

# Building Your Dream Home

Construction Mortgage  
Borrower Information Guide



Self Build



Member  
**FDIC**

NMLS ID #402928



# Our Mission

**At Chelsea Groton Bank** we help individuals and families build their dreams one house at a time. We understand how special it can be to design and build your own home, and we offer the financing programs, and one on one guidance, to make that possible. It is important to work with a local lender that understands your project and has years of experience financing construction.

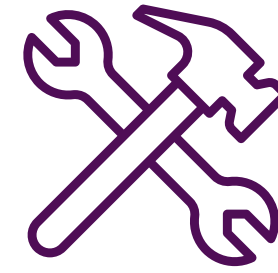
This guide provides up-to-date information about the construction loan process when you are acting as your own general contractor, including what to expect, who's responsible for what tasks, and what happens when your home is complete. Every construction project is unique, so working with an experienced Construction Loan Specialist can make a real difference. Please note that this is meant only to be a guide and is not to be used as legal advice. If you require legal advice, please consult an attorney.



# A Construction Project Starts with a Suitable and Buildable Lot

- **If you already own a buildable lot** free and clear (no loan), congratulations! This provides you with immediate equity; please provide the closing disclosure from the date of purchase, or the recorded deed.
- **If you are purchasing a buildable lot**, please provide a copy of the land sales contract, and let us know if you are paying for the land outright prior to the construction mortgage closing, or if you are purchasing the land with the construction mortgage.
- **If you own a buildable lot and have a loan on it**, you may pay it in full prior to the construction loan closing or, if you are paying off the land loan with the construction funds, please provide a copy of a current loan statement with your loan application. Note, there can be no other liens on the buildable lot, recorded or otherwise.

# How to Begin the Construction Process



**Get Prequalified** – Before starting your project, it's beneficial to meet with a Construction Loan Specialist. It's important to know “how much house you can build” based on your income, financial obligations, and liquid assets.

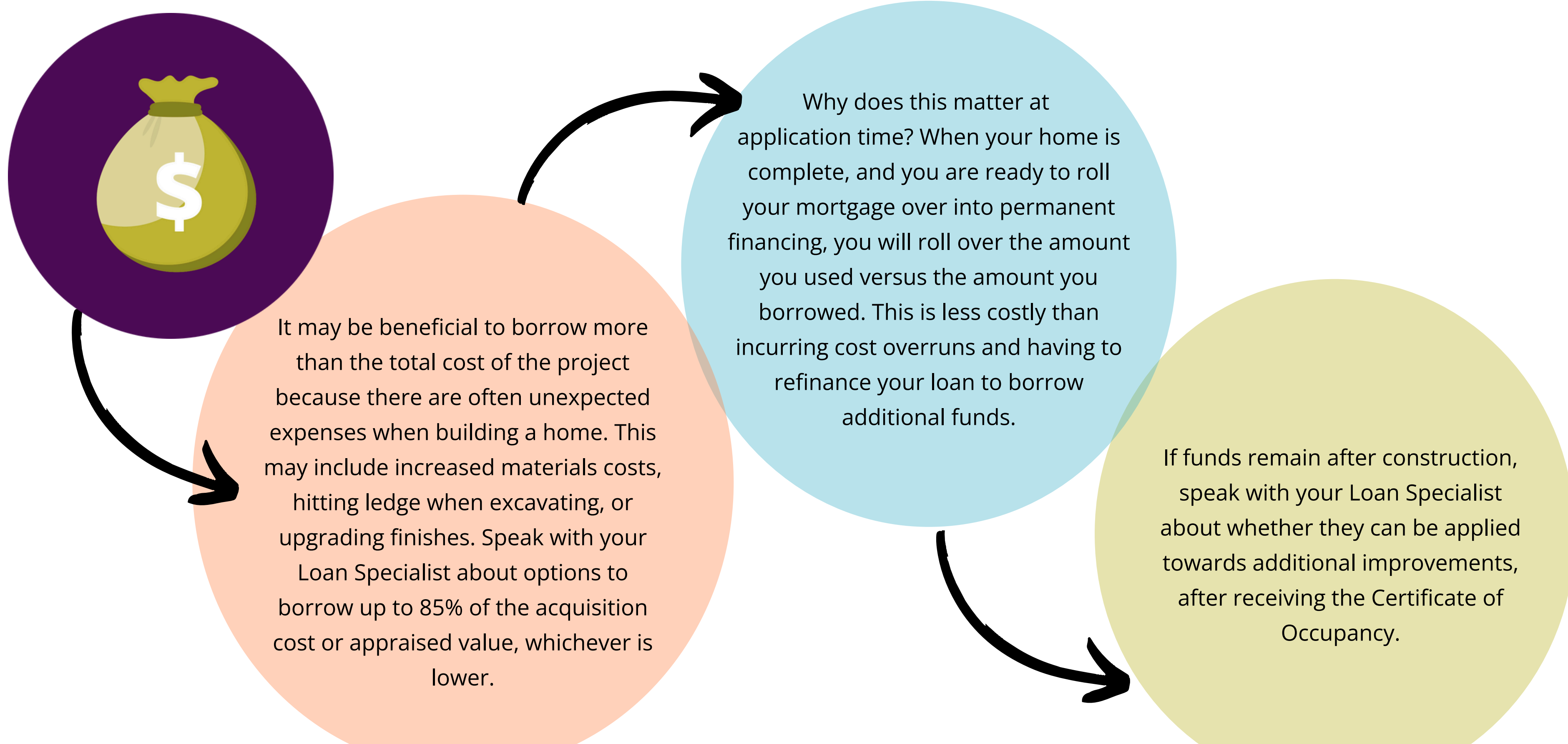


**Establish a Budget** – Once you understand how much house you can build, understanding the amount of the loan for which you qualify is beneficial before you start planning your new home with a builder.



**Assemble your Documents** – After meeting with your builder, the next step is to prepare a Construction Cost Estimate Sheet based on the house plans, land plot plans, and home finish specifications.

# Consider Borrowing the Maximum



# Construction Cost Estimate Sheet: Self-Build Construction



Self-build construction loans may not be less expensive unless you have a contractor relationship with other contractors and suppliers; if you do not have this relationship, you might pay for labor and materials at higher rates.



A self-build construction loan means that you will act as your own general contractor; it is only advisable to build your house this way if you have experience as a contractor in the construction business – i.e. a carpenter, plumber, or electrician.



