

# Member Guide For New Construction Loans

## One-Time Close Construction Loan Details and Procedures

A guide to the origination and closing of your loan,  
and what to expect during the construction phase.



**RBFCU** 



EQUAL HOUSING  
LENDER

RBFCU NMLS# 583215

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# One-Time Close Construction Loan

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A One-Time Close Construction Loan has advantages and disadvantages that you should consider as you prepare to finance your construction project.

## **Interest Rates**

Our loan gives you the ability to lock in your construction and permanent financing interest rate upfront. This can be a huge advantage in the event interest rates rise during your construction because you are assured a lower rate for your permanent financing.

However, interest rates could also decrease which is why we offer a free, "One-time Interest Rate Float Down." At any time, no later than seven days prior to your loan closing, you may request a one-time float down to lower your interest rate. To exercise this option, please contact your respective RBFCU Mortgage Loan Officer.

In the event that you have opted to float down your interest rate during the loan process as mentioned above, the only other option to modify your interest rate will be when you are in the permanent loan repayment status. At this time, you can contact our mortgage servicing department for further terms and disclosures.

## **Closing Costs**

If you choose RBFCU for your permanent financing when your construction loan ends, you will only be responsible for paying closing costs one time. At the closing of your construction loan, RBFCU will collect a down payment (if required), along with fees that cover expenses associated with construction including:

- **Down Payment** – Utilized first for construction expenses before any loan proceeds are used; the draw process is the same regardless of whether down payment or loan proceeds are utilized
- **Final Inspection Fee** – Paid to appraiser upon completion of your home for final inspection and completion certification
- **Draw Inspection Fee** – Paid to third-party inspector for progress certification per draw request (not quality or code adherence)
- **Form Survey** – Paid to surveyor to inspect and verify foundation layout prior to pouring concrete to ensure easement/setback line compliance
- **Final Survey** – Paid to surveyor to inspect and verify completion of all flatwork (i.e. driveways, sidewalks, concrete work) to ensure easement/setback line compliance
- **Down Date Endorsements** – Paid to title company to confirm no liens have been filed by contractor, subcontractor, vendor or supplier throughout the construction process

## **Fixed Loan Amount**

Your loan amount cannot be increased once you have closed. Therefore, it is extremely important that you have worked carefully with your builder to determine your costs as you will be liable for expenses above the agreed upon price.

## **Change Orders**

Change orders are prevalent when building a home therefore it is extremely important that as a member building a home, you have assets that can be used throughout your home build. A change order is defined as a request by the homeowner to change any scope of the original plans/build materials which require additional work and costs. The correct process is to request a change order agreement that stipulates in detail both the materials/change that is being requested along with total costs for the changes. The change order agreement is crucial as this will help alleviate and avoid unplanned costs at the end of the build that were not documented properly. As mentioned above, your loan is a fixed loan amount. It was originated and closed based upon the contract price, plans, design and specifications therefore all loan proceeds must fund the original scope.

**ALL CHANGE ORDERS ARE TO BE PAID OUTSIDE OF THE LOAN BY THE BORROWER'S OWN ASSETS AND CANNOT BE INCLUDED IN THE LOAN.**

If you have any questions or need assistance, please reach out to our construction team at [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org)

RBFCU  
1 IKEA-RBFCU Parkway  
Live Oak, TX 78233-2416

**LOCK-IN AGREEMENT (Construction Loan)**

Loan Number: \_\_\_\_\_ Date: \_\_\_\_\_

Property Address: \_\_\_\_\_

Borrower(s): \_\_\_\_\_

Loan Officer: \_\_\_\_\_ Loan Program: \_\_\_\_\_

I/We have applied for a mortgage loan to be secured by the referenced property and request the following lock terms:

Loan Amount: \_\_\_\_\_ Lender Credit: \_\_\_\_\_

Interest Rate: \_\_\_\_\_ Discount/Points: \_\_\_\_\_

Interest Rate is: \_\_\_\_\_ Loan Origination Fee: \_\_\_\_\_

Loan Term: \_\_\_\_\_ Locked-in Expiration Date: \_\_\_\_\_

**Adjustable-Rate Loans**

If this is an adjustable-rate loan, the interest rate shown above is the initial interest rate.

