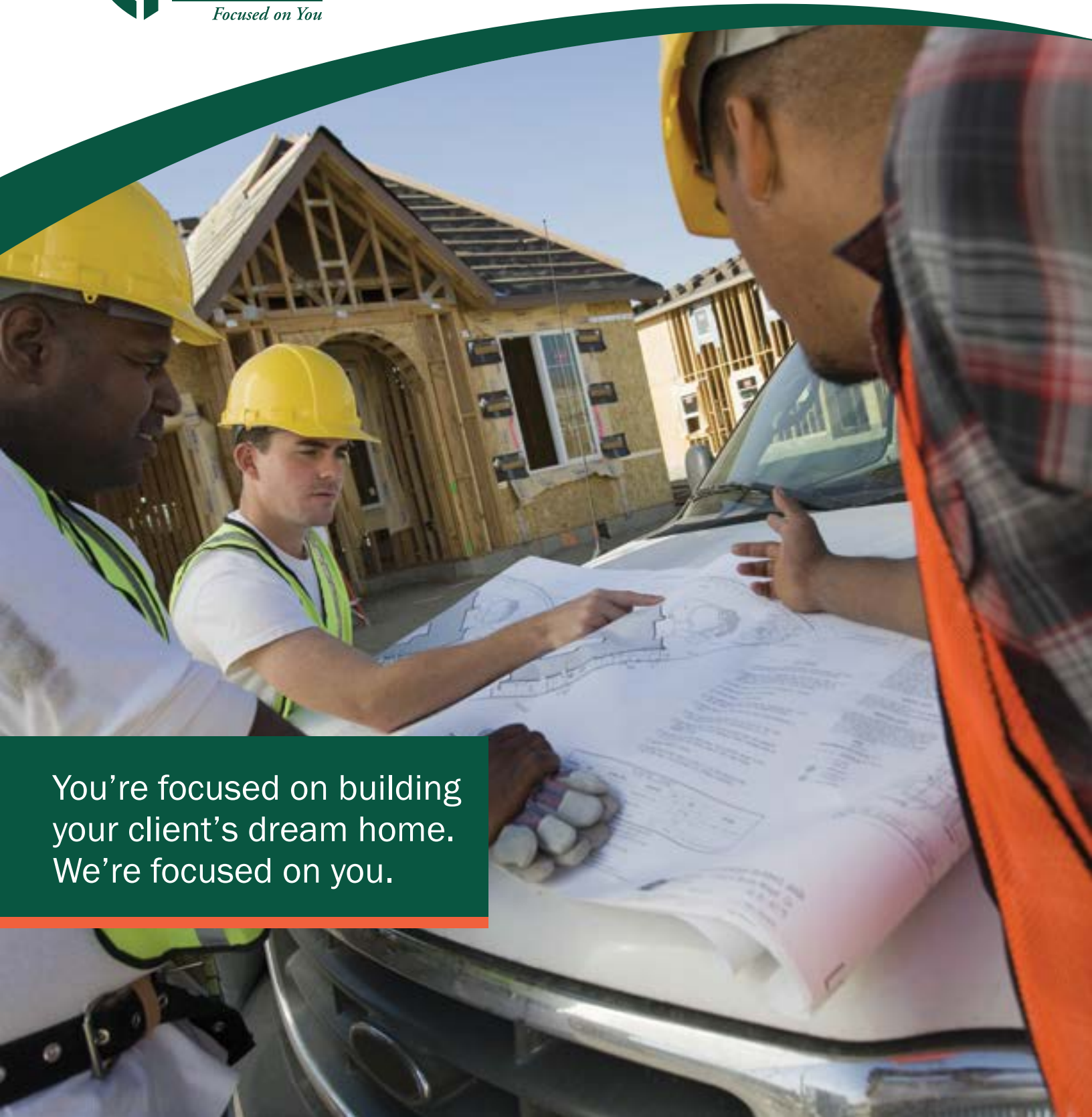




Builder Construction

Draw Process &

Frequently Asked Questions



You're focused on building your client's dream home. We're focused on you.



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Why choose C&F?

C&F Bank has financed the construction of thousands of homes, which has helped us develop unique financing solutions to meet nearly every customer need. Our financing solutions come with years of experience and a commitment to making home financing easy and affordable. C&F Bank's partnership with C&F Mortgage is the perfect example of this — we have created an ideal construction and permanent mortgage-financing scenario, fitting each homeowner with the right loans.

