



MINI-CONSTRUCTION (RENOVATION) LOAN BORROWER CONDITIONS

- You will be charged a one percent origination fee for the mini-construction (renovation) loan.
- No labor costs for owner/builders or to their immediate families are reimbursable from any of the mini-construction proceeds without prior consent from Spirit of Alaska.
- If you hire individual laborers they must submit a timesheet showing the hours worked, hourly rate they are receiving and it needs to be signed by the individual. Checks will be disbursed directly to the individual laborers, unless proof of payment has been supplied.
- In most cases, checks will be made out directly to the suppliers. Exceptions will require approval and must be documented clearly.
- **You must keep your monthly principal and interest payments current.** You will receive a monthly billing statement. Failure to make monthly payments in a timely fashion will jeopardize our ability to refinance your loan.
- For each draw you must submit a signed draw request. Supporting documentation (i.e. Receipts, invoices, quotes and/or check copies) for each request must be attached. Funds will not be disbursed until clear documentation is received.
- Draws are limited to 1 per week.
- Checks will be available on Tuesdays and Fridays at least 3 business days after submission.
- A \$50 fee will be assessed for rush draws and for draws exceeding 1 per week.
- **Draws are limited to construction related labor and materials for the subject property only.** Draws are allowed for rental equipment, but not for the purchase of tools and equipment. Exceptions may be allowed with prior approval if the tool purchase is proven more cost effective than rental.
- **Rule of Thumb:** If the items will not be permanently affixed to the subject property, you will need prior approval before purchasing.
- Fuel oil and monthly electricity bills may NOT be paid from the construction funds.
- You must remain employed during the construction period. Spirit of Alaska Federal Credit Union must be kept informed of any change in employment.
- This is a 7/1 adjustable rate mortgage (ARM), with a 6-month completion period. If additional time is necessary, a 6-month extension may be granted for a fee of \$100 per month. If you choose not to pay the \$100 fee it will be added to the principal balance of the loan. When you sign the extension, you must also submit a written explanation as to why a 6-month extension is needed and why the home is not complete. Your interest rate may change due to any perceived credit or property risk.
- A complete engineer's report and a detailed cost estimate are required. For unexpected cost over runs an owner builder cost estimate will need to include a 1.5% contingency and licensed and bonded contractor bids will need to include a 10% contingency.
- If the total repair cost exceeds \$25,000 and is more extensive, the loan will need to be converted to a full construction loan, with a two percent origination fee.
- A copy of the homeowner's insurance policy is required.
- Property taxes, insurance (hazard insurance) and flood insurance, if applicable, will be collected as part of the monthly payment.
- Once construction is complete, you will need to contact the credit union and a Notice of Completion must be filed with the appropriate Title Company.



- Spirit of Alaska FCU will require a survey of the property by a licensed surveyor once the well, septic and foundation are installed. Use of a garbage disposal with a septic system will require increasing the size of the septic system, or increasing the pumping frequency. **BE AWARE THAT DISPOSING OF PHARMACEUTICALS DOWN YOUR SEPTIC SYSTEM CAN CAUSE DAMAGE.**
- If the property is in a FEMA designated flood zone, flood insurance is mandatory. A copy of the elevation certificate and flood insurance binder listing Spirit of Alaska FCU as the loss payee will be required.

BORROWER INITIALS

CO-BORROWER INITIALS

- If a labor rate seems excessive for job duties performed, Spirit of Alaska reserves the right to inspect prior to payment.
- A Fairbanks North Star Borough Zoning Permit is required.
- There is a minimum 6 month “stay period” before being able to refinance the loan. This means you cannot refinance the loan until 6 payments have been made.
- This loan can be refinanced into a full construction loan, with a two percent origination fee.
- For long term financing, Spirit of Alaska Federal Credit Union will make every effort to find the best possible program and interest rate for your unique situation. Please be aware that the initial program discussed and the interest rate shown of your initial long term loan estimate may not be the program or interest rate available for you when construction is complete and you are ready for long term financing. Due to the length of the construction period, programs and requirements as well as interest rates for individual programs may change beyond the control of Spirit of Alaska Federal Credit Union.
- There will be approximately six (6) status inspections performed by a Spirit of Alaska inspector at least every two (2) months. A fee will be charged for each inspection and will be calculated based on the depth of inspection and the distance of the subject property from Fairbanks. Our inspection fee ranges from \$100-\$500, but in most cases the fee is \$200. Rates are subject to change. Please contact our mortgage servicing department for current inspection rates. Spirit of Alaska reserves the right to inspect your property as frequently as we see fit to track your progress. **Please note that the Spirit of Alaska inspector is not an engineer or licensed inspector and is principally tracking progress on each construction phase, for audit purposes only. For any technical or structural questions, please contact your ICBO inspector, engineer or appraiser.**

Each contractor, subcontractor, laborer, or company you hire that will receive money drawn from your mini-construction loan must be on our approved list or become approved before the work is performed. If you hire a contractor that has not been approved, you will run the risk of the draw being ineligible for payment. Please have these individuals and companies contact the mortgage department to become approved.

- The borrower(s) understands they are responsible for all IRS reporting. Please contact a tax accountant with questions.
- There is a \$10 fee to mail draw checks. There is no charge when the check is picked up or deposited into SOAFCU account.

BORROWER

DATE

CO-BORROWER

DATE