

# One-Time Close Loan

*Your guide to your new  
home construction loan*



**Gateway**  
MORTGAGE GROUP®

# Welcome to Gateway Mortgage Group!

Thank you for selecting Gateway to finance your new home. We hope your home-building experience will be enjoyable, and we encourage you to contact us at any time during the process about the status of your loan, payments, or other questions you may have.

This brochure was designed to help answer questions you may have about your One-Time Close Loan. It's divided into four sections that follow the timeline of your construction process:




- 1 Getting started:** *Loan Settlement, Interest Payments and Reserves*
- 2 Building your home:** *The Draw Process*
- 3 Completing construction:** *Final Draw Process*
- 4 Living in your new home:** *Modification to Permanent Loan*

## 1 Getting started: *Loan Settlement, Interest Payments and Reserves*






You've made all the decisions, you've signed the documents, and you're ready to start. What happens now? This section answers questions about the structure of your loan's proceeds and disbursements, interest charges associated with your loan, and any reserve accounts that may be set up for you.

**Loan settlement and disbursements:** When your One-Time Close Loan settles, Gateway will set up the loan based on the charges outlined on your Closing Disclosure Statement. The loan amount will include:

-  The funds held to build your home
-  Funds used to purchase your lot, if applicable
-  Closing costs, if applicable.

During construction, our Construction Lending department will keep track of these funds for you to ensure they are disbursed match the loan amount.

**Interest payments:** During the building process, you pay interest only. Payments are made monthly.

-  Interest invoices are emailed on the first business day of the month and are due on the 15th of the month. A late fee will be charged after that date.
-  Interest payments should be made by check and mailed to the address in the statement. Interest payments can be made using [www.GatewayLoan.com](http://www.GatewayLoan.com). Payment options will change with your permanent loan, and other forms of payment will be accepted.
-  The interest invoice represents interest accrued on construction funds used as of the last day of the previous month. You don't pay interest on funds until they are used.

**Reserves:** During construction some funds may be set aside or “reserved” for future, anticipated, or contingency expenses. These may include the following:

- 🏠 **Modification Reserve Account:** This account reserves funds for future escrow items, such as property taxes, hazard insurance premiums, or mortgage insurance.
  - Because these escrow accounts cannot be set up until construction is complete and your loan is “modified” to permanent, many borrowers request this account in anticipation of funds needed.
  - Interest is not charged on this account’s funds until they are used to set up your escrow account at modification.
  - During the construction process, any insurance and property taxes due are your responsibility.
- 🏠 **Borrower’s Contingency Reserve Account:** A Contingency Reserve may be included in your construction loan to cover unforeseen expenses or cost overruns.
  - The builder may incorporate a Builder’s Contingency into his contract, or the borrower may have a separate Contingency Reserve set up.
  - A Borrower’s Contingency Reserve is set up when additional financed funds, above what is included in the construction contract, are set aside for the use by the borrower.
  - This reserve can be used for any upgrades, overruns, or expenses not anticipated prior to construction. For example, you may decide to add a deck, install a different type of flooring, or upgrade your home’s lighting fixtures.
  - A Borrower’s Contingency Reserve can only be used by the builder with your written approval. Contingency Reserve funds may only be used within the scope of the construction project.

Any Reserve funds not used during construction will be applied at loan modification as a principal reduction to your loan and the loan then modified to the reduced amount.

## 2 Building your home: *The Draw Process*



While your home is being built, your builder will request “draws” as payment for each phase of construction. This is called the draw process. These draws are included in the terms of your One-Time Close Loan.

**Forms:** The draw process uses specific Gateway forms that we have provided to you and to your builder in your Welcome Packets.

- 🏠 The Cost Breakdown Form identifies actual construction expenses; this form was included in your loan documents. We have provided your builder with a copy of this form.
- 🏠 Two forms will be used for each draw request:
  - Draw Request Form, which identifies the amount requested, and
  - All Bills Paid Affidavit, which states that the funds will be used to pay all labor and material for items requested for that draw.
- 🏠 Your builder is allowed to make draw requests for completed work only, not work in progress.

**Payment method:** Two payment disbursement options are available. You will sign a form at closing indicating your preference:

- 🏠 You may authorize us to disburse funds directly to the builder via wire transfer, or
- 🏠 You may receive cashier’s checks made payable to both you and the builder.

**Payment timing:** After Gateway Mortgage Group receives a draw request from your builder, our draw specialist will order an inspection of the property. The draw amount released to your builder will be based on the percentage completed from the line items requested. This draw process takes an average of 72 hours to fulfill.

**Payment delays:** There may occasionally be a delay of the disbursement of funds due to special circumstances, such as delays from the inspection company.

🏠 *Please note:* If your interest payment is delinquent (after the 15th of the month), the draw may not be released until the past-due payment is received in our office.

**Change orders:** If the cost of a change order exceeds the scope of your loan, you are responsible for providing funds to cover these costs. These additional funds are separate from loan proceeds; the loan amount cannot be increased to cover change orders or other additional costs.

**Insurance:** It is mandatory that Builder's Risk Insurance be maintained during the construction phase. If, at any time during construction, the required policies expire or are cancelled, it is your responsibility to see that the home is insured with no lapse in coverage.

**Builder conflict:** If, at any time during the building process, any conflicts arise regarding your builder, sub-contractors, or suppliers, notify Gateway Mortgage Group immediately.

## 3 Completing construction: *Final Draw Process*

As your home nears completion and your builder has received the majority of the available construction funds, the final amount due is typically held for the Final Draw Process. This ensures the project is completed to your expectations and all the final inspections and certifications are complete.

- 🏠 Your builder's Final Draw Request is usually for the final 10% of the contract amount.
- 🏠 Because of the items required to verify completion of the building process, the final draw process may take more than the typical 72-hour turnaround for funds to be disbursed.
- 🏠 The items required by Gateway to release the final draw to the builder may include the following (depending on your home's location, not all items may be required):
  - **Date Down Endorsement:** This is ordered by Gateway Mortgage Group from the title company to ensure no additional liens have been filed against the real property during the construction phase. If any liens are discovered, it is the responsibility of the borrower to clear any defects to the title prior to modification.
  - **Final Survey:** The final survey is usually ordered by the builder or borrower, but can be ordered through a title company by Gateway Mortgage Group. Final surveys may be required to ensure that no encroachments have been made.
  - **Builder Docs:** These documents are printed by Gateway and faxed to the builder upon final draw request. They contain the General Contractor's Final Lien Waiver, the Certificate of Occupancy and the Certificate of Completion.
    - The builder must sign and notarize the Final Lien Waiver.
    - You, as the borrower, must also sign the Certificate of Completion. You sign the Certificate of Completion to verify to Gateway Mortgage Group that the home is 100% complete to your satisfaction.

- These documents are then faxed or emailed to our office. Original documents may be sent overnight or mailed to Gateway Mortgage Group.
- **Final Inspection (442) and a Recert of Value:** These will be performed by the original appraiser, who must certify that the project has been completed based on the plans and specs outlined in the original appraisal and that the property has not lost any value.
- **Certificate of Occupancy:** The certificate may be provided by you or your builder, if required by your city or county regulations.
- **Well and/or Septic Certification:** If you have one or both of these, your builder should be able to supply the certification if required by city or county regulations.
- **Homeowner's/Hazard Insurance:** Once construction is 100% complete and you have signed the Certificate of Completion, Gateway Mortgage Group requires evidence of a homeowner's policy paid one year in advance. Please note: Homeowners insurance must be in place prior to move-in or taking occupancy of the property.

## 4 Living in your new home: *Modification to Permanent Loan*



Construction is complete, certificates are signed, and you are ready for moving day! The last step is converting your construction loan into a permanent mortgage.

**No closing required:** Your initial closing, prior to construction, is the only actual closing required with Gateway's Single-close Loan. This means the documents you will sign at modification simply convert your construction loan into a permanent mortgage. This is done at your local Gateway branch.

**Loan modification:** Loan modification modifies the terms of the loan to align with the actual principal balance—i.e., expenses incurred during construction.

**Loan payment:** Your mortgage loan payment will be established based on the type of loan program and interest rate you have chosen. This is also when your escrow account will be set up (if your loan requires escrows) and a first payment date scheduled.

**Modification process:** Although your builder has completed the project and has received the final draw, the modification process must be completed before you move into your new home.

🏠 **Rate:** You must lock your permanent interest rate. If you locked during construction, this step is complete. If you have not locked, please contact your Loan Originator to discuss your lock. Afterwards, your Loan Originator will inform our modification desk of your loan's particulars.

🏠 **Document signing:** Once your rate is locked, we will contact you to arrange a time for you to sign the modification documents.

🏠 **Funds due at signing:** Expenses due at modification may include the following:

- Construction interest due up to time of signing
- Pre-paid interest due on the permanent loan
- Escrow setup (property taxes, insurance, and mortgage insurance)
- Any shortages in the inspection fees
- Any unforeseen costs not paid from the initial closing

*Note:* If you have a Modification Reserve Account, those funds would be used at this time.

# Questions?

## Please give us a call!

*Your Loan Originator is available to help you throughout the construction process. Whether you have questions about the process, funding your loan, your rate lock—please let us know and we will get you an answer.*

*Any changes in your borrower information should be sent to our office in writing via fax, mail or email. Please include your loan number with your correspondence.*

*We appreciate your business and are committed to making your home building experience as enjoyable and stress-free as possible.*

*Welcome to your new home!*

**Gateway Construction Lending Department**  
**otc@GatewayLoan.com**

**Headquarters: 4201 North State Highway 161, Suite 100, Irving, TX 75038**

*Additional terms and conditions may apply. See Loan Originator for more details.*



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