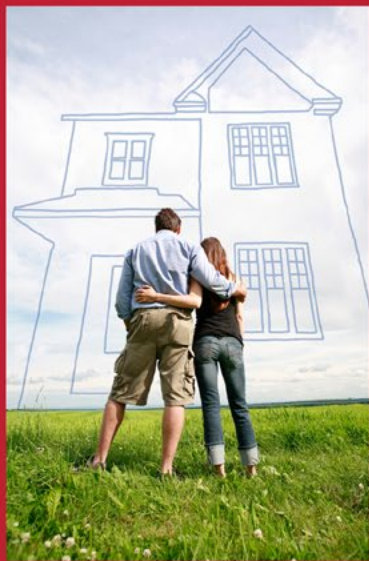


HOME BUILDING BASICS

*Key points to consider
before building your
new home.*



RED RIVER BANK

Made in Louisiana. Made for Louisiana.

Member
FDIC

Standard Requirements for Consumer Interim Construction Loans

We know that the decision to build a new home is a very important one. Our home loan construction specialists have many years of experience in helping our clients through this exciting and sometimes challenging process. We hope that you find this brief guide a useful tool as you begin to undertake this process. Our construction lending staff is available to meet with you to discuss your plans and needs. Red River Bank also has a full-service mortgage lending department that works in conjunction with our construction loan staff to find a permanent loan that meets your needs.

No Work Affidavit Performed by Surveyor and Recorded with Mortgage

It is very important that no work begin on your land prior to the Bank's Mortgage being executed by you and recorded at the Parish Courthouse. Labor liens are given first priority ahead of any Mortgages. However, by properly performing and recording this "No Work" Affidavit, no material liens can prime the Bank's Mortgage, protecting the borrower as well as the Bank. Any lien will have to be resolved prior to refinance or sale; however, they would not have the benefit of being in a first position, ahead of your Mortgage. The reason a licensed engineer or surveyor performs the Affidavit is that he is one of the certified independent third parties described in Louisiana State Law, whose expert opinion would hold up in court. Being a surveyor also certifies that he knows exactly where the property dimensions are located.

Survey

A new survey may be required prior to beginning a Construction Loan, depending on how recent the last survey was done and the size and shape of your property. This decision is at the discretion of the Bank, and each situation is different. If you are a purchaser of the land you are mortgaging, it is normally advisable to have a survey performed, so that the property lines, setback lines, etc. are clearly understood.

Improvement Survey

Depending on your land/lot size, an Improvement Survey will probably be required. This survey is done immediately before the slab is poured; to certify your improvements do not encroach on a property line or setback line. The purpose is to reveal any location errors prior to any investment in improvements. If an Improvement Survey is not done and you build a house and driveway, and any of it was actually on someone else's property, you have two (2) options: (1) Purchase enough of your neighbors' land (assuming he is willing to sell), at whatever price he wants, to be able to close your permanent loan, or (2) Demolish enough of the improvement and rebuild within the correct property line.

Attorney

The borrower may choose the attorney that researches the title and gives the bank its mortgage, provided the attorney is on the bank's approved list, can write title insurance and has experience closing mortgage loans that are sold in the secondary market.

Title Insurance

An Attorney's opinion as to the correctness of the title expires after three (3) years from your loan closing. Title Insurance is permanent protection of the title. This protection can be issued to the Bank and the Property owner. This protects the owner and the bank after the 3 year period, should the Attorney miss a defect in the title examination.

Appraisals

The Bank will engage a qualified appraiser (approved by the Bank) to perform an independent appraisal which reflects current market conditions. The appraiser will be provided a copy of the plans, a description of the lot and the specifications of the project.

Inspections

Periodic inspections will be performed on your Construction progress, either by your loan officer or an independent third party. These inspections do not certify quality of Construction. The purpose is to keep the percentage of completion of the home in line with the percent of the amount advanced on the loan.

10% Retainage Withheld

The Bank reserves the right to only fund up to ninety percent of your commitment, until your house is one hundred percent complete and to your satisfaction. This helps assure that the final “punch list” items are completed and your contractor(s) have an incentive to return. We strongly suggest you handle your payments with all laborers in this manner.

Builder’s Risk Insurance

This coverage is required in all cases. Proof is to be provided to the Bank, listing us as first Mortgagee. No advance will be allowed (for improvements) without proof of coverage. This insurance protects your improvements, while the house is being built, from fire, wind, etc. This coverage usually converts to homeowners when you move into your home.

