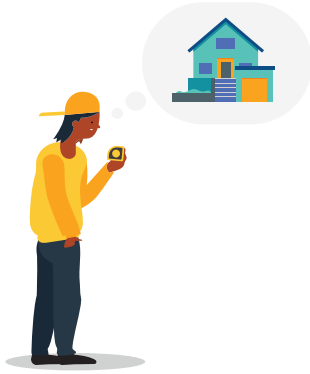


BUILDING A CUSTOM HOME WITH BECU

WHAT YOU NEED TO KNOW ABOUT CUSTOM CONSTRUCTION FINANCING.





PART ONE

INTRODUCTION

Building a custom home can be an exciting and rewarding, though sometimes a daunting process.

Why? You're starting from scratch. You pick the land, the builder, the plans, the materials, and the financing. That's a lot of choices and decisions to be made along the way. Don't worry. BECU has the resources and experience needed to help make your homebuilding process as smooth as possible.

We've done our best to map out the custom construction process; but remember that everyone's situation is slightly different. Depending on your circumstances, you may need to bypass or reconfigure the sequence of steps described below to fit your situation. The goal of this e-book is to give you the tools and information you need to feel confident along the way. We hope you find it useful.





PART TWO

HOW TO BEGIN

Make a wish list. If you've decided to build a custom home, it's probably because there are things about your current home that you want to change.

The first thing to do is to list the features you'd like to have in your dream home. When you're developing a custom home plan, don't just think about how good things will look, but how you will use them. Ask yourself a few questions, like:

- Do you want your bedroom on the main floor?
- How easy is it to get from the kitchen to the dining room?
- Will you usually be entering the house through the front door, the garage, or a side door?
- Where does your family normally gather in the evenings?
- How often do you entertain?
- Do you need play space, office space or hobby space?

These are the kinds of questions you should be discussing with your architect or home designer. Make sure you're designing a house that functions the way you want it to.

What daily frustrations do you encounter in your current house? Make a list of features or issues and don't hold back. Involve everyone that lives in your house or visits you regularly. There are no bad ideas at this stage, so write down all suggestions.

Organize your ideas in a binder physically or digitally along with your wish list and budget and bring these with you when you meet with your architect or home designer.



More questions and ideas to consider could include the following:

LOCATION

- Do you want to be close to your siblings or aging parents?
- How often do you see your extended family?
- Do you want your custom home to be the family gathering spot?
- Are you looking for a child-friendly neighborhood? Have you reviewed the schools, parks, and safety statistics of the neighborhoods you're considering?
- Are you looking for a quiet spot at the end of a cul-de-sac? Or do you want the sidewalks and bus lines of a more urban setting?
- Do you want a fenced backyard or open acreage so the children or grandchildren can explore?



EXTERIOR APPEARANCE

- What exterior appearance do you value for your home? Or are you looking for a traditional design?
- Have you browsed magazines and websites to familiarize yourself with design styles?
- Colonial, cape cod, ranch, cottage and craftsman are just a few of the most popular home styles. The style will impact your budget.
- In general, the more angles a home has the more expensive it will be to build.
- Homes that are closer to the shape of a rectangle require less materials and lower labor costs. Intricate moldings, special features and extra trim add to the cost.



AMOUNT OF STORAGE

- Does your current home feel cramped?
- Consider whether extra closet and/or storage space will support your organization goals.
- Consider adding closets, casework or even extra storage space in your new home's garage and attic.



INTERIOR FEATURES

- Do you entertain guests frequently?
- Do you love to cook or hold dinner parties?
- What are your kitchen space needs?





PART THREE

SETTING REALISTIC PRIORITIES

Weigh your expectations of a dream home with considerations including budget, the availability of material, timeline and other factors. Many projects will require some form of compromise.

We know some features are just more important than others. Think about what will make the most impact on your family's quality of life. These are your primary features. Others may be nice to have but won't have a major impact on your quality of life. These become lower priorities.

Making a simple list is one of the best ways to organize your thoughts. Try to rank order the items in each column, because you likely will need to trim here and there.

Here is an example of how you could prioritize a wish list:

PRIMARY NEEDS	SECONDARY NEEDS
Deck and connecting patio	Granite countertops in the kitchen
Spare bedroom	Heated slate floors in the kitchen
Home office	Soaking tub
Family game or theater room	Walk-in shower
Three bathrooms	Gas fireplace in the living room
Three-car garage	Barbecue pit or outdoor cooking area
Double sinks in the primary bath	
Primary suite on the main floor	

DETERMINE A ROUGH BUDGET

At this stage, you aren't going to have a firm idea of what everything will cost. However, it is important to get a general idea of what you are willing and/or able to spend on your new home.

To get started, you may want to ask yourself a few key questions:

- What have you saved?
- How much can you afford to borrow? Consider taxes and insurance as well.
- Are there maintenance or up-keep costs associated with your future home?
- How much do you want to spend on the lot? Will you want a view? Waterfront?
- What will you clear from selling your current home?
- Where will you want to splurge on top-line materials?



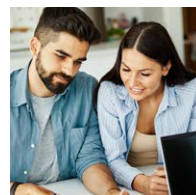
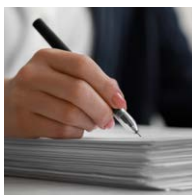
PART FOUR

GETTING PRE-QUALIFIED

A conditional approval means that BECU is approving your ability to borrow up to a certain amount of funding based off of verified income, assets, and credit history.

It is a good idea to get approved for a loan as early into the homebuilding process as realistically possible. Make an appointment with a BECU loan officer to go over your rough budget and ask preliminary questions about the construction process. Getting your loan officer involved early may prove to be one of the best things you can do to solidify your budget.

Our experienced mortgage advisors specialize in custom construction financing and will help to guide you before you start drawing up plans. Once you have a conditional approval, you can move forward confidently, knowing what you can realistically afford.





PART FIVE

PURCHASE YOUR HOMESITE

If you need to purchase a plot of land, you may want to consider a BECU land loan.

Once you own the land, you can take your time to hire an architect, firm up plans and get building permits. Check with the local building department for zoning and a checklist of their permit requirements and turn times. Some areas take longer than others to approve building permits.

When you're ready to build, you can pay off the land loan balance with the construction loan. For example, BECU offers both short-term loans as well as a longer terms if you don't have immediate plans to build a home.



PART SIX

LEAVE IT TO THE EXPERTS

Good builders, architects and general contractors will prove themselves invaluable when building a custom home. If you are new to the custom construction process, hiring a well-respected contractor is well worth the extra money.

Depending on their individual skill set, they can help you determine your budget, draw up your plans, make informed design decisions and oversee construction. Make sure the team you are hiring has all the specialized skills and experience your project will require. Ask questions, get references, and verify that they have all the necessary licenses and insurance required.

One of the best places to start is to ask your lender for a list of builders in your area. Depending on the project and the team you choose, there may be some overlap between titles and job responsibilities. In some cases, you may be able to find one company that has its own team and can handle everything. In other instances, you may want to hire each of them yourself to pick your own individual team members.

HERE ARE A FEW KEY PLAYERS TO CONSIDER HIRING FOR YOUR CUSTOM HOMEBUILDING PROJECT:

ARCHITECTS

Architects are responsible for planning and designing buildings. A good architect will work with you to get a good understanding of how you will use the home and discuss any design features you would like to include. With this knowledge, they develop all the structural, mechanical and electrical requirements.

The architect will also help oversee the process by getting frequent updates from the builder or general contractor. In addition, architects will often help you get your construction permits by helping you submit your plans for approval. In most cases, architects are paid through commissions from their client based on the total project budget.



BUILDERS

Builders are responsible for coordinating and building your home. Some builders may design completely custom homes using in-house architects or designers. Others may work with architects hired by their clients. Builders will often have their own in-house teams that handle most aspects of construction without much need to subcontract.

In most cases, you will work with your architect and builders to determine the costs of your home. The construction budget will normally cover the costs you pay to the builder, including materials and subcontractors, plus any costs the builder charges for their services. When you finance your custom home with BECU, you must use an accepted builder and cannot build your own house.



GENERAL CONTRACTORS

A general contractor will be involved in all of the day-to-day management during the construction process. Most of the time, the builder and general contractor are the same entity. They are responsible for keeping the project on target, on time and on budget. A general contractor will hire all the subcontractors needed for your job. In most cases, they are paid by charging a percentage on top of the total costs charged by the subcontractors.



INTERIOR DESIGNERS

Interior designers are multi-talented, artistic professionals responsible for designing and coordinating the use of interior space. This can include everything from layout and furnishings to paint and carpet colors. Some interior designers are self-employed while others work for design firms or retail stores.

There are different ways your interior designer can be paid depending on how they're employed. Self-employed designers can be paid by the hour, by the project, by the square foot, or based on the cost of materials. Designers working for design firms or retail stores are usually paid yearly salaries or by the hour. Their cost can be included as a line item on the construction budget.



SOIL ENGINEERS

Soil engineers or geotechnical soil engineers are responsible for inspecting and analyzing a site's soil and geotechnical characteristics. Through observation and testing they determine things like drainage, erosion patterns and weight-bearing capacity. This will help to know whether any special accommodations need to be made to the foundation or other aspects of the home.

Soil engineers can charge hourly for their services including the time they are drilling or inspecting a property but may charge flat rates for testing or writing up reports.



PART SEVEN

CONSTRUCTION FINANCING 101

BECU specializes in construction financing. We know that building a custom home may be one of the biggest financial decisions you will ever make.

In December of 1935, BECU began as a small group of Boeing employees coming together to pool their money to make small loans to their co-workers for tools and other needs. While much has changed over the past eight decades, our passion for supporting our members and their financial well-being and our commitment to being a not-for-profit cooperative credit union is as steadfast as ever.

When you choose BECU for your home loan needs, you will have a dedicated loan officer who will handle your loan from start to finish. BECU offers an all-in-one custom construction loan. With our all-in-one loan, there is only one application, one closing and one set of costs. You will not have to get two loans, one for the construction of the home and another loan after the home is completed. The entire project is underwritten at the same time. And you will be locking in your permanent term before you even break ground, giving you additional peace of mind. We even give you the option to lock in your interest rate during processing after your project and builder are approved. Please note that rates can change daily. Ask your mortgage advisor for more details.

When you are building a custom home, we allow interest-only payments on the funds you have drawn to date as your home is being built. This is billed once per month. Upon completion, we roll your loan into a fully amortizing loan with principal and interest (taxes and insurance). Construction of your home will be paid for by monthly draws from your total loan amount based on the percentage of construction completion. We use cutting edge technology and draw software with a dedicated team that is available throughout the entire process.



PART EIGHT

GETTING A CONSTRUCTION LOAN APPROVED

If you bring your lender into the mix as early as possible, they can help to make sure you have everything you need in order to get your construction loan approved so you can get things moving!

APPRAISAL CHECKLIST

BECU requires an appraisal to determine the current market value of the home if it were completed today. The finalized plans, cost breakdowns, and material specifications are required for this step. The total loan amount is then finalized. The appraisal value is key to determining the final loan amount.

BECU will not lend more than 80% of the appraised value or the actual cost of construction, whichever is less. The appraisal must be completed before your loan can close, so you should gather the documents required to order an appraisal first. They can take up to a few weeks to get scheduled, so you will have plenty of time to prepare the rest of the paperwork before it is time to close on the loan.

These items are required to order an appraisal:

- A digital set of building plans which includes the foundation plan, floor plan and elevations. This must be signed and dated by borrower and builder.
- The plot and/or site plan includes the lot dimensions, setbacks, easements, adjoining roads, location of house, location of garage and, if applicable, location of septic system and well. This must be signed and dated by borrower and builder.
- A description of materials and specifications that must be signed and dated by borrower and builder.
- A fixed cost breakdown and/or budget that must be signed and dated by borrower and builder.
- A fixed-price construction contract. This includes state sales tax, builder's profit and overhead. It should match the cost breakdown exactly and must be signed and dated by borrower and builder.
- Acknowledgment of any prepaid construction costs, along with copies of receipts.
- A legal description of the property and purchase contract/details of purchase contract.

This is your custom home, but if you're borrowing the money to build it, remember BECU will be the lien holder that has financial claim to your loan. That's why BECU needs to review your builder. While you are gathering everything you need to complete your loan application, your builder will also have to do some paperwork.

BECU requires a completed [Builder Packet](#) to evaluate your builder's experience level and financial condition.



BUILDER CHECKLIST



- Contractor or builder questionnaire (filled out and signed by builder).
- Construction Loan Information Guide (signed by borrower and builder).
- Contractor license(s).
- IRS W-9.
- General liability insurance.
- Workers' compensation insurance (in most instances Washington Department of Labor and Industries included workers' compensation in the contractor's license).

Obtain permits, licenses and insurance. While you wait for the appraisal, you will need to obtain permits and insurance.

PROJECT CHECKLIST



- Course of Construction Insurance. This is provided by you, the borrower, to protect the dwelling while it's under construction.
- Septic Permit (if applicable). A public sewer must be available at the lot boundary. If it's not, the property will require a septic system. An approved septic design is required prior to filing for a septic permit.
- Well Permit (if applicable). Public water is required to be available at the lot boundary. If a public water system is not available, then a developed well is required on the site.
- Building Permit. The local city or county must issue this document allowing you to build on the property. They will require your building plans when you file for a permit.



PART NINE

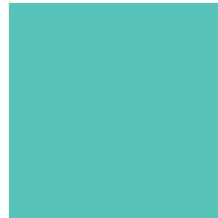
HOORAY! PAPERWORK COMPLETE.

You are preparing to close on your loan. Once your appraisal is complete and you've gathered the rest of the necessary documents, your loan is ready for final review by BECU's underwriting team.

At the end of the closing process, you will coordinate with the chosen escrow company. You will sign your final loan documents and pay closing costs as well as your down payment. Everything you've done up to this point has been in preparation for starting and funding the construction of your new home. Once the construction loan is closed and funded, you can start the construction process.

During construction, you make interest-only payments based on the amount you've drawn against your loan, not the whole loan amount. As we mentioned earlier, construction is funded through monthly draws. Your monthly draws will be based on the completion percentage.

Plan to communicate often with your builder throughout the construction process to make sure that you stay on schedule. Keep BECU informed of any issues or delays that impact your budget or project timing. Refer to the information guide for change order policy and requests. While it is the builder's job to help you build your home on time and within budget, it is ultimately your responsibility as the borrower to make sure your project is completed on time and on budget.





PART TEN

ENJOY YOUR NEW HOME

Once construction is complete and your new home passes the final inspection, you will receive your occupancy permit and you can move in. If you've financed your construction loan with BECU, your all-in-one loan will convert to permanent financing. Our servicing department will contact you to establish your escrow account. At this point in time, your construction insurance will need to transition to a homeowner's policy and the premium paid up front. Also, your property taxes which you have been paying during construction, will need to be fully paid and current.

Depending on when you paid your last interest-only payment, your new mortgage payment will be the following month. And that's it — you've done it! You have built your custom home and now get to reap the rewards of all your hard work through the process.

As you begin your journey, we hope that you have found this e-book valuable. If you're interested in getting started or learning more about the process, contact one of our professional mortgage advisors. They'll be happy to support your custom construction journey.



Mortgage loans are subject to membership, credit approval, and other underwriting criteria; not every applicant will qualify. Construction loans are available in Washington, Idaho, and Oregon only until further notice. Certain restrictions apply. Home loan programs, terms, and conditions are subject to change without notice. BECU reserves the right to terminate this program at any time without notice.