

# construction loan process



Helping homebuyers navigate the construction financing process.

**Waterstone**<sup>®</sup>  
MORTGAGE



# construction process

## The Waterstone Mortgage Construction Process

If you're on the hunt for a new home, but you can't seem to find the perfect fit, building may be the way to go. At Waterstone Mortgage, we offer a Single Loan Close Construction Program — one loan covers the entire cost of the lot, construction process, and permanent mortgage.



Geographical restrictions apply — ask your loan originator for details. All loan requests are subject to credit approval as well as specific program requirements and guidelines. For some programs, income and property restrictions may apply. Information is subject to change without notice. The information provided in this guide is intended as general guidance and in no way constitutes legal advice or credit counseling. Equal Housing Lender. Waterstone Mortgage Corporation (NMLS #186434) is a wholly owned subsidiary of WaterStone Bank SSB (NASDAQ: WSBF).

# construction process



## 1: The Pre-Approval Process

Getting pre-approved is just as important for construction financing as it is for purchasing an existing home. A Waterstone Mortgage pre-approval lets you know how much you can afford, and helps builders know you're backed by a trusted lender.

To get pre-approved, you'll complete the following steps:

1. Complete a mortgage application (in person or online), which includes information on debt, income, and assets
2. Your loan originator's team will run and review your credit report
3. An automated underwriting system determines if you are eligible for specific loan requirements
4. Your loan originator completes a limited review of your income and assets

After that, you will know the exact amount you're eligible to finance. This will help you and your builder determine a plan.

## 2: Builder Acceptance

If your builder is not already on Waterstone Mortgage's accepted builder list, they will need to be accepted prior to loan application.

*Please consult with your loan originator to obtain the builder application and list of required documentation needed for acceptance.*



Geographical restrictions apply — ask your loan originator for details. All loan requests are subject to credit approval as well as specific program requirements and guidelines. For some programs, income and property restrictions may apply. Information is subject to change without notice. The information provided in this guide is intended as general guidance and in no way constitutes legal advice or credit counseling. Equal Housing Lender. Waterstone Mortgage Corporation (NMLS #186434) is a wholly owned subsidiary of WaterStone Bank SSB (NASDAQ: WSBF).



# construction process



## 3: Application

Once you've been pre-approved and signed a contract to work with a Waterstone-Mortgage-accepted builder, it's time to officially apply for a loan. Your loan originator can walk through the application with you, or they can send you a link to easily complete it online. At this time, a more detailed credit report will be obtained.

### Required Documentation

- Signed construction contract
- Contract of sale for the land (if applicable)
- Plans and specifications (including elevation of the home)
- Construction cost breakdown
- Copy of your driver's license
- Most recent 2 years of W-2 statements from your employer
- Last 30 days of pay stubs
- Last two months of bank statements (checking and savings)
- Last quarter of stock/bond/mutual fund/ 401(k) statements — all pages
- Divorce decree or court order defining alimony/child support payments (if applicable)
- College transcripts (if you graduated within the last 2 years)

A pre-approval is not a guaranty of final approval or a commitment to lend. Final approval is subject to a full credit underwrite by a qualified underwriter, satisfactory purchase agreement and appraisal, marketable title, and adequate insurance. Consumers are not required to obtain a loan simply because they choose to get pre-approved. In accordance with federal regulations, consumers are not required to provide verifying documents until they have submitted an application, received a Loan Estimate Disclosure, and stated their intent to proceed with the loan transaction.

## 4: Mortgage Approval

Once we've received your completed application and required documents, one of our underwriters will review your application. Upon approval, we will issue a "commitment letter," which states the loan amount you are approved for and any conditions that must be met prior to your loan closing.



Geographical restrictions apply — ask your loan originator for details. All loan requests are subject to credit approval as well as specific program requirements and guidelines. For some programs, income and property restrictions may apply. Information is subject to change without notice. The information provided in this guide is intended as general guidance and in no way constitutes legal advice or credit counseling. Equal Housing Lender. Waterstone Mortgage Corporation (NMLS #186434) is a wholly owned subsidiary of WaterStone Bank SSB (NASDAQ: WSBF).

# construction process



## 5: Closing

Once all conditions have been met, you're ready to close your loan!

Oftentimes the construction process requires multiple closing meetings for the purchase of the land and the construction financing, and finally the permanent mortgage. Our Single Loan Close Construction Program is truly a one-time close — this one loan covers the entire process.

This is when you'll sign the construction and mortgage paperwork. You'll also pay your down payment and closing costs.

## 6: Construction

Now that your loan is closed, it's time to begin construction! The Single Loan Close Construction Program allows a 12-month construction period (If construction goes beyond 12 months, an extension may be available — ask for details). As work is completed throughout the process, you or your builder will request disbursements or "draws."

During construction, you will make monthly, interest-only payments based on the amount of loan funds disbursed to that point. Your monthly payment will increase each month as your home is built and additional draws are paid to the builder and loan funds are drawn.

