

A NEW CONSTRUCTION LOAN GUIDE

Build and Finance Your Dream Home



PrimeLending®



YOUR ONE-STOP RESOURCE FOR NEW CONSTRUCTION LOANS

Is finding and securing the perfect home proving to be a challenge? Or are you hoping to start your next chapter in a freshly completed, brand-new space? No matter why you are opting to build, you'll need to figure out how to pay for it. You're probably asking this question: ***How do new construction loans work?***

In this guide, we will explain everything you need to know about new construction loans to ensure you're able to build confidently. With our simple two-time close process, you can expect the following with a PrimeLending® new construction loan:

WHAT DOES A TWO-TIME CLOSE LOOK LIKE AT PRIMELENDING?

1

Receive a temporary loan to start the project and fund the physical construction of your home.

2

Refinance your initial loan into a traditional mortgage at the most favorable terms possible once construction is completed.

A driving force behind our best-in-class borrower experience is our secure and simple digital process, Loanplicity® where you can quickly apply online, track your loans progress and sign most of your documents in just a few clicks. From online application through on-time closing,* we have the tools and the mortgage experts to guide you every step of the way.

STEP 1 FINDING THE PERFECT LOAN FOR YOUR PLANS

So, what's the difference between a traditional mortgage and a new construction loan?

A PrimeLending new construction loan is designed to finance the construction of a primary residence and is especially useful when you plan to build a custom home and/or build on your own land. Simply put, this short-term loan allows you to cover building, before refinancing the initial loan to get your regular mortgage at the most favorable terms possible.

Traditional loans can still be used for some new construction homes if you are working with a large builder or buying a pre-designed home on the builder/developer's land. If you're unsure about what type of loan makes the most sense for your situation, your PrimeLending loan officer will help you weigh the pros and cons of each option. If we determine a new construction loan is the right path, you will save time, money and stress with PrimeLending's two-time close process.





STEP 2

TEAM UP WITH A BUILDER/CONTRACTOR

Now that you have decided to build your dream home, it is time to partner with the builder that'll help turn your dreams into a reality! Once you have selected both the builder/contractor and the site, you and your builder/contractor will attend a planning meeting.

BUILDER AND SITE SELECTION:

With a new construction loan, you can select a home builder and location, so you can finally get that perfect dream home designed just for you. Selecting and purchasing your lot (if you haven't already done so) is one of the most important factors to consider and a pivotal step in the construction process.

PLANNING MEETING:

Months before construction begins on your new home, you may meet with the builder/contractor and architect to discuss and plan your project. These individuals each play an integral role in the home construction process and will work together to design and construct your home.

STEP 3 PARTNER WITH A LENDER

You've picked the builder/contractor you trust to be the architect of your dreams. Now it's time for us to partner together so you can feel confident about lending requirements and the construction loan process. Our team of home loan experts is committed to delivering a best-in-class borrower experience by offering construction expertise every step of the way. When you partner with us, you will benefit from the following:

- Get up to 12 months to complete your build with a temporary loan
- Reliable and easy disbursements to minimize building delays
- No interest is paid until funds are withdrawn for construction
- Lock in your final loan rate at any time during the construction process

Because lenders will need to use the new construction home as collateral on the loan, we must determine the future value of the home not yet built through the following criteria:

FINAL PLANS AND SPECIFICATIONS: Legible set of architectural building plans with dimensions and outside elevations plus a description of the materials.

LINE ITEM COST BREAKDOWN: A detailed cost breakdown of both the hard and soft costs.

DRAW SCHEDULE: Comprehensive timeline used to advance funds to the builder.

CONSTRUCTION WORKSHEET: This form determines the maximum loan amount available and the amount of funds needed for closing.

BUILDER/CONTRACTOR PROFILE: This form details the required information to determine eligibility for this program.

Before construction begins, it's time for the first close of PrimeLending's two-time close construction process. At this point, you must provide an adequate down payment or have equity at the time of closing. Equity is defined as cash that has already been paid toward the lot or construction costs.

STEP 4 CONSTRUCTION PHASE

It is finally time to break ground! Depending on the size of your home and loan type selected, you will have somewhere between 9 to 12 months of construction time. During this time, you will make interest-only payments on the funds disbursed to the builder/contractor. Draw disbursements from the loan amount — also known as progress payments — are made to the builder/contractor based on work that has been completed and inspected by a third-party inspector over a period of time as the construction progresses. The cost of building a new home can be broken down into several categories:



SOFT COSTS



These expenses include permit fees, engineering fees, architectural fees and other costs associated with the building that are not directly part of the construction itself.

HARD COSTS



The tangible costs associated with the actual construction line materials and labor.

LAND VALUE



You may already own the land free and clear, or currently have a loan to pay off your land purchase. Or, you may purchase the land at closing with proceeds from your construction loan.

STEP 5 SELL OR LEASE YOUR CURRENT HOME

One of the reasons our construction loans are so popular is borrowers can often save time, money and energy by only having to move ONCE!

If you currently own a home, you do not have to sell it before construction can begin on your new home. Ask us how to obtain a “market rent analysis” which aids in qualifying for your new construction mortgage with your existing mortgage. Once you close on your new construction loan, you should start working with your real estate agent to begin the selling/leasing process.



STEP 6 MOVE IN

THE DAY YOU'VE BEEN WAITING FOR IS FINALLY HERE!

Once construction is complete, you will close again and your loan will need to be converted to a long-term mortgage with full payments. With our straightforward two-time close process, you will:

**SAVE MONEY IN THE
LONG RUN**

**ENJOY MORE FLEXIBILITY
AND CONVENIENCE**

**TAKE ADVANTAGE OF
LOWER INTEREST RATES**





HOW DO BUILDERS/CONTRACTORS GET PAID?

Draw disbursements from the loan amount – also known as progress payments – are made to the builder/contractor based on work that has been completed over an allotted period as the construction progresses. Luckily, there's no need to worry about being the middleman during our process.

The builder/contractor will submit draw requests directly to the PrimeLending Construction Department, with an itemized list of work that has been completed and the amount requested for payment. A third-party inspection service then verifies the percentage of work completed and submits an inspection report, after which the disbursement is wired directly to the builder/contractor's designated bank account. Each time your builder/contractor makes a new draw, you may receive a copy of the disbursement statement indicating the amount of funds disbursed and funds remaining on the project.

INITIAL DISBURSEMENT

At closing, the builder/contractor will receive an initial disbursement payment, including the payoff of the lot (if applicable) less your down payment, if any, and 10% of the construction costs.

DEPOSITS

When the builder/contractor submits supporting invoices, the cost for special order items may be funded up to 50 percent of the line item on the draw schedule.

FINAL DRAW

The final payment to the builder/contractor is made upon completion of construction and receipt of signed waivers from the home buyer & builder/contractor.

WE KNOW THE DRILL

MAKE YOUR CUSTOM HOME DREAMS A REALITY!

Home Loans Made Simple.

With a PrimeLending new construction loan, you can count on:

INDIVIDUALIZED GUIDANCE

A dedicated home loan expert will be by your side every step of the way to facilitate a straightforward and hassle-free experience.

BEST-IN-CLASS EXPERIENCE

Our sole focus is delivering an unmatched mortgage experience for our home buyers.

TIMELY, TRANSPARENT COMMUNICATION

We will make sure you stay in the loop, no matter where you are.

PrimeLending 

*On time closing and fast processing is dependent on many factors including receiving timely documentation from the borrower.
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