Proof of Workman’s Compensation

This coverage is for the individual laborers on your property. It protects them and the borrower should they get injured from a nail gun, falling off a roof or scaffold, etc. Their recourse is to sue the landowner, should they not be covered. You should insist that proof be provided to you from everyone who works on your property.



Flood Insurance

The Bank will do a Flood Certificate on your property, and if it notifies us that you are in a Flood Zone, we are required by law to require coverage prior to closing. Insurance is a requirement, no exceptions. Refer to your loan officer concerning the dollar amount of coverage for your loan.

Building Permit

A copy of the building permit is required at closing. The permit assures the bank that all of the proper codes are being met and are acceptable to the Parish Planning Commission.

Contractor

Homebuilding is a unique business that entails many financial risks. The Bank highly encourages all of its clients to choose a turnkey contract from a reputable contractor when building a new home. Due to the inherent risks involved in construction, the Bank also reserves the right to approve or disapprove of the contractor chosen for any reason at the Bank’s sole discretion.

Contractor’s License

The Bank will require a copy of the contractor’s license. The Bank may request the names of suppliers and individuals that the contractor has previously done business with. The Bank may do reference checks with the business and the individuals. The Bank does this for your protection and ours. The choice of a financially stable, well-organized contractor is of great importance. The amount of money involved and the potential for abuse or irresponsible business practices can create very serious problems for the homeowner. For most people, a house is the most expensive asset they will ever own. We want to make sure that your dollars are wisely spent and minimize the chances of any problems occurring.

Contractor’s License # _____

Construction Progress & Compliance Inspection Report

Borrower _____

Property Address _____

Lot Number & Subdivision _____

FIRST ADVANCE _____

(10% of Net Commitment—Foundation) Slab poured.

SECOND ADVANCE _____

(20% of Net Commitment—Rough Framing) Framing complete, plumbing roughed-in, and roof felted or blacked-in.

THIRD ADVANCE _____

(10% of Net Commitment—Dry In & Mechanicals) All windows installed, exterior doors installed, roofing applied, electrical and a/c roughed in, tubs set, and insulation installed.

FOURTH ADVANCE _____

(15% of Net Commitment—Exterior Finishes) Brick veneer or exterior siding complete, overhang or outside soffit complete, all exposed wood primed, and sheet rock in place.

FIFTH ADVANCE _____

(10% of Net Commitment—Trim Out) Sheetrock finished, interior trim applied, outside trim completed, interior doors installed, and base coat of interior paint applied.

SIXTH ADVANCE _____

(25% of Net Commitment—Interior Finishes) Plumbing, electrical and a/c finishes installed and complete. Cabinets and counter tops installed and all painting inside and outside completed. Air conditioning compressor installed.

FINAL ADVANCE _____

(10% of Net Commitment—Final) Drives and walks poured, built-in appliances installed, flooring installed, garage door installed, all punch list items completed, lot graded, and certificate of occupancy provided by builder.

Remarks: _____

Inspector: _____

Date Inspected: _____ Time: _____

Net Commitment = Total Commitment minus Lot Draw

ITEMS TO GET STARTED:

- Past two years' tax returns (including W-2s)
- Past 30 days' pay stubs
- Past two months bank & investment statements
- Copy of driver's license for each borrower
- Copy of plans & specifications
- Estimated construction cost
- Copy of legal description of property
- Name of insurance agent

Red River Bank has convenient locations from Bossier City to Baton Rouge

- Alexandria
- Ball
- Baton Rouge
- Bossier City
- Central
- Dutchtown
- Forest Hill
- Lake Charles
- Lecompte
- Marksville
- Northshore
- Pineville
- Shreveport
- Stonewall
- Sulphur

Contact Information

Alexandria
(318) 561-4000

Northshore
(985) 888-1493

Baton Rouge
(225) 923-0232

Shreveport
(318) 675-2900

Lake Charles
(337) 656-6500

Sulphur
(337) 626-418

For locations, hours and ATMs, visit redriverbank.net

Personal Touch 24 (24-Hr. Telephone Banking)

Alexandria
(318) 561-BANK (2265)

Northshore
(985) 400-2121

Baton Rouge
(225) 925-BANK (2265)

Shreveport
(318) 675-2999

Lake Charles
(337) 491-2425

Sulphur
(337) 491-2425

