

# FREQUENTLY ASKED QUESTIONS

## **What Construction Perm Products are available?**

The following Construction Perm Products are available for our customers looking for a one-time close construction loan:

- Fixed Rate Construction (With a Float Down)
- 5/6, 7/6 ARM Construction with the possible conversion to fixed rate at modification
- Jumbo ARM
- Construction Rehab ARM product

## **What is a construction to permanent mortgage?**

This type of loan is used to purchase a lot and to finance the construction of a new home on the aforementioned lot. In some cases, the consumer may already own the lot, so the loan would only include the construction of the new home plus paying off any liens attached to the lot.

## **What is involved in the closing of a construction to permanent loan and after?**

Closing occurs prior to the beginning of the construction for the home. A unique feature of the mortgage is that it acts as a line of credit at the beginning where you only pay interest on the money that has been used. At closing, the lot transfers from seller to buyer and at that point, interest is only being charged on the funds used to acquire the lot. After closing, the builder starts construction of the new home and will request funds from the bank to pay for labor and material at certain stages. The requests are referred to as draw requests. There are normally 3-7 draws during construction. Each time there is a draw, the interest charges will increase accordingly. Once the home is 100% complete and the certificate of occupancy is issued, the final funds are disbursed to the builder and the mortgage automatically converts to a traditional conventional mortgage with principal and interest payments (and escrows if the borrower elects to escrow).

## **What is the benefit of doing a one-time close construction loan?**

The main benefit of doing a one-time close construction loan is no additional settlement costs.

## **Can I modify my construction loan to a fixed rate?**

In compliance with Fannie Mae's updated guidelines, if you wish to modify from an ARM construction program to a fixed rate, you must re-qualify at the time of modification. The loan must be re-underwritten prior to modifying to a fixed rate. You will also be charged a modification fee.

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## **What happens if I do not re-qualify at the time of modification to fixed rate?**

If you do not re-qualify when the loan is re-underwritten for modification, the loan will remain an ARM loan.

## **Is there any other time that I can lock into a fixed rate other than at modification on an ARM loan?**

Yes, you can choose to lock into an extended fixed rate simultaneously with the loan on the ARM loan.

## **What is the longest construction term allowable for modification?**

The longest period allowable for modification is 12 months for the construction term. If the construction term (including extensions) exceeds 12 months, the loan cannot modify to fixed rate.

## **How will I know the Fulton Mortgage Company requirements for re-qualifying at the time of modification?**

You will receive an ARM disclosure at application identifying the requirements for re-qualifying. There will also be a condition on the ARM loan commitment letter reiterating the requirements.

**In a situation where there is subordinate financing (i.e. 80%/100%), when are the subordinate funds disbursed?** The subordinate funds are distributed at the end of construction, after all construction loan funds are disbursed.

## **What are some advantages to the construction to permanent mortgage?**

- Since closing occurs in the near term, you are locking in today's interest rates.
- Transfer taxes are based upon the sales price of the lot, saving the buyer thousands.
- Product selection is the same as if you were buying an existing home.

**Let's build something together.** Visit [fultonbank.com/mortgage](https://fultonbank.com/mortgage) to find an experienced Fulton Mortgage Company loan officer in your area.

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