



“All in One” Construction Lending



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“All in One” Construction Lending

First South Credit Union is dedicated to servicing the needs of our members and the local area community. We have developed an “All in One” construction loan program that will allow you to build your dream home without the complicated nightmares of construction financing.

Our “All in One” construction loan makes it fast, convenient and easy to finance new home construction from land acquisition, interim construction financing and your permanent mortgage “All In One”. Plus, you’ll enjoy a highly competitive rate and the personalized service of construction financing professionals who can help tailor a loan specifically for your needs.

Working with us, you’ll enjoy the same expertise that has made our First South Credit Union one of the area’s leading lenders. We understand that financing is the last thing you want to worry about. That’s why our “All in One” program focuses on ease and efficiency. It’s a speedy, streamlined process that lets you think about what’s important –Your New Home.

Meet Our Mortgage Department Staff

- LaVonne Heckart
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- Blair Chunn
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“Deciding to use First South Credit Union as your lender is a great first step. The above staff in the mortgage department has 39 years combined service at First South Credit Union and is dedicated to making your home building experience a pleasurable one.”

Jessica K. Jones
Vice President of Mortgages

*Portfolio lending and what it means to you.

- Commonsense underwriting
- In-House underwriting decisions
- You are not restricted by Fannie Mae, Freddie Mac and FHA guidelines
- First South Credit Union retains the servicing on your loan. Your first mortgage payment is made to First South and your last mortgage payment is made to First South. We do not sell your loan to the secondary market.
- Doing what's right for the members of First South Credit Union and you - True community service
- *Portfolio lending
 - » **If it makes sense, We make the rules.**
 - » **Just ask and we'll do our best!**

Land Acquisition

- **I have already purchased land for my new home**

If you have a lien on the property, the first draw from your interim financing will be used to secure clear title to the property.

Current equity (value - existing liens) in the land can and will be used as part of your down payment on your permanent mortgage. There are no seasoning requirements for how long you have owned this property to be able to use current equity.

- **I have not purchased land for my new home.**

The “All in One” construction loan can be used to purchase land for your new home. Any earnest money used to secure the property will be applied to equity of the mortgage as down payment. It is advisable to have underwriting approval before securing property with earnest money.

- **I would like to purchase land, but I’m not ready to build.**

Ask for details about First South’s land loan.

We will loan up to 90% of the appraised value of the property, not the sales contract.

Interim Construction Financing

- Interest rate during construction period is **WSJ Prime + 4**
- **Term is 6 months**
- Interest rate is a **fixed rate** at the time of closing
- **Interest only** payments are due at each draw
- **Payments** are only on the outstanding balance of the combined draws

Modification from Interim Construction to Mortgage

- Your mortgage interest rate is set at the time of closing for your interim financing, the beginning of the process.
- There is an interest “**rate float down**” provided at no cost. If at time of modification (final inspection and certificate of occupancy) the interest rate for the mortgage you have chosen has dropped, you will receive the lower interest rate.
- There is also an “**interest rate cap**” provided at no charge. When your interim loan is modified to the permanent mortgage and rates have risen during this period your interest rate will not be able to rise more than .375%.
- Your loan approval will be underwritten assuming rates have increased and you have maxed out the rate cap of .375%.
 - Example: If today’s rate = 6%, your loan approval will be underwritten at 6.375% based on worst case pricing.
 - Your permanent mortgage cannot rise more than .375% during the construction process. If interest rates remain the same or move lower during construction your mortgage interest rate will adjust to market conditions.
 - Your original loan documents will reflect worst case pricing.
 - Actual interest will be determined at modification period.
 - Interest rate float down is unlimited
 - .375% Interest rate cap gives you security in your mortgage payment

Mortgage Products

First South Credit Union Portfolio Loans

- **10 year fixed**
 - Fixed rate with term of ten years or less
- **3/1 ARM**
 - 3 yr fixed, amortized up to 30 years then converts to adjustable rate
- **5/1 ARM**
 - 5 yr fixed, amortized up to 30 years then converts to adjustable rate
- **7/1 ARM**
 - 7 yr fixed, amortized up to 30 years then converts to adjustable rate
- **5 Year Balloon**
 - Fixed rate with 5 year maturity amortized up to 30 years
- **7 Year Balloon**
 - Fixed rate with 7 year maturity amortized up to 30 years
- **10/1 ARM**
 - 10 yr fixed, amortized up to 15 years then converts to adjustable rate, 80% maximum loan to value
- **10 Year Balloon**
 - Fixed rate with 10 year maturity amortized up to 15 year, 80% maximum loan to value

*All ARM products are based on WSJ Prime + 2 after the initial fixed period, with annual caps of 2% and a life time cap of 6%.

