

LOAN OFFICERS: CONSTRUCTION LOAN ADVOCATES



Building your own home is a complex undertaking as thousands of decisions need to be made on everything from placing electric outlets to choosing faucets, at the same time that you may face worker or material shortages, personality conflicts and other building challenges while also managing your current home, career and family. It can be overwhelming.

“Fortunately, unlike a typical mortgage when there’s no need to communicate with your loan officer once the loan papers are signed, with a construction loan your loan officer becomes your advocate and advisor throughout the construction period,” says Wanda Harris.

As a first step, your loan officer will explain how construction loans work from the initial loan closing to transitioning to the long-term mortgage. Ideally, they’ll have a lengthy list of topics to cover to make sure you’re fully informed and face no surprises down the road. They’ll also explain your loan options, which will vary based on the lender you choose. Carolina Farm Credit finances two construction approaches: one in which a contractor will manage the build, another in which the homeowner manages the build.

The documentation requirements differ, as may the loan amount to cover the different cost overrun risks involved in a self-build project, but both deliver funds at intervals during the construction phase.

Once a construction loan is closed, the funds sit in an escrow account waiting to be disbursed at specific points in the build, based on the percentage of work completed. In short, the lender won’t release funds unless what they’re paying for has actually been done. Your loan officer tracks these disbursements, or “draws,” carefully, and visits your home’s worksite every time to visually inspect the work before writing a check to the contractor. While not building experts – the town or county building inspectors are on hand for that – the loan officer does ensure that you’re getting what you’re paying for.

When your home is finished and you’ve received a Certificate of Occupancy from the county, your loan officer will initiate a final inspection by an appraiser to ensure the home matches the plans. They’ll also discuss the permanent loan, or mortgage, to carry you forward as you start to enjoy the results of your months of patience during construction.

Wanda Harris
Loan Officer, Carolina Farm Credit

