

Construction Loans Step by Step



We specialize in construction lending and we know that every construction is unique. As your partner, we will walk you through the journey from the beginning consultation to the permanent mortgage at the end. Our local lenders have decades of experience, know the area and do their own construction inspections.

Initial Consultation

During this step you will learn how much home you can afford and any steps you may need to take prior to beginning the process.

Choosing a Builder

This is a critical step in the building process. A builder should provide you with references. Visit other homes the builder has constructed and speak with the owners. Make sure they are licensed and insured.

Application Process

The approval process is similar to the mortgage process. After completing an [application](#), we will review your income, assets, liabilities, credit history and appraisal. In addition, a review of the plans, specifications and contracts are also reviewed. Items you will need to provide may include:



- Copy of the Warranty Deed for the land or copy of contract for purchase if you do not already own it.
- Builder's Contract
- Building Plans
- Cost Estimate of the Project

During this process a pre-construction appraisal will be ordered to estimate the value of your home subject to completion.

Construction Loan Closing

At the closing you will need Proof of Builders' Risk Insurance with Bank of Cleveland named as loss payee and you will sign the loan agreement, Deed of Trust, disclosure forms and various contractual agreements. Once the Deed of Trust is recorded and property inspected, construction may begin pending appropriate permits obtained by the builder.

Checking Account

A Construction Checking Account will be opened for you at the loan closing. You will have access to your loan information and checking account 24/7 through Internet Banking at www.bankofcleveland.com. You may go into Internet Banking and enroll in eStatements and this would eliminate any monthly service charges on the checking account.

Draws

When funds are needed, you simply call or email and we will perform a construction inspection at the job site to determine the degree of completion. Once work is verified, the funds will be disbursed into your Construction Checking Account.

Payments

You will be billed monthly for interest owed on the funds disbursed. During construction we do not collect escrow for your real estate taxes and insurance.

Completion

When your home is 100% complete, you are required to sign a Notice of Completion which is then recorded. The notice is a legal method of publically announcing that your home is complete. Any material or mechanical suppliers not paid will notify us of the issue. A final inspection indicating 100% completion will take place.

Permanent Financing

When you are a couple of weeks or less from completion of your project, we will set up a meeting with one of our Mortgage Lenders. The Mortgage Lender will discuss with you term and rate options and determine the best type of permanent mortgage for you. During this process there are many variables to take into consideration including income, debt, credit score, cash reserves, employment history and appraisal. During this process we may need:



- Completed Application
- Tax Returns
- Pay Stubs
- W-2
- Current address(s) for two years
- Employment history for two years
- Most recent bank statements
- Most recent investment statements
- List of debts with name, address, account number, minimum payment and balance

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