

# What You Need to Know...Construction Loans

Congratulations on your new Construction Loan with American Savings Bank (ASB). Our Loan Operations Construction group will manage your loan through the construction phase and will contact you when the first disbursement request is made. We're pleased to have you as a customer.

## CONSTRUCTION LOAN

- ❖ There is a 12 to 18-month build period referred to as the construction phase.
- ❖ Your Payment and Performance Bond is guaranteed by a Surety or Bonding Company and provides assurance that the project will be completed. Construction is bonded at no less than 100% of the contract, depending on the company used.
- ❖ Your Contractor/Bonding Company will contact you to sign a Disbursement Authorization Form prior to each disbursement.
- ❖ Upon our receipt of the form, we will contact you via email/phone to verify your approval to disburse funds.
- ❖ For all disbursements other than the first one, we will order a site inspection to validate that the associated milestone identified in your Contract was achieved.
- ❖ Upon receiving a satisfactory site inspection, we will disburse funds to the Bonding Company to pay in accordance with the bond and Construction Contract.

## STATEMENTS

- ❖ Statements are generated on the first business day of the month to capture the prior month's activity.
- ❖ Interest and Escrow payments are due on the 10th of each month according to your Note.
- ❖ Payments may be made at any branch, by mailing back the coupon with a check, or by submitting an electronic payment.
  - We do not currently accept ACH payments during the construction period. ACH can be established after construction, when the loan is converted into a permanent mortgage.

## COMMON QUESTIONS

### What documents do I need for the construction loan?

You will need a construction contract with a licensed general contractor. Your contractor will apply for a Uniform Performance & Payment Bond as well as a County issued permit.

### What do I have to do to convert the construction loan to a permanent mortgage?

In order to convert your construction loan to permanent financing, your bonding company will need to provide American Savings Bank with a Notice of Completion.

### What happens if rates go down during the 12-18 month construction period?

In the event that fixed rates are lower when construction is completed, borrowers have a one-time option to take advantage of those lower rates. Fees and restrictions apply. Consult your Residential Loan Officer.

If you have questions, call our Customer Banking Center at (808) 627-6900 or toll-free (800) 272-2566. The information presented is subject to change at any time without notice.