Name of Index: \_\_\_\_\_ Index Value: \_\_\_\_\_

Minimum Rate: \_\_\_\_\_ Maximum Rate: \_\_\_\_\_

Marginal Rate: \_\_\_\_\_

Payment and Rate Adjustments: Fixed for the first \_\_\_\_\_ months; adjustable every < > months thereafter  
Rate Cap: % first adjustment only; % every adjustment thereafter. Lifetime Cap: %

I/We acknowledge, understand and agree that:

\*Builder to provide RBFCU Account details directly to RBFCU

1. This Lock-In Agreement is not a commitment or agreement to grant our loan request, nor is it a loan approval.
2. This loan must be fully underwritten and all conditions must be met prior to loan closing.
3. It is important that we provide all requested documentation in a timely manner.
4. Any of the loan terms locked by this Lock-In Agreement are subject to change until the loan is closed.
5. Lock-in terms will be in effect through the Locked-in Expiration Date, except as follows:
  - a. The locked-in interest rate and other terms apply solely to the type of mortgage loan for which we have applied and for which we have requested this lock-in agreement; these terms have been set as a result of the repayment term, loan-to-value, property and anticipated closing date.
  - b. In the event that any of the items change, the locked-in interest rate and terms above may no longer be applicable and a new Lock-In Agreement would be required; another lock-in fee may be charged.
6. If the loan does not close on the Locked-in Expiration Date, any and all of the loan terms are subject to change; the Residential Mortgage Loan Originator has no obligation to honor the terms of this agreement if this may result in a higher rate or more points being charged for the loan.
7. The borrower above is eligible for a One-Time Interest Rate Float Down to market rates at no cost. You must request the float down option by notifying your respective RBFCU MORTGAGE LOAN OFFICER by written communication only. The timing of your float down option begins on the date referenced above and must be executed no later than seven days prior to your loan closing.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

I/We further acknowledge, understand and agree that:

1. In the event that you have opted to float down your interest rate during the loan process as mentioned above, the only other option to modify your interest rate will be when you are in the permanent loan repayment status. At this time, you can contact our mortgage servicing department for further terms and disclosures.

I/We further acknowledge, understand and agree that:

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

# Applying, Originating, Processing, Closing and Funding on Your Construction Loan

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Thank you for trusting RBFCU to help build your home. With any residential mortgage loan, you'll work with several team members to get your loan from application to funding.

## **Application/Oriination**

Once your application has been submitted, a Loan Officer will contact you to go over the details of your application. We'll request information such as employment, income, assets, ownership of land and estimated cost of construction. Your builder will be required to complete our Builder Profile and Questionnaire to determine if we can qualify them as an approved builder with RBFCU. Your Loan Officer will work with you to gather all documentation required to submit your construction loan to Underwriting. In addition to gathering all the necessary documentation needed by Underwriting, it's equally important to review and sign your Initial Document Package provided by your Loan Officer which includes:

- **Electronic Consent Disclosure** – The electronic consent is important as this allows RBFCU the ability to communicate with you throughout the loan process both by email and your application portal
- **Intent to Proceed** – authorization to move forward with your loan application
- **Loan Estimate** – outlines your loan terms as well as an itemized list of estimated fees that you will incur during your construction loan

Upon verification and approval, your loan will be transitioned to the processing group.

## **Processing**

Your Loan Processor will receive a conditions list from the Underwriter and will work with you to clear the conditions so your application can move to closing. Common items include:

- Updating income and assets
- Letters of explanation
- Verifying builder information

In addition, your Loan Processor will order necessary items such as title work, appraisals, surveys and flood determinations. After all documentation is received, it will be reviewed by Underwriting for a "Clear to Close" approval and will be transitioned to the closing team.

## **Closing**

After receiving the "Clear to Close," your Closer will work with you to schedule the closing date and will provide your Closing Disclosure.

Commonly referred to as a settlement statement, the Closing Disclosure details your loan terms with an itemized breakdown of all closing costs including any required down payments. You must review the Closing Disclosure within THREE BUSINESS DAYS before your actual closing. During the three-day review period, your Closer will review all loan documentation and will order final closing documents from our third-party attorney. At least one day prior to the actual closing, you will receive a copy for your records and the title company will have a copy for signing. Your title company will reach out to schedule a date and time to sign your closing documents. In addition, your builder will also be required to sign closing documents.

## **Funding**

Upon execution of the closing documents, the title company will transmit a copy to the funding entity. Once they verify the accuracy and completeness of the documents, they will grant funding authorization to the title company.



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1 IKEA-RBFCU Parkway | Live Oak, TX 78233

Loans subject to credit approval. Rates and terms subject to change without notice. Restrictions may apply. RBFCU mortgage loans are available only on property in Texas.

# Construction Build Phase

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## **After Your Loan Has Closed**

Work can only begin (including delivery of materials) after the loan has funded and has been recorded by the corresponding county. It usually takes 3-5 business days, however, some counties may take longer. You can contact us at [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org) to confirm the recording status.