- **Experts who know the process.** C&F's focus on construction and home loans enables our Relationship Managers to guide you quickly and efficiently through the construction financing process. C&F has a dedicated, specialized team with in-house processing, underwriting, closing, draw administration and servicing which ensures your loan is well managed from start to finish. Our streamlined process helps to avoid unexpected surprises and provides peace-of-mind when building your home. Our team concept ensures customers have an exceptional experience.
- **Strength. Stability. Security.** C&F Bank was established in 1927 with the merger of two small community banks. Today, our Bank is proud to serve the Central and Eastern parts of the Virginia community with 32 retail bank branches. Additionally, C&F Mortgage operates over 20 mortgage offices throughout the states of Virginia, North Carolina, South Carolina, West Virginia and Maryland. More than half of C&F's total lending business each year is represented by construction and mortgage loans, further cementing our place as the lender of choice for members of our communities looking for a financial partner in the homebuilding process.
- **Flexibility in Construction Loan Product Offerings.** Most clients will have the opportunity to modify their construction loan to a fixed rate product at the end of construction or chose to convert to the C&F 7-year balloon product.* Once the home is near completion, we work with the homeowner to discuss the opportunity to modify their loan to another fixed rate loan product based on current market interest rates at the time of home completion.

Qualifying a Client Under Contract – Construction Loan Application

- 1 Once you have begun the process of working with a client on terms to construct their new home it is time to have them qualified for a loan. A C&F Mortgage Loan Originator will pre-qualify your client.

At time of application, here are a few documents they will be asked to provide that you can help them have ready:

- An executed turnkey contract for the construction of the home.
- A set of plans and detailed specifications which include a roof plan, floor plan, foundation plan, all elevations, and exterior dimensions.
- Verification of deposits already paid.

C&F requires the use of an experienced Class A, or equivalent, contractor. C&F will request some information directly from you to ensure certain requirements are met.

Creating a Draw Disbursement Schedule

- 2 Prior to loan approval, the Bank's Schedule of Advance will be provided for review. Payments are made to the builder based on percentage of completion as construction progresses.

While each construction project is unique, each home typically requires 5-6 disbursements depending on the size and scope of your project.

We will work with you to determine a mutually beneficial draw schedule that not only provides you with adequate funding throughout, but also works for the client and C&F.

Construction Loan Closing

- 3 Once an agreement has been made on how the loan will be funded with the client, the Bank and the builder, and all closing conditions have been met, the loan can be prepared to "close." Commonly known as the "mortgage settlement" or "construction loan closing," this is the point at which all construction loan documents are signed by the client. Following settlement, the construction of the home begins. Prior to closing the construction loan, C&F Bank and the Builder should be in receipt of the following documentation:

- Draw Schedule
- Building Permit with Mechanics Lien Agent listed (if applicable)
- Well and Septic Construction Permits (if applicable)
- Site Plan, Plot Plan or Survey with house location
- Builder's Risk Insurance Policy

If the land is being acquired, some of these items might not be available at the time of closing. Please check with your construction loan underwriter to know exactly what will be needed prior to closing and will be required prior to the first draw.

At the time of the construction closing, the client will provide the down payment and closing costs. The down payment funds will be held in escrow by C&F and disbursed during the draw process. C&F Bank will be in control of all funds to satisfy payment on the original contracted price. All change orders and cost overruns will be the client's responsibility.

Home Construction – Draw Funding

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Now that the construction loan has closed, construction of the new home can begin. Upon completion of each phase of construction, the builder will request disbursements or “draws” with C&F based on the stage of completion of the project. The following steps will occur:

- An inspection will be ordered by C&F Bank to ensure the work has been completed.
- The inspector will complete an inspection report.
- A title “bring down” and lien waiver will be obtained prior to each disbursement (if applicable).
- Upon receipt of a satisfactory inspection report and title bring down, the draw funds will be disbursed. Payments will be provided by direct wire payment to the builder.

Please keep in mind:

- A building permit should be received prior to construction beginning and any monies being disbursed, with the exception of a contracted deposit (max funded is 10%).
- An inspection must be completed prior to each disbursement to the builder.
- Any cash investment on the client’s part for the construction project must be brought to closing and held in escrow. These funds will be paid to the builder before any loan funds are disbursed by C&F Bank.