Underwriting Guidelines

- First South Credit Union will loan up to 90% of the appraised market value from plans and specs
- Appraised market value less construction expenses is considered equity and will be used as down payment applied to the mortgage
- Loan amounts up to \$500,000, exceptions can be made for higher loan amounts
- Written appraisal needed from plans and specs by an approved First South Credit Union appraiser
- Construction draws to be disbursed following a systematic draw schedule made payable to the builder and member unless otherwise approved by member
- Gift funds permitted – Gift letter required
- Self-employed borrowers must provide: (1) Signed personal and business tax returns for the past two years, and (2) Any combination of business license, business credit report, CPA letter, trade letter, or two year bank statements.
- Interval Inspections made by a qualified inspector or appraiser during the construction process
- A final notice of completion from an appraiser, inspector or local code enforcement
- Builders/General Contractors to provide copy of their state license, copy of their General Liability Policy. Additional information may be required on a case-by-case basis
- Builder's Risk Insurance Policy, project specific, in place before the first draw

“No Closing Costs”

- First South Credit Union covers the closing cost on all of our Portfolio Mortgages
 - No Points
 - No Appraisal Fee
 - No Processing Fee
 - No Inspection Fees (up to four)
 - No Processing Fees
 - No Underwriting Fees
 - No Junk Fees
 - No Title Fees
 - No Fee for Title Policy
 - NO FEES for obtaining your loan
 - Appraisal, Title and Inspections services are provided by approved First South Credit Union service providers
 - Pre-Paid items are required
 - Daily interest remaining in the month closed
 - 12 months of home owners insurance
 - 3 months taxes for an escrow account
 - 3 months insurance for an escrow account

Builder Benefits

When you choose the “All in One” Construction Program from First South Credit Union, builders receive a wealth of benefits because of your relationship with us.

These include:

- Work with an experienced and dedicated staff
- The ability to price homes more competitively by eliminating financing cost
- Credit lines remain available for other opportunities and investments
- Loan closes in the name of the customer before building starts, eliminating financial risk
- Quick inspection turn-around
- Hassle-free draw process
- No draw retainage
- At First South Credit Union we have a budget/line item draw schedule in place. However, we will consider using your customized draw schedule if you are not satisfied with ours.

With “All in One”, First South Credit Union gives you everything you need for your clients to build their home and for you to build your business. To learn more, contact:

Jessica K. Jones
Vice President of Mortgages
901-380-7530
jjones@firstsouth.com

Home Buyer Benefits

There is something magical about locating a vacant piece of land, designing your dream home, and making your dream a reality by building a custom home. For many that dream was not attainable because the down payments required on new home construction loans were typically too high to fit their budget.

That's why First South Credit Union is pleased to offer our "All in One" construction loan with these outstanding benefits.

- Appraised market value minus construction cost can be used as down payment
- No Closing Cost Fees using First South Credit Union portfolio mortgages
- Eight options available for your permanent mortgage
- Financing through every phase of new home construction and ownership with just one application
- Fixed Rate – Interest Only financing for the construction phase
- A Team of construction financing experts manages the construction and draw phase
- Interest "Rate Cap" standard feature at no cost
- Interest rate "Float Down" standard feature at no cost
- Loan amounts up to \$500,000 with no adjustment to rate, exceptions can be made for higher loan amounts

Q & A

Q: How does the construction loan work?

A: The “All in One” is a construction loan - to - mortgage for home buyers who already own land, or want to purchase land, in conjunction with contracting a custom builder to build their home. After underwriting approval you will close the interim construction loan and your mortgage concurrently at the title company, before construction begins. Once construction is complete there will be a final inspection and a certificate of occupancy issued. Then you will return to the title company to sign your loan modification papers, this process closes out the construction phase and initiates your mortgage period based on the loan program chosen for underwriting approval.

