THE FEDERAL SAVINGS BANK

CONSTRUCTION BEGINS HERE

COMPLETE GUIDE TO YOUR CONSTRUCTION LOAN JOURNEY


DREAMS
BEGIN
HERE

YOUR GUIDE TO CONSTRUCTION

LET'S BUILD TOGETHER

Imagine waking up every morning in the home you've always dreamed of – a home that perfectly reflects your style, meets your family's needs and provides a lifetime of memories. Building your own home is an incredible opportunity to bring your vision to life, and while the process may seem complex at first, with the right support and guidance, it can be a rewarding and exciting journey.

> ***At The Federal Savings Bank, we're here to help you navigate the construction loan process with ease.***

Our experienced loan officers understand that building your dream home is a significant investment, both financially and emotionally. That's why we're committed to providing you with the personalized support, trustworthy advice and competitive financing options you need to help make your homebuilding experience a success.

In the following pages, you'll discover insights into construction loans, build types and the steps involved in making your dream home a reality. Get ready to embark on an exciting adventure as we explore the possibilities together!

WHO WE ARE

At The Federal Savings Bank, we're more than just a lender – we're your dedicated partner in bringing your dream home to life. With decades of experience in construction financing, our knowledgeable team understands the unique challenges and opportunities that come with building a home from the ground up.

We recognize that the construction process can be complex and intimidating, so we're committed to providing personalized support and guidance every step of the way. Our comprehensive suite of construction loan products is designed with offerings to fit your specific needs and financial situation. This gives you flexibility of choice and can help you build your home confidently.

When you choose The Federal Savings Bank, you're not just accessing competitive financing options. You're partnering with a team of experienced professionals who are invested in your success and ready to help you navigate the construction process.

We Lend in All 50 States

4.93/5 Star Rating
Customer satisfaction based on ZILLOW® customer reviews.

Veteran Owned

Top 20 Banks with the Largest Retail Mortgage Volume
According to National Mortgage News®

AWARDS


YOUR
PROJECT
STARTS
HERE

WHAT IS A CONSTRUCTION LOAN?

Unlike traditional mortgages, which are used to purchase existing homes, construction loans are specifically designed to finance the building of a new property. These loans may cover a wide range of expenses, including land acquisition, architectural plans, building materials, labor costs and permits, giving you the flexibility to create a home that truly reflects your unique vision.

One of the standout features of construction loans is the staged disbursement of funds, which aligns with the progress of your building project. This helps plan for the necessary funds at each stage, from the initial ground-breaking to the final personal touches. As you watch your dream home materialize, rest assured we will work closely with you to align your financing with your construction timeline.

BUILDING TYPES

When it comes to building your dream home, there are several construction methods to choose from, each with its unique advantages and characteristics.

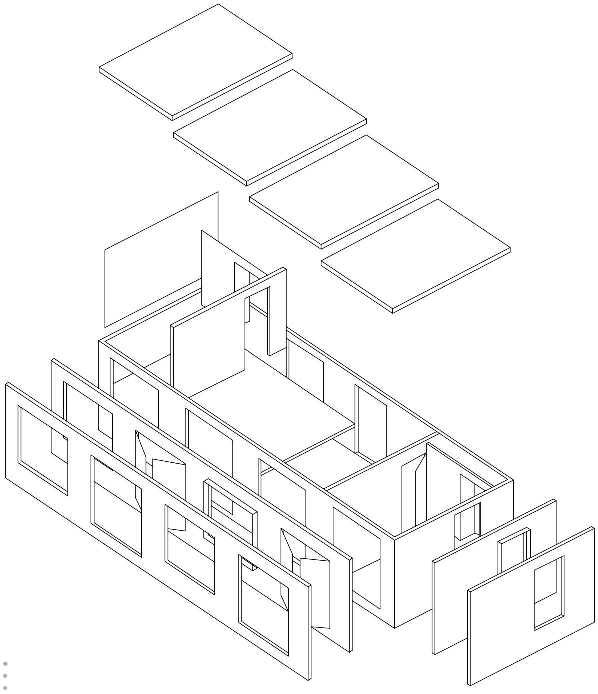
Whether you envision a traditional site-built home, a rustic log cabin or a modern modular design, understanding the different build types can help you make an informed decision that aligns with your goals, timeline and budget.