How to Request a Draw

The Construction Underwriter will provide contact information for the Draw Administrator that has been assigned to your project. You can call or email a request for the draw. Please notify the Bank in advance when you will be ready for the next draw.

Upon Completion

C&F Bank will consider the project to be complete when the Bank’s appraiser and the city or county inspectors have found the home to be complete and the remaining proceeds of the loan may be subject to disbursement at that time. When your home construction is complete, C&F Bank will request the following items:

- A final inspection of the home
- A Certificate of Occupancy issued by the city or county
- Well bacteria test (if applicable)
- Well and septic operations permit (if applicable)

Additional Questions?

Please see the following pages of Frequently Asked Questions for more information.



Frequently Asked Questions

Q. What credentials do I need to be a Builder in your program?

A. C&F requires the builder to have a class A contractor license in the state of Virginia. A state equivalent will be required for Maryland and North Carolina builders. Past experience building homes required.

Q. What does a Builder need to do to be added to the C&F Bank's list of Builders?

A. Complete the Builder Profile and Builder Authorization forms online at cffc.com. The Builder Authorization is located in the bottom right corner of the home page. It is important that you provide your bank and trade information as requested. The Bank will contact each trade to obtain reference information.

Q. What documents does the Builder need to supply?

A. We will need a fully executed turn-key contract, full set of plans (pdf version), and detailed specifications to order an appraisal. A Construction Underwriter will contact you for a site plan, plot plan or survey with the house location, Well and Septic Construction Permits (if applicable), if the borrower owns the lot a Building Permit with Mechanics Lien Agent listed. Other items as required.

Q. How soon after a loan closes can I begin to take a construction draw? Can I get a construction draw at closing?

A. The Construction Underwriter will be in contact with you during the approval process and will likely ask if you need a draw at closing. If the contract does not specifically state deposit amount or initial draw amount, please let the underwriter know so this can be made part of the closing disclosure. If a draw is not taken at closing it can take approximately two weeks before a draw can be done after closing.

Q. How does the draw process work?

A. It generally takes 3 to 5 business days to complete a draw depending on the appraiser's schedule. The Bank will contact the appraiser to complete a construction inspection on the property. Draws are typically based on percentage of completion using the Bank's Schedule of Advance. Draws are funded by wire transfer to the builder's account typically within a day after the inspection is received from the appraiser along with clear title update.

Q. How often can I request a draw? How many draws do you allow?

A. You are free to request a draw whenever you please, however, we plan for approximately 6 to 7 draws throughout the duration of the build. We also ask that you try to limit requests that would result in less than 10% of the contracted priced being disbursed.

Q. How are cost overruns handled?

A. All cost overruns should be documented on a change order signed by the Builder and the client. The Bank asks that the executed copy of all change orders be provided to your Draw Administrator along with proof of payment by the client. Increases in construction cost after closing needs to be collected directly from the client and documented.

Q. Do you finance only new stick-built homes?

A. C&F has terms within our program for construction of both primary residence and second homes. Additionally, we allow for off-frame modular construction which still requires a class A or equivalent contractor to set the units and complete the home.

Q. What is the term of the construction loan and what happens if I need more time?

A. Typically the term is 12 months. If construction is not complete at the time the loan matures, the construction loan term may be extended to cover adequate time to allow for completion. Through communication with the Construction Underwriter, an extension agreement will be executed by the client and an extension fee will be charged to the client.

Q. Will you accept a cost plus or management contract?

A. Yes. We will accept fixed price, cost plus or management contracts. Cost plus contracts are required to state a maximum contract amount. We do require that the contract is turnkey.

* C&F 7-Year Balloon: This program is a 30-year amortized permanent mortgage with a 7-year balloon. The remaining balance is due and payable at the end of the 7-year term (known as a balloon payment). This program is based on a 20% down payment with an initial period of 7 years amortized for 30 years. Refinance options may be available for this remaining balance.



888.339.8300
cfmortgagecorp.com



800.296.6246
cffc.com

Thank you for giving C&F the opportunity to assist your clients with their **construction financing**.

We're delighted to have the opportunity to partner with you in your business of building new homes within our shared community. This guide will provide you with several helpful and important pieces of information regarding our construction loan program and the construction funding process. We are focused on you!

Citizens and Farmers Bank NMLS# 228650
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