UMPQUA BANK

Custom Construction Loan Frequently Asked Questions

Below you will find information pertaining to your new Custom Construction Loan. For any other questions not addressed here, please contact our Custom Construction Lending Team or your Loan Officer. We look forward to working with you!

DISBURSEMENTS

Disbursements (draws) on a construction loan are made as the construction of the home progresses. Umpqua Bank will disburse construction funds based on the percentage of work that has been completed per the third-party inspection report. Any borrower held funds/deposits will be used prior to accessing the loan.

Who performs the inspections?

A third-party inspector is contracted on behalf of Umpqua Bank to perform the inspection for progress payments. The inspection report details percentage of work complete for each budgeted line item. The inspector does not inspect for quality of materials used or workmanship. NOTE: These inspections are separate from the local city/county inspectors. Your contractor will work with the local jurisdiction for the job site inspections.

How are draws requested?

Draws can be requested in the following ways:

- You and your contractor will be sent an email to create a login and password. This will give you access to the website www.GetBuilt.com where you can log on and request draws.
- You or your contractor can email draw requests or supplemental documents to CustomConstruction@UmpquaBank.com.
- You or your contractor can fax draw requests or documents to 866-856-2799

How often can a draw be requested?

Draws are generally limited to one per month. If more are needed, please contact your Draw Analyst or another Custom Construction Team Member.

How long does the draw process take?

The typical turn time is 3 – 5 business days from receiving the approved draw request.

What if I need more time?

Contact your Draw Analyst to discuss options for extending the construction term

Member FDIC Equal Housing Lender NMLS #401867

UMPQUA BANK

What do I need to include with the draw request?

- Online or paper draw request with borrower approval.
- Unconditional progress lien releases from the contractor and possibly the sub-contractor(s) for payments made on the previous draw.
- Invoices if requesting deposit draws or funds from bank contingency.
- Prior to the foundation draw, the permits and well reports will be required, if applicable.

What are Soft Costs and Hard Costs?

Soft Costs are the line items not directly related to the labor or materials for construction. This includes items such as Plans, Architectural Fees and Permits, or Utility Connections.
Hard Costs are direct costs associated with the labor and materials used for the actual construction of the home. These funds are disbursed based on a percentage of the overall completion of the line item and the project.

How are funds sent?

- An **Umpqua Bank checking account** should be opened in your name for direct deposit of draw proceeds after the required draw documentation has been received and your request has been approved.
- A **wire transfer** can be sent to another financial institution. There is no charge to send a wire. Please check with the receiving institution for any incoming wire fees.
- A **check** can be issued and mailed, or arrangements can be made to pick up at a local store.

Please Note: You may opt to have funds disbursed directly to your contractor. Please contact the Custom Construction Lending Team as additional documentation is required.

How will we know if the draw is approved?

An email notification will be sent advising of the approval. If sent to another financial institution, funds may not be available until the next day. It is recommended to wait for verification of receipt prior to issuing checks.

What are Deposits?
Vendors may require a deposit for specialty items or custom craftsmanship items. In these instances, Umpqua Bank may release up to 50% of the cost budgeted for the specific line item(s) upon receipt of the invoice requesting the deposit. These items may include, but are not limited to:

- Custom Cabinets
- Custom Doors
- Custom Countertops
- Custom Fireplace
- Custom Window Packages
- Special Order Appliances
- Custom Flooring

Please contact your Draw Analyst prior to any deposit request.

Member FDIC Equal Housing Lender NMLS #401867

UMPQUA BANK

How are Change Orders Processed?

If there are changes to the original plans and building specifications, a change order must be signed by the builder and borrower(s) and submitted to the Draw Analyst for review. The change order must detail the line item(s) impacted and the corresponding dollar amount. Change orders must be submitted for additions, deletions, or modifications that impact value.

Umpqua Bank must review and approve all change orders before the work for any changes can begin. The borrower is responsible for any costs resulting from an approved change order that is greater than the original budgeted line item.

What is the Bank Contingency?

The bank contingency is money set aside for unforeseen circumstances that may occur during construction. Disbursement of these funds must be approved and authorized by the Draw Analyst.
If there is a balance left in the contingency fund at completion of construction, the borrower may request reimbursement for payment of any upgrades made during construction. Invoices or receipts will be required when requesting monies from the contingency fund. Any unused contingency will result in a lower permanent loan balance.

I need to use contingency; what do I do?

Contact your Draw Analyst and forward the invoice or bid with amount needed and a brief explanation of the need or issue. Upon receipt, Umpqua Bank will process the change in BUILT to give you access to the funds and order an inspection, if needed.

What title endorsements are required?

Additional title endorsements required for construction loans include:

- A foundation endorsement will be required before we fund a draw for any work completed beyond the foundation. The title company issuing this endorsement may complete a foundation inspection, or they may contact an outside company to provide a foundation location survey. This endorsement ensures that your home is being constructed in the proper location on the property.
- During the construction phase, a date down lien free endorsement will be requested when the overall project is 75% complete and at the time of the final draw request. For projects greater than $1.0 million, an additional request is made when the project is 50% complete.

Member FDIC Equal Housing Lender NMLS #401867

UMPQUA BANK

Will additional documents be needed for the final draw?

Besides the normal draw documents, the final draw also requires:

- A copy of the Certificate of Occupancy or Builder Inspection card stating OK TO OCCUPY
- Conditional lien waiver for final payment from the builder
- Borrower's approval of final draw request
- Lien free endorsement from title
- Appraisal's completion of report

The Draw Analyst will send out a notification of final draw requirements when the project is 75% complete.

Member FDIC Equal Housing Lender NMLS #401867

UMPQUA BANK

PAYMENTS

Construction loans work like a line of credit, meaning you are approved for a certain loan amount but are only charged interest on the balance outstanding. The balance will increase as work progresses and draws are sent. You are billed interest only (plus escrow, if applicable) during the construction phase of the loan. If the loan closed with any borrower-paid funds on deposit, those funds will be drawn prior to accessing the loan to minimize your interest cost. The billing cycle is the 16th of one month to the 15th of the next month. A statement is mailed on the night of the 15th with a due date the 1st of the following month. If the interest-only payment is not received by the 15th, a late fee will be assessed.

Why is my mortgage more than my cost to build?

Your total mortgage loan amount includes any additional items such as land and/or closing costs. Please contact your loan officer for a detailed accounting of the closing transaction.

Why do I have a payment when I haven't drawn any funds?

At the time of closing your loan, items such as land and/or closing costs may have been partially or fully paid from loan proceeds. Interest will accrue from the closing for any initial balance that exists on the loan.

Can I set up automatic payments?

Yes! Contact Mortgage Loan Servicing at 877-367-5773 or send an email to MortgageLoanServicing@UmpquaBank.com to make this request.

Can I view my statement or make payments on line?

Yes! On line banking is available at this link: Mortgage Online Banking

Can I make payments toward the principal?

Yes! Additional payments can be made towards the balance at any time and in any amount without penalty.

Any other questions?

Reach out to us any time by:

- Contacting your Draw Analyst directly
- Contacting your Loan Officer directly
- Calling the Custom Construction Loan Servicing Department at 888-622-9220
- Faxing the Custom Construction Loan Servicing Department at 866-856-2799
- Emailing CustomConstruction@UmpquaBank.com

Member FDIC Equal Housing Lender NMLS #401867