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MORTGAGE

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**CONSTRUCTION LOAN  
BUILD-IT-FROM-THE-  
GROUND-UP ROAD MAP.**

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# CONSTRUCTION LOAN BUILD-IT-FROM-THE-GROUND-UP ROAD MAP.

Time is of the essence throughout all phases of your home purchase. Successful and efficient progress is the key to a smooth and timely closing.

## 1 PLANNING

During this phase your Loan Officer will do the following:

- Interview you regarding your financial needs including review of your credit report and discuss possible loan programs.
- Provide a list of typical documentation required and explain the construction and modification process including construction period advances and payments due.
- Discuss timelines, project plan requirements and builder review and registration.
- Discuss possible down payment requirements based on information you provide regarding property value and construction costs for the program best fitted.

### Member responsibility during this phase:

- Schedule time to have a candid conversation about your personal financial situation.
- Be prepared to provide information regarding income, assets, monthly debts, the property you wish to build on and any other real estate that you own.
- Multiple meetings (in person or via phone) may take place during this phase.
- Builder interview and selection process should take place during this phase along with selection of house plans.
- **Initiate negotiation of price and material with your builder to prepare for execution of a construction contract. This is very important as you will NOT be able to increase the amount of construction loan after closing.**
- Confirm with your Loan Officer that the builder you've selected is approved to do business with TDECU.\*\* If not, your Loan Officer will provide a Builder Approval Package that your builder may complete and submit for review.

## 2 MOVING FORWARD WITH YOUR APPLICATION

You will need to provide the following:

- Legible blueprints of the proposed home including floor plans, measurements, foundation, framing, roofing, electrical and plumbing plans.
- Construction contract signed by you and the builder outlining the proposed project, total cost, responsibilities of each party and an estimated timeline of completion.
- Specifications or "spec" may be part of your construction contract, or exist in a separate document. Your specs will clearly outline the quality of materials that will be used to construct and finish the home.
- Builder's proposed draw schedule, which is a plan to indicate how the builder expects to utilize construction funds as certain phases of the project are completed.
- Original surveys of the subject property, if available, and detailed bids for any work that is not included in the scope of your builder's construction contract. This is to ensure that all expenses are accounted for prior to closing.

During this phase your Loan Officer will do the following:

- Provide and discuss loan product options that suit your need so that you may make an informed decision and explain the interest rate lock and fee negotiation process.
- Review your loan application and relevant loan disclosures with you.
- Explain what additional documentation may be required prior to closing.

Member responsibility during this phase:

- Review all documents carefully and ask your Loan Officer to explain anything that's not clear.
- Return signed loan documents and provide all documents requested by your Loan Officer in a timely manner as processing will not begin until the signed package is received.
- Be prepared to provide updated documents in the event that paperwork provided earlier in the process has become outdated.
- Shop for Builder's risk insurance if your builder does not provide this.

## 3 PROCESSING AND UNDERWRITING

(Once the application process is complete, your primary contact at TDECU will be your Loan Processor, who will review documentation for accuracy and verify all requirements are met.)

During this phase your Loan Processor will do the following:

- Order 3rd party services such as appraisal, title & flood zone determination. The appraiser's final value estimate will be subject to completion according to plans & specs provided by the builder, so it is important these are detailed & accurate.
- Work closely with your Loan Officer, other mortgage team partners & industry partners to ensure that your loan is fully documented and closes in a timely fashion.
- Communicate with you regarding any outstanding documentation needed from you and notify you once a final approval is obtained.

Member responsibility during this phase:

- Provide any and all documentation requested in a timely manner.
- Work with your processor to arrange for the property to be surveyed prior to closing and gather estimates for future surveys to be done after construction begins. If your property is located in a Special Flood Hazard Area, an elevation certificate will be required.

## 4 CLOSING

During this phase your Loan Processor will do the following:

- Work with you and/or builder to coordinate/schedule the loan closing.
- Contact you with the amount of funds you will need for closing and explain payment options.
- At the appointed date/time, you will meet with the title/closing agent to sign your final closing documents. Your builder will need to be available on this date as well to execute legal documents.
- You will be charged at this time for actual costs plus projected survey work, but prepaid items such as insurance and escrow account deposits will be collected at modification.
- TDECU will deliver loan documents to the title/closing agent.

## 5 CONSTRUCTION

During this phase your TDECU Construction Lending Team will do the following:

- Work with you and your builder to administer draws upon request from your builder with your approval.
- Disburse draws according to the original draw schedule & budget presented during the processing phase.
- Arrange for inspection of the property at any time during the construction phase and prior to disbursement of any construction draws requested.

Member responsibility during this phase:

- Allow a minimum of 3 business days for the processing and disbursement of draw requests and monitor your progress and budget (this is very important). Late decisions regarding finish items or "extras" could result in increased construction costs.
- Insist on written change orders when changes are made in material or plans increasing cost and pay for cost overages from your own funds at the time of each change order. **TDECU will not disburse construction loan funds for cost overages.**
- Maintain close contact with the TDECU Construction Lending Team and communicate concerns ASAP.
- Notify your Loan Officer and Processor when you are approximately 30 days away from completion.

## 6 LOAN CONVERSION/MODIFICATION

(When construction is complete, your loan will be modified to reflect final payment terms)

At this time TDECU will do the following:

- Your Loan Officer will work with you to lock in the final interest rate on your loan.
- The appraiser will re-visit your property to confirm construction has been completed according to the plans and specs originally provided and the home is ready to move in.
- Your Processor will work with you and the Construction Lending Team to arrange signing of final legal documents by you and your builder.
- Your Processor will contact you with the amount of funds needed for modification and explain payment options. Funds collected at this time typically include interest on the construction loan, prepaid insurance, and escrow account deposits not collected at the construction loan closing.

Member responsibility during this phase:

- Provide your chosen insurance agent's contact information to your Processor and coordinate with the TDECU Construction Lending Team to schedule the final appraisal and survey inspections.