to be complete when the Bank's appraiser and the city or county inspectors have found the home to be complete and the remaining proceeds of the loan may be subject to disbursement at that time. When your home construction is complete, C&F Bank will request the following items:

- A final inspection of the home
- A Certificate of Occupancy issued by the city or county
- Termite soil treatment certificate
- Well bacteria test (if applicable)
- Well and septic operations permit (if applicable)

## Your Permanent Mortgage

- 7** As your home nears completion, your C&F Mortgage Loan Originator will communicate with you to update your financial information and begin the process to refinance to a permanent mortgage. The permanent mortgage will pay off the construction loan with C&F Bank.

### Additional Questions?

Please see the following pages of Frequently Asked Questions for more information.



# Frequently Asked Questions

**Q. Can my lot be purchased using loan funds?**

A. Yes, if you choose to include the lot purchase as part of the loan, a disbursement will be made at loan closing to finalizing the purchase of the lot.

**Q. Can I use the equity in my lot toward my down payment?**

A. Yes. If you own your lot free and clear, or owe minimal debt on the lot, based on the lesser of your original purchase price or a final appraised value of the lot, you may be able to use the equity in the lot in place, or as a portion of, the down payment on your loan. You may discuss this in further detail with your Relationship Manager.

**Q. Can I choose any builder I want?**

A. Yes, however the Builder must be Class A licensed for a minimum of two years. The Bank will request a Builder Profile and Authorization directly from the builder to review qualifications.

**Q. What if I have a disagreement with my builder during the construction process?**

A. While the bank does not typically get involved in disputes between your builder and you, we ask that you please notify us as soon as possible if these arise. Any disagreements will ultimately need to be resolved between your builder and you.

**Q. Can I be reimbursed for the deposit I paid to my builder?**

A. Yes. Once the amount of lot equity is determined and the loan amount is finalized, it is possible for you to be reimbursed from the loan proceeds.

**Q. Is my interest rate locked in?**

A. Once the application for the construction loan is received, the interest rate for the construction loan will not change. The permanent mortgage loan interest rate will be locked-in with your C&F Mortgage Corporation Loan Originator when you are nearing the end of construction.

**Q. Will I need to choose a settlement agent or closing attorney for my construction loan?**

A. Yes. You will select which settlement agent you want to use for your loan closing. Please communicate with the settlement agent or closing attorney of your choice and promptly provide your C&F Bank Relationship Manager with their contact information.

**Q. Am I required to have insurance during construction?**

A. Yes. The Bank must have proof of Builder's Risk or Homeowner's Insurance including Theft of Material prior to loan closing. In addition, if your property is in a designated flood zone, flood insurance is required prior to loan closing. The Bank will provide written notification if flood insurance is necessary.

**Q. If I have to bring money to closing towards the construction of my home, where does the money go and when is it disbursed?**

A. The money will be held in a Money Market account for your construction. Those funds will be disbursed towards the construction of your home prior to any loan proceeds being disbursed.

**Q. What happens if I have change orders during construction and my build goes over budget?**

A. Any increase in the cost of construction would typically require Change Orders. All Change Orders should be provided to the Bank for review and approval prior to acceptance. Additional credit review and fees will apply if a loan amount increase is requested. You should contact your C&F Bank Construction Loan Underwriter or Draw Processor to discuss potential options.

**Q. What happens if my construction loan is maturing but my home is not finished?**

A. If construction is not complete at the time your loan matures, your construction loan term may be extended to cover adequate time to allow for completion. Through communication with your C&F Bank Construction Loan Underwriter, an extension agreement and extension fee will be considered.



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