

# WHAT TO EXPECT AT CLOSING & AFTER



Getting ready to watch your new home start to grow is a thrilling time, but before construction can begin you need to close on the financing to pay your contractor for materials and labor.

“To build your home, Carolina Farm Credit offers various construction loan options. The most popular option is a twelve-month loan to pay the contractor while the home is constructed. One set of closing costs are due at the closing of this twelve-month loan. Interest accrued on funds drawn out to pay a contractor is due monthly during the twelve-month loan period. However, principal payments are not required. When the house is complete, the loan is refinanced into a long-term fixed rate loan (e.g. 15 or 30 years) and another set of closing costs are due. The advantage of this option is the low interest payments during the twelve month building phase,” says Kate Burger.

The process of closing a construction loan is fairly involved, and typically carries costs paid by the borrower at closing if they are not financed into the loan amount. Although the attorney collects closing costs, some costs are designated for the lender. Carolina Farm Credit, for example, charges a 1% origination fee,

an appraisal fee, a small credit fee, and a construction inspection fee. Borrowers are also required to carry lender title insurance (a one-time policy payment) and risk insurance (during the building phase). Borrowers should always be informed and aware of all fees involved, from both the lender and attorney.

The borrower’s attorney officiates the closing, reviews all documents for accuracy and assists in document execution. The attorney will also certify to the lender that the borrower either owns or purchases clear title to the land on which to build the home. The borrower will sign two important documents at closing: the Note and the Deed of Trust. The Note details the term, rate and payment schedule and is the official document in which a borrower promises to repay the loan. The Deed of Trust is filed with the county on behalf of the lender, and secures the lender’s right to foreclose on the property if the loan is not repaid as promised.

Kate says, “Signing the commitment to repay what may be a sizeable amount of money can be stressful. Working with the right attorney and lender can make the process smoother, so you can focus on enjoying your new home.”

**Kate Burger**  
*Loan Officer, Carolina Farm Credit*