## **Construction Begins**

Once recording is confirmed, construction can begin! RBFCU allows a 5% Soft Cost Draw (based on the total construction cost) which can be advanced to start the project. However, this must be formally requested on the draw schedule.

- Permitting, dumpster delivery and down payments to contractors for plumbing, concrete, etc. are frequently covered by the draw and don't have inspection requirements
- Any required down payment from the member must be made before an advance can be granted. The down payment will be held by RBFCU and will fund the draw requests as needed

**NOTE: The foundation cannot be poured until a surveyor inspects the forms that are placed on site detailing the footprint of the foundation. The survey must be reviewed and approved by RBFCU before proceeding. The Form Survey must include all easements, setback lines and must be performed using the title commitment.**

As construction progresses, the following process will apply to draw requests and subsequent funding:

- Builder submits draw request to member for approval (request must be made using the RBFCU Draw Schedule prepared and submitted by the builder and approved by RBFCU detailing each budgeted line item)
- Member must Acknowledge and Approve the draw request via email or signature
- Submit the approved request to [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org)
- RBFCU requests an inspection be completed within 48-72 hours
- Funds will be deposited into member's account (minus any interest due if applicable\*) within 24 hours after the inspection report is received. Member will be responsible for supplementing any difference owed to the builder. Member can request a wire transfer to the builder for a \$15 fee. (Draw Authorization Form will be provided to both member and builder for review.)

*\*Interest due is based upon member's outstanding balance along with the number of days in between draws.*

## **Construction Ends**

As completion nears, permanent financing arrangements need to be initiated. Since the construction loan is a One-Time Close, loan modification documents must be executed by the member and Builder to transition to permanent financing. Prior to executing these documents, the following must take place:

- A Final Survey needs to be completed when all flatwork (driveways, sidewalks, patios and other concrete work) has been completed to verify easement/setback line compliance (interior completion is not required). It can take a few days up to a few weeks depending on the surveyor's schedule so please notify RBFCU as soon as possible. Submit survey request to RBFCU via email: [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org).
- Final Appraisal needs to be conducted to verify plans and specifications provided at the beginning of the project correspond to the finished home. Punch-list items are not required to be completed at that time. Submit request to RBFCU via email: [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org).

During this final stage, draw requests may still be made by the Builder, however, we will retain 5% (based on the total construction cost) until the execution of the One-Time Close Affidavit of Completion and Payment of Final Bills by the Builder.

# RBFCU Draw Schedule Template

This draw schedule template will be provided to you as an Excel file:



Building Company Name			Member:		
Building/General Contractor			Property Address:		
Building Company Address			Contract Price:	\$0.00	
Phone #/Email Address			Loan		RBFCU Use Only
					RBFCU Use Only
					RBFCU Use Only

The contract price should be added in order to auto populate the % column on each budget item.

\*\*Draw requests of 50% of total budget can be made on custom fabrication and/or deposits (i.e. Framing Lumber package / Cabinetry / Counter-tops / Flooring / Tile with appropriate invoices) These items will not require an inspection.

Construction Stage (Description can be edited?)	%	Contract Amount	Draw #1	Draw #2	Draw #3	Draw #4	Draw #5	Draw #6	Draw #7	Draw #8	Draw #9	Draw #10	Remaining Balance	Completion Percentage RBFCU Use Only
		Date of Draw Request												
<b>RBFCU USE ONLY</b>		Interest Paid												
Slab Design/Windstorm Design	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Windstorm Ins/Builders Risk	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Builders Permit	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Utilities-Water	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Utilities-Electric	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Tap Fees/Sewer	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Scrape Lot	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Port-A-Can	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Windstorm Window Material	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Windstorm Window Cover	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Interior Clean Floors	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Exterior Clean Floors	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Install Fence Between Houses (Stone)	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Drywall Punch	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Paint-List Complete	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Interior Clean-Wipe Down I	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Interior Clean-Wipe Down II	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Windstorm-Final Inspection	#DIV/0!	\$0.00											\$0.00	#DIV/0!
Profit	#DIV/0!	\$0.00											\$0.00	#DIV/0!
<b>TOTALS</b>	#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	#DIV/0!
<b>AGGREGATE BALANCE</b>			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Authorization/Approval														
Builder/General Contractor										Member				
Date										Date				

The construction-stage budget items included on the RBFCU Draw Schedule can be edited and adjusted to follow your standard building process for the subject home being built.

As you customize the budget items that meet the respective build, the totals listed at the bottom of the draw schedule should match the total contract price and the % should be 100%.

