



## **Residential Mortgage Construction to Perm Program**



### **Customer Information Brochure**

**October 2023**



This is an overview of TD's Construction Permanent mortgage products. It is being provided for general information purposes only and is subject to change without notice. Additional terms and conditions may apply. Speak with a TD Mortgage Loan Officer for additional details. Loans are subject to credit approval

## Welcome to TD Bank, America's Most Convenient Bank!

Congratulations on applying for our Construction-Permanent Loan. We are excited to work with you through this process as you build the home of your dreams!

We know the Construction process can be stressful, and confusing at times. Here at TD, we have a strong team of dedicated professionals to help guide you every step of the way, including your ***Loan Officer, Processor, Underwriter & Loan Servicer.***

This brochure was designed to provide some information about the ***initial*** phase of the loan, from ***application*** to ***closing***. In addition to having a thorough conversation with your Loan Officer, we hope this helps start you off with a solid foundation.

We look forward to taking this journey together!

## General Product Information

There is one **single close** transaction. The closing occurs **after credit approval**, and after the bank receives all necessary documents (including those specific to construction). This closing covers both the **construction** and the **permanent** (principal & interest) financing **at the same time**.

Once the loan closes, the loan moves into construction **servicing**. This department handles **all inspections and disbursements** to the borrower or builder until the construction funds are 100% disbursed and the bank receives final required construction documents such as the Final Certificate of Occupancy (CO), Final Lien Waiver, Final Appraisal Inspection & Final Request for Funds.

(NOTE: TD Bank requires a **Final Holdback** equal to 5% or \$50,000 whichever is less of the remaining construction funds until property is verified to be 100% complete and the Final required construction documents are received)

## Transaction Types

TD will allow for the following Transaction Types to be completed:



Purchase



Refinance



Demolition



Renovation

**Purchase:** The Customer is purchasing the Land. In these transactions, a Land Contract would be required.

**Refinance:** The Customer already owns the land or the existing structure. (**NOTE: Cash-out Refinances are not allowed**)

**Demolition:** There is an existing structure on the property that will be torn down as part of the Construction project.

**Renovation:** The Customer has begun or will start renovations on their home and will need funds to complete the Renovation project.



## Property Types

**Owner-occupied:** Primary Residence 1–4-unit residential properties, including multi-width manufactured homes on borrower-owned land.

**Second homes** Single Family only, Manufactured homes excluded.

(NOTE: *We do not allow Condos, COOPs, or Townhomes*)

Acceptable Properties	Unacceptable Properties
Single Family	Condominiums
Detached Planned Unit Developments (PUD)	Attached <b>Planned Unit Developments</b>
Multi-Width Manufactured	<b>Single-Wide Manufactured (Mobile) Homes</b>
2-4 Unit (Primary Residences Only)	Investment
	Co-Operatives
	Mixed-Use
	Seasonal

## Construction Products

- 30 Year Fixed Rate Mortgage
- 5/6 Adjustable-Rate Mortgage
- 7/6 Adjustable-Rate Mortgage
- 10/6 Adjustable-Rate Mortgage

(NOTE: We do not allow Subordinate Financing on Construction-Perm Loans)

## Features

- **Single-Closing** – This provides the **convenience** of a **one-time closing**. Once the home is complete, you will not need to attend a second closing.
- **Interest Rate** - The rate can be locked at the time of application.
- **Escrow** – TD Bank does not collect tax or insurance escrows on the Construction Product. (However, Flood Insurance would need to be escrowed, if applicable)
- **No Pre-Payment Penalty** – The loan can be paid off at any time of the loan with no penalties.

## Terms of Construction/Draws

You are allowed a certain amount of time (Term) to complete construction on the property. The number of months in this phase is based on the Cost to Construct.

Cost to Construct is less than \$750K	Cost to Construct is \$750K or more
12 Months	18 Months

Payments during the Construction Term are interest-only and are based on the value of funds disbursed to date.

The interim financing allows the loan proceeds to be disbursed over time ***upon completion of items listed in the construction budget***. We ***only*** disburse to the ***Borrower*** or ***General Contractor*** associated with the loan.

During this phase, you are allowed a certain number of Draws, meaning the number of disbursement requests you can make for work completed.

