



CLOSING COSTS, INTEREST AND FEES

CFS works hand-in-hand with homeowners, builders and mortgage lenders to get a home from dirt to mortgage. CFS supports the 2X [two-time] close loan structure where the homeowner will first 'close' on their construction loan with CFS, and then again 'close' on their mortgage with the permanent lender. The borrower may choose to include both closing costs and interest into the loan.

CFS CLOSING COSTS

- Origination [based on the loan amount]
- Processing – Flat Fee
- Legal Document Preparation – Flat Fee
- Recording Fees – Varies per County
- Owner's Title Policy [based on house appraised value]
- Lender's Title Policy [based on construction loan]

A Lender's Title Policy is required at the Construction Loan closing. The Owner's Title Policy is optional, yet will be required at the time the construction loan is refinanced into the mortgage. If both the Lender's and Owner's Title Policies are paid for at the Construction Loan closing, the Title Company will offer a dual-policy discount which significantly reduces the cost in comparison to purchasing the policies at different times. If the homeowner pays for both a Lender's and Owner's Title Policy at the Construction Loan closing, they do not need to pay for the policies again at the mortgage refinance. The mortgage lender will contact the Title Company and request an update to the lender policy with the mortgage lender information for a fee at the time of refinance.

INTEREST

A construction loan is an interest only loan, and the amount of interest due each month is dependent upon the balance of the loan on the 1st of each month. It is impossible to know exactly how much interest will be due each month, as interest starts accruing on the amount disbursed on the day it is paid out. A typical loan can expect:

- **Phase 1:** When the construction loan begins, any existing liens on the property [purchase or lot loan payoffs] will be paid with the construction loan so the loan is inclusive of both the lot and cost to build.
- **Phase 2 of Construction:** Draws paid out are for soft costs [permits, insurance, soil tests], lot clearing, foundation preparation, plumbing rough in and foundation pour. This typically is about 15% of the total construction budget.
- **Phase 3 of Construction:** Draw pay outs will include framing, roof, electrical rough in, hvac rough in, insulation and sheetrock. This typically is about 35% of the total construction budget.
- **Phase 4 of Construction:** Draw pay outs will include insulation, drywall, flooring, paint, more hvac, more electrical, more plumbing and exterior stucco/siding/masonry. This typically is about 35% of the total construction budget.
- **Phase 5 of Construction:** Draw pay outs will include doors, counter tops, cabinets, final paint, driveway, security systems, and final clean. This final stage typically is the remaining 15% of the total construction budget.

Because interest due is based on the loan balance on a monthly basis, as the loan balance increases, the interest due also increases until refinanced into the mortgage. Thus in months 1 and 2 interest due may only be a few hundred dollars whereas in months 5 and 6 it may be several thousand. An estimated total interest paid over the term of the loan can be calculated to assist the homeowner in budgeting for this expense whether paid directly or through the loan.



FEES

- **Inspection Fees:** Upon submission of a draw request, CFS will order an on-site inspection for validation of completeness. Please note, CFS inspectors do not assess quality of work or code compliance. CFS as the lender only verifies completion of work prior to draw disbursement.

Each site inspection is \$100, which is added to the loan and included in the payoff at the time of refinance. CFS does not limit the builder to the number of draws throughout construction.

- **EFT Fees:** CFS disburses funds by USPS/Check, FedEx and/or Bank Wire. If the builder requests a FedEx or Wire Transfer, a \$30 EFT Fee [Electronic Funds Transfer] is added to the loan and included in the payoff at the time of refinance.

BUILDER FEES

It is important for the homeowner to closely review the construction contract with the builder to determine exactly what is and what is not included in the cost to build. Costs / fees that are often not included in the contract and are payable directly by the homeowner may include but are not limited to:

- Plans
- Permits
- Surveys
- Inspections
- Utility Connections and Maintenance
- Insurance

Furthermore, be aware of what allowances are provided in the builder's contract. If materials chosen by the homeowner are above the allotted allowances, the overages will be payable by the homeowner. Allowances may include but are not limited to:

- Flooring
- Appliances
- Counter Tops
- Light Fixtures
- Plumbing Fixtures

Lastly, be conscientious if the Builder's Contract is a Fixed Price or Cost Plus:

- **Fixed Price:** The builder agrees to build a home for an exact amount, regardless if actual costs come in over or under budget. If over budget, the builder is responsible for paying, if under budget the builder accepts the savings as profit.
- **Cost Plus:** The homeowner is responsible for paying all overages above the original budget, yet benefits from the cost savings if under budget. The homeowner may choose to reallocate the savings to upgrades in other areas, or simply not draw the full amount available from the loan whereby reducing the mortgage at refinance.