

CONSTRUCTION PACKET

DISCOVER THE MFM DIFFERENCE



MemberFirst

MORTGAGE

Builder Construction Packet

2022



Table of Contents



3	BUILDER INTRODUCTION
4	DRAW PROCESS AND SAMPLE
5	BUILDER DOCUMENTATION LIST
6	EXPLANATIONS: <ul style="list-style-type: none">Notice of CommencementNotice of FurnishingClaim of Lien (Waiver of Lien)Sworn Statement
9	BUILDER QUESTIONNAIRE
12	DRAW REQUEST FORM
13	BUILDER ACH AUTHORIZATION FORM
15	WAIVER OF LIEN <ul style="list-style-type: none">Full Unconditional Waiver of LienPartial Unconditional Waiver of Lien
15	SWORN STATEMENT

Builder Introduction



Hello Builder,

Thank you for assisting our member with the construction of their dream home! We look forward to working with you during this process and making this a great experience for our shared client.

Member First Mortgage offers a one-time close, 12-month construction loan program with up to five funding draws (**see example of our estimated construction draw schedule on the following page**). As we move the member's application through processing and underwriting, documentation will be needed from you throughout the process. Enclosed in this package you will find a documentation list and Builder Questionnaire form. Please gather the required documents and send them to the assigned Loan Originator as quickly as possible to ensure a smooth process.

Thank you!

Sincerely,

Member First Mortgage, LLC
616 44th Street SE, Grand Rapids, MI 49548
866.898.1818
www.memberfirstmortgage.com

DRAWS AT CLOSING:

Draws at the time of closing must be requested by the builder and acknowledged by the borrower in advance and prior to the final loan approval. The request needs to be in writing, a form is available in this package, or a request can be submitted via email, it must contain all the same information as the form, with an acknowledgment from the borrower. This documentation should be submitted to the Loan Officer and/or Processor during the construction loan approval process.

DRAWS DURING CONSTRUCTION (AFTER INITIAL LOAN HAS CLOSED):

To help draw requests run smoothly, please see below for our process during this phase of the construction.

- Each time the Builder completes a phase, they are entitled to loan proceeds to pay for the supplies and labor expenses. The Builder will contact Member First Mortgage for a "Draw Request" providing the required documentation, such as sworn statements and full/partial lien waivers from previous draws. Please remember to adjust the sworn statement for any increases or decreases in Original Contract Amounts, new Revised Amounts, and Balance to Complete. A template of a full and partial lien waiver is included in this packet.
- Once the initial loan has closed, our Servicing Team will setup the loan for the draw process. A welcome letter and email will be sent to you, appointing your construction loan agent, and outlining the next steps. Please allow 10 business days from the date of closing for this information to be sent. If you need to speak with an agent sooner, please call: 866.636.1052
- A sworn statement with the Original "Cost to Complete" for the project was submitted when the loan was approved. This document will be used and updated going forward with each draw request submitted for funding. The sworn statement will need to be signed and notarized by the builder/contractor for each draw request. An example template is included in this package for use, this document must be signed and notarized.
- To ensure the home is being built as expected and on schedule, Member First Mortgage will order an inspection of the property for each draw request.

Below is an example "draw schedule" detailing how funds are generally disbursed after closing.

- **1st Draw** – Footings and Foundation are completed, and the soil is back-filled. At this time, we will order a "Mortgage Survey" to show where the house is located on the property.
- **2nd Draw** – The home is completely framed and closed-in with the roof, exteriors doors and windows installed.
- **3rd Draw** – All rough-ins for mechanical, plumbing, and electrical items are completed, insulation is installed, and the drywall or plaster is completed.
- **4th Draw** – Exterior and Interior items such as, cabinetry, heating and other mechanical items are installed. The well and septic system or connection to public utilities are complete. Installation of floor covering, painting, finished plumbing and electrical and trim.
- **5th Draw** – The Final Draw will finish any remaining interior items and exterior items, porches, decks, and landscaping are completed to give you the finished product.