### **Rules for Disbursements:**

- Funds are disbursed based on the percentage of work completed and cannot be disbursed in advance.
- Funds cannot be disbursed in an amount greater than the percentage of completion.
  - For example, if the cost to construct is \$1MM and the job is 50% complete, the most that could be drawn at that point is \$500K

12 Month Construction Terms	18 Month Construction Terms
6 Draws	9 OR 12 Draws*

**Builder Disbursement Request at Closing:** A Builder Disbursement Request must be approved by Underwriting only if the following conditions are met:

- Maximum 10% cost of improvements allowed
- Disbursement request at closing must be identified in the contract
- Approved building permit is in file prior to closing
- Acceptable Builders Risk policy is received prior to closing
- The Borrower has met all required contributions prior to closing
- All subject liens are paid in full at closing

There is a Construction Loan Administration Fee assessed for this product. This fee is 1% of the Loan Amount, up to \$3000. The fee will cover six (6) inspections, three (3) title updates, post-closing fees and a survey/plot plan.

**\*NOTE:** The Construction Administration Fee covers 6 draws. There is an additional fee for the extra draws on the 18 Month Construction Term. Selection of either 9 or 12 Draws is required for this Term. The additional fee would be:

- 9 Draws = \$525 (for a Total Construction Admin Fee of \$3,525)
- 12 Draws = \$1,050 (for a Total Construction Admin Fee of \$4,050)

The loan under this program will automatically become a permanent long-term fully amortized mortgage (principal and interest) at the end of the Construction Term.

## **Additional Requirements**

**Reserve Requirement - Cost Over Run Reserves** In addition to the funds needed to complete the transaction (i.e., closing costs, lien payoffs), you **must provide** evidence that you have a **10%** cost-over-run reserve. This reserve **must be verified** to confirm you have an emergency reserve in your own personal assets in case any additional construction costs are needed to complete the construction. These funds will be verified **prior to closing**. Cost overrun funds **do not need to be liquid**.

**Borrower Contribution** – This is defined as the difference between the **total costs due** and the **loan amount**. If your cost to complete the project is **higher** than your loan amount, you will have to provide the difference to complete the construction from your own personal funds (Borrower Contribution). **Any Borrower Contribution must be satisfied before the Bank will disburse any funds.**

**For example:** The cost to complete the construction per the Construction contract is **\$100,000**, but your loan amount is **\$80,000**. That means you must pay the difference out of pocket to complete the construction.

$$\text{\$100,000} - \text{\$80,000} = \text{\$20,000 Borrower Contribution}$$

If there is an existing lien on the property, the funds to pay off this lien would also need to be included at closing as part of the total cost to construct.

**For example:** The cost to complete the construction per the Construction contract is **\$200,000**. There is an existing lien on the property for **\$100,000**. This would bring the total cost to construct to **\$300,000**. The loan amount is **\$275,000**.

**\$200,000** (cost of improvements) + **\$100,000** (existing lien) = **\$300,000** (total cost to construct)

**\$300,000 – \$275,000 = \$25,000 Borrower Contribution (This must be paid at closing)**



## Construction Documents Needed at Application

- ☐ Approved Plans and Specs
- ☐ Signed and Dated Construction Contract between the Builder and Borrower\*
- ☐ Itemized Budget/Construction Cost Worksheet (Total Budget amount must match Final Construction Contract Amount)
- ☐ **For Purchases Only:** Signed and Dated Land Purchase Contract
- ☐ **For Refinances Only:** Closing Disclosure or copy of recorded deed for the purchase of the land, if purchased within 6 months of the Application Date
- ☐ Signed & Dated Estimates/Invoices of contracts for all components of the Construction that are not covered by the Main Construction Contract, as applicable. This cannot be for items that are part of the Main House – i.e., Pool, Landscaping, Deck, Fence, etc.

## Additional Documents Required Prior to Closing or Post-Closing

- ☐ An Effective One-Year Builder's Risk Insurance Policy, with minimum coverage equal to the Loan Amount (Provided by the Borrower or General Contractor **prior to Closing**)
- ☐ If applicable, proof of sufficient Flood insurance coverage with paid receipt **(prior to Closing)**
- ☐ Approved Building Permit (Required prior to disbursing funds)
- ☐ Signed and Dated Construction Loan Agreement (CLA) or Building Loan Agreement (BLA) (This is executed at Closing)
- ☐ Copies of all applicable permits, tests and notifications as required by local law or code, i.e., soils test, plumbing permit, electrical permit, etc. (Required prior to disbursing funds)

**NOTES:** \_\_\_\_\_

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