Q: How much will First South Credit Union lend when building a home?

A: First South Credit Union will lend up to 95% of the appraised market value of the completed home. Appraised market value is determined by an approved First South Credit Union appraiser from plans and specs on your land.

Q: What if the market value is greater than the cost of construction?

A: This is considered equity in your home and is used as part or all of your down payment. If market value of the home and cost of construction are equal, then a minimum of 5% cash down payment is required.

Q: What is the maximum loan amount First South Credit Union will loan?

A: We can accommodate almost any size loan. Loans above \$500,000 require an exception to policy.

Q&A

Q: What is the term of my interim construction loan?

A: Normally the construction term is 6 months, but longer terms will be considered on a case-by-case basis.

Q: What if the house is not complete in six months?

A: First South Credit Union understands that often due to bad weather or labor shortages construction projects can sometimes exceed the allowed project time. We consider each extension on a case-by-case basis and extensions are normally granted in 30 day increments. There is a possibility that your interim construction interest rate will adjust to current WSJ Prime + 4 at extension.

Q: What is the interest rate during the construction process?

A: Interest is set at WSJ Prime + 4 and is a fixed rate for up to 6 months.

Q: Do I have to make payments on the interim construction loan?

A: You pay interest only during the construction phase and interest payments are due at each draw.

Q: Are there any closing cost associated with the interim financing?

A: No, there are no closing cost with our "All in One" portfolio construction loans.

Q&A

Q: When do I lock my rate on my mortgage?

A: Your mortgage interest rate is set at the time of closing. Closing comes after underwriting approval and before construction.

Q: What happens if mortgage rates drop during the construction phase.

A: Your rate will drop with market conditions, this is called our “Float Down Feature”. Unlike most other lenders there is not charge for this feature.

Q: What happens if interest rates rise during the construction phase.

A: We provide an interest “Rate Cap” at no charge. The interest rate cap ensures that your interest rate will not increase by more than .375%. Your loan approval will be underwritten assuming rates have increased and you have maxed out the rate cap of .375%.

- Example: If today’s rate = 6%, your loan approval will have been underwritten at 6.375% based on worst case pricing.
- Your mortgage cannot rise more than .375% during the construction process.
- Your original loan documents will reflect worst case pricing.
- Actual interest will be determined at modification period based on market conditions using the “Rate Cap” and “Float Down” features

Q&A

Q: What does modification mean?

A: Once construction is complete, the final inspection has been performed and a certificate of occupancy has been issued, you will return to the title company to sign your modification papers. This closes out the interim construction financing of your loan and initiates your mortgage.

Q: How do I make draws on the interim construction loan?

A: At the time of closing, First South Credit Union provides you and the builder a draw schedule to follow. As you complete certain phases of the project, First South Credit Union advances funds to you and the builder. All draws are made payable to you and the builder. A sample copy of the line item draw schedule is located in the back of this booklet. We will consider using your builder's customized draw schedule if you are not satisfied with ours.

Q: What if the cost of construction exceeds the construction loan amount?

A: When you begin to build, excitement abounds and often buyers find themselves upgrading the house without considering the end financial result. This is the number one reason people exceed the cost of construction and the loan amount. First South Credit Union generally will not increase the loan amount, unless equity is available and you qualify for the higher loan amount or you may use cash as additional down payment. Some additional charges may apply when you increase the loan amount.

Q&A

Q: Am I required to have a General Contractor/Builder?

A: Yes. A First South Credit Union approved licensed general contractor is required to assure that all work is completed on a timely basis and in a professional manner.

Q: What are the requirements for builder approval?

A: Builders and General Contractors are required to provide the following:

1. A copy of their state license
2. A copy of their current Insurance Policy with declaration page showing appropriate coverage of General Liability
3. Either: a Resume, two lender reference letters or a copy of their membership of a local homebuilders' association

Q: Do you require Builders Risk Insurance?

A: Yes, there must be a Builder's Risk Insurance Policy specific to your project in place before the first draw is made.

Q: What is the "No Start" Policy?

A: First South Credit Union will not loan on a project that has been started. An inspection of the proposed land will be made prior to lending. Please do not start any part of your project prior to closing.