



MEMBER

CONSTRUCTION PACKET

 **SECURITY SERVICE**
FEDERAL CREDIT UNION

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*Power Mortgage offer to save up to \$5,000 on select closing costs does not cover mortgage insurance, seller paid closing costs, discount points, or pre-pays and reserves. The program is not valid for FHA or VA loans. Closing costs may vary based on transaction. If loan is closed or paid off within first 36 months of the term, member may be required to reimburse all or some of the closing costs incurred. Financing available for properties in Texas, Colorado, or Utah. This offer is subject to change without notice.





Save even more money while your home is being built with interest-only payments during the construction phase.

Welcome to Security Service Federal Credit Union, and thank you for your interest in financing your new construction home with us. With our **One-Time Close Program**, you save big!

Save up to \$5,000 on closing costs!*

We pay up to \$5,000 toward your closing costs to make building a house more affordable than ever.

Only pay one set of loan fees.

You save time and money when your construction loan automatically converts to a permanent mortgage. No need for another loan application or additional closing costs.

Lock in a great rate right now.

Mortgage interest rates can be unpredictable. With our One-Time Close Program, you have peace of mind knowing the interest rate for your permanent mortgage is locked during the application process, prior to closing.



Save time with convenient closing options.

Security Service Title Company provides title services to make your closing quick and convenient. Learn more at sstc.org.



Applying for a One-Time Close Program

It's quick and easy to apply for a Security Service One-Time Close Construction Loan. Simply call our Security Service loan advisors at **1-800-681-4466**, or visit [ssfcu.org/construction](https://www.ssfcu.org/construction) and select the *Apply Now* button. Fill out the application and a loan advisor will contact you.

In addition to income and asset documentation, you will need the following construction documents:

- Fully executed, fixed-price construction contract. (Security Service does not accept cost-plus contracts.)
- Construction budget that matches the fixed-price construction contract.
- Final construction plans and specifications.
- *Security Service does not allow for self builds or "sweat equity."*

Apply today! Call 1-800-681-4466 to get started.

Construction Terms

The builder may reflect a different construction term on the contract than what Security Service offers. We provide 12, 18, and 24-month construction terms, regardless of the term reflected on the builder's contract. Our maximum loan term, including the construction phase, is 30 years.

Builder Selection Process

As the buyer, you choose the builder for your home. The builder you select is required to go through the Builder Review Process to determine if the builder meets our standards.

- Security Service researches the builder's qualifications, including licenses.
- Security Service checks the builder's references, including online resources such as the Better Business Bureau.

Please note, Security Service acceptance of a builder is not an endorsement of the builder.

The Construction Phase

Both you and the builder need to sign the applicable documents once the loan is ready for closing, then construction of your new home can begin. This highly anticipated phase brings new responsibilities for you as the buyer:

- Visit the job site regularly to ensure you are satisfied with the progress and quality.
- Meet with your builder regularly to discuss the project.
- Work directly with your builder to resolve any issues in a timely manner.
- Pay your interest-only payments on time and ensure any property taxes are paid with the city and county.

Interest-Only Payments

During the construction phase, you are responsible for making the monthly, interest-only payments. You pay interest only on the amount drawn from the loan.

The final interest-only payment prior to conversion will be higher than previous monthly amounts due to the statement period end date.

If your builder budgeted for one, soft-cost draws are limited to 10%. This is the first draw on your construction loan and is typically used by the builder to obtain permits and pay utility fees to get the project started.

To ensure your new home meets your expectations, we encourage you to stay engaged throughout the construction phase.





We make financing easy with a one-time close — that means less paperwork, lower fees, and less stress!

Insurance Requirements

During the construction phase, the builder is required to carry an active builder's risk insurance policy.

At loan conversion, you are required to provide a copy of your homeowner's insurance policy to Security Service.

- Flood and wind insurance may be required prior to the first draw request, depending on your property's location.
- An escrow account is required if the property is in a flood zone.

Final Steps Before Construction Begins

At Security Service, we make the closing as quick and easy as possible. Just a few things to keep in mind:

- Both you and the builder need to sign the applicable documents once the loan is approved. (Attending at the same time is not necessary.)
- An escrow account will not be set up for the construction phase, even if your permanent loan has escrow. It is your responsibility to pay all applicable taxes during the construction phase.
- If applicable, your funds being paid toward the construction costs are considered the member investment and will be used for the first draw(s) until funds are depleted, then loan funds will be disbursed.
- If construction starts before the closing date, Security Service may not be able to close the loan.



The experts at Security Service Insurance can help you protect your new home with the best insurance policy at the right price. Call for a free, no-obligation quote today: **1-888-535-6222**.

Changes to Your Home Loan

We understand you may encounter unexpected obstacles while building your new home. Our construction loan specialists will work with you personally to help with any modifications you may need.

Builder Replacement Process

During the construction phase, you may choose to replace your home builder. The following steps are necessary to complete the builder replacement process:

- Your newly selected builder is required to be an accepted builder for Security Service.
- Notify the current builder via certified letter stating you are terminating the construction contract. Please send a copy to Security Service.
- The current builder is required to stop all work and submit an Affidavit of Completion for their part of the construction project and waiver and release on final payment.
- Sign your current builder's final draw request so funds can be released.
- Fully execute the Agreement and Indemnity for the replacement of your current contractor. This document will be recorded by Security Service at the appropriate county clerk. This documents the new builder's agreement to perform the duties set out in the original construction contract and for them to give the same warranties and representations for the entire project, including work and materials provided by the original builder.
- Security Service will notify the title company of termination of the builder. Additional requirements and fees may apply from the title company. After the title is clear, construction may proceed.
- Send Security Service a copy of the executed construction contract between you and the new builder, including the budget and cost breakdown. If the new contract is more than the remaining balance of your loan, you will need to pay the difference before construction can start again.
- Security Service will send a Final Bills Paid Affidavit and a Final Waiver and Release of Lien to the new builder once the project is complete.

GOOD TO KNOW:

Our construction loan specialists will work with you every step of the way to help you meet all the requirements to move in to your new home.

Change Orders

- All change orders will be submitted to Security Service to determine the impact on the appraised value. Additional conditions may apply if the value is determined to have gone down.
- Security Service accepts fixed-price contracts, so change orders during the construction phase will not be drawn from the loan. You will need to pay any overages directly to the builder prior to work being completed.
- All improvements are to be completed before the maturity date of the construction phase, prior to conversion to permanent financing.

Modification of Loan Terms

- If the loan terms need to be modified, you are responsible for any modification fees, which include, but are not limited to a 0.5% extension fee based on the original loan amount, recording fees, and a document preparation fee.
- Submit a written request for extension at least 14 days before the loan maturity date.

When You Need a Modification of Loan Terms

- If construction is not complete and your interim construction loan is maturing.
- If construction finishes early and you want to convert the loan to permanent financing prior to the construction maturity date.
- If construction is complete and the actual cost of construction was less than your loan amount.

Draw Request Process

We make it easy for your builder to request a fund disbursement. Once we receive the required inspection reports, we typically send funds within 24 hours. Our quick disbursement makes it easy for your builder to pay contractors faster and avoid delays in construction.

Disbursement Process in TEXAS

- Complete, sign, and submit the Draw Request form to Security Service, listing all items that have been completed.
- The minimum amount required for a draw request is \$6,000.
- The Security Service construction loan specialist will order an inspection report, if applicable, to confirm the listed items have been completed. Inspection schedule is at the discretion of Security Service and is based on the size and scope of the project. The inspections are performed solely for the credit union's benefit and should not be used to ensure quality or compliance.
- Inspection fees will be collected at closing. If the cost of all the inspections during the construction phase exceeds what was collected, the remaining balance will be due at conversion to home loan, if applicable.
- Funds are wired to the builder's business checking account, not a joint account with the homeowner.
- Construction funds may only be used for project costs. Disbursements are issued when work is complete. Deposits for custom items may be allowed as an exception.
- If you elect Retainage as outlined in the Texas Property Code, 10% of each draw will be retained by Security Service until the project is complete. At that time, a joint check will be made out to you and the builder. The purpose of this is for you and your builder to obtain the waiver and release from any sub-contractors within 30 days of completion date.
- If you choose to waive Retainage, a waiver and release on progress payments may be required at each draw request.
- Upon completion of work and before the final payment, the builder is required to furnish an affidavit stating all bills have been paid. This waiver and release on final payment is required under Texas law.





Disbursement Process in COLORADO

- Complete, sign, and submit the Draw Request form to the title company, listing all items that have been completed.
- The minimum amount required for a draw request is \$6,000.
- The builder is required to provide all invoices associated with the draw request to the title company. Note: If the builder pays sub-contractors directly, the title company will require invoices, proof of payment to the sub-contractors, and waivers signed by all sub-contractors.
- The title company will order an inspection report, if applicable, to confirm the listed items have been completed.
- The title company will submit the draw request and the inspection report to Security Service for approval.
- Once approved, the title company will disburse funds directly to the contractor or sub-contractor(s).
- Construction funds may only be used for project costs. Disbursements are issued when work is complete. Deposits for custom items may be allowed as an exception.
- The title company will act as the disbursing agent for the duration of the construction loan.

Disbursement Process in UTAH

- Complete, sign, and submit the Draw Request form to Security Service, listing all items that have been completed.
- The minimum amount required for a draw request is \$6,000.
- The Security Service construction loan specialist will order an inspection report, if applicable, to confirm the listed items have been completed. Inspection schedule is at the discretion of Security Service and is based on the size and scope of the project. The inspections are performed solely for the credit union's benefit and should not be used to ensure quality or compliance.
- Inspection fees will be collected at closing. If the cost of all the inspections during the construction phase exceeds what was collected, the remaining balance will be due at conversion to home loan, if applicable.
- Security Service will utilize the Utah State Construction Registry.
- Funds are wired to the builder's business checking account, not a joint account with the homeowner.
- Construction funds may only be used for project costs. Disbursements are issued when work is complete. Deposits for custom items may be allowed as an exception.
- Upon completion of work, the builder is required to furnish a waiver and release on final payment. Utah state law requires the builder to either provide signed waivers or withdraw their preliminary notice from the Utah State Construction Registry.

Required Documents for the Final Draw Request

For Security Service to make the final payment to your builder, you will need the following items:

- A final inspection by the original appraiser to verify the project was complete per the original construction plans and specifications. This will be ordered by Security Service.
- A copy of the homeowner's insurance policy on the property.
- The Certification of Occupancy from the builder in the jurisdictions that require it.
- A final survey (required in Texas).
- Affidavit of Completion (required in Texas).
- Waiver and release of final payment from builder.





Security Service pays up to \$5,000 in closing costs/fees from origination through conversion.*

The Conversion Phase

As your home nears completion, your construction loan will soon become a Power Mortgage home loan.* You're almost there — simply complete these final steps so your loan can be converted:

- About 30 to 45 days prior to completion of the property, contact the builder and Security Service regarding the requirements for conversion.
- Typically, the builder will schedule a walk-through of the home. When this appointment has been made, contact Security Service to order the final inspection to verify the home is 100% complete.
- A conversion package will be sent to you for signatures and a notary signature, if applicable. Mail back the signed original copies and the payment for the loan conversion fees.
- Final payment consists of interest paid through the conversion date, document preparation fee, recording fees, inspection fee balance, and survey fee, if ordered by Security Service.
- Surveys ordered by the builder, hazard insurance premiums, and current taxes on the property are to be paid current by you. Invoices showing these items are paid are to be provided to Security Service.
- Once all documents are received, Security Service will send the documents to be recorded by the appropriate county recorder.
- Your loan will convert to Power Mortgage and you will pay according to the terms outlined in your loan.

Thank you for choosing Security Service to finance the construction of your new home. We look forward to working with you every step of the way.



CONSTRUCTION LOAN SERVICING

15000 IH 10 W | San Antonio, TX 78249
construction@ssfcu.org | 1-866-397-4458