### The Draw Process

- A fully-executed Request for Advance will be provided an inspection will be ordered. The inspector will conduct an inspection and complete an inspection report to ensure the work has been completed
- A title "bring down" will be performed prior to each disbursement
- A lien waiver for the draw amount will be provided by your builder
- Upon receipt of a satisfactory inspection report, draw request, lien waiver, and title bring down, the draw funds will be disbursed. Payments will be provided as indicated on the draw request form, either via check or wire.



Geographical restrictions apply — ask your loan originator for details. All loan requests are subject to credit approval as well as specific program requirements and guidelines. For some programs, income and property restrictions may apply. Information is subject to change without notice. The information provided in this guide is intended as general guidance and in no way constitutes legal advice or credit counseling. Equal Housing Lender. Waterstone Mortgage Corporation (NMLS #186434) is a wholly owned subsidiary of WaterStone Bank SSB (NASDAQ: WSBF).

# construction process



## Important Notes

- *A building permit must be received prior to construction beginning and any monies being disbursed*
- *An inspection must be completed to prior to each disbursement to the builder*
- *You are responsible for any real estate taxes (course of construction/builder's risk) and insurance payments during construction — ask for details*
- *If your builder is providing the course of construction/builder's risk insurance during construction, you are responsible for making sure that policy stays in effect throughout the construction of your home*
- *Any funds you contributed will be drawn first prior to any loan funds being disbursed*

## 7: Getting Ready to Move In — The Final Draw Request

It's finally here... time to prepare for your move! As construction finishes up and you prepare for the last disbursement, there are a few boxes that need to be checked before you can officially make the new house your home.

### Finalizing the Construction

- *A final inspection of your home will be ordered to confirm all work has been completed and the original appraised value of the home is still accurate*
- *A final title search will be performed to assure no liens have been filed against the property*
- *You must sign a borrower letter of completion form and provide us with evidence of an acceptable homeowner's insurance policy*
- *Your builder will provide the Certificate of Occupancy*
- *If required by your title company, a final as-built survey will be completed*

## 8: Your Mortgage

Now that your construction is finalized and you're in your brand-new home, your permanent mortgage begins. If construction was completed in 12 months, your construction loan will automatically roll into a permanent mortgage. If construction was completed quicker than 12 months, you will meet with the original closing agent and execute a Loan Modification Agreement to modify your loan and begin permanent financing. If construction exceeds 12 months, ask about an extension.



Geographical restrictions apply — ask your loan originator for details. All loan requests are subject to credit approval as well as specific program requirements and guidelines. For some programs, income and property restrictions may apply. Information is subject to change without notice. The information provided in this guide is intended as general guidance and in no way constitutes legal advice or credit counseling. Equal Housing Lender. Waterstone Mortgage Corporation (NMLS #186434) is a wholly owned subsidiary of WaterStone Bank SSB (NASDAQ: WSBF).

# key construction terms & phrases

## One-Time Close Construction Loan

Loan that closes prior to construction beginning and covers the cost of the land, construction, and permanent phase of the loan. During the construction phase, interest-only payments are made based only on loan funds that have been disbursed. After the home is completed and converted to permanent financing, principal, interest, and any elected or required property tax, insurance, and mortgage insurance premiums will be included in the payments.

## Inspection

An inspection by an independent third party is required with each draw request, before funds are disbursed. Inspections do not evaluate the quality of the work performed, but are obtained to make sure that work is in place for the funds being requested for in the draw request.

## Escrow

The account you deposit money for taxes and insurance into. You are responsible for paying all real estate taxes and course of construction/builder's risk insurance during the construction phase. If your builder is providing course of construction/builder's risk insurance during the construction phase, you are responsible for ensuring policy remains effective throughout the construction phase.

## Down Payment

A portion of the cost of your home that you pay upfront to secure the purchase of the property. The Single Loan Close Construction Program requires a minimum of 5% down. If you already own your lot, lot equity may be able to be used for the minimum down payment depending upon the loan program selected.

## Closing Costs

Costs to complete your real estate purchase or refinance transaction. These costs are in addition to the price of the home and are paid at closing. Closing costs may include appraisal fees, tax service provider fees, discount points, taxes, title insurance, financing costs, and items that must be prepaid or escrowed.



### Aaron Meilich

Sales Manager - Construction & Specialty Portfolio Lending  
NMLS #769327  
836 57th Street, Suite 330  
Sacramento, CA 95819  
AMeilich@WaterstoneMortgage.com  
FundAndBuild.com



BUILDING YOUR DREAMS  
FROM THE GROUND UP  
POWERED BY **Waterstone**  
MORTGAGE



Geographical restrictions apply – ask your loan originator for details. All loan requests are subject to credit approval as well as specific program requirements and guidelines. For some programs, income and property restrictions may apply. Information is subject to change without notice. The information provided in this guide is intended as general guidance and in no way constitutes legal advice or credit counseling. Equal Housing Lender. Waterstone Mortgage Corporation (NMLS #186434) is a wholly owned subsidiary of WaterStone Bank SSB (NASDAQ: WSBF). Licensed by the Department of Financial Protection and Innovation under the California Residential Mortgage Lending Act. Branch License #41DBO-180879.