For a self-build construction, please complete a Construction Cost Estimate Sheet and provide written estimates for each item, including all labor and materials. You will also be given a Description of Materials to complete.



Once you have completed the Construction Cost Estimate Sheet and Description of Materials, and obtained the written estimates, house plans, and plot plans, you are ready to apply for your Construction mortgage.

# Construction Cost Estimate Sheet for Self-Build Construction Loans (Cont.)



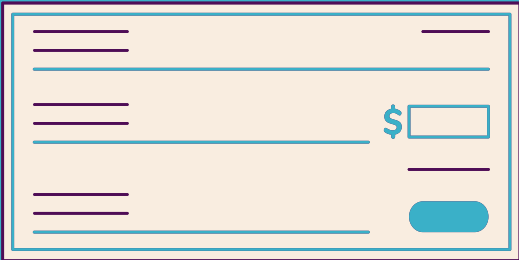
Please complete the spreadsheet and send as an Excel document to your Loan Specialist, who will review it with you at the time of application.



Be sure to include written estimates for each item on the spreadsheet; you will need estimates for both labor and materials. If you are providing the labor yourself for items such as painting, you will just need to get a written estimate for materials. Please note that you must be licensed to complete certain labor items such as plumbing and electrical work.




If you have prepaid any items in advance, please provide canceled checks and receipts to your loan specialist.





# Completing the Construction Cost Estimate Spreadsheet

If you have prepaid items on the worksheet, enter the amount already paid in the column labeled “Paid to Date”. The remaining balance (if any) should go in the column labeled “ESTIMATE Minus Paid”.



### Example

You have a foundation estimate for \$20,000, and you have already paid a \$5,000 deposit; you should enter \$5,000 in the first column and \$15,000 in the second column.

APPLICANT(S):  
PROPERTY ADDRESS:

INSTRUCTIONS:  
Paid In Full: Enter costs of work completed and materials already paid for: ATTACH RECEIPTS.  
Estimates: Enter amounts of signed written cost estimates (minus amount paid) necessary to complete indicated items.  
Supplier: Enter names of contractors and suppliers furnishing labor/materials (indicate "self" for labor if applicable).

| ITEM TO COMPLETE                  | PAID To Date | ESTIMATE Minus Paid | SUPPLIER |
|-----------------------------------|--------------|---------------------|----------|
| 1. ENGINEER/ARCHITECT             |              |                     |          |
| 2. PERMITS                        |              |                     |          |
| 3. LOT CLEARING                   |              |                     |          |
| 4. EXCAVATION (rough, finished)   |              |                     |          |
| 5. FOUNDATION (drains, dampproof) |              |                     |          |
| 6. SEWER SYSTEM (underground)     |              |                     |          |
| 7. WELL or CITY WATER CONNECT     |              |                     |          |
| 8. FRAME, SHEATH, ROOF, STUDS     |              |                     |          |
| 9. PORCHES, DECKS                 |              |                     |          |
| 10. CARPENTER LABOR               |              |                     |          |
| 11. WINDOWS, SLIDING DOORS        |              |                     |          |
| 12. EXTERIOR SIDING               |              |                     |          |
| 13. GUTTERS, DOWN SPOUTS          |              |                     |          |
| 14. INSULATION                    |              |                     |          |
| 15. ELEC UTILITY CONNECTION       |              |                     |          |
| 16. ROUGH WIRING                  |              |                     |          |
| 17. ELECTRICAL FIXTURES           |              |                     |          |
| 18. ROUGH PLUMBING                |              |                     |          |
| 19. PLUMBING FIXTURES             |              |                     |          |
| 20. HEATING/AC                    |              |                     |          |
| 21. SHEETROCK, DRYWALL            |              |                     |          |
| 22. INTERIOR STAIRS               |              |                     |          |
| 23. INTERIOR DOORS, TRIM          |              |                     |          |
| 24. FLOORS (wood, tile, carpet)   |              |                     |          |
| 25. CABINETS, COUNTERTOPS         |              |                     |          |
| 26. APPLIANCES                    |              |                     |          |
| 27. PRIME, STAIN, PAINT           |              |                     |          |
| 28. GARAGE DOOR                   |              |                     |          |
| 29. FINISH GRADING/DRIVEWAY       |              |                     |          |
| OPTIONAL ITEMS                    |              |                     |          |
| 30. FIREPLACE/CHIMNEY             |              |                     |          |
| 31. OTHER                         |              |                     |          |
| 32. OTHER                         |              |                     |          |
| 33. OTHER                         |              |                     |          |
| 34. OTHER                         |              |                     |          |
| TOTALS:                           | 0.00         | \$0.00              | \$0.00   |

The above cost estimates are submitted for mortgage underwriting purposes.  
These estimates are accurate to the best of my/our knowledge.

Date:Applicant signature:

! Save all entries as you update and forward to your Loan Specialist as an Excel document when completed.



This will help the appraiser determine the quality rating of your new home; for example, they will evaluate materials such as cabinets, countertops, flooring, etc. for quality.

A stylized illustration of three houses. The house on the left is purple with a teal roof and a white window. The middle house is orange with a white roof and a white window. The house on the right is purple with a teal roof and a white window. The houses are arranged in a row, with the middle house slightly behind the other two.

# Acquisition Cost

Once you have completed your Construction Cost Estimate Sheet and provided written estimates where required, your Loan Specialist will determine the Acquisition Cost for your property.

**Acquisition Cost:** The total of the purchase price or value of your land plus the total cost to build as reflected on your Construction Cost Estimate Sheet.



**Land Value:** If you purchased the land more than 12 months ago, or if it was gifted to you, we will use the value on the town property card as the initial value to determine Acquisition Cost.



**Maximum Loan Amount:** Calculating the Acquisition Cost will enable your Loan Specialist to determine your maximum loan amount. If you have an all-inclusive builder contract, your initial loan amount can be up to 85% of the Acquisition Cost.





# Ready to Apply!

## Once you have your

- Completed Construction Cost Estimate Sheet with written estimates for labor and materials for each item
- Completed Details of Transaction form
- House plans and land plot plan
- And updated paystubs and bank statements

**You are ready to apply!**



## You may also need to provide

- An executed Sales Contract for the buildable lot if you are using construction funds to purchase it.
- Updated paystubs and bank statements if your mortgage preapproval letter is more than 30 days old. Please submit them as they come in.
- Your Loan Specialist will prepare an initial Sources and Uses of Funds form and review it with you, so you know how much you will need in savings and checking accounts to complete construction.
- When you apply, we will collect a check for your application fee to cover the cost of your appraisal and credit report.

