

Construction Mortgage (2nd Position)

A construction Mortgage: 2nd Position (Near Prime B Lender or Private C Lender) is usually used to build a spec home, either for resale purposes or to be owner-occupied. The approved loan amount is based on the “as if complete” value of the home and not the value of the lot or home in its current position



Construction



2nd Mortgage

Product Features

Property Type	Borrowers usually own an older residential home or a lot and hold a traditional A or B first mortgage on the property.
Rate	<ul style="list-style-type: none"> Interest rates are usually 8% to 10%, depending on the equity and available starting capital of the owner (keep in mind this is a 2nd mortgage approved solely on the equity in the property and the available capital of the owner) Interest starts to accrue when money is advanced. It only accrues on the portion of advanced money and not on the total approved amount
Fees	<ul style="list-style-type: none"> Lenders usually charge a fee of 1% - 2.5% of the loan amount depending on the equity and available starting capital by the owner Legal fees range from \$1,500 to \$3,500 depending on the size of the mortgage and the value of the property There are no monthly payments until the house is complete or the entire mortgage amount is advanced

Qualifications

- The construction mortgage commitment is usually issued before the home is demolished, with payment based on a construction plan. Usually, the first draw payment is provided around the time of the framing of the home, but advances can come as early as the pouring of the foundation.
- The property owner must use their own funds to initiate and progress the construction process until they have reached the agreed upon stage to receive funds from their lender. Once that stage is completed, the lender will issue the money.
- The borrower benefits from keeping their residential first mortgage with either a Prime A lender or a Near Prime B lender.
- Income and credit are usually not considerations when approving construction mortgages in 2nd position.
- Funds are readily available and provided quickly; lenders are flexible and work with you to complete the home as quickly and efficiently as possible.