**Construction loan draws will begin after initial borrower funds and/or equity for transactions have been fully satisfied.*

Construction Servicing Contact Information:

construction@memberfirstmortgage.com | 866.636.1052

FOR BUILDER APPROVAL:

- Completed Member First Mortgage Questionnaire
- Builder's License (with the exception of Texas builders - provide licenses of all sub-contractors)
- Builders Liability Insurance and Workmen's Compensation Insurance (if applicable)
- Master Insurance Policy which shows the builder is approved for a Builder's Risk Policy - eventually to be updated with the project property and submitted to the lender prior to closing.

PROJECT APPROVAL:

- Signed contract between builder and member
- Member Equity Acknowledgement (provided to member)
- Plans/Specifications/Blueprints
- Legal description of subject property and/or Tax ID Number (can be found on a survey or tax bill) (if available)
- Copy of existing property survey (if available)
- Proposed draw schedule
- A survey site map of the property indicating the proposed building site (a foundation survey will be required once footings/foundation is in place)
- A Notice of Commencement provided to the title company for recording, at closing a copy of which must be posted at the site along with blank Notice of Furnishing Forms.
- All building permits, when available
- A Sworn Statement provided by the builder to Member First Mortgage via the Mortgage Consultant. If there is work in process, all appropriate lien waivers must be obtained, forwarded to, and approved by the title co. (Illinois and Michigan - and other States as applicable).

I. NOTICE OF COMMENCEMENT

A Notice of Commencement is a statutory notice which is prepared, posted and recorded (as directed by statute) for purpose of giving a "contractor" on a construction project and/or potential lien claimant the names and addresses of the parties to whom they should direct their Notice of Furnishing and, if necessary, Claim of Lien. Additionally, the Notice of Commencement serves to notify prospective purchasers, lessees and lender that the property is or has recently under gone some form of construction improvement, thereby allowing third parties to consider the issues surrounding recent new construction when negotiating their potential future transactions.

The Notice of Commencement contains a legal description of the property involved in the construction project, the name and address of the Owner or party responsible for the construction project (i.e. tenant, land contract purchaser), the name and address of the fee Owner of the property, if someone other than the Owner is contracting for the improvement, the name and address of the Owners Designee, if any, and the name and address of the General Contractor, if any. The Owner, party responsible for the construction project or their "Designee", whose name and address must be included in the body, prepares the Notice. If the improvement is not a residential structure (i.e. not to be occupied by the Owner), the Notice must be given to the General Contractor, must be recorded with the Register of Deeds of the county where the property is located must be posted on the property where the improvements are to be made. If the improvement is a residential structure that will be Owner occupied, then the recording and posting is not required. However, in either case, if the Owner receives a written request for the Notice of Commencement, they must furnish a copy of the Notice to the requesting party within ten days. Likewise, a contractor who has received a Notice of Commencement from the Owner must provide a copy of the Notice along with a blank Notice of Furnishing to all subcontractors who request the same in writing within ten days of receiving the request.

II. NOTICE OF FURNISHING

A Notice of Furnishing is a document intended to inform the Owner or the Owner's Designee, as well as the General Contractor as to the subcontractors, suppliers, material men and laborers who have provided or will be providing improvements to the project. From a practical standpoint, it is a notice advising responsible parties as to who will be looking for payment for services, labor and/or material furnished on the project.

The Notice is to be prepared and provided by the subcontractors, suppliers, material men and laborers providing improvements to the property. It must include the name and the address of the Contractor for whom the work was done, a description of the type of work performed or the type of material provided.

The Notice is then sent to the Owner or their Designee, if one has been appointed by the Owner and named in the Notice of Commencement, and the General Contractor of the project, if any. If the Owner has failed to prepare and post a Notice of Commencement, or if they have not appointed a Designee, then just the Owner and Contractor need to receive the Notice of Furnishing. It is the job of the Owner, or their Designee, and the General Contractor to check the Notices of Furnishing they receive for their accuracy and to make sure that the work and material stated to have been supplied have indeed been furnished.

Note: A General Contractor, or other contractor who contracts directly with the Owner, is not required to supply a Notice of Furnishing to preserve their lien rights.

III. CLAIM OF LIEN

In many states, builders, contractors, subcontractors, laborers, material suppliers, etc. are provided certain "rights" under the provision of the Construction Lien Act. These rights are provided to specific parties as a way to ensure their receipt of payment for work they have performed or materials they have supplied in connection with a construction project, and to provide them with procedures to recover payments they have not received. The primary vehicle utilized in the protection of the rights of the parties specified under the Act is Claim of Lien. The Claim of Lien, when properly completed and filed under the requirements of the Act, creates a lien that attaches to the improvements made to the property and allows the lien claimant to attempt recovery of the money owed to them through the process of foreclosure on the lien. The lien, when related, generally has "priority" over all subsequent liens, mortgages and interests recorded prior to the claimant's lien. This is why it is so important for all parties, contractors, suppliers, owners and lenders, to be as informed as possible as to who is involved in the construction project on the property, when work began, how much money has been paid to whom, have waivers been received for the work performed and paid for, etc. According to statute, the filing of a Claim of Lien must be done within 90 days after the filing party last performed work or supplied materials to the job. The Claim of Lien and a proof of service of a Notice of Furnishing (if one was required to be served) are to be recorded at the register of deeds in the county in which the property is located. Within 15 days of the recording of the lien, a copy of the lien and proof of service must be served on the Owner's Designee or, if none was appointed, the Owner. An action to foreclose a lien must be commenced in circuit court within one year of the recording of the lien. Again, the Construction Lien Act is very specific as to who can create a Claim of Lien, how it can be created and how it can be perfected. The Act recites the information required to be in the lien, how it is to be executed, notarized and most importantly the time periods within which the lien must be filed and foreclosed. The failure to follow the Act's requirements to the letter can result in a court determining the lien as being invalid.

IV. SWORN STATEMENT

The Sworn Statement is a document that is generally provided and signed by an Owner or General Contractor. The Construction Lien Act recites the information to be included within a Sworn Statement. Many Sworn Statements are not in "statutory" form, but most will at least set forth the place to list all of the names of the contractors, subcontractors, laborers or suppliers with whom the party executing the Sworn Statement has directly contracted for the providing of services, labor or materials; the type of improvement, service or materials to be provided by each provider; the total contract price of each provider; any amount already paid to a provider; the amount currently owed to each provider; and the balance to complete the work contracted for by each provider.

The Construction Lien Act states that Sworn Statements must be provided by "contractors" when they request payments, when payment is due, or at any time a demand for a sworn statement is made by or on behalf of an Owner.

The Sworn Statement is a necessary and useful tool in the monitoring the construction process. It allows owners, lenders and general contractors alike to keep abreast of the work being performed on a project, who is performing the work, the payments being made to each provider, total costs of a project paid to date, balance to complete the project, etc. When this information is computed and compared with the construction contract and the construction loan, it can be quickly determined by the parties as to whether the construction will be completed within the specified contract price and/or whether the loan is "out of balance" and additional proceeds will be required to complete the project.

The Sworn Statement also serves as a checklist to keep track of providers who are to be paid, how much they have been paid and what remains to be paid, as well as track any cost changes for materials, services or upgrades. When compared with Notices of Furnishing, an Owner or a Lender can determine if there are certain providers listed for payment from whom the Owner, or the Designee, has not received a Notice of Furnishing, or from whom they have received a Notice of Furnishing but the provider is not listed on the Sworn Statement.

When used in conjunction with full and partial waivers, the Sworn Statement can also assist in determining the accuracy of the waivers, corroborate the actual amounts paid to and/or amount owing a provider or assist in determining if a provider has not been paid or is being overpaid. Any discrepancies between the Sworn Statement and Notice of Furnishing, or Sworn Statements and Waivers of Lien should be addressed and resolved as quickly as possible. These are again the types of problems that can delay the disbursement of construction loan proceeds and cause an Owner or a Contractor additional concern with getting payments to their providers and avoiding the unnecessary filing of Claims of Lien against the property.

Builder Questionnaire



BUILDER QUESTIONNAIRE

Company Name: _____

Type: Corporation Partnership LLC DBA Individual

Address: _____

City / State / Zip: _____

Business Phone: _____ Tax ID License #: _____

Email: _____

BUILDER OFFICERS AND PRINCIPALS:

Name: _____

Title: _____

Address: _____

City / State / Zip: _____

Phone: _____

Name: _____

Title: _____

Address: _____

City / State / Zip: _____

Phone: _____

Name: _____

Title: _____

Address: _____

City / State / Zip: _____

Phone: _____

Name: _____

Title: _____

Address: _____

City / State / Zip: _____

Phone: _____

INSURANCE INFORMATION:

Builders Risk Carrier: _____

General Liability Carrier: _____

Workman's Comp Carrier: _____

Agent & Number: _____

Agent & Number: _____

Agent & Number: _____

Builder Questionnaire



How long have you had your Builder's License? Or been in the construction business?

What is the price range of the homes you build? From \$: _____ To \$: _____

How many homes have you built and closed in the past 12 months? _____

How many homes have you built in the last 3 years (36 months)? _____

What are your current Works in Progress (WIP): Total \$: _____ Number of Homes: _____

How many spec homes have you built and sold? _____

How many spec homes are under construction, but not yet sold? _____

What is your average time from start of project to closing? _____

Are any suits, judgements or liens pending against you or your company? If yes, please explain: _____

Have you ever filed for bankruptcy? If yes, please explain: _____

Are you willing to provide Sworn Statements and other necessary documents in a timely manner? _____

THROUGH WHAT LENDING INSTITUTIONS ARE YOUR CURRENT CONSTRUCTION LOAN ACCOUNTS?

Name of Institution: _____

Address: _____

City / State / Zip: _____

Contact Person: _____

Phone: _____

Total Line of Credit: _____

Available / Left to Draw: _____

Name of Institution: _____

Address: _____

City / State / Zip: _____

Contact Person: _____

Phone: _____

Total Line of Credit: _____

Available / Left to Draw: _____

ADDITIONAL CREDIT LINES:

Name of Institution: _____

Total Line of Credit: _____

Available / Left to Draw: _____

Name of Institution: _____

Total Line of Credit: _____

Available / Left to Draw: _____

REFERENCES:

Name and telephone number of three suppliers:

Name: _____

Name: _____

Name: _____

Phone: _____

Phone: _____

Phone: _____

Name and telephone number of three customers for which you have recently built for:

Name: _____

Name: _____

Name: _____

Phone: _____

Phone: _____

Phone: _____

Signature: _____

Date: _____

Draw Request at Closing



DRAW REQUEST AT CLOSING

Cost to Construct: _____

Amount Requested at Closing: _____

Builder Name: _____

Builder Signature: _____

Date: _____

Borrower Approval/Signature: _____

Date: _____

Draws at closing are allowed for all soft costs (Architect fees, permits, surveys, blueprints) plus a maximum of 15% of the cost to construct the home for materials. Borrower's cash investment and earnest money is used first and subtracted from the 15%

FOR INTERNAL USE - UNDERWRITING

Reviewed By: _____

Max Allowed Draw: _____

Approved Draw Amount: _____

Condition Added for Closing:

**** Fully completed form to be uploaded to the documents of the loan****

Builder ACH Authorization Form



BUILDER ACH AUTHORIZATION FORM

This Form authorizes Member First Mortgage, LLC to wire construction draw funds directly to the builder. The borrower will receive a notification when the builder requests funds, and if there are any discrepancies, the borrower must contact the servicer to cease funds being sent to the builder until the issue has been resolved. If any claim liens are placed on the subject property, funds will not be wired to the builder until the lien has been resolved.

All construction draw funds are borrower approved prior to being disbursed. When a builder submits a draw request, MFM will contact (email) the borrower to obtain authorization. The borrower must approve or deny in writing via email for MFM records. For each draw request, MFM will send an email with the attached sworn statement for the current draw request for the borrower to review and approve.

Borrower: _____

Co-Borrower: _____

Signature: _____

Signature: _____

Builder: _____

Signature: _____

**This authorization will remain in effect until Member First Mortgage receives the borrower's written notice of cancellation (with reasonable time for the cancellation to take effect), or upon Member First Mortgage's notice of termination.*

Full Unconditional Lien Waiver



FULL UNCONDITIONAL WAIVER

My/our contract with _____ to provide _____
(other contracting party)
for the improvement of the property described as _____

_____ having been fully paid and satisfied, by signing this waiver, all my/our construction lien rights against such property are hereby waived and released.

If the improvement is provided to property that is a residential structure and if the owner or lessee of the property or the owner's or lessee's designee has received a notice of furnishing from me/one or us or if I/we are not required to provide one, and the owner, lessee, or designee has not received this waiver directly from me/one of us, the owner, lessee, or designee may not rely upon it without contacting me/one of us, either in writing, by telephone, or personally, to verify that it is authentic.

Printed Name of Lien Claimant: _____

Signature of Lien Claimant: _____

Signed on: _____

Address: _____

Phone: _____

DO NOT SIGN BLANK OR INCOMPLETE FORMS. PLEASE RETAIN A COPY FOR YOUR RECORDS.

Partial Unconditional Lien Waiver



PARTIAL UNCONDITIONAL WAIVER

[I/We] have a contract with [other contracting party] to provide _____ for the improvement to the property described as _____, and hereby waive [my/our] construction lien to the amount of \$_____, for [labor/materials] provided through [date].

This waiver, together with all previous waivers, if any, [does / does not] cover all amounts due to [me / us] for contract improvement provided through the date shown above.

If the owner or lessee of the property or the owner's or lessee's designee has received a notice of furnishing from me/one of us or if I/we are not required to provide one, and the owner, lessee, or designee has not received this waiver directly from me/one of us, the owner, lessee, or designee may not rely upon it without contacting me/one of us, either in writing by telephone, or personally, to verify that it is authentic.

Printed Name of Lien Claimant: _____

Signature of Lien Claimant: _____

Signed on: _____

Address: _____

Phone: _____

DO NOT SIGN BLANK OR INCOMPLETE FORMS. PLEASE RETAIN A COPY FOR YOUR RECORDS.

Sworn Statement



SWORN STATEMENT

Date: _____

Owner: _____ Company Name: _____ Telephone: _____

Lender: _____ Person Submitting: _____ Cell/Phone: _____

State of: _____ Address of Improvements: _____ Fax: _____

County of: _____

The undersigned President or Owner of the company identified above (the "Contractor"), the builder or general contractor for the construction of certain improvements at the property described above, hereby swears and affirms that the following is a list of each professional, subcontractor, supplier and laborer that Contractor has retained in connection with such improvements and that opposite each such name is a correct and full description of the work or material to be provided by such party, the amount of the original contract or bid, the revised contract amount, if any, the aggregate amount of previous payments to such party, the current amount due such party as of the date set forth above, and the remaining amount required to complete the particular item of work, as follows:

Name, Address, Telephone Number of Subcontractor, Supplier or Laborer	Description of Work or Material	Original Contract Amount	Revised Amount	Previous Payments	Amount This Request	Balance to Complete

Sworn Statement



Name, Address, Telephone Number of Subcontractor, Supplier or Laborer	Description of Work or Material	Original Contract Amount	Revised Amount	Previous Payments	Amount This Request	Balance to Complete

Sworn Statement



Name, Address, Telephone Number of Subcontractor, Supplier or Laborer	Description of Work or Material	Original Contract Amount	Revised Amount	Previous Payments	Amount This Request	Balance to Complete

Sworn Statement



Name, Address, Telephone Number of Subcontractor, Supplier or Laborer	Description of Work or Material	Original Contract Amount	Revised Amount	Previous Payments	Amount This Request	Balance to Complete
TOTALS						

That the contractor has not employed or procured material from, or contracted or subcontracted with, any persons, firms or corporation other than those set forth above, and owes no monies for the construction of said buildings or improvement other than the sums set forth above.

Deponent further says that he or she makes the foregoing statement as the (owner) (contractor) (subcontractor) or as the (owner) (contractor) (subcontractor) for the purpose of representing to the owner or lessee of the above-described premises and his or her agents and the mortgagee and _____ that the above-described property is free from claims of construction liens, or the possibility of construction liens, except as specifically set forth above and except for claims of Construction Liens by laborers which may be provided pursuant to section 109 of the Construction Lien Act, Act. No. 497 of the Public Acts of 1980, as amended, being section 570.1109 of Michigan Compiled Laws.

WARNING TO OWNER OR LESSEE: AN OWNER OR LESSEE OF THE ABOVE-DESCRIBED PROPERTY MAY NOT RELY ON THIS SWORN STATEMENT TO AVOID THE CLAIM OF A SUBCONTRACTOR, SUPPLIER, OR LABORER WHO HAS PROVIDED A NOTICE OF FURNISHING OR A LABORER WHO MAY PROVIDE A NOTICE OF FURNISHING PURSUANT TO SECTION 109 OF THE CONSTRUCTION LIEN ACT TO THE DESIGNEE OR TO THE OWNER OR LESSEE IF THE DESIGNEE IS NOT NAMED OR HAS DIED.

Sworn Statement



WARNING TO DEPONENT: A PERSON, WHO WITH INTENT TO DEFRAUD, GIVES A FALSE SWORN STATEMENT IS SUBJECT TO CRIMINAL PENALTIES AS PROVIDED IN SECTION 110 OF THE CONSTRUCTION LIEN ACT, ACT NO. 497 OF THE PUBLIC ACTS OF 1980, AS AMENDED, BEING SECTION 570.1110 OF THE MICHIGAN COMPILED LAWS.

ON RECEIPT OF THIS SWORN STATEMENT, THE OWNER OR LESSEE, OR THE OWNER'S OR LESSEE'S DESIGNEE, MUST GIVE NOTICE OF ITS RECEIPT, EITHER IN WRITING, OR TELEPHONE, OR PERSONALLY, TO EACH SUBCONTRACTOR, SUPPLIER, AND LABORER WHO HAS PROVIDED A NOTICE OF FURNISHING UNDER SECTION 109 OR, IF A NOTICE OF FURNISHING IS EXCUSED UNDER SECTION 108 OR 108A, TO EACH SUBCONTRACTOR, SUPPLIER, AND LABORER NAMED IN THE SWORN STATEMENT, IF A SUBCONTRACTOR, SUPPLIER, OR LABORER WHO HAS PROVIDED A NOTICE OF FURNISHING OR WHO IS NAMED IN THE SWORN STATEMENT MAKES A REQUEST, THE OWNER, LESSEE, OR DESIGNEE SHALL PROVIDE THE REQUESTER A COPY OF THE SWORN STATEMENT WITHIN 10 BUSINESS DAYS AFTER RECEIVING THE REQUEST.

Deponent

Subscribed and sworn to before me this _____ day of _____, 20____ .

_____ County, in the State of _____.

Acting in _____ County, in the State of _____.

My commission expires: _____

WAIVER OF LIEN

For a Valuable Consideration, paid to the undersigned, the receipt whereof is hereby confessed and acknowledged, the undersigned hereby waive, release and relinquish any and all claims or right of lien which the undersigned now have or may have hereafter upon the premises described in the above sworn statement, for labor and material, general supervision of construction, or otherwise.

Date: _____

By: _____



Member First Mortgage, LLC

616 44th Street SE | Grand Rapids, MI 49548

1.866.898.1818

This message and any content within it is intended exclusively for mortgage customers (borrowers) of Member First Mortgage, LLC or entities to which it is addressed. This message, together with any attachments and all other content, may contain confidential, privileged, and/or proprietary information. This is NOT an advertisement for distribution to the public and does not contain disclosures as may be required by Regulation Z, or other regulations which may require additional disclosure. Any unauthorized review, use, print, save, copy, disclosure, or distribution is strictly prohibited. Member First Mortgage, LLC is a Licensed Mortgage Lender/Servicer, NMLS #149532, Equal Housing Opportunity.

Corporate Office: 616 44th Street SE, Grand Rapids, MI 49548 | 866.898.1818 | www.memberfirstmortgage.com