# Funds and Reserves Required

- The bank does not finance 100% of your construction; you are required to use your own funds in addition to the construction mortgage proceeds.
- Your Loan Specialist will prepare an initial Sources and Uses of Funds form, to help you determine how much you will need, including your contribution towards the cost to build and the reserves in non-retirement accounts required by the bank. This form will be updated throughout the process as you provide new bank statements and invoices or canceled checks for any payments already made to the builder or subcontractors.
- Updated bank statements for all your accounts will be required when the appraisal is complete.
- If you have prepaid any subcontractors or purchased any materials, please provide checks and paid receipts. These receipts will be used to prepare the final Construction Sources and Uses of Funds form, which you will sign at closing. This form must reflect you have at least 10% of the total on the Construction Cost Estimate Sheet in your savings and checking accounts, less money already prepaid towards the project. **It is expected that you will use these reserves if there are cost overruns.**
- You must also show that you have 6 months of mortgage payments in reserves, which includes principal, interest, taxes, and insurance.
- If you do not have enough funds for construction and the required reserves in your savings and checking accounts, you may be asked to withdraw funds from your retirement accounts prior to closing.



# Commitment Letter

- Upon loan approval you will receive a conditional commitment letter outlining the conditions that must be met before and at closing.
- Your Loan Specialist will review the commitment letter with you, collect the necessary closing conditions and assist you in scheduling the closing.
- If the buildable lot is financed, and you are not paying it off with the loan proceeds, there will be an additional condition regarding payoff of the land loan.



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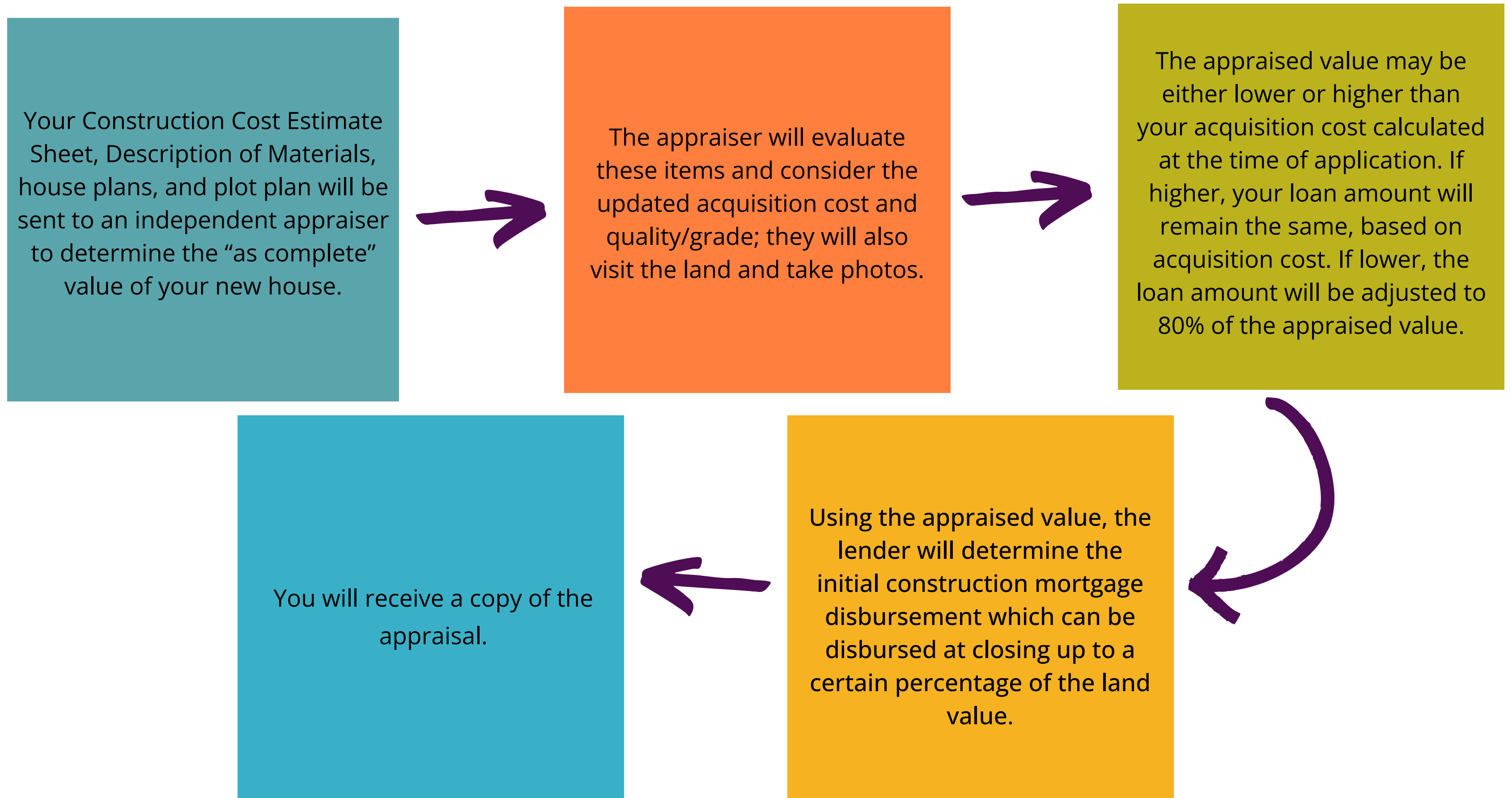
## Additional Required Items or Conditions

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### Please provide the following:

- 1) Construction-Use of Retirement Funds - By signing the Commitment Letter, borrower acknowledges that the use of retirement funds may be necessary to complete this transaction, and will provide proof of availability of funds if required.
- 2) Construction-Unfinished Areas - Borrower to confirm in writing or by e-mail whether there will be any unfinished areas when the property is inspected for completion (i.e. upstairs in a cape-style house, bonus room, etc.)
- 3) Construction-No secondary financing - Any liens or encumbrances against land must be paid in full at closing - no secondary financing permitted.
- 4) Construction-Funds to Complete/Reserves - Provide satisfactory proof of sufficient non-retirement liquid assets to complete this transaction, including the following in reserves: 10% of cost to build, and 6 months of mortgage payments on new construction loan, fully disbursed. Underwriter to complete Sources and Uses of Funds form.
- 5) Construction-Sources and Uses of Funds Form - Borrower(s) to sign Construction Sources and Uses of Funds Form at Closing.
- 6) Construction-Checking Account for Disbursements - Borrower(s) to open a Chelsea Groton checking account prior to final approval for construction disbursements.
- 7) Construction-Building Permit - Borrower must provide copy of Building Permit from local authority prior to any disbursements made after closing.
- 8) Construction-Builder's Contract - Provide all-inclusive builder contract with plans and specifications.
- 9) Construction-Additional Estimates - Provide Construction Cost Estimate Sheet with written estimates for items not included in builder or modular contract (example: appliances)
- 10) Construction-Disbursements to Builder - Funds from the construction account will be disbursed based on completed work, according to the Bank's disbursement schedule; if builder requires a larger disbursement than Bank's schedule permits, borrower must pay the difference from their own funds.

# The Appraisal Process





# What are Sources and Uses of Funds?

Sources and Uses of Funds Form

Borrower(s)

John X Borrower and Jane Q Borrower

Loan Number

6425291

Property Address

123 Main Street, Waterford, CT 06385

Acquisition Cost

650,000.00

LTV

73.077

FUNDS AVAILABLE (Sources of funds)

Other Assets

Deposits

Proposed Mortgage

475,000.00

Charter Oak - Savings - x

2,000.00

Charter Oak - Checking - x

3,000.00

Dime Bank - Checking - x

6,000.00

Dime Bank - Savings - x

1,500.00

Fidelity - Money Market - x

2,000.00

Gift Funds Not Deposited

Gifts

0.00

Prepaid Construction Expense

PendingNetSaleProceedsFromRealEstateAssets

403,252.00

1. SUBTOTAL LIQUID ASSETS

892,752.00

2. SUBTOTAL RETIREMENT/OTHER

0.00

3. TOTAL AVAILABLE ASSETS

892,752.00

FUNDS REQUIRED (Uses of funds)

VOL

VOM

Land or House Purchase

150,000.00

Construction Cost Estimate Sheet Total

500,000.00

Prepays and Closing Costs

12,878.31

Required Reserves - 10% of Build Cost

50,000.00

Required Reserves - 6 Months PITI

24,035.04

4. TOTAL FUNDS REQUIRED TO BUILD

736,913.35

Reconciliation of Funds

Overage (Shortage) of Funds from Liquid Assets

155,838.65

Overage (Shortage) of Funds Considering All Available Assets\* (3. versus 4.)

155,838.65

\*includes retirement accounts available for withdrawal or loan

Completed By:

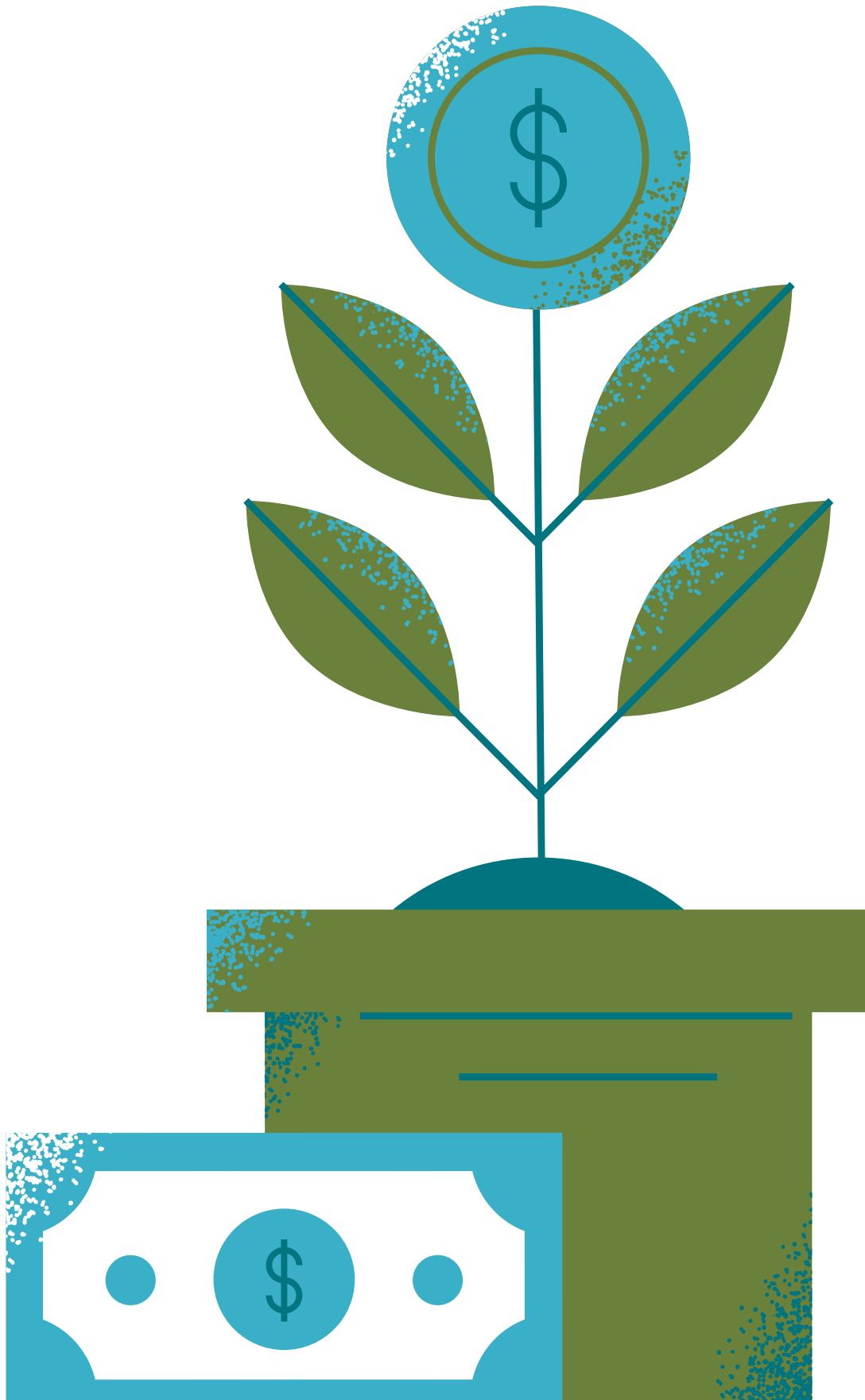
Stamp as Complete and Print to eFolder

Completed On:

Update Values for Print Form Only

Sample Form

# Disbursements into Chelsea Groton Checking Account

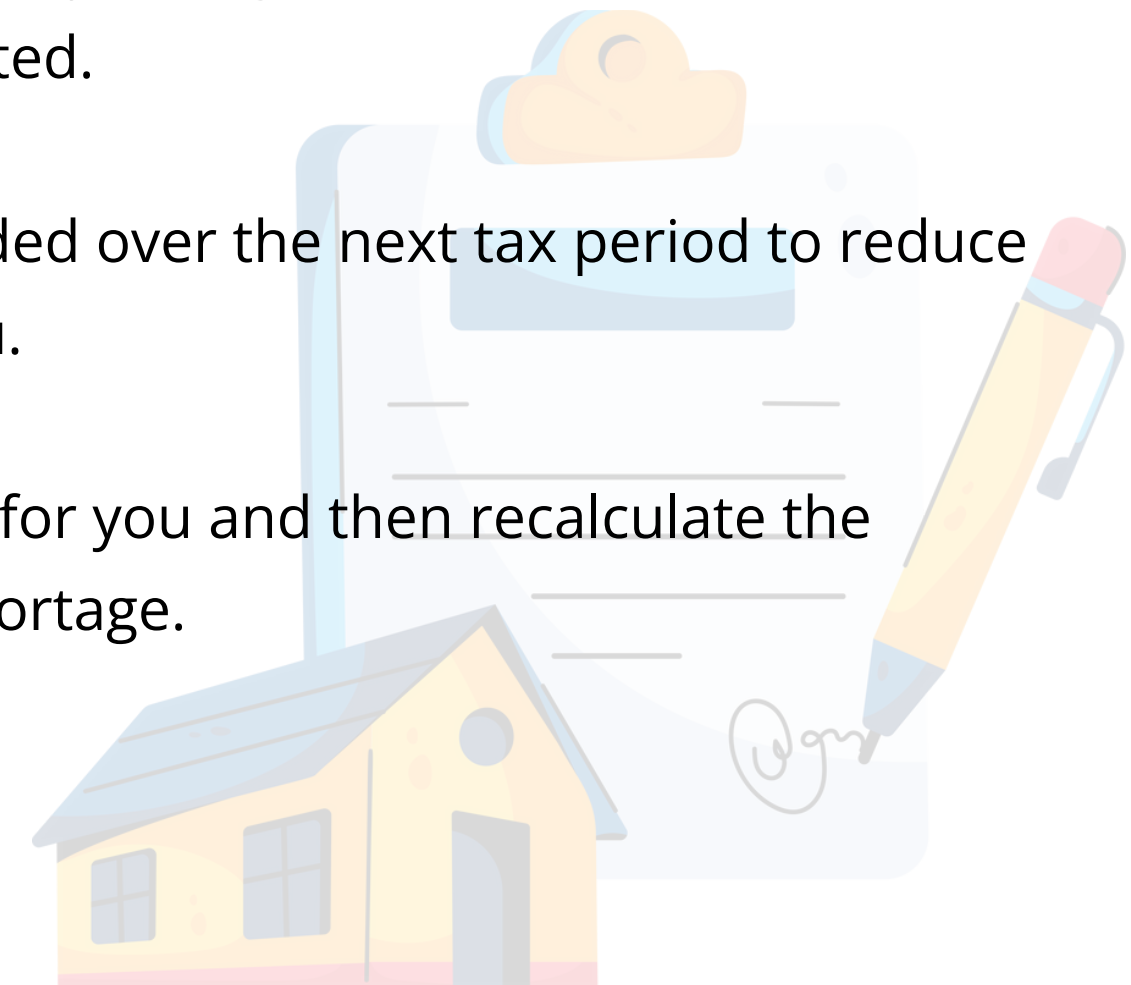


- Money can be disbursed to you at closing, up to the value of your land; however, you can choose not to take this disbursement if you don't need the funds right away. Interest begins accruing for the amount disbursed. You will be charged interest monthly on the amount disbursed.
- If applicable, land loans are paid off at closing. If the disbursement is not enough you must pay the difference from your own funds. You will know this in advance of closing.
- Loan disbursements will be processed after subsequent inspections to determine completed work.
- Disbursements will be deposited into your Chelsea Groton checking account. You qualify for a free checking account if you don't have one; disbursements will be deposited into this account.



# Tax Escrow

- As part of the loan qualification process, we will calculate the amount of real estate taxes by using 70% of the appraised “as complete” value multiplied by the current town/city mill rate where your land is located.
- We will collect tax escrow funds at closing to pay your taxes when the first bill is issued.
- The town building official will inspect the completed property and issue a Certificate of Occupancy, and then the town will calculate taxes based on their valuation of your home at that time; the town’s valuation may be higher or lower than the bank’s valuation, which could result in higher or lower taxes than those originally estimated.
- You may receive a rebate if too much in escrow was collected, or the excess may be divided over the next tax period to reduce the newly calculated escrow amount; you will be given a choice if this is applicable to you.
- If we collected too little escrow funds based on the estimated tax bill, we will pay the bill for you and then recalculate the amount of your new monthly escrow, which will be higher, to make up for the escrow shortage.

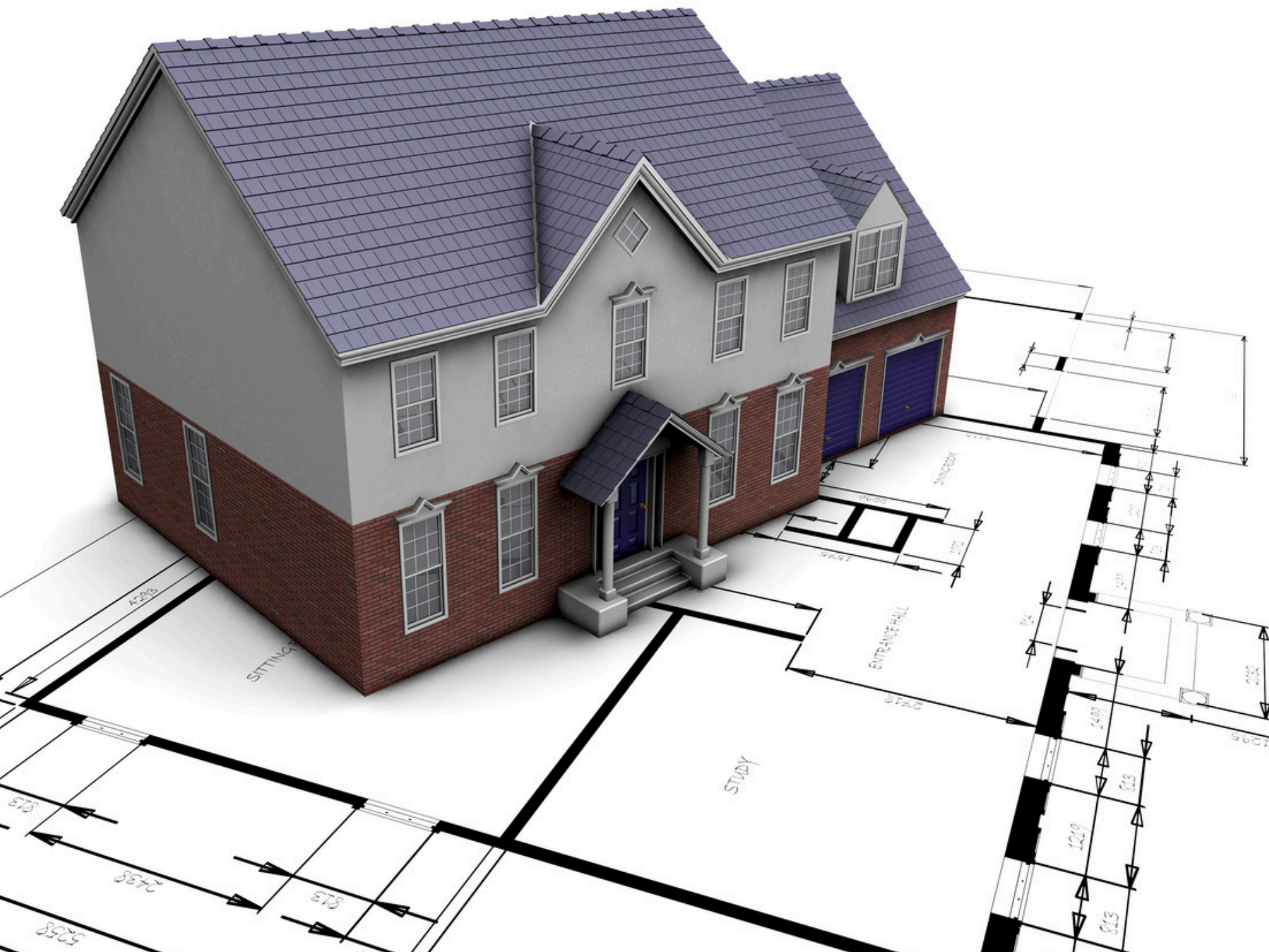


# Property and Flood Insurance

- The bank will require “Builders Risk” insurance before and during the construction period.
- The Builders Risk policy must name Chelsea Groton Bank as the mortgagee.
- You can choose to escrow for the insurance premium, or you can pay it on your own. Proof of payment of the first year’s premium will be required.
- If your property is in a Flood Zone, you must also purchase flood insurance naming the bank as mortgagee. Flood insurance must be escrowed.



# After Your Loan Closes



- After closing, we will transition your servicing to a representative from the Chelsea Groton Loan Servicing Construction Desk.
- You'll receive a welcome letter shortly after closing, which provides contact information and details on how to obtain disbursements as work is completed.
- Next, an independent inspector will be assigned. The inspector will meet you at the property when an inspection of completed work is requested.
- Please note that all disbursements will be made to you, not to your builder or an individual contractor.



# Important Definitions



## **Inspection:**

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The construction site is visited by a bank-approved independent inspector to determine how much of the house has been completed. This determines how much money can be disbursed from the construction funds.

## **Disbursement:**

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Money that is paid by the bank, from Construction Loan account proceeds, for work completed. These funds will be deposited into your Chelsea Groton checking account.

## **Certificate of Occupancy (CO):**

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A legal document issued by the Town/City Building Inspector verifying that a structure is safe and ready for occupancy. The bank will require a copy of the permanent Certificate of Occupancy.

# Obtaining an Inspection and Disbursement

**Five or more business days before you need a disbursement, please call the Construction desk at the bank.** An inspection will be scheduled to determine the amount of progress made on your house. The inspector will authorize a certain amount of money to be disbursed based on the construction disbursement schedule provided. The percentages refer to percentages of base disbursement amount and not the percentages of cost.

For example, if the excavation and foundation are complete, the house is considered 16% complete; we can disburse 16% of the base disbursement (mortgage amount less the initial disbursement on the land if applicable). The money will be deposited to your Chelsea Groton Bank checking account. Please call the Construction desk after the inspection to discuss the inspection results.



## IMPORTANT:

We can only disburse according to the percentages on our disbursement schedule, based on how much work you have completed; we do not advance funds for supplies, materials, or deposits to subcontractors. If your supplier or subcontractor is requesting a larger disbursement than our schedule permits, you must pay the difference from your own funds.

# Construction Mortgage Disbursement Sheet

Construction Inspection Worksheet  
Borrower:  
B Daytime Ph #  
Const End Date:

CoBorrower:  
CB Daytime Ph #:  
First P & I Date:

Mtg # 1115034653  
Property Address:  
Building Perm: YES

Deposit A/C 

|  |  |
|--|--|
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

Appraisal  
LTV to Appraisal:  
Loan Amount  
Initial Disb

Base Disb on:  
Per Item \$

| Initial Disb |              |                              |                                   | Land   |        | 1st Inspec |            | 2nd Inspec |            | 3rd Inspec |            | 4th Inspec |            | 5th Inspec |            | 6th Inspec |            | 7th Inspec |            |      |
|--------------|--------------|------------------------------|-----------------------------------|--------|--------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------|
| Cumulative % | Allocation % | Base Disb or:<br>Per Item \$ | \$0.00                            | Date   | Date   | Date       | Date       | Date       | Date       | Date       | Date       | Date       | Date       | Date       | Date       | Date       | Date       | Date       |            |      |
| 13%          | 13%          | \$0.00                       | Excavation & Foundation           | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 29%          | 16%          | \$0.00                       | Framing, Roof                     | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 35%          | 6%           | \$0.00                       | Finished Roof                     | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 39%          | 4%           | \$0.00                       | Exterior Doors & Windows          | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 41%          | 2%           | \$0.00                       | Chimney                           | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 45%          | 4%           | \$0.00                       | Siding                            | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 47%          | 2%           | \$0.00                       | Exterior Painting                 | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 51%          | 4%           | \$0.00                       | Rough Plumbing & Tub              | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 54%          | 3%           | \$0.00                       | Rough Electrical                  | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 56%          | 2%           | \$0.00                       | Insulation                        | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 59%          | 3%           | \$0.00                       | Finished Sheetrock/Plaster        | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 64%          | 5%           | \$0.00                       | Interior Doors & Trim             | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 67%          | 3%           | \$0.00                       | Cabinets & Countertops            | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 69%          | 2%           | \$0.00                       | Garage & Basement Floors          | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 71%          | 2%           | \$0.00                       | Kitchen & Bath Floors             | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 75%          | 4%           | \$0.00                       | Finished Floors (Hrwd/Cpt/Tile)   | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 76%          | 1%           | \$0.00                       | Finished Plumbing Fixtures        | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 77%          | 1%           | \$0.00                       | Finished Electrical Fixtures      | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 85%          | 8%           | \$0.00                       | Heating - Installed & Operating   | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 90%          | 5%           | \$0.00                       | Septic or Sewer Connected         | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 94%          | 4%           | \$0.00                       | Well or City Water Connected      | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 96%          | 2%           | \$0.00                       | Miscellaneous                     | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
| 100%         | 4%           | \$0.00                       | CO Issued                         | 0.0%   | \$0.00 | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
|              |              |                              |                                   |        | Land   |            | 1st Inspec |            | 2nd Inspec |            | 3rd Inspec |            | 4th Inspec |            | 5th Inspec |            | 6th Inspec |            | 7th Inspec |      |
|              | 100%         | \$0.00                       | Disb Avail from Inspection        | 0.0%   |        | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0%       | \$0.00     | 0.0% |
|              |              |                              | Plus Avail from Prior Inspections |        |        |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |      |
|              |              |                              | Inspection Fee                    | \$0.00 |        | \$0.00     |            | \$0.00     |            | 0.0%       |            |            |            |            |            |            |            |            |            |      |
|              |              |                              | Total Available                   |        | \$0.00 |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |      |
|              |              |                              | Disb Amount/ Date                 |        |        |            |            |            |            |            |            | //         |            | //         |            | //         |            | //         |            |      |
|              |              |                              | Add1 Disb / Date                  |        |        |            | //         |            | //         |            | //         |            | //         |            | //         |            | //         |            | //         |      |
|              |              |                              | Add1 Disb / Date \$15.00 fee*     | //     |        | //         |            | //         |            | //         |            | //         |            | //         |            | //         |            | //         |            |      |
|              |              |                              | Add1 Disb / Date \$15.00 fee*     | //     |        | //         |            | //         |            | //         |            | //         |            | //         |            | //         |            | //         |            |      |
|              |              |                              | Remaining Balance                 |        | \$0.00 |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |      |
|              |              |                              | Total Disb/Inspection             |        | \$0.00 |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |            | \$0.00     |      |
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# Frequently Asked Questions



## **Who is the Inspector?**

The Inspector is a local independent appraiser experienced with construction financing. They will identify themselves when they call you or visit your property; feel free to call our Construction desk to confirm their identity.

## **How do I pay for the Inspections?**

The bank will collect a non-refundable fee at the time of closing to cover the administration of your construction loan. Please refer to your Loan Estimate given to you at the time of application for the fee details. If there are more than four inspections required, each inspection beyond the four inspections will require an additional nonrefundable fee of \$200.00. The fee will be deducted from your next disbursement. You may have up to two disbursements for each inspection. The fee for more than two disbursements per inspection is \$15.00 per disbursement.

## **How long do I have to build my house?**

You have one year from the closing date to build your house. You are encouraged to complete your house during that period to avoid additional attorney title search fees that are required under State Statutes. We will remind you when you are nearing the end of your disbursement period.

## **What if I don't use all the money?**

If you complete the construction and you have not taken all of the money that you applied for, you have two different options: once you provide the bank with a permanent Certificate of Occupancy and we have an inspection indicating that the house is 100% complete, you can take a disbursement for all remaining funds; OR, you can request that the construction loan roll over to the permanent mortgage for the lower amount, which will result in a lower monthly payment. Please contact the construction desk to discuss options and amounts. Depending on the type of mortgage that you have, your payment will change to reflect the new balance; a modification may be required.



# Frequently Asked Questions (2)

## **What if I need more money due to cost overruns?**

Cost overruns are the responsibility of the borrower. At the time of application there is a 10% cost to build reserve requirement. If those funds are not enough to cover overruns, please notify us immediately. Every situation is different, and we explore alternatives to help you complete your house.

## **If I change my mind about contractors, building specifications, or materials, do I need to notify the bank?**

YES! The bank's independent appraiser used those estimates to calculate the amount of money needed in combination with your savings to ensure completion of your house. If you make changes to the original information regarding materials and costs, you may run short of funds, or your appraised value may change, which can cause completion delays.

## **What if I decide not to complete all areas of the house based on my original plans and specs?**

The house needs to be completed based on the "Description of Materials" form, plans, cost estimates and other methods that you initially provided to determine the completed value of your property. The appraiser's value is based on completion of the property, and your loan amount is based on a percentage of this value. Therefore, the items in the house that you identified would be completed during construction, must be completed. **Example:** if you presented plans and specifications for a Cape-style house with two bedrooms downstairs and two upstairs, and the appraisal is based on a four-bedroom house, you may not choose to leave the upstairs bedrooms incomplete. If there are areas of the house that you have no intention of initially completing, you must provide that information to your loan officer at the time of application, and the incomplete areas must be noted on your plans.

## **When are the loan proceeds fully disbursed?**

Please refer to the "To obtain an inspection and disbursement" section. You will receive all your loan proceeds once we receive the Town's permanent Certificate of Occupancy (CO) from you.

# Frequently Asked Questions (3)



## **Do I have to go through another closing to turn my construction mortgage into a 30-year mortgage?**

No, at no additional cost to you, Chelsea Groton Bank will “roll over” your loan to a permanent 30-year mortgage. You may have to wait until the end of the construction year for this “roll over” depending on the type of mortgage loan you have.

## **What if I complete my house before the year is up?**

Depending on the type of mortgage you have, you may be able to begin payments on your permanent mortgage sooner. Please submit your request to begin payments in writing to the Construction desk. You will be required to sign a loan modification agreement, and pay a fee, if applicable.

## **Can money be advanced ahead of time to buy materials?**

Under State Law, the bank will disburse money to you after work has been completed or after you build up equity in your property. This means that you may be able to get some money at the time of closing based on the equity in the land. Please remember if you take money before you begin to build the house, you’ll have less money available during the construction period. The amount we disburse on the value of the land will be deducted from the total mortgage amount and all future disbursements will be percentages of the lesser amount. Speak with your Loan Specialist in advance of closing to understand your options.

## **How much money can I get at closing?**

This is probably the most frequently asked question. The answer depends on the value of your land, the amount of your loan, and the appraised value. There is a formula dictated by State Statute. The amount we disburse to you will be calculated once we receive a copy of the appraisal; your Loan Officer will share that information with you. Please note that if you have a land loan and the disbursement is not sufficient to pay it off, you must make up the difference using your own funds.





# Frequently Asked Questions (4)

## **How does the bank charge interest?**

We will send you a bill every month for the interest due on loan proceeds disbursed. The more money disbursed, the higher your payment. To reduce your monthly interest payment, you can use your savings first before drawing down on the construction loan.

## **Can I make my construction interest payments from my disbursements?**

Borrowers are required to make construction interest payments from their own funds and not from loan disbursements.

## **When did you say I should use my savings?**

Contractors often want deposits before work is started; this is the best time to use your savings. If you are acting as your own general contractor, use your savings funds to buy construction material and/or to pay sub-contractor deposits.

## **How much of a down payment do I need when constructing a home with an all-inclusive builder contract?**

Usually 20% down is needed, but applications with 15% down are considered. If the down payment is less than 20%, private mortgage insurance (PMI) is required at your expense. If you are putting 15% down, you must submit receipts from the builder, showing that all the mortgage funds went towards the construction of the house. In addition to funds for down payment and closing costs, you are required to show 10% of the construction and materials cost in liquid reserves. You will also need 6 months' worth of anticipated mortgage payments available in liquid funds OR accessible retirement funds.

# Frequently Asked Questions (5)



## **If I borrowed more than 80% of the value or cost of my home, how do I receive the final disbursement?**

Upon receipt of your Certificate of Occupancy from the town, we will generate a Bank Check payable to you and Chelsea Groton Bank. Endorse the check over to the Builder, then ask the Builder to bring the check to our Groton Office (904 Poquonnock Road, Groton, CT, 06340) to obtain the bank's endorsement. The Builder must provide a paid receipt to the bank stating that the check amount is the remaining amount owed on the construction project.

## **Can my land be considered my down payment?**

It can be part of it, but some cash savings are required. There may be times during your construction period when your builder, contractor, or material suppliers want a greater amount of money than the bank's disbursement schedule permits; this is when you'll pay the difference from your own savings.

## **What happens to my land loan if I don't own the land "free and clear"?**

If you have a land loan, the land loan must be paid off at or prior to closing for the bank to be in first position on the Land records. If your first disbursement at closing, based on the land value, is not sufficient to pay off your land loan, you are required to bring non-borrowed funds to the closing to pay the difference.

## **How long after my closing can I receive a disbursement?**

If the bank has a copy of your Building Permit on file, you may receive the disbursement the same business day. Prior to issuance of the Building Permit, we can only disburse a percentage of the value of the land. If you have received the full amount of the land disbursement at closing, you must provide the Building Permit before any further disbursements can be made.

# Frequently Asked Questions (6)



## **I'm having a builder dispute; how are funds disbursed?**

In the event of a dispute with your builder and the builder filing a mechanics lien on your property for non-payment, the bank will not disburse funds until the situation is resolved between you and your builder.

## **What is a mechanics lien?**

A contractor or supplier can place a legal claim, called a mechanics lien, on your property if you do not pay them for materials or services. According to Connecticut state statute, a mechanics lien can be placed on your property for up to 90 days from the last date the contractor performed work on your property. The bank will not make any disbursements to you if there are any unreleased mechanics liens. You should speak with your attorney for legal advice.

## **What if some items are only partially complete when the inspector visits the property?**

The independent inspector will do their best to give as much credit as possible, partial credit may be given. Please note that disbursements are based on percentages and not on the cost of items that you purchased. This means that you may have to use your savings.

## **Can you give me an exact time when the inspector will be onsite?**

The inspector may be inspecting several houses therefore we are unable to commit to an exact time. You will need to be present at the time of inspection if the inspector cannot otherwise access the property.

## **Can any of my subcontractors call for inspections?**

No; based on privacy guidelines, the bank will only discuss your loan details with you. You will be the point of contact for the entire construction process.



# Frequently Asked Questions (7)



## **Can you make the disbursement directly to a subcontractor?**

No, all disbursements are made to the borrower.

## **Do I have to pay for the Chelsea Groton checking account required for loan disbursements?**

No, we have several checking account options available to you including Free Checking. Your Construction Loan Specialist will put you in touch with a retail branch customer service representative to help you select the most appropriate checking account for your needs.

## **What kind of insurance do I need during construction?**

The bank requires a “Builders Risk” policy/binder. Please note that a binder is written for a short period of time (usually 30 days). Therefore, when your insurance company renews a policy, a copy must be sent to the bank to replace your expired binder. Please refer to the Notice of Hazard Insurance, Occupancy, and Appraisal Availability form given at the time of application for proper insurance requirements which should be shared with your Insurance Agent immediately. This type of coverage will automatically increase in coverage, and sometimes costs, as work progresses.

## **Why is a tax escrow required during the construction period?**

Tax escrows are required on all Chelsea Groton Bank residential mortgages. The tax escrow will be collected during the construction period to pay the tax bill on your land and house. No tax bill (other than for just the land) will be issued by the town until the house is complete; the amount the bank will escrow during the construction period is based on 70% of the estimated value of the property and the mill rate in the town in which the property is located.



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