

# Ready to lay the foundation.

A guide to  
construction-to-permanent financing







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Is construction-to-permanent financing right for you?

## **You're made of detailed blueprints, big ideas and building your dream from the ground up.**

Whether you're building or renovating, you can save time and money with construction-to-permanent financing from Citizens. Our program allows you to combine your construction financing and permanent mortgage into one loan, with a whole range of added benefits.

At Citizens, we make the financing of your home construction costs clear and easy to understand. We'll walk you through the construction-to-permanent process, so you can see your way forward with confidence.

### **How it can work for you**

- If you're planning to build new, our construction-to-permanent loan provides financing for the purchase of your lot and the construction of your home on that lot.
- If you already own a lot, the construction-to-permanent loan can be used to finance the construction costs.
- If there's a mortgage on the lot, you will need to roll it in with the construction-to-permanent financing.
- If you're renovating an existing home, you can still finance the renovation cost and mortgage financing with one convenient loan.



## Benefits of construction-to-permanent financing from Citizens

With our program, you'll know up front that the financial aspects of building or renovating a home are in place before you begin.

- **Certainty** — Lock in your permanent mortgage interest rate up to 18 months in advance, giving you added protection against rising rates.
- **Savings** — Save time and money with one loan qualification and one set of closing costs.
- **Convenience** — Take up to 18 months for the construction of your home, and during construction, you make interest-only payments on funds already disbursed.
- **Flexibility** — Include lot financing or build on your own lot. You can build a primary residence or vacation home, or renovate an existing home.
- **Choices** — Choose a fixed-rate loan or an adjustable-rate mortgage (ARM) as your permanent financing.



# Getting started

The approval process for construction-to-permanent financing is similar to the approval process for any other form of mortgage financing. We'll review your income, assets, liabilities, credit history and an appraisal. It may take a few extra weeks, however, because the plans, specs and contract must be reviewed too.

## Documentation

The documentation requirements of each state and locality are different. Your loan officer will inform you of the specific information you'll need to provide for the application or during other stages of the construction phase. The following list will give you an idea of the types of items you may be asked for:

- Copy of the deed for the land, if you own it
- Closing Disclosure for the purchase of the land, if you purchased it within six months of applying for the construction-to-permanent loan
- Contract for the purchase of the land, if you do not already own it
- Contract with a builder (You'll need to select a licensed general contractor. You're not permitted to serve as your own. The choice of a builder is yours alone, and it's your responsibility to monitor your builder's performance.)
- Complete builder information (e.g., company name, address, phone number and federal taxpayer identification number), an IRS W-9 form, and if required by your state or local government, a copy of the builder's business license.
- Plans and specifications for your new home
- Certificate of liability insurance for the builder
- Hazard insurance covering the property during construction — either in the form of a builder's risk or homeowner's insurance policy

You'll lock in your mortgage interest rate at application. This will also be your interest rate during the construction phase.



# The construction-to-permanent loan process

## Processing the loan

Shortly after you submit your completed application, you'll receive specific disclosures that include important information about your loan and the processing of your loan.

- Among the disclosures is a document entitled “Disbursement Authorization Instructions” that you and your builder will need to complete and sign.
- In order for us to process your loan effectively, you'll need to supply any required documentation in a timely manner.
- We will order an appraisal once we receive the appraisal fee, plans, specs and the contract that must be fully executed between you and your builder. This is to ensure the value of the property is properly appraised.
- Be sure to inform your loan officer or processor if you pay any additional fees directly to your builder while your loan is in process, so you can receive proper credit for the payment at loan closing.
- If additional funds are needed — in excess of the loan amount — to complete the construction or renovation of your home, you must provide these funds to us prior to or at closing.



## Closing the loan

The closing process for a construction-to-permanent loan is similar to the closing process for any other mortgage. However, unlike a standard mortgage, fees will be collected at closing for inspections that take place at various times during the construction phase.

An inspection is required before each draw disbursement to the builder. If, for some reason, more inspections are required beyond what was collected for at closing, you'll be billed separately for the additional fees.

If you need funds for a builder deposit at closing, we can disburse up to 10% of your construction costs less any money you've paid to the builder prior to closing.

## The construction phase

### Activate your Getbuilt.com user account

We use an online tool called Built to manage disbursement of your construction funds. The Built tool will enable you and your builder to view and manage draw disbursement activity and communicate with us securely while your home is under construction.

After closing, we'll set up and activate your loan on Built, and you'll receive an email with instructions to visit [getbuilt.com](https://getbuilt.com) for confirmation of your login information. Your builder will receive separate instructions for setting up their access.

### The initial construction disbursement

Your initial construction disbursement can take place at closing or sometime after closing. If you personally contributed any funds to complete the construction or renovation of your home, we'll disburse these funds before using your loan proceeds. Before we're able to make the first disbursement, however, we must have the following documents:

- Property inspection
- Foundation survey, if the foundation is already in place prior to closing
- Certificate of liability insurance for the builder
- Proof of hazard insurance covering the property during construction — either in the form of a builder's risk or homeowner's insurance policy
- Building permit

## Disbursements during construction

- Construction loan disbursements occur periodically during construction as work is completed and verified by inspection.
- Disbursement requests are typically made by the builder through Built.
- When we receive a disbursement request through Built, we'll order an inspection and, if applicable, a title update. If title updates are required for your property, you'll need to pay a fee for each update. Talk to your closing agent or attorney prior to your loan closing to determine how you'll be billed for these fees.
- Generally, we disburse funds within two business days of receipt of the inspection, title update and any other required documents.
- The amount of the disbursement is based on the work completed, as specified in the inspection report.

## Interest payments during construction

While your home is under construction or renovation, we will bill you monthly for interest on the funds already disbursed.

- Any fees for additional inspections or late payment charges will also be included on your bill.
- During construction, we will not collect escrow for your real estate taxes and hazard insurance. You'll be responsible for paying any bills you receive directly from your local tax authority or insurance provider.
- If your property is located in a Special Flood Hazard Area (SFHA) as defined by the Federal Emergency Management Agency (FEMA), we will set up an escrow account to collect monthly flood insurance premiums.
- You are not required to make payments toward the principal of your loan at this time.



## Transitioning to the permanent phase

Once construction or renovation is complete, we'll need certain information/documents in order to disburse the final draw and transition your loan to the permanent phase. Requirements vary by loan, but generally include:

- Final inspection indicating 100% completion of construction
- Final title update, if required
- Certificate of Occupancy, usually provided by the builder
- Fully executed Completion and Acceptance Letter verifying construction is complete
- Final lien waiver/affidavit provided by the builder, if required
- Homeowner's hazard insurance policy with documentation showing you've paid your first year's premium
- Final mortgage survey, if required

### Modifying the loan

If the terms of your loan — once it enters the permanent phase — will differ in any way from the original Note, you'll be asked to sign a Modification Agreement.

- If you elect not to use your entire loan amount, your Note will be modified to a lower principal amount.
- If construction is completed in less than or greater than the number of months originally specified in your closing documents, your Note will be modified to a new first payment date.

### Mortgage payments during the permanent phase

- Once your loan transitions to the permanent phase, you'll begin making monthly principal and interest payments.
- Your new mortgage payment will also include escrow for your real estate taxes and hazard insurance, unless an escrow waiver was approved prior to locking your interest rate. An escrow waiver fee may apply.
- If your property is located in a SFHA as defined by FEMA, we will collect the flood insurance premium as part of the escrow portion of your monthly mortgage payment.
- We will send you a letter that includes a breakdown of your new principal, interest and escrow amounts.

## A step-by-step look

Understanding the mortgage process and knowing what to expect when getting a construction-to-permanent loan can help make the entire experience seem less daunting. So here's a brief overview of the various stages of your loan. And don't forget, we'll be here for you every step of the way.

<b>Initial Consultation/ Loan Application</b>	Your loan officer will help find the home financing solution that's right for you. You'll also be asked to provide documentation for your loan. Your prompt response helps ensure timely processing and closing of your loan.
<b>Receive Initial Disclosures</b>	Within three business days of submitting your completed loan application, we'll send you documents and disclosures to review. It's a good time to ask any questions and we'll be ready to help.
<b>Appraisal Ordered</b>	Your appraisal will be ordered once we have all the necessary documentation, collect any applicable fees, and have your confirmation to proceed.
<b>Status Updates</b>	You'll receive regular communication throughout the loan process to keep you updated on the progress of your application.
<b>Conditional Approval (if applicable)</b>	Within three business days of your loan decision, often called the underwriting decision, we'll notify you of any additional documentation needed for final approval.
<b>Loan Processor Assigned</b>	Your loan processor will contact you to introduce himself/herself. The role of the processor is to work with you to ensure that your loan application is processed in a timely manner and to prepare for the closing of your loan.
<b>Receive Appraisal(s)</b>	Before closing, you'll receive copies of all property appraisals and any other written home valuations in connection with your loan application. You'll have three business days to review them and ask any questions.
<b>Final Loan Approval</b>	We'll notify you when your loan has been approved and your loan processor will coordinate the loan closing.
<b>Closing Disclosure Review</b>	You'll receive a copy of your Closing Disclosure at least three business days prior to your loan closing, as required by law, to allow you the opportunity to review and ask questions. The disclosure will detail the final costs associated with your loan, including any money you'll need to bring to closing (if applicable). Changes to your loan product or terms, after receiving the Closing Disclosure may require us to issue a new disclosure, which would reset the three-day review period.
<b>Loan Closing</b>	Your closing agent will contact you to schedule the date, time and location of the loan closing. All borrowers on the loan must attend the closing to review and sign the home loan documents in order to complete the transaction. If you anticipate the need for a builder deposit at closing, no more than 10% of the construction costs, less any money you've paid to the builder prior to closing, may be disbursed.

<b>Loan Set-up in Built</b>	After loan closing, your loan will be set up and activated in Built, our online construction disbursement management tool. The set-up process takes about seven to ten business days. You'll receive an email from Built to visit <a href="https://getbuilt.com">getbuilt.com</a> to confirm your log-in information once your loan has been activated.
<b>Draw Administrator Assigned</b>	A draw administrator will be assigned to your loan to help facilitate your construction disbursements. This person will act as your primary point of contact during the construction phase of your loan.
<b>During Construction</b>	Funds are disbursed periodically during construction as work is completed and verified by inspection. Disbursement requests are typically made by the builder. During the construction phase, you'll also be billed monthly for any interest owed on the funds already disbursed (principal payments are not required at this point). If you have any questions about your bills or payments during the construction phase, contact Customer Service at 800-234-6002, Monday through Friday from 8:00 a.m. to 8:00 p.m. ET.
<b>Transitioning to the Permanent Phase</b>	Once construction has been completed, you and your builder will provide certain information/documents in order for us to disburse the final draw and transition your loan to the permanent phase. After the transition occurs and your loan is set up for servicing, you'll begin making traditional monthly mortgage payments.
<b>Loan Servicing</b>	<p>Here's how to access your loan and make payments:</p> <p>Online: <a href="https://citizensbankonline.com">citizensbankonline.com</a></p> <p>Mobile: Citizens Mobile App (Our Citizens mobile app can be found from the App Store® or Google Play™.)<sup>1</sup></p> <p>Phone: 800.234.6002 (Monday - Friday, 8:00 a.m. to 8:00 p.m. ET)</p> <p>Mail: Use the coupon attached to your billing statement</p> <p>Billing Statements will be sent around the 14th of the month for your interest-only payment currently due. For paperless statements, simply enroll in Citizens Online or Mobile Banking. As part of the enrollment process, you'll be asked to accept an online e-sign agreement which will include paperless communications.</p> <p>NOTE: Interest-only payments will be due on the 1st of each month.</p>

## Get your plans in motion

With all that's involved in seeing your plans through, we want to make sure your financing is one thing you won't have to worry about. Let's talk about your options, so you can find the right home financing to help you reach your goals.

To find a loan officer near you,  
visit [loanofficers.citizensbank.com](https://loanofficers.citizensbank.com)





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