



Five Steps *to Building a Home*

www.greenstonefcs.com

Do you dream of building a home with wide open spaces to call your own?

At GreenStone Farm Credit Services, we can help you see it through with a Home Construction Loan. Whether you're building it yourself or contracting it out, lock in fixed or variable interest rates, pay interest only on the amount drawn from the loan during the building process, access flexible draws, and choose your own contractors. This guide will walk you through the advantages of each, and the five important steps to building your own home.

800-444-3276



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Location-

When you picture your dream home, where do you see it? The important first step is finding the right location to build. Here's what you should consider when choosing a home site:

- Available amenities: Consider availability and cost to add required utilities such as sewer, gas, septic, well, water, electrical, etc.
- Perc test results: If you intend to use a septic system, the soil at the home site must have a suitable absorption rate to properly support a septic system.
- Special assessments: Be aware of charges levied against certain home sites, such as installation of water or sewer lines, street lighting, police or fire protection, or other special services.
- Zoning limitations: Research zoning restrictions on minimum setbacks, limits on size or existence of accessory buildings, home size minimums and other potential property usage restrictions.
- Noise concerns: Identify any sources of potentially undesirable noise, such as train tracks, busy freeways, nearby concert venues, fire departments, etc.

Planning-

Once you have found the ideal site for your future home, the next step is planning the construction. In addition to choosing your home size, style, and budget, you will also want to consider the advantages and risks of doing some of the work and managing the project yourself or fully contracting out the build.

Research and Seek New Ideas

- Participate in home tours
- Attend home shows
- Talk with builders
- Review design plans and look at magazines and websites

Compare Do-It-Yourself (DIY) and Contracted Project Options

Ask yourself these types of questions when considering a DIY project:

- Am I capable of doing some of the labor myself?
- Are my friends skilled in any of these trades and would they be willing to help?
- Do I have the time and energy to coordinate scheduling with contractors?
- Will my job allow me to take the time needed to supervise the project?
- Am I capable of soliciting bids and completing the sworn statements of job costs?
- Am I proficient in the technology needed to complete the build?
- Am I detail-oriented and organized?

DIY Advantages

- Personal satisfaction and pride
- More flexibility to alter design during build
- Earn equity in your home
- Potentially lower costs

DIY Risks

- Limited knowledge of building codes and county restrictions
- Incomplete or inaccurate bid requests
- Scheduling challenges leading to the project taking longer to complete
- Lack of builder discounts and resources

Fully-Contracted Construction

What to know when selecting a builder:

- Ask neighbors, friends, family members, builder associations, and lumber yards for builder recommendations.
- Interview builders to make sure you and your builder can achieve your vision.
- Obtain price quotes and ensure you know what is included in the estimates.
- Ask for referrals from the builder and tour homes they have constructed.



Financing-

After you have determined whether to hire a contractor for the build or do-it-yourself, the next step is securing financing for your project. GreenStone offers convenient one-time close loans, which means there is only one signing meeting and one set of loan fees. Below are some advantages and conditions of a one-time close loan.

One-time Close Construction Loan

- Low down payment options
- Converts into your end mortgage after construction
- Up to 12-months for a construction period
- Fixed interest rate options available
- Interest only payments during construction
- Use money as needed for completed work
- Minimum draw requirements of \$5,000
- Maximum of two draws per month
- Builder's Risk Insurance required
- Periodic inspections
- Amount disbursed must be equal to percent of work complete

Deciding What You Can Afford

When considering your construction budget, there are some key financial ratios you should consider:

- What is the most you would be comfortable with as your monthly payment?
- If applicable, do you have the cash reserves to make two house payments?

