

Answers to Your Top 7 Questions About Construction-to-Permanent Mortgages: Everything You Need to Know

Our Construction-to-Permanent (CTP) lending product is designed to give buyers flexibility during the purchasing process. The CTP program is the preferred solution if you wish to build a house on an open lot, obtain a mortgage on a partially constructed home, or significantly expand or remodel an existing residence. We asked Vice President Residential Construction Lending **Sarah Gosselin**, NMLS# 1185393, to answer the most important questions about our CTP mortgages.



Read Sarah's answers below to help you understand everything you need to know about our CTP product.

1. What is a Construction-to-Permanent mortgage?

This financing option is for borrowers who are looking to build new, renovate, or add onto their single-family owner-occupied home. The construction funds must be a minimum of \$100,000. During the 12-month "construction" phase the house is built or renovated and the construction loan is eventually internally converted into a permanent mortgage.

2. How does a Construction-to-Permanent mortgage work?

All of our CTP mortgage loans have a 12-month interest-only period during construction. After the 12 months, the outstanding principal balance is amortized over the remaining 29 years and the borrower begins to pay for principal and interest.

3. What does a Construction-to-Permanent mortgage cover?

This type of loan will allow a borrower to either acquire a new piece of property or refinance the liens on a property that they already own while also approving them for a specified amount of construction funds. The bank will finance 100% of the hard construction costs as long as the total loan to value for the as-completed home does not exceed 80%.

4. What are the benefits of a Construction-to-Permanent mortgage?

One of the main benefits of the CTP product is that there is only one loan closing. The borrower is able to purchase a property, build or renovate with just one loan which saves on closing costs.

Another benefit of the CTP product is for those borrowers who do not have enough current equity in the home and need to borrow more than the home is currently worth. The CTP mortgage taps into the "future" equity of the home allowing them to borrow up to 80% of the "as-complete" home's appraised value.

The disbursement schedule and turnaround are another benefit that make for a quick and easy process. The disbursement schedule creates an organized set of milestones, and when each milestone is reached, we schedule an inspection by the team. Our team meets every day to ensure the turnaround happens as soon as possible.

5. What are the differences between a Construction-to-Permanent mortgage, a traditional mortgage, and a HELOC?

The CTP loan is unique in that it allows the borrower to tap into the “future” value of their home. On a traditional mortgage or a HELOC, typically the maximum loan you can apply for would be 80% of the current, as-is value. With the CTP mortgage, we collect the plans, specs, and budget from the borrower and determine a loan amount they would need to borrow based on the future value of the home. Our appraiser reviews the building plans to pull comparable homes and gives us a market value post-construction. We can lend up to 80% of the post-construction home’s value.

6. How does drawing from my loan work?

A member of the construction lending team will create a disbursement schedule in accordance with the builder’s itemized budget for the borrower’s project. This schedule will consist of a number of milestones and an allotted funding amount. As these milestones reach 100% completion, either the borrower or the builder will notify our team that there is a milestone ready for inspection. We add the inspection request to our agenda and a bank security member gets assigned to the draw request.

We pride ourselves on making this a very quick and easy process! The bank’s team of inspectors meets every morning Monday – Friday to do the inspections. Once approved, the bank will transfer the funds from the loan account into your Needham Bank Checking account.

7. How do I apply for a Construction-to-Permanent mortgage?

At the time of application, we require the borrower to provide their finalized architectural plans, specifications, and a cost estimate from their preferred licensed general contractor. We ask that they reach out to a lender from our construction team to begin an application and to work through the details of their project here. If you have any more questions about our CTP lending product feel free to reach out to **Sarah Gosselin, NMLS# 1185393, at 781-474-5570.**

