



# Lot Loan to New Home



  
**Goldenwest**  
CREDIT UNION

# Lot Loan to New Home



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# Know Your Financing Options



Choosing the right financing option is as important as the actual building of your home. You will have a greater level of satisfaction and financial stability as you look at your options and decide what is best for you and your family. At Goldenwest, our Mortgage Experts are knowledgeable about the options for financing and ready to speak with you about what best suits your needs as you transition from your lot loan to building your new home.

## **Why Choose Goldenwest? Local Mortgage Experts, Lowest Rates and Fees**

We are a not-for-profit institution, and as such, our top priority is serving our members and making sure their needs are met. Goldenwest offers several construction loan options and we survey our competitors regularly to ensure we have the best rates and fees in the marketplace. Our fee structure is simple: We disclose our fees at the beginning of the loan process to eliminate any surprises as the loan moves forward.

Goldenwest offers competitive rates for construction insurance, homeowner's insurance, and title insurance. We service each phase of the construction process, starting with your loan application, all the way through to the completion of your new home. Your loan will be underwritten, approved, and closed by our Mortgage Experts. Our construction department then facilitates and manages your construction loan and draws. Once your home is complete, Goldenwest will assist you with your long-term financing. We provide these services to add transparency and convenience to the loan process and save you costly third-party fees you may pay with other lenders.



## We are Here for You

More than likely, you will have many questions about how to move forward with building your dream home. Asking questions and giving your input is encouraged and essential to helping you stay informed throughout the process. Our Mortgage Experts will listen to your needs and assist you in making educated decisions.

## One-time Close vs. Two-time Close: How to Choose?

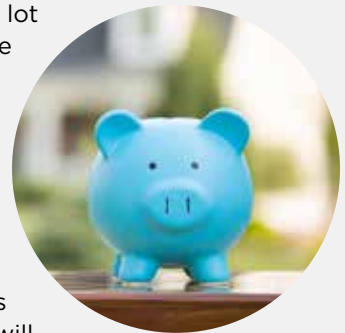
In the beginning of the building process, you will decide which construction loan option will work for you. Your Goldenwest Mortgage Expert will help you make the best decision based on your finances and needs.

Goldenwest offers two options for construction loans. The first is a one-time close construction loan. This enables you to secure a commitment and an interest rate with your long-term financing at construction closing. With the one closing, you will pay only one set of closing costs, however, construction must be complete within a 12-month period. The interest rate and loan amount are locked in during the construction term. Upon completion of construction, the loan converts to a long-term mortgage and monthly payments begin.

The second option is a two-time close construction loan. This loan allows you to apply and qualify for a construction loan and a separate long-term mortgage. Once the construction on your home is completed, your construction loan will be refinanced into a new, long-term mortgage. The refinance offers you the flexibility to choose the mortgage product, term, rate, and loan amount. Whichever loan option you decide on, your Goldenwest Mortgage Expert is here to help.

## How Much Money Do I Need to Put Down?

Goldenwest offers construction loans with as low as 10% down. The down payment may come from cash, lot equity, or building costs paid upfront. Consider the following: Do you have an existing home that you will need to sell to satisfy the down payment? When is the best time to sell for you and your family? Can you use the equity on your current home to build your new home? Will you qualify with both house payments? Other items to consider: landscaping, fencing, detached garages, pools, sport courts, etc., will require extra money. Typically, items such as these are not included in the construction loan and will have to come out of pocket. The more you put down, the less your overall loan amount and monthly payment will be.



## How Much of a Loan Can I Qualify For? Set Your Budget

Speak to your Goldenwest Mortgage Expert about your individualized down payment requirements, based on your financial scenario, to determine your loan amount. Your Mortgage Expert will provide you with a pre-approval and go over the details of your personal loan terms and a break down. The break down will include your total loan amount, cost to build, closing costs, and interest payments. This will allow you to set a budget when designing your home and estimate your final mortgage payment. While working through the design process, we encourage you to reach out to your mortgage loan expert with any questions including requests for updated Loan Estimates. We are happy to work through these scenarios with you.

## Cash in Your Lot Loan Rewards

You made a great decision to finance your lot with Goldenwest. Not only did you get the best interest rate, but the added confidence in knowing your Mortgage Expert will assist you in the transition to the construction loan. As an added benefit, Goldenwest will give you a credit of one-half the origination fee charged on the lot loan to be applied towards your new Goldenwest construction loan. Remember, the reason you purchased your lot was to build a home, so take advantage of this great reward!



# Designing Your Home

## Start with the Style of the Home

Choosing the style of the home will help you connect with many of the design choices that need to be made. The most common home styles include rambler, two-story, ranch, or multi-level. Next, you will focus on home size. Start with the number of bedrooms and bathrooms then move to the kitchen and dining room. How big do you want these rooms to be? Finally, look at your special purpose rooms like laundry, mudroom, walk-in closets, pantry, home office, or even a home theater room. With this information, you will be able to estimate the square footage of your home.



## The Right House for Your Lot

Your lot can play a big part in style, floor plan, and functionality. For instance, if you have a small site you may need a two-story home. Maybe your lot is elevated or uneven so the garage, porches, landscaping, driveways, and walkways may need special consideration. On the other hand, maybe the lot has a steep slope that may make a portion of your land unbuildable. In the end, the home should sit comfortably on the building site once it is finished. Keep in mind Covenants, Conditions & Restrictions (CC&Rs). CC&Rs are rules that define what is allowed and what is not in the development or subdivision regarding the building of your home. Be sure to obtain a complete list of the CC&Rs for the neighborhood or community, if applicable, to avoid any last-minute changes to your home plans. They might include height restrictions, minimum and maximum setbacks, square footage requirements, exterior building material requirements, exterior colors, and even the style of the home. If your home is in a Homeowner's Association, or HOA, you may also have additional requirements.

## Custom vs. Stock House Plans



**Stock House Plans:** Some builders offer a variety of pre-determined house plans (or stock plans) for the subdivision. Typically, builders will have set allowances for most categories, with the option to pay for additional upgrades. For some builders, these upgrades can be part of your plans all the way to your finishes. This option is great for someone who is looking for something timelier or does not know where to start. If this sounds like the best option for you and your family, your next step would be finding a builder who offers stock plans.

**Custom House Plans:** If you do not want to go with stock plans, hiring an architect for a custom design is a good route. Architects often work through referrals, so doing your research will enable you to find the right person. Once you have selected your architect, it will be a process of updates and revisions to get to the final set of house plans.



# Choose Your Builder



Choosing the right builder is as important as the home you build. The primary goal is to find a reputable and respectable builder who will deliver quality and meet your expectations. The following criteria can help you through the process of selecting the right custom-home builder.

## Best Resources for Builder Recommendations

One of the best ways to find a builder who meets your needs is by speaking with homeowners who have recently completed the building process. Other great resources for builder referrals include your Mortgage Expert, friends, family, real estate agents, architects, or Goldenwest's preferred builder list. Goldenwest works with several preferred builders who specialize in both stock plans and custom homes. Your Mortgage Expert can provide you with the names of preferred builders that may fit your needs.



## Find a Builder That Offers a Warranty

One advantage of new construction is your home and components should typically be under warranty. Most builders offer at least a one-year warranty. You could also look into a structural warranty of 10 years or longer. Make sure your builder provides prompt and courteous service under the warranty.

## Do Your Research

Before choosing a builder, ask for a complete list of references. The best list is the builder's most recent clients, with projects both under construction and completed. Some builders may allow you to set up an appointment to visit homes they have previously built and possibly speak with the homeowners. Below is a list of questions that would make a great starting point when speaking to references and homeowners:

- Are you happy with your home and quality?
- Did the builder complete the home in a timely manner and as promised?
- Were they punctual?
- Did the builder listen to your requests and needs?
- Was the builder responsive to your needs?
- Would you build another home with this builder?
- Were there any problems or issues that arose during the building process and were those issues able to be resolved?



If you do get the chance to inspect and tour an existing home recently built, pay attention to the quality of finish work, paint, flooring, cabinets, and exterior materials.

## Invest Time to Meet with Prospective Builders

A rule of thumb is to speak with at least two or three builders. Be prepared to invest the necessary time for thorough meetings with each builder. There is much to consider to insure you have a positive building experience. Remember, the builder has a vested interest in the construction of your home too, and both of you will expect to see progress from the first meeting. Below are topics to discuss during those meetings:

- A current resume of projects with similar scale and detail
- Estimated time frame
- Expectations for both parties
- Preferred contact method and frequency
- Description and understanding of how construction will progress
- List of subcontractors they work with

## What Questions Should I Ask a Potential Builder?

Below are builder-specific questions to ask during the meeting:

- How many years have they been in business?
- Licensed and insured?
- On average, how many homes do they build each year?
- What do they have to offer that other builders may not?
- Do they specialize in production homes, custom homes or both?
- What are the standard features of the homes they build?
- Who will oversee the construction of the home?
- Who will be the main point of contact if there's any questions?
- How and when can you make changes or upgrades?
- How and when will the final price of the home be determined?
- Who absorbs increases or changes in materials or labor costs?
- What is the process for inspection at key points of construction?
- How do I address any concerns I may have regarding the construction process?

A face-to-face meeting is important because you are interviewing them as much as they are interviewing you. Expect the builder to be professional and willing to take the time to earn your trust by answering your questions. The builder you choose should be someone with whom you can work well and have open communication. Construction projects take anywhere from nine to twelve months and in some cases may take longer. Once you feel you have found a potential builder, only then provide a copy of your plans to initiate a bid. We recommend you obtain more than one bid and confirm the builder's timeline before making your final selection.





# Finalizing Builder Contract and Cost Breakdown

## What Makes up Your Cost to Build?

Once you and your builder have negotiated the bid and timeline, they should be able to provide you with a cost breakdown or final purchase price along with a contract. Depending on the builder, your bid may come back with each cost category broken down individually or you may just have a total price. Your cost to build may include itemized hard costs, allowances, loan closing costs, contingency, and builder profit. There are two main ways that builders structure their profit: fixed-price or cost-plus. It is important to discuss this with your builder when negotiating the cost to build.



## Fixed-Price or Cost-Plus Contract: What's the Difference?

**Fixed-Price Contract** — A fixed-price contract is an agreement to construct your home at a set price. It includes both the cost of materials, labor, and the builder's profit. An advantage of a fixed-price contract is the cost is set before construction begins. With this type of contract, there is risk to the builder in that the costs may come in higher than the contract price. To that point, it is especially important your contract specify what costs can increase, what type/grade of materials are to be used and how different areas throughout the interior and exterior will be finished. This type of contract is more prevalent with production builders who offer stock house plans through a design-build arrangement.

**Cost-Plus Contract** — A cost-plus contract means the price to construct your home is dependent on the actual costs as your home is built plus an additional fee designated as profit or overhead. Your builder will give the best estimate at the time construction begins, however, costs of some materials fluctuate and can vary as construction progresses. Fluctuation can include both the cost of materials and labor. Your contract will define the amount of profit or overhead as a percentage of the total cost to build or a fixed dollar amount of profit. With a cost-plus contract, it is critical the contract specify and detail how the profit will be charged. For the builder, the cost-plus contract provides the security of a guaranteed profit.

## **Avoid the Pitfalls of Cost Overruns with a Contingency**

When preparing your cost breakdown, it is important to budget for a contingency. A contingency is defined as an amount of money that is included to cover potential events that are not specifically accounted for in a cost estimate. The contingency can be used to pay for overages when line items come in higher than your estimated budget during construction. Most overages are a result of upgrading finishes or increases in the price of building materials. Without a contingency, you would be responsible for paying overages out of pocket. Goldenwest recommends a 10% contingency. Your Mortgage Expert and builder will be able to advise you if they recommend a higher contingency.

It is best to plan for the unexpected; however, staying on budget is very important. With a contingency added to your cost to build, your Mortgage Expert will qualify you at a higher loan amount. If you do not use the contingency or only a partial amount is used, your final long-term loan amount will be reduced at no penalty to you. Your original loan approval remains intact even if the loan amount goes down. If the loan amount increases, (all of the budget and contingency are used) your final loan terms will change.

## **Finalizing Your Cost Breakdown**

Once you and your builder have negotiated the bid and timeline, they should be able to provide you with a final, revised cost breakdown or final purchase price. Both parties will need to sign a contract. You are ready to meet with your Mortgage Expert to begin the processing of your construction loan. Your Mortgage Expert will analyze and calculate the loan numbers based on contract and cost breakdown, as well as answer any questions you may have. You will receive an updated Loan Estimate for your projected closing costs based on your loan amount, down payment, and interest rate.





# Closing on Your Construction Loan

## Important Steps Leading to Your Construction Loan Closing

Now that you have met with your Mortgage Expert to discuss your loan terms, your mortgage loan processor will contact you to obtain the required employment, income, and asset documentation for your construction loan. They will verify and validate the information provided by you to prepare for the final underwrite. This is called the loan processing phase and will happen simultaneously to ordering your appraisal report.



We encourage you to apply for your building permit at this time. Depending on the counties and the time of year, you may experience delays in obtaining your permit. We recommend having your building permit in hand before you close your construction loan to avoid delays on your building timeline or going past the approved construction term.

Your Mortgage Expert will also request information regarding your builder and provide the necessary forms to complete. Each builder will complete a builder profile that includes a financial statement. Some builders have worked with us before and may have already provided a builder profile. These profiles do need to be updated and renewed each year.

## Appraisal: Why is it Important?

The appraiser will review your plans, cost breakdown, and finish quality in comparison to recent home sales in the area to determine the appraised value. The appraisal is important for several reasons: First, to determine a market value for your home. Second, to determine if the appraised value supports the cost to build. Should a significant difference between the cost to build and the appraised value be found, Goldenwest may request additional documentation and/or clarification regarding the overall project, or possibly additional collateral/down payment. If the appraiser notes any atypical or unusual

property characteristics, the credit union again may require an additional collateral or down payment. Once your Mortgage Expert has confirmed the appraisal report supports the construction project, your loan will be submitted to underwriting.

## **Underwriting and Closing Your Construction Loan**

Our underwriting team is committed to reviewing your loan as quickly and efficiently as possible, however; your loan may require additional review from our loan committee. This could extend the time for a decision on your loan. Keep in mind, there may be additional conditions or changes to terms noted by our underwriters or the loan committee. The underwriter will approve your loan once all the conditions have been reviewed, accepted, and cleared. You will now be ready to prepare for closing.

Once your loan is approved, your Mortgage Expert will contact you to give a timeline and process for closing. Our closing department will then send an initial Closing Disclosure for your review which details the terms of your loan. You will sign this initial document and will be able to close your loan after three business days. Your Mortgage Expert will coordinate a time for you to sign your final loan documents. You can expect your loan to fund the following business day.





# Construction Completion

## Goldenwest Will Be with You Every Step of the Way

Your Mortgage loan Expert will be in contact with you throughout the construction process and available to answer any questions. Our construction department is also available should you have any questions regarding draws. Goldenwest will conduct a monthly inspection to insure the project is on time and within your set budget. The inspector will prepare a summary report for our construction department that includes updated photos and an estimated percentage of completion.



## Your Long-Term Financing

As the construction of your home progresses, thinking about your long-term loan will be an important step in the process. A good time to contact your Mortgage Expert would be once the cabinets and countertops have been installed. At that point, your home should be roughly 30-45 days from completion, however, please confirm the estimated completion date with your builder.

If you closed under our two-time close construction loan, your Mortgage Expert can start watching the market and rates for your long-term loan and get the rate locked in. You will then start the process of a refinance loan that will pay off your existing construction loan.

If you closed on our one-time close construction loan, your interest rate and terms were set before construction began. Upon construction completion, your Mortgage Expert will provide you with loan modification documents which starts the long-term loan repayment of your loan.

## What to Expect After You Submit the Final Draw

Once your home is complete, you will submit your final draw(s). Once all draws are disbursed, our construction department will issue the final payoff for your construction loan. The city or county will issue a certificate of occupancy. The appraiser will then complete the final inspection to certify the home is complete and built to the specifications on the plans. Depending on the type of construction loan you closed on, you will either have a long-term loan closing, of which the proceeds will pay off your construction loan, or the construction loan will be modified to a long-term loan. Either option will detail your new payment amount and when the payments will commence.



## Experienced **Mortgage Experts** Standing By



Send us a text  
**385-206-6780**



Email us  
**[mortgagecc@gwcu.org](mailto:mortgagecc@gwcu.org)**



Call us directly  
**801-786-8400**



NMLS #440574

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