



### **SO YOU WANT TO BUILD A HOME!**

Spirit of Alaska Federal Credit Union's Construction Loan Program is designed to supply construction funds and then provide a long term mortgage loan when construction is complete. The following general steps are necessary to obtain approval and funding for the construction loan.

**STEP 1. PRE-QUALIFYING:** Bring the following items to your pre-qualification appointment:

- The last three years complete tax returns with W-2's
- The last two current pay stubs for all borrowers and/or proof of other income
- Most recent bank statements for all accounts (except for accounts held at Spirit of Alaska Federal Credit Union).

**STEP 2. PROVIDE CONSTRUCTION LOAN DOCUMENTATION:** You will need to schedule a construction loan origination appointment. You will need to bring the following documents:

- A completed residential mortgage loan application
- All other financing documents as required, i.e. divorce decree, bankruptcy documents, child support order, DD214, VA Certificate of Eligibility
- Pre-payment of appraisal cost
- An accurate legal description of the property
- Plans, description of materials and a cost breakdown. Cost breakdown sheets show a contingency fee (20% is a reasonable figure). Please factor it into your totals.
- If a contractor is going to build your home you need to have **a copy of the contract** between you and the contractor. This contract will be reviewed by Spirit of Alaska Federal Credit Union for the following conditions:
  - \* Clearly defined responsibilities of all parties
  - \* A fixed dollar amount for the work being done
  - \* A specific start and completion date along with any provisions for monetary penalties for delayed completion of the home.
  - \* Provisions for possible changes to plans and specs recognizing that **ANY CHANGES** must have prior approval by Spirit of Alaska Federal Credit Union
  - \* Defined dollar allowances for items such as light fixtures, appliances, etc.
  - \* Define any closing costs the contractor has agreed to pay such as ICBO inspection
  - \* Fairbanks North Star Borough Zoning Approval
- If you are acting as your own contractor Spirit of Alaska Federal Credit Union will need to be assured that you have both the time and expertise to complete the project professionally and in a timely manner. You will be asked to submit a complete cost breakdown as well as a complete description of materials. You will also need to detail the work that you will be doing yourself as well as what parts will be sub-contracted. Bids are required from all sub-contractors.



**STEP 3. THE APPRAISAL:** The appraiser will be given a copy of the earnest money agreement for the land purchase or a copy of the HUD closing statement showing proof of land purchase, a copy of the cost breakdown, a set of plans and a copy of the description of materials. The appraiser will then complete an appraisal of your new home establishing a value that is subject to completion of the home. **This appraisal is good for one year. If the appraisal expires a new one is required prior to closing long term.**

**STEP 4. CONSTRUCTION LOAN TERMS AND CONDITIONS:**

- A State of Alaska engineer must supply written documentation **PRIOR** to closing on the construction loan that the foundation will be sufficient for the ground type. For Mini Construction; an engineer's report is required for all loans PRIOR to the appraisal being ordered.
- Once the appraisal has been received and a construction loan amount established you will then sign the closing documents. This will establish the start of the construction loan.
- Construction loans will not initially exceed 75% of the appraised value of the proposed new home. The loan term is for an initial 12 months. However, if construction is not complete at the end of 12 months extensions may be approved. There will be monthly extension fees of \$300.00.
- Taxes and Insurance will be included in the monthly payment.
- Interest on your construction loan is due and payable monthly. A billing will be provided to you at the beginning of each month. Construction interest is not payable from the construction loan. Failure to pay construction interest monthly can seriously jeopardize possible long term financing and continued delinquency could lead to the initiation of foreclosure.

**STEP 5. COMPLETION OF CONSTRUCTION:**

- Approximately 30-45 days prior to completion you will need to meet with Spirit of Alaska Federal Credit Union to begin gathering the required documents for long term financing. You will be given a checklist to make sure we have obtained all the required documentation for the appropriate investor.
- A State of Alaska engineer must sign off when the foundation has been completed.
- When your home is **100% complete** the appraiser must be notified to make a final inspection. As a warning if the appraiser goes out and the home is not 100% completed they will need to make another trip which can trigger additional expenses.
- Ascertain that all applicable inspections have been done (water test, septic inspections, ICBO inspections, energy inspections, etc.) as required by the investor.
- Make sure the plot plan is re-certified.
- Sign and file the Notice of Completion with the appropriate title company. The Notice of Completion must be filed no less than 15 days from the date of long term closing.

**STEP 7. CLOSE THE LONG TERM LOAN:**

- Please remember that this is a general outline of the step and procedures surrounding a construction loan with Spirit of Alaska Federal Credit Union. Each construction project is unique so individual requirements and specifications may vary.