Calculating PITI and TMO

Two important ratios lenders use to determine whether a loan amount will be approved are principal, interest, taxes and insurance (PITI), and total monthly obligations (TMO), also known as your debt ratio. The maximum PITI ratio for most lenders is 28 percent, and the maximum TMO ratio lenders will consider is 45 percent. Below is a sample calculation of these two ratios:

- Loan of \$350,000, at an interest rate of 6.0 percent over 30 years
- \$10,000 monthly gross income

Principal & Interest	\$2098/mo
Estimated Taxes	\$500/mo
Estimated Insurance	\$100/mo
PITI	\$2,698/mo
PITI = 27%	

PITI	\$2,698/mo
Car	\$600/mo
Truck	\$700/mo
Boat	\$150/mo
Credit Cards	\$175/mo
TMO	\$4,323/mo
TMO = 43%	

Lending Eligibility

- 680 Minimum Credit Score
- Loan to Value Options
- No Maximum lot or acreage size building site
- Fully-Contracted and Do-It-Yourself Options

Terms:

- Monthly interest only payments
- Fixed interest rate upfront; flexible loan terms
- Variable rate option also available

Applying for a Loan

Below is the personal information you will need when it comes time to apply for a loan:

Personal Information–

- Signed, completed application, begin by requesting a loan online at:
mygreenstoneaccess.com/apply
- Authorization to release information form
- Valid identification with photo
- Income verification:
 - Pay stubs for the last 30 days
 - W-2s or IRS Tax Returns for the last two years
 - Self-employment or commission-based jobs require additional documentation
- Verification of assets:
 - Statements must have a date, bank name, your name and an account number
 - Two months checking and savings account statements (all pages required)
 - Current statements for investments and retirement accounts

Property Information–

- Blueprints
- Bids
- Specifications
- Previous title insurance
- Survey
- Previous tax bill
- Legal description of property or survey
- Name, address and phone number of seller or land contract holder
- Copy of purchase agreement or land contract to be paid off
- Copy of current homeowner's insurance policy required by closing, if applicable

Appraisal-

An appraisal is required prior to loan closing to ensure the completed home is worth the value of the loan. GreenStone will perform an appraisal to estimate the future value of the home once the project blueprints and building specs are finalized, and occasionally when construction is complete if deemed necessary.

Items Needed for Appraisal

- Final Blueprints
- Dwelling Specifications to provide the appraiser with intricate details of the home construction
- Sworn Statement which itemizes all individuals and companies who will provide improvements, materials, or labor for the construction project. This includes bids from subcontractors and suppliers for all labor and specific materials that go into construction of the home. This document must be notarized before closing.
- Construction Agreement (if applicable)
- Property Information, including the legal description, survey, and/or deed



Closing/ Draw Process-

Congratulations, you've reached the final step in the process before building begins! There are a few documents and steps you will need to ensure your closing goes as smoothly as possible.

Closing

After a review of the appraisal and title work, a "clear to close" will be issued and a closing date will be scheduled. GreenStone will need evidence of Builder's Risk Insurance prior to closing. This is required to protect you against theft, fire, or vandalism of materials on your property.

The Draw Process

Contracted:

- Contractor submits notarized sworn statement for draw request to title company and notifies GreenStone
- Title company or GreenStone confirms customer is happy with the work completed
- Title company approves the draw request and issues endorsement
- GreenStone issues check
- Contractor secures lien waiver(s) prior to next draw

Do-It-Yourself:

- You submit notarized sworn statement for draw request to the title company, and notify GreenStone
 - Title company approves the draw request and issues endorsement
 - GreenStone issues check(s)
 - You secure lien waiver(s) prior to next draw
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Construction Glossary

Construction Lien:

A right to an interest in real property which results from a contracted improvement to that property that is not paid for.

Dwelling Specification Sheet:

A document that describes, in detail, what materials are being used for construction of the new home.

Lien Waiver:

A waiver of lien gives notice that the signer is giving up his right to file a lien, either in full or in part, against the property. The waiver is given by a contractor, subcontractor, supplier, or laborer when payment is made, or as in the case of conditional waivers, when there is a promise to make payment.

Notice of Commencement:

This notice announces the work is about to begin on a home building or remodeling project. It is signed by the owner or a designee whose name and address must be in the notice.

Sworn Statement:

An itemized list of all individuals and companies who will provide improvements, materials, or labor for the construction project. This includes bids from subcontractors and suppliers for all labor and specific materials that go into construction of the home. This document must be notarized.



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