



Partner Construction Packet

2022

**Not for public distribution*



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CONSTRUCTION LOAN ORIGINATION OVERVIEW

Member First Mortgage offers a one-time-close, construction-to-permanent loan product, with a modification at the end of the process when the home is complete. A one-time-close allows borrowers to streamline the construction financing process because it requires just one approval process, one closing, and one set of closing costs.

PROGRAM SYNOPSIS

The construction program is a 12-month loan, with up to 5 draws (**Credit Union as Investor**). With our construction-to-permanent loan the borrower will only go through one approval process, one closing, and are required to pay one set of closing costs. After home construction and a certificate of occupancy are completed, the construction loan will be modified to permanent financing (a long-term mortgage loan). All construction loans must be approved by the investing credit union. Member First Mortgage does not sell construction loans on the secondary market.

HIGHLIGHTS

- Loan to Value (LTV) determined by CU Partner. Typically up to 80% based on appraised value or purchase price, whichever is lower for Single Family, stick built homes.
- 1 Unit family owner occupied or second homes
- Site Built or BOCA/Modular
- 12 months allowed for completion of construction with a General Licensed Contractor (no self-builds)
- The contractor must be unrelated to the borrower and have a signed contract with the borrower.
- Interest-only payments made during the construction period
- All loan disbursements will require Title company or Attorney approval, and will require sworn statements (as applicable by state) and waivers of lien submitted prior to the advancement of funds, along with a physical inspection on the property.
- Members are required to maintain homeowner's and builders risk insurance during construction.
- Any borrower's funds being applied towards the construction needs to go to the lender's Loss Draft for disbursement. Those funds need to be used first before any disbursement of the construction loan funds. In addition, any overages the borrower must pay those funds must be sent to the lender to disburse and monitor.

LOAN ORIGINATOR/MORTGAGE CONSULTANT MUST SUBMIT:

- Member Financial Documentation (See Member packet for details)
- Executed Equity Acknowledgement (See Member packet for details)
- Collect Builder approval documentation (see Builder packet for details)
- **Remember to let the member and builder know that work must be completed before draws can be funded!**

CONSTRUCTION PRODUCT OVERVIEW (Only available as Credit Union Portfolio program)

- DESCRIPTION: 1-time close, construction-to-permanent loan product.
- MORTGAGE TYPE: Conventional/Conforming
- AMORTIZATION TERM: 15, 20 and 30 year Fixed Rate
- OCCUPANCY TYPE: Primary Residence or Second Home
- INTEREST ONLY: Payment during construction phase
- CREDIT: Minimum credit score of 680 required
- ELIGIBLE PROPERTIES: Stick built or BOCA/Modular
- INELIGIBLE PROPERTIES: Manufactured homes, condos, log homes, multi-unit properties

LTV LIMITS

Purchase	Maximum LTV without Secondary Financing
1 unit Primary Residence	80% (as defined by Credit Union Partner)
Second Home	80% (as defined by Credit Union Partner)

LOAN ELIGIBILITY

All loan disbursements will require title company approval. Sworn statements and waivers of lien must be submitted prior to advancement of funds, along with physical inspection on the property.

- Members will be qualified at 1% higher than current market rate.
- Seasoning of existing mortgage: No minimum.
- New mortgage amount: Not to exceed Freddie Mac or Fannie Mae maximum mortgage amounts.
- Closing costs and prepaid items can be rolled into a new loan amount if LTV/equity position allows.
- Land can be acquired at time of closing or payoff current land loan.
- 12 month construction term: 5 Insured Draws (inspection requirements must be met for draws).
- Builders Risk Insurance is required during construction loan phase.
- Licensed builder required, no self-builds (builder must be unrelated to borrower and approved by underwriter).
- Home value is determined by the cost to construction plus the value of the land OR appraised value, whichever is less.
- 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. Draws to be requested by the builder and acknowledged by the borrower-see Builder packet for process.
 - Borrower's cash investment and earnest money is used first and subtracted from the 15%
 - **Example:** Borrowers' earnest money deposits and investments is used first and subtracted from the 15%
 - Example: 15% = \$100,000 (of the cost to construct)
 - Borrower's EMD/POC: \$20,000
 - Max draw at close: \$80,000 plus soft costs if applicable

ADDITIONAL UNDERWRITING INFO

Additional Underwriting guidelines to be determined by Credit Union Partner. Construction program traditionally requires:

- 2 year income history
- DTI maximum 43%

UNDERWRITING CONDITIONS/ITEMS

- Two packages of signed disclosures: Construction loan and Modification loan
- Member signed Loan Information Packet Acknowledgment (prior to closing)
- Executed MFM construction agreement (required at closing)
- Executed Equity Acknowledgment statement (signed by borrower and builder prior to closing)
- Modification loan to be updated with UW numbers to provide final 1003,1008, run AUS

AFTER THE LOAN HAS CLOSED

1. Post-Closing processes the closing package and forwards the file to the Construction Specialist.
2. Construction Specialist sets up a construction processing file and sends a Welcome Letter to the member and builder.
3. In the event the borrower or contractor submits the draw request to the Mortgage Consultant, it should be routed to the Construction Specialist. Be sure to clarify that information with the borrower/contractor. To contact the end Construction Specialist, e-mail: construction@memberfirstmortgage.com or call 866.636.1052.
4. Once the Construction Specialist receives a draw request, the following steps are taken:
 - a. Review the sworn statement for completion. All sub-contractors and suppliers must be filled out - line items must be separated.
 - b. Order endorsement for applicable title company.
 - c. Order a draw inspection.
 - d. Upon receipt of the inspection, review percentage of completion. Input that figure into the Construction Log Sheet for calculation of draw based on completed work. Compare to amount of draw request, ensure percentages are very close. A check request form is prepared and the invoice is paid immediately.
 - e. When endorsement has been received, make sure it insures the total amount of the draw.
 - i. 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.
 - f. If 'd' and 'e' have been received and everything checks out, the draw funds will be requested. The Mortgage Servicer system takes an overnight update to produce checks. They are received by the Construction Specialist on the following business day and sent out to the borrower via UPS Ground delivery.
 - g. Survey is ordered after foundation has been completed.
 - i. If a survey has already been completed on the property, the Construction Specialist should utilize the same company.
 - ii. Upon receipt of the survey, a copy is faxed or emailed to the title company for their records. One copy will go into the file and the remaining copy is sent to the borrower(s).
 - iii. If a billing statement has been sent with the survey, provide Accounting with the original for payment. Keep a copy in the Construction Loan File so the member can be billed (if necessary) at the end of construction.
 - h. As additional draw requests are submitted, continue to follow the steps listed above.
5. The end of construction, home build is completed.
6. Re-Approval

Member Welcome Letter



MEMBER WELCOME LETTER

Following the closing of the construction loan, your member will receive a Member Welcome Booklet from MFM with information about their loan, making payments, etc. This booklet is sent electronically as a PDF and contains information specific to each member/loan.

Click here to view a [sample Member Welcome Booklet](#) for Construction loans, see below for screenshots of some booklet pages:

The image displays four pages from a Member Welcome Booklet for construction loans. The pages are arranged in a grid-like fashion, showing different sections of the booklet.

- Page 1 (Top Left):** Features the MemberFirst MORTGAGE logo and a photo of a smiling couple embracing. The main heading is "WELCOME HOME" in large white letters, with a sub-heading "WELCOME TO MEMBER FIRST MORTGAGE" in a blue box below it. At the bottom, it says "MORTGAGE LOAN INFORMATION".
- Page 2 (Top Right):** Features the MemberFirst MORTGAGE logo and a photo of a modern house at night. The heading is "ABOUT YOUR MORTGAGE LENDER" in a blue box. The text describes MFM's services, including a variety of home loan options, and mentions that MFM is founded in 2001 and built on the Credit Union philosophy of "People helping people." It also notes that MFM is wholly-owned by Credit Unions and partners with Credit Unions across the country. A small icon of a house with a plus sign is visible on the right side.
- Page 3 (Bottom Left):** Features a magnifying glass icon over a house icon. The heading is "YOUR CONSTRUCTION LOAN INFORMATION" in a blue box. The text congratulates the member on their new construction mortgage loan and provides information about the Construction Specialist, the Builder/Contractor, and the construction process. It also includes a note about a sworn statement with the Original "Cost to Complete" for the project.
- Page 4 (Bottom Right):** Features a photo of a couple sitting on a couch, looking at a tablet. The heading is "HOW TO MAKE YOUR PAYMENT" in a blue box. The text provides instructions on how to make payments, including by check, automatic monthly payments (ACH), and phone payments. It also includes contact information for MemberFirst Mortgage, LLC, such as the phone number 1.866.898.1818 and the website www.memberfirstmortgage.com.

BUILDER WELCOME LETTER (SAMPLE)



616 44th Street SE, Suite 100
Grand Rapids, MI 49548

PROPERTY ADDRESS
123 SAMPLE LANE
CITY, ST 55555

DATE

Dear Builder,

My name is _____, I am the Construction Specialist at Member First Mortgage, that will be working with you and the homeowner through the construction process. I look forward to working with you in this construction process!

To help the draw request run smoothly, I would like to inform you of our process during this phase of the construction.

1. 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 builder/contractor for each draw request.
2. Member First Mortgage has a (5) draw procedure for disbursing loan proceeds as the home construction progresses. Typically, they are:
 - a. 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.
 - b. 2nd Draw: Home is completely framed and closed-in with the roof, exteriors doors and windows installed.
 - c. 3rd Draw: All rough-ins for mechanical, plumbing, and electrical items are completed, insulation is installed, and the drywall or plaster is completed.
 - d. 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.
 - e. 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.
3. Each time the Builder completes a phase, they are entitled to loans 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 full/partial lien waivers from previous draws. Please remember to adjust the sworn statement for any increases or decreases in Original Contract Amounts, what the new Revised Amount is and the Balance to Complete.

Builder Welcome Letter



4. Member First Mortgage will also order an inspection of the property for each draw request, to be assured that the home is being built as expected and on schedule.
5. Once the home is completely constructed and homeowner is ready to move in, the final requirement of the Builder is to provide Member First Mortgage with a "Certificate of Occupancy".

**As a friendly reminder, draws from the construction loan will not begin until any initial borrower funds for transactions have been fully disbursed.*

It is our sincere intent to make the construction phase of the home go as smooth as possible. You are certainly welcome to contact our Construction Department during our business hours of 8:30am – 5:00pm EST. Monday-Friday, should you have any questions.

Sincerely,

MFM Construction Specialist
construction@memberfirstmortgage.com
866.636.1052
Member First Mortgage, LLC

CONSTRUCTION LOAN FEES

If the borrower has sufficient equity in the project, closing costs can be rolled into the loan amount. Otherwise, they **MUST** bring in funds to the closing. The borrower is required to pay all equity prior to the first draw on the loan.

In addition to traditional closing costs, the following fees will also be required for Construction financing*:

- MFM Construction Loan Fee: 0.625%, capped at \$3,500
- \$350.00 Title Draw Fee (may vary by title company)
- \$825.00 Appraisal Re-Inspection fees
- \$350.00 Title Draws and Overnight fee (may vary by title company)
- \$350.00 Modification Fee
- \$400.00 Survey (may vary by state)
- \$15.00 Wire Fee (if Builder requests wired funds rather than a check)
- Origination Fee depending on contract level
- Additional fees if applicable (i.e; \$350.00 Construction Extension fee¹)

**Construction loan fees are subject to change at anytime.*

¹Construction Extension fee may be required if the borrower needs to extend the construction maturity date. Borrower must provide a letter of explanation for the reason of extension request, which requires approval from their investor.

NOTICE: This form is intended for internal business use only.

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.*

SAMPLE: Member Payment Options



MEMBER PAYMENT OPTIONS LETTER (SAMPLE)



616 44th Street SE, Suite 100
Grand Rapids, MI 49548

PROPERTY ADDRESS
123 SAMPLE LANE
CITY, ST 55555

DATE

Dear Member,

We are pleased to inform you, we have added more options to make your monthly construction loan payments more convenient. Effective December 1, 2021 you now have two additional options available to make your payments:

- **One-time or Reoccurring Payments:** Log in to your member portal at www.memberfirstmortgage.com. Create an account, and login to make a one-time payment or setup reoccurring monthly payments.
- **Auto Pay:** Enclosed is an automatic monthly payment application form for you to complete and return to Member First Mortgage.

Payments we will continue to accept:

- **Mail:** Simply send your payment to the address listed on your statements.
- **Phone:** You can make a payment over the phone by calling 866.636.1052. Effective January 1, 2021 there will be a \$5.00 processing fee for all phone payments.

We are always looking for better ways to service our members. By making these changes our goal is to assist you in making your payments more convenient. If you have any questions, please feel free to reach out to your construction specialist who can further assist you at 1-866-636-1052 or construction@memberfirstmortgage.com.

Thank you,

Construction Department
Member First Mortgage, LLC



Construction Loan Agreement

THIS CONSTRUCTION LOAN AGREEMENT (this "Agreement") is made on _____, 20____, between _____, whose address is _____ (the "Borrower") and Member First Mortgage, LLC, a Michigan limited liability company, with offices at 616 44th Street SE, Grand Rapids, Michigan 49548 (the "Lender").

The Borrower has applied to the Lender for a loan to provide funds for the construction of a single-family residence and related improvements (the "Improvements") upon real estate described in the attached Exhibit A (the "Site"). The Improvements and the Site are referred to collectively in this Agreement as the "Project".

Lender desires to lend to the Borrower the sums described in this Agreement, and the Borrower desires to borrow those sums from the Lender in accordance with the terms and conditions of this Agreement.

Borrower and Lender agree as follows:

1. LOAN DESCRIPTION

1.1 Construction Loan. Under the terms and conditions of this Agreement, Lender will lend to Borrower, and Borrower will borrow from Lender a sum not to exceed _____ Dollars (\$_____) in the aggregate principal amount for the Improvements (the "Construction Loan"). Lender shall advance funds with respect to the Construction Loan from time to time to Borrower and Borrower shall repay those advances to Lender, together with interest and other costs and charges as provided in this Agreement.

1.2 Mortgage Note. The Borrower's debt to the Lender for the Construction Loan shall be evidenced by a promissory note dated on or about the same as this Agreement in a form that is attached as Exhibit B (the "Note").

2. SECURITY

2.1 Description of Security. The Construction Loan and the Note shall be secured by a first mortgage lien in the Lender's favor on the Project pursuant to a construction mortgage in a form attached as Exhibit C (the "Mortgage").

3. CONSTRUCTION OF IMPROVEMENTS

3.1 Construction of Improvements. The Borrower shall, at its expense, construct the Improvements on the Site. The Improvements shall be completed in a workmanlike manner and in compliance with the plans and specifications, with all improved modifications, and shall be in good and working order, all of which are to be submitted and approved by the Lender prior to any advance (the "Plans and Specifications"). The Improvements shall be constructed in compliance with all building, use, safety, zoning, subdivision, air quality, condominium, planning, environmental, and all other similar laws, ordinances, rules, regulations, and all other requirements of any federal, state, municipal or other government or public authority. The Improvements shall be constructed further in accordance with all covenants, conditions, restrictions and reservations affecting the Site

or the Project. Borrower shall diligently and continuously carry out or cause to be carried out the construction of the Improvements as to insure their timely completion.

3.2 Architect, General Contractor, Construction Manager, and Engineer. The architect, general contractor, construction manager or engineer, to the extent that any of such are involved in the Project, shall be individuals or entities acceptable to and approved by the Lender, in Lender's sole discretion.

3.3 Changes to Plans and Specifications. The Lender shall at all times have the right to require strict compliance with the original Plans and Specifications, but Borrower may request that Lender approve changes. All requests for changes to the Plans and Specifications shall be in writing, signed and approved by the general contractor, the Borrower and the Lender. Notwithstanding the foregoing, the Borrower may change the Plans and Specifications from time to time, without first obtaining the Lender's approval, if those changes do not impair the structural integrity, design concept or appearance of the Improvements, or cause any net construction cost increase to the Borrower. The Borrower shall promptly deliver to Lender copies of all such changes to Plans and Specifications.

3.4 Compliance with Plans and Specifications. All materials, fixtures, equipment and other articles used in the construction of the Improvements shall comply with the Plans and Specifications, as modified under this Agreement.

4. CONSTRUCTION COSTS

4.1 Cost Budget. The Borrower represents and warrants to Lender that the total cost of constructing the Project shall not exceed the amount as shown on the cost budget.

4.2 Borrower's Investment. Before the first request for an advance under this Agreement, Borrower shall have paid a sufficient amount of the total construction costs of the Project so that the remaining costs of the Project for which advances are to be made under this Agreement do not exceed the amount of the Construction Loan. Before the first request for an advance, Borrower shall deliver to Lender all agreements, sworn statements, waivers of lien, and other assurances of payment that the Lender may require and which will be acceptable to Lender and the title company insuring the Mortgage.

5. ADVANCES/INSPECTIONS

5.1 Conditions for Advances. Lender shall make advances to Borrower up to the amount of the Construction Loan for costs of construction of the Improvements so long as Borrower complies with all requirements and conditions stated herein.

5.1.1 Requests for Advances. Requests for advances shall be made upon forms provided by or acceptable to the Lender and all such requests shall be approved by such parties as the Lender may require. Each request shall indicate the amount of the advance being requested and the date on which the advance is requested.

5.1.2 Conditions for Advances. The Lender or title company as designated by the Lender shall not be obligated to make any advance to Borrower unless the Borrower has satisfied the following conditions at the time of the advance:

(a) All representations made by Borrower to the Lender shall be true and correct as of the date of the advance.

(b) There shall have been no material adverse change in the cost of the Project or the financial condition of the Borrower;

- (c) The Borrower shall not be subject to any bankruptcy, reorganization or insolvency proceedings;
- (d) The Borrower shall not be in default under this Agreement or any document executed by Borrower in connection with this Agreement.
- (e) In the Lender's opinion, the Borrower shall have fully complied with all provisions of the State-specific Construction Lien Act, including, without limitation, before the commencement of any physical improvement as defined in the Act on the Site, Borrower shall have recorded a Notice of Commencement as defined by the Act and delivered a copy of the notice to the Lender.
- (f) The Lender shall have received all documents and information required in connection with this Agreement in a form acceptable to the Lender.
- (g) Lender shall have been provided with appraisals of the Project as Lender may require, indicating a minimum market value agreeable and acceptable to Lender.
- (h) Lender shall have been provided with copies of executed contracts between Borrowers and any architect, construction manager, general contractor, or trade contractor to provide labor, materials or services for the Project that are acceptable to Lender.
- (i) Copies of executed subcontracts between general contractor and its subcontractors are provided to Lender and are acceptable to Lender.
- (j) Evidence is supplied to Lender demonstrating compliance with all building, use, zoning, subdivision, air quality, condominium, planning, environmental and all other similar laws, ordinances, rules, regulations and other requirements of any federal, state, municipal or other governmental or public authority pertaining to the Project.
- (k) Evidence is provided to the Lender demonstrating that all covenants, conditions, restrictions and reservations affecting the Site or the Project have been complied with.
- (l) Borrower shall have obtained in a form acceptable to Lender all required permits, licenses, approvals, acceptances and authorizations that are required for the construction, use and/or occupancy of the Project.
- (m) Original paid insurance policies as may be required by the Lender are provided to the Lender in amounts that are acceptable to Lender and with companies acceptable to Lender.
- (n) A current engineering survey, certified to the Lender and the title insurance company for the mortgage is provided in a form acceptable to Lender.
- (o) A paid policy of mortgage title insurance in a standard ALTA form, without exceptions issued by a company satisfactory to Lender in the full amount of the construction loan is provided to Lender.
- (p) Borrower shall furnish such additional documents and information as Lender may reasonably require.

5.1.3 Draw Package Requirement.

The following draw procedures will be followed for advances under this Agreement:

(a) Lender shall disburse advances by check made payable to the Borrower and contractor. Endorsement of each advance check by Borrower and contractor shall constitute acceptance of such funds and approval by Borrower of Lender's actions in disbursing the advance.

(b) Advance amounts will be based on the percentage of work completed and subject to delivery of documents which are satisfactory to Lender and/or the title company designated by Lender.

(c) Borrower shall submit to Lender waivers of lien and sworn statements for each requested advance. Any waiver of lien must be signed by suppliers, subcontractors and laborers that have furnished labor or materials to the Project. Any sworn statement submitted to Lender must be properly completed, signed by the contractor and notarized. Sworn statements shall set forth the contract price for each contractor, subcontractor and supplier as well as the amount previously received by the contractor, subcontractor and supplier and any balance yet due. Each column of the sworn statement must be totaled, with the total amount provided.

(d) Lender may at all times retain sufficient proceeds of the Construction Loan to ensure completion of the Project. Lender will not make advances on pre-purchased items; all items must be in place before advances are made.

(e) The proceeds of the Construction Loan shall be retained by Lender in an account known as the "Building Escrow Funds". Lender is authorized to co-mingle said funds and is not obligated to pay interest on such funds. The funds shall not be subject to garnishment by any creditor of Borrower and said funds shall be disbursed at Lender's sole discretion.

5.2 Inspection of Improvements. Before any advances are made under the Construction Loan, the portion of the Improvements that have been completed at the time of the request for that advance shall be subject to inspection and approval by Lender. There will routinely be five inspections during the course of construction. If Lender determines more inspections are necessary, it will be the responsibility of the Borrower to pay the costs of such additional inspections. Before any advance can be made, a reasonable length of time is needed for inspection of the Improvements by Lender.

5.3 Additional Conditions for Final Advance. In addition to any other conditions or requirements that Borrower must meet to obtain an advance under this Agreement, the Lender's obligation to make the final advance of the Construction Loan proceeds will be subject to Borrower's compliance with the following conditions or requirements in a form and substance satisfactory to the Lender:

(a) Borrower shall furnish to the Lender all of the certificates and documents required by Lender;

(b) Borrower shall deliver to Lender for all work requiring inspection, evidence of issuance of all certificates, permits, licenses, acceptances and other approvals required by any governmental or public authority, including public utilities;

(c) Borrower shall have delivered to Lender all certificates, permits, licenses, acceptances and other approvals authorizing the use or occupancy of the Project issued by appropriate governmental or public authority;

(d) Borrower shall provide to Lender certification by the general contractor and the Borrower of final completion of the Improvements in accordance with the Plans and Specifications and final inspection and approval of the construction by Lender or its designee shall have been completed.

(e) Borrower shall furnish to Lender homeowners insurance in a form and amount with company satisfactory to Lender insurance as may be required by this Agreement or any document executed in connection with this Agreement.

(f) Borrower shall have provided to Lender all other documents and information reasonably required by Lender.

5.4 Application of Advances. The Borrower shall apply the proceeds of each advance made under this Agreement to the construction of the Improvement. If Borrower does not use all proceeds of an advance for such purpose, Borrower shall set aside those unused proceeds before any other proceeds are advanced under this Agreement. If Borrower defaults under this Agreement or under any document executed in connection with this Agreement, Lender may pay any portion of any advance directly to the general contractor, or any subcontractor or supplier of materials or labor for the Project.

6. INSURANCE

During the construction of the Improvements, as long as any part of the Construction Loan remains unpaid, the Borrower shall maintain for all property covered by the lien of the Mortgage a policy or policies of insurance against fire and such other hazard and risk customarily covered by the standard form of extended coverage endorsement available in their state, as well as a policy or policies of insurance for builder's risk, public liability, workers compensation, federal flood insurance (if required), and such other insurance as the Lender from time to time requires, containing as applicable a standard loss payable and/or mortgagee clause, in favor of Lender. All policies shall be with companies and in form, amount and substance satisfactory to the Lender and shall be non-cancelable except upon thirty (30) days' written notice to the Lender.

7. BORROWER'S AFFIRMATIVE COVENANTS

The Borrower covenants with the Lender as follows:

7.1 Access to the Project. To give the Lender or its designee access to the Project.

7.2 Construction of Improvements. To cause the construction of the Improvements to be made with due diligence and to complete the construction of the Improvements on or before the due date, end date or maturity date of any document executed in connection with this Agreement to correct, in a timely manner, any structural defect in the Improvements or any variation from the Plan and Specifications not approved by the Lender.

8. BORROWER'S NEGATIVE COVENANTS

The Borrower covenants with the Lender as follows:

8.1 Borrower will not convey, transfer, lease or encumber any portion of the Site or the Project.

8.2 Borrower will not permit the Project to be used for any purpose other than for the construction of a single-family residence.

8.3 Lender shall not permit any occupancy of the Project before completion.

8.4 Lender shall not create or permit to use any lien on any portion of the Site or Project, real or personal, including, without limitation, construction liens and/or tax liens.

8.5 Borrower(s) will keep the premises free and clear of all delinquent taxes, liens and encumbrances with sole exception of the mortgage. In the event that Member First Mortgage becomes aware of any such tax, lien or encumbrance, draws shall be suspended until such items are discharged.

9. BORROWER'S REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Lender in addition to any representation and warranty contained in any document executed by Borrower in connection with this Agreement:

9.1 Fee Simple Title. Borrower has good and marketable fee simple title to the Site, free of all liens and encumbrances except those permitted under the Mortgage.

9.2 No Suits or Proceedings. There are no suits or proceedings, legal or equitable, pending or threatened against the Borrower, the Site, the Project, or the Improvements.

9.3 Enforceability of Loan Documents. When executed and delivered, this Agreement and any document executed by Borrower in connection with this Agreement is the valid, binding and enforceable agreement of the Borrower.

10. EVENTS OF DEFAULT

The Borrower shall be in default under this Agreement and any of the documents executed by Borrower in connection with this Agreement if any of the following occurs:

10.1 Failure to Pay. Borrower fails to pay when due any amount payable under this Agreement, the Note, or the Mortgage when due.

10.2 Failure to Comply with Provisions. If there is a violation or default as to any term contained in this Agreement or any of the documents executed by Borrower in connection with this Agreement.

10.3 Misrepresentation or Breach of Warranty. The Borrower makes a misleading representation or warranty in this Agreement or any other agreement executed by Borrower in connection with this Agreement or breaches any warranty contained in this Agreement or any other agreement executed by Borrower in connection with this Agreement.

10.4 Other Default. Construction of the Improvements is not carried on with due diligence except for those delays entirely beyond the control of the Borrower.

10.5 Liens. A lien for the performance of work or the supplying of materials is made against the Project and remains unsatisfied for a period of thirty (30) days after the date of filing or recording of such lien.

10.6 Insolvency. The Borrower becomes insolvent or subject to any bankruptcy or insolvency proceeding.

10.7 Appointment of Receiver. A custodian, receiver, or trustee is appointed for Borrower.

10.8 Death. The Borrower dies.

11. REMEDIES UPON DEFAULT

the following remedies shall be available to Lender upon the occurrence of an event of default:

11.1 Acceleration. The Lender may, at its option, without prior demand or notice to the Borrower, declare the entire unpaid principal balance of the Note plus all accrued and unpaid interest, to be immediately due and payable.

11.2 Other Remedies. The Lender shall have such other remedies as allowed by agreement with the Borrower, as contained in any other documents executed by Borrower in connection with this Agreement, and as may be permitted by law or in equity. All remedies shall be cumulative and none shall be exclusive of any other.

12. MISCELLANEOUS

12.1 Waiver. No waiver by the Lender at any time of a term or condition of this Agreement or of any of the other documents executed by Borrower in connection with this Agreement shall be construed as a waiver of any other term or condition, nor be construed as a right to a subsequent waiver of the same term or condition. Failure by the Lender to insist on Borrower's performance of the terms and conditions of this Agreement shall not be construed as a waiver by Lender of any rights under this Agreement or any other documents executed by Borrower in connection with this Agreement.

12.2 Amendment. No provision of this Agreement shall be altered, amended, waived or modified except by a written instrument signed by both Lender and Borrower.

12.3 Severability. Invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

12.4 Notices. Any notice to a party required or permitted under this Agreement shall be deemed properly given if delivered personally at the address provided in this Agreement or if mailed by registered or certified mail, postage prepaid, with return receipt requested, or overnight courier service. Any notice according to this section shall be deemed delivered upon receipt if delivered by hand or three (3) business days after mailing if mailed, or one (1) business day after delivery by overnight courier service.

12.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State in which the subject property is located.

12.6 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lender, their respective heirs, successors and assigns.

12.7 Conflicting Terms. If there is any conflict between any provision or condition contained in this Agreement and any contained in any other document executed by Borrower in connection with this Agreement, the provision or condition in this Agreement shall control.

12.8 Entire Agreement. This Agreement supersedes (and supplements if this Agreement is silent) all prior agreements between Lender and Borrower relating to the subject matter of this Agreement and constitutes the entire agreement between the parties as to this subject matter.

12.9 Section Headings. Section headings are for reference convenience only and shall not affect the interpretation of the terms and conditions of this Agreement.

12.10 Nonassignment. The Borrower's rights under this Agreement and any of the documents executed by Borrower in connection with this Agreement shall not be assigned by Borrower.

12.11 Any breach of the construction loan agreement by the borrower, may result in the necessity of submitting a new application for permanent financing that is subject to approval guidelines, where all loan costs would apply.

LENDER:

BORROWER:

Member First Mortgage, LLC

By: _____

Its: _____



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



A photograph of a young woman with long brown hair, smiling broadly, hugging a man from behind. She is holding a set of keys in her hands. The man is wearing a blue button-down shirt. The background is a blurred outdoor setting with greenery and a brick wall.

WELCOME HOME

WELCOME TO MEMBER FIRST MORTGAGE

MORTGAGE LOAN INFORMATION



ABOUT YOUR

MORTGAGE LENDER



DISCOVER THE MFM DIFFERENCE

Member First Mortgage (MFM) provides borrowers with a great selection of mortgage programs, competitive rates, and excellent service!

Founded in 2001 and built on the Credit Union philosophy of "People helping people," Member First Mortgage is wholly-owned by Credit Unions. MFM partners with Credit Unions across the country, providing an exceptional experience for Credit Union staff, their members, and all other parties involved in the mortgage process (realtors, builders, appraisers, etc.).

MFM takes pride in our professionalism and personal service. Our dedicated team of

origination professionals work directly with borrowers throughout the mortgage process from application to closing. We offer borrowers a variety of home loan options to fit their unique needs, and provide an enhanced mortgage experience by improving speed, efficiency, security and reliability.

We're sure you have a lot of questions about what happens next and we have the answers that you're looking for! Thank you for trusting Member First Mortgage with financing your home. We hope you were happy with your mortgage experience with us. Congratulations on your new home!



RATE, RECOMMEND & REVIEW US:

- Facebook
- Google
- Yelp
- Tell your friends



ACCESSING YOUR LOAN INFORMATION

1ST PAYMENT DUE DATE:

PAYMENT AMOUNT:

LOAN NUMBER:

Member First Mortgage makes it easy for you to access your mortgage loan information. Our online portal provides:

- Payment information
- Loan balance
- Payment history
- Statements
- Tax documents

To access your mortgage loan information visit www.memberfirstmortgage.com and click on "My Account." If you are a first time user, click on the *Register First Time User*. You will need to enter your Loan Number and SSN/TIN.

Note: Loan information will be available in your online portal 15 days before your 1st payment is due



GENERAL LOAN QUESTIONS
Servicing Department
1.866.636.1052
servicing@memberfirstmortgage.com





YOