



**TEG**<sup>®</sup>  
Federal Credit Union



**CONSTRUCTION  
TO PERM GUIDE**



## CONSTRUCTION TO PERM INFO PACKAGE

Thank you for your interest in TEG's Construction to Perm (CTP) product – your construction loan and permanent mortgage all rolled into one. TEG is dedicated to helping our members become successful homeowners, and we're committed to providing the tools and resources that you need to efficiently build and get into your new home.

Our CTP features a single close, an interest only construction term, and an automatic conversion to a fixed mortgage. Included in this package is our step-by-step process from your first call to one of our experienced loan officers to completion of your new home, and answers to some frequently asked questions. This information guide will make the financing of your home with a construction to Permanent loan clear and easy to understand, from start to finish.

When you're ready to get started, or if you'd like to have a more in depth discussion about this product, please contact one of our mortgage loan officers. We look forward to working with you.

Sincerely,

TEG Mortgage Department  
1 Commerce Street  
Poughkeepsie, NY 12603  
845.452.7323  
[mortgageofficers@tegfcu.com](mailto:mortgageofficers@tegfcu.com)

[Meet our mortgage loan officers.](#)

## GETTING READY TO APPLY

### *Pre Application Phase*

During this phase, you will work with your mortgage loan officer to gather all the information needed to structure your Construction to Perm loan.

Contact a mortgage loan officer to get prequalified. We will take a look at your credit history, income and assets to determine how much you can borrow. This will help you establish a budget and select the home you want to build.

If you do not already own a lot, select one and get a contract to purchase the land. The purchase of your lot or payoff of any loan on your existing land can be included in your TEG Construction to Permanent loan.

- Obtain plans for the home you want to build which includes a obtaining a complete set of construction drawings as well as plans and specifications. These could be purchased or drawn up for you by an architect. Select a general contractor/builder.
- We recommend you review your contractor's references, licenses and financial background when choosing your builder. Your TEG loan officer may be able to provide recommendations for builders in your area. TEG does not provide any warranty on the contractor's work.
- Get a detailed construction proposal from your builder to build your home as per plans and specs. This proposal does not have to be fully executed in order to start the process.
- Important Note – Even though you have your construction proposal, plans and specs in place, no work is to be completed prior to closing. An early start may hinder our ability to obtain proper title insurance coverage and may prevent us from closing your loan.
- Modular Homes: If you are constructing a modular home, you will need agreements from both the manufacturer and builder. Please note: We recommend that you do not put down a deposit and commit to a delivery date to the modular construction company prior to receiving a conditional underwriting approval. TEG will not be responsible to accommodate a manufactures delivery date schedule created prior to closing.
- When all of these documents have been obtained, you are ready to begin your formal application!

# APPLY FOR CTP

## *Application Phase*

- Now that your total construction cost (lot acquisition plus cost to construct) has been determined please contact your loan officer so we can finalize your application and proposed loan amount.
- Provide your plans and specs, construction proposal, lot location, and updated income and asset statements as needed.
- Once we have this information, you will receive and sign Initial Loan Estimate and Disclosures. Please review your disclosures carefully and discuss any questions you have with your loan officer.
- Sign your application package with disclosure documents and provide an appraisal deposit to begin the processing phase.

## *Processing and Underwriting Phase*

Prior to closing, if you have questions at any time, please contact your loan officer or processor.

The processing of a Construction to Perm loan is similar to any other mortgage product, but also includes review of your selected builder and project.

- Please be sure to provide contact information for your builder so we can contact them to obtain any documentation needed such as their insurance and financial profile.

- 
- Appraisal will be ordered once opening disclosures are signed, the appraiser will determine the value of the home being built.
  - Your loan will be assigned to a processor who will review your documentation of your credit, income and assets and request any additional documentation as needed such as the property survey and building permit.
  - Once all processing documents have been received, your loan and your project will be reviewed by underwriting.
  - Your processor will review your approval commitment letter with you which may include any final conditions necessary for your loan to be cleared to close.
  - The draw schedule will be reviewed and approved by TEG. Any initial advances must be included in the final draw schedule.
  - Any deposits that the owner made with the builder or manufacturer must be documented in order for that amount to be credited towards your project.

### ***Closing Phase***

The closing attorney will schedule your closing once you are cleared to close.

- In addition to standard closing documents, you will sign a construction loan agreement.
- Only the initial draw will be released from your construction loan amount at closing.

### ***Construction Phase:***

During the construction phase, you will work with our mortgage servicing department, who can be reached at 845.452.7323 x 1247 or at [mortgageservicing@tegfcu.com](mailto:mortgageservicing@tegfcu.com). They will monitor the progress of the construction and disburse funds according to the procedure below.

- Funds for the construction are paid in accordance to the approved Draw Schedule. Your first draw request cannot be submitted earlier than 7 business days after closing.
- Submit a draw request to [mortgageservicing@tegfcu.com](mailto:mortgageservicing@tegfcu.com).
- TEG will order an inspection to confirm the items requested are complete and will update title periodically to insure there are no liens or judgments on the property. The inspections are performed solely for the benefit of TEG and should not be relied upon by the borrower or contractor to ensure quality, craftsmanship, code compliance or adherence to the plans and specs.
- Materials stored and incomplete items are not eligible for disbursement.
- Do not approve funds to be released to the contractor for unsatisfactory work. If work stops for an extended period of time, or there are problems with the work performed that may cause significant delays, you must contact us.
- You are responsible for making the mortgage payment each month, even if the construction is not satisfactorily completed.
- Do not pay the contractor up front for any items included in the Approved Draw Schedule.
- Your loan amount cannot be increased post-closing. You are responsible to pay your contractor directly for any change orders and overages that exceed the contract price.



- 
- Your contractor is responsible for paying all subcontractors and material suppliers involved with your project. If payment does not occur, a lien can be filed against your property, which would need to be resolved or it will impact your future draw requests and loans.
  - Deposits for special order items such as windows and cabinets are allowed if the Construction Draw Schedule separates the materials from the labor. Payments for the special orders will be paid directly to the vendor after invoice has been provided. Advances for general building materials are not allowed.
  - A draw request for final modular home payment must be requested at least 7 days before delivery. Funds will be payable to the modular dealer. Your contractor will be responsible for accepting delivery and providing the final payment.
  - You are responsible for paying property taxes and insurance directly as they become due.
  - You will need to provide the following items in order to process the final draw request to your contractor:
    - Final inspection as per plans and specs that shows the build is 100% complete
    - Certificate of occupancy
    - Final title update
    - Executed letter of borrower completion
    - Contractor lien waiver

### ***Permanent Mortgage Phase***

Once the construction of your new home is finished (or at the end of the construction term) the interest only phase of your loan is over.

At conversion, you will begin paying monthly principal and interest payments.

In order to convert to the permanent phase the following items are required:

- Final payment has been made for outstanding construction phase interest.
- Evidence of homeowner's insurance, showing that the course of construction coverage has been removed.
- Upon request, an escrow account can be established for taxes and insurance. You will be required to fund this account, provide additional documentation, and sign the escrow agreement.



# HOME SWEET LOAN- LET TEG HELP YOU BUILD YOUR DREAM HOME

At TEG Federal Credit Union, it's about finding solutions to get you to your most important life moments. It's about watching your family grow. It's about neighbors helping neighbors. It's about being a part of the Hudson Valley Community.



# FREQUENTLY ASKED QUESTIONS

What types of properties can I finance with construction and permanent home financing?	Single-family homes.
Can I finance an investment property?	<b>No.</b> The Construction to Perm Loan may only be used with the property that is intended as an owner-occupied primary residence or second home. Our Business Lending Department can assist with construction to perm financing for the investment properties and builder construction only.
Can I act as my own general contractor?	<b>No.</b> A qualified general contractor is required to oversee the project.
Can I start my project before loan closing?	<b>No,</b> you may not start the project before loan closing. An early start may hinder our ability to obtain proper title insurance coverage and may prevent us from closing your loan.
Do I have to own my lot prior to closing?	<b>No,</b> you do not. The lot may be purchased simultaneously with the closing of the Construction to Perm loan.
I paid cash for my lot. Can I get cash back at closing?	<b>No.</b> We consider this equity into the project and credit towards your down payment.
Who are the construction funds released to?	Funds may be released directly to the Contractor, Sub-contractor, or Supply Vendors as directed on the draw request.
Can a subcontractor or materials supplier file a construction lien against my home?	<b>Yes.</b> Even though you might pay your contractor, if your contractor does not pay the subcontractors or materials supplier they can file a construction lien against your property.
Who pays for cost overruns during the construction phase?	The Borrower is responsible for paying the overages.
How is interest calculated during the construction phase?	Interest is based on the funds advanced calculated at the note rate for the loan.
What happens if my project is not completed prior to the maturity of the construction phase?	You may request an extension for your project to allow time to complete construction. If granted, conversion to the permanent phase will take place at the end of your scheduled construction term. A non-interest bearing escrow hold back account will be established to fund the remainder of your project.
How much will my property taxes be on my completed home?	TEG will use the appraiser's estimate as to what your taxes will be at completion. Your local tax assessor may be able to answer any further questions.