# Draw Disbursement Proceeds and Interest-Only Payments During Construction

We would like to thank you for trusting RBFCU to help build your home.

The payments owed during the construction phase will be interest only (based on the outstanding balance of your loan) and is collected directly from draw disbursements. Members have three options for managing disbursements\*:

1. Deposited directly to your account (less interest) and you pay the builder directly and supplement the draw to cover the interest payment that was deducted from deposit.
2. Deposited directly to your account and then transferred to the builder's RBFCU account; you must maintain sufficient funds to cover interest owed.
3. Deposited directly to your account and wired to the builder's financial institution; you must maintain sufficient funds in your account to cover interest owed and the \$15 wire fee. Upon verification and approval, your loan will be transitioned to the processing group.

\*Please see Draw Disbursement Authorization Form included in this packet to be completed to ensure both member and builder are in agreement as to how the draw proceeds will be paid.

Example draw disbursement:

<b>Amount Requested</b>	\$55,000.00
<b>Interest Due</b>	\$450.00
<b>Late Payment Fee</b>	\$54,550.00

You will owe interest throughout the entire construction loan phase and it will continue to accrue as your loan balance increases. See below for details:

<b>Assumed Loan Terms:</b>	
Loan Amount	\$55,000.00
Interest Rate	3.75%
Term	360 Months

<b>Draw #1:</b> (Assumed \$0.00 Loan Balance)	
Draw Amount Requested	\$25,000.00
Interest Due	\$0.00
Net Draw Disbursed on April 1, 2020	\$25,000.00

<b>Draw #2:</b> (Past Outstanding Balance of \$25,000.00)	
Draw Amount Requested	\$50,000.00
Interest Due	(\$49.40)
Net Draw Disbursed on April 1, 2020	\$49,950.60

<b>Draw #3:</b> (Past Outstanding Balance of \$75,000.00)	
Draw Amount Requested	\$100,000.00
Interest Due	(\$312.50)
Net Draw Disbursed on April 1, 2020	\$99,687.50

Prior Loan Balance	\$25,000.00
Interest Rate	3.75%
Annual Interest (Balance X Interest Rate)	\$937.50
Convert Annual to Daily Per Diem (Annual/360 Days)	\$2.60
Number of Days in Between Draw #1 and Draw #2	19 Days
Daily Per Diem X 19 Days	\$49.40

Prior Loan Balance	\$75,000.00
Interest Rate	3.75%
Annual Interest (Balance X Interest Rate)	\$2,812.50
Convert Annual to Daily Per Diem (Annual/360 Days)	\$7.81
Number of Days in Between Draw #1 and Draw #2	40 Days
Daily Per Diem X 19 Days	\$312.50

If you have any questions, please contact the Post-Closing team at [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org).





# Loan Modification Process

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Thank you for trusting RBFCU to help build your home. With any residential mortgage loan, you'll work with several team members to get your loan from application to funding.

There are several steps that must be followed to convert your interest-only construction loan to permanent financing:

- Final Survey needs to be completed when all flatwork (driveways, sidewalks, patios and other concrete work) has been done to verify easement/setback line compliance. It can take as little as a few days up to a few weeks depending on the surveyor's schedule so please notify RBFCU as soon as possible.
- A Final Appraisal needs to be conducted to verify the plans and specifications provided at the beginning of the project correspond to the finished home. Punch-list items are not required to be completed at that time.

Once RBFCU has received both of the inspections above, our post-closing department will need to verify some additional information to finalize your permanent financing:

- Requested loan amount
- Homeowners insurance policy declarations page to include all coverage limits, policy deductibles, endorsements and listing RBFCU as the mortgagee (Windstorm Insurance / Flood Insurance; if applicable)
- Escrow account for taxes and insurance (if loan to value is over 80%, escrow account will be required)
- Preferred branch location and date (or title company if applicable) for closing
- Your builder will also need to sign an All Bills Paid Affidavit that is required to be notarized. Your builder can sign at an RBFCU location or any other location of their choice

Your construction loan includes a 5% Retainage Clause based upon your contract amount with your builder with a maximum of \$50,000. Upon completion, the retainer (retainage) can be used as final payment to your builder. In order to release this retainage to you and your builder, the notarized All Bills Paid Affidavit must be executed by your builder. A copy must be provided to RBFCU to release the retainage with confirmation that the original document will be forwarded to RBFCU within 24 hours.

Once these steps have been completed, your loan will be transitioned from an interest-only construction loan to permanent financing with monthly payments consisting of principal and interest.

If you have any questions, please contact the Post-Closing team at [constructiondraws@rbfcu.org](mailto:constructiondraws@rbfcu.org).