SITE-BUILT

Site-built homes are the most traditional type of construction, where the home is built entirely on-site using raw materials such as lumber, brick and concrete. This build type offers the opportunity of customization, allowing you to design a home that truly reflects your unique style and needs.

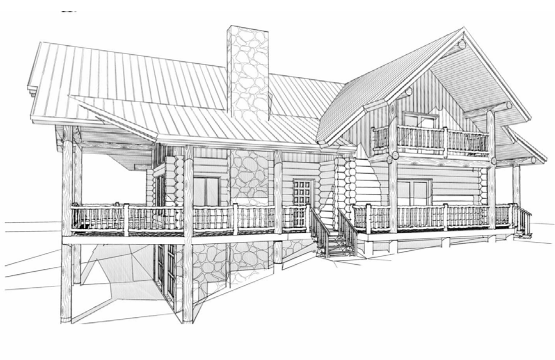
MANUFACTURED-BUILT

Manufactured homes (which are built to a United States Department of Housing and Urban Development (HUD) code building specification) start off being created as building components in a factory and then assembled on-site. This offers benefits like enhanced quality control, reduced waste and faster construction compared to traditional methods. Manufactured builds affect the disbursement schedule, inspection requirements and valuation processes due to its unique production and assembly stages, potentially lowering costs.



SYSTEM-BUILT

System-built homes, also known as prefabricated or factory-built homes, are constructed in a controlled environment using precise, standardized methods but follow the same code requirements as all site-built homes. These homes are built in sections or modules at a factory and then transported to your building site for final assembly. These can include concrete homes, log homes, panelized homes, barndominium, foam panel systems and modular homes. System-built homes typically offer a faster construction timeline, consistent quality control and often more affordable pricing compared to traditional on-site building methods.



LOG-BUILT

Log homes are crafted using whole logs or log siding, creating a rustic, natural aesthetic that seamlessly blends with outdoor environments. These homes can offer excellent insulation properties, energy efficiency and a cozy, inviting atmosphere. Log homes can be built on-site or using a hybrid approach that combines prefabricated log components with on-site construction, depending on your preferences and the complexity of your design.

MODULAR-BUILT

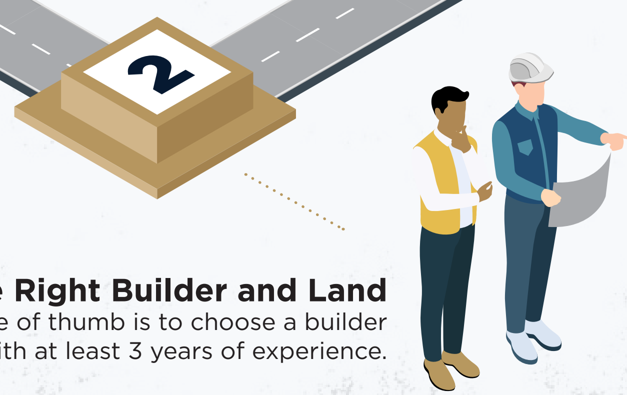
Modular homes are built in sections or modules in a factory, similar to system-built homes. However, modular homes are designed to meet local and state building codes, possibly making them indistinguishable from traditionally built homes once assembled on your building site. Modular construction can offer a shorter build time, consistent quality control and the ability to customize your home's design while still enjoying the benefits of factory-precision construction.

YOUR CONSTRUCTION JOURNEY STEPS

Building or renovating your dream home is simpler than you think. Start your journey with The Federal Savings Bank and watch your vision come to life, step by step.

Get Pre-Approved and Get Started!

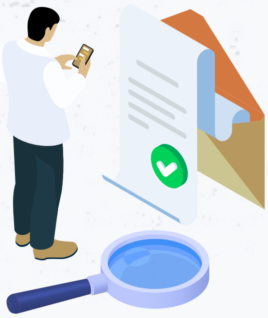
Secure pre-approval or pre-qualification, then start looking for suitable land and a builder for new construction. For renovations, select a house and obtain a contractor's bid.



Choose the Right Builder and Land

The general rule of thumb is to choose a builder with at least 3 years of experience.

Subject to credit approval. Terms and conditions may apply. Subject to VA eligibility requirements. Property insurance is required on all loans secured by property.



Finalize Contracts

Provide your loan officer with the builder's contact details. Ensure all necessary contracts, including land agreements, are signed. **Align the timings of these contracts to avoid closing on land without a builder and/or plans approved.**

Prepare for Construction

Submit your construction plans and contracts for budget approval. Your loan officer will handle all necessary paperwork, from income verification to appraisal and title work. Following approval, a closing date is set, paving the way for construction.

Build or Renovate Your Dream Home

Congratulations! Once your loan closes, your construction can kick off! The builder coordinates with our construction department for fund releases. Your loan officer and draw analyst provide ongoing support throughout the construction phase.

LOAN TYPES

FEDERAL HOUSING ADMINISTRATION (FHA) CONSTRUCTION

Lower credit score requirements and low down payments as compared to traditional loans can make this an attractive option for aspiring homeowners.

VETERAN AFFAIRS (VA) CONSTRUCTION

The VA offers exclusive perks for eligible veterans and service members, which can simplify the process of building a home.

CONFORMING CONSTRUCTION

Adhering to Fannie Mae and Freddie Mac guidelines, these loans can offer competitive rates for qualified borrowers.

JUMBO CONSTRUCTION

Designed for higher-value homes, these loans exceed conforming limits and can provide unique financing solutions.

INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER (ITIN) CONSTRUCTION

Catering to borrowers without a Social Security Number, these loans can help make homeownership more accessible than ever before.

1X CLOSE CONSTRUCTION

Combine construction and permanent financing into a single loan, which can simplify the borrowing process.

2X CLOSE CONSTRUCTION

Involving separate loans for construction and permanent financing can offer flexibility for unique needs.

CONSTRUCTION-TO-PERMANENT

Automatically transition from financing your build to a permanent mortgage once your home is complete.


HOME
BEGINS
HERE

CONTACT US

JENNY BANKER

VICE PRESIDENT
NMLS# 777123

T: (123) 456-7890
F: (123) 456-7890
C: (123) 456-7890
jbanker@thefederalsavingsbank.com
thefederalsavingsbank.com/jennybanker

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TESTIMONIALS

Shawn Spreitzer's Team is an extremely professional unit, they function exceptionally well together to service the client. I was very impressed with their service, and attention to details. I have the utmost respect for this outstanding team, as they delivered by providing me with a great mortgage. I highly recommend this company and I will be recommending them to individuals out in the field. Thanks so much!!!!

— David S.

I started this process several months ago and halfway through my lending agent was removed, which created more stress and slowed my progress. Once I was connected to Jessica, she was able to get up to speed on where we were. She was nothing short of amazing! She listened and followed through and I could tell she worked hard to push me through to closing as she multiple times called me after hours even to get info and nudge the process forward. Because of her I would not alter from recommending your business.

— Carissa D.

David was very attentive , Throughout the entire process, I was impressed by their clear communication, prompt responses to my inquiries, and willingness to go above and beyond to ensure that I felt supported and informed every step of the way. Their expertise in the field was evident, and I felt confident that I was in good hands throughout the entire process.

— Brittany M.

GLOSSARY

Adjustable-Rate Mortgage (ARM) - A mortgage loan that does not have a fixed interest rate. During the life of the loan the interest rate will change based on the index rate. Also referred to as adjustable mortgage loans (AMLs) or variable-rate mortgages (VRMs).

Annual Percentage Rate (APR) - The annual cost of a loan, expressed as a yearly rate that reflects interest, discount points, lender fees, mortgage insurance and other costs of credit, thus being higher than the interest rate on the loan.

Appraisal - A written estimate of a property's current market value, based on recent sales information from similar properties and the current condition of the property.

Closing Costs - Expenses paid by the borrower and/or seller during the closing, which can include the loan origination fee, discount points, attorney's fees, title insurance, appraisals, etc.

Co-Borrower - Any additional borrowers whose names appear on the loan documents. Co-borrowers are also responsible to repay the loan.

Contingency - A condition that must be satisfied before a contract is legally binding and a sale can close.

Debt-to-Income Ratio (DTI) - Total monthly debt payments (including projected payments for a new mortgage) divided by monthly income.

Down Payment - Initial, upfront payment required when closing on a loan.

Equity - Difference between how much your home is worth and how much you owe on your mortgage.

Escrow - The neutral third party that holds money and/or documents until the escrow instructions are fulfilled.

Fair Credit Reporting Act - The law that promotes the accuracy, fairness and privacy of information in the files of consumer reporting agencies.

Fannie Mae - A government-sponsored enterprise that buys and sells conventional mortgages.

Federal Housing Administration (FHA) - A division of Housing and Urban Development (HUD) that insures residential mortgage loans and sets standards for underwriting.

FHA Loan - A loan insured by the Federal Housing Administration.

Fixed-Rate Mortgage - A mortgage with an interest rate that doesn't change for the life of the loan.

Freddie Mac - A government-sponsored enterprise that purchases conventional mortgages.

Ginnie Mae - The government corporation inside the U.S. Department of Housing and Urban Development (HUD) that purchases conventional mortgages.

Homeowners Association (HOA) Fee - Homeowners association fees are funds used on upkeep and improvements for amenities in the community such as elevators, landscaping, pools and more. HOA fees usually apply to condo owners but may apply to some single-family homes as well.

Homeowners Insurance (HOI) - Insurance that covers an individual's home against damages to the home or possessions in the home as well as accidents in the home or on the property.

Housing and Urban Development (HUD) - A U.S. government agency established to implement federal housing and community development programs and that oversees the Federal Housing Administration.

Index - A benchmark rate used to help determine the rate on an adjustable-rate mortgage (ARM) after the initial rate expires.

Interest Rate - The amount charged, expressed as a percentage of principal, by a lender to a borrower. It does not reflect fees or any other charges you may have to pay for the loan.

Loan-to-Value Ratio (LTV) - The percentage of a property's value that is borrowed.

Lock-In Rate - A lender's guarantee of an interest rate for a set period of time, provided there are no changes to your application.

Margin - The amount of percentage points, or spread, added to or subtracted from an index to determine the rate an adjustable-rate mortgage will charge after each adjustment.

Mortgage - A security agreement between the lender and the borrower in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.

Mortgage Insurance Premium (MIP) - An insurance premium that a borrower is required to pay on an FHA loan.

Mortgagee Clause - A clause endorsed on a mortgagor's insurance policy whereby the insurance company agrees to protect the mortgagee's interest regardless of any violation of the policy terms by the mortgagor.

PITI - Principal, Interest, Taxes, and Insurance: the four basic elements of a monthly mortgage payment. Payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance (homeowner's and mortgage, if applicable) can go into an escrow account to cover those fees when they are due.

Pre-Approval - A preliminary approval from a lender to loan a customer a particular amount of money.

Pre-Qualification - A basic review by a lender determining the mortgage amount for which a borrower may qualify.

Principal - The amount of money borrowed to buy a house or the amount of the loan that has not been paid back to the lender. This does not include the interest paid to borrow that money. The principal balance is the amount owed on a loan at any given time. It is the original loan amount minus the total repayments of principal made.

Private Mortgage Insurance (PMI) - Insurance that a borrower is often required to purchase on a conventional loan with an LTV above 80%. PMI protects the lender, not the borrower, if the borrower stops making payments on the loan.

Property Tax - A tax charged by government and used to fund municipal services such as schools, police or street maintenance. The amount of property tax is determined locally by the property's tax value and the tax rate in the property's location.

Refinance - The process of paying off one loan with the proceeds from a new loan secured by the same property.

Term - The number of years until a loan is due to be paid in full.

Title - A document that gives evidence of ownership of a property as well as rights of ownership and possession.

Title Insurance - Insurance that protects the lender (lender's policy) or buyer (owner's policy) against loss due to disputes over property ownership.

Underwriting - The process of verifying data and evaluating a loan application for approval.

VA Loan - A VA loan is a mortgage loan in the United States guaranteed by the U.S. Department of Veterans Affairs (VA). The VA loan was designed to offer long-term financing to eligible American service members, veterans or their surviving spouses (provided they do not remarry).

BUILDING TOMORROW, TODAY, TOGETHER

THE FEDERAL
SAVINGS BANK

Member FDIC

EQUAL HOUSING LENDER

Subject to credit approval. Terms and conditions may apply. Subject to VA eligibility requirements.
Property insurance is required on all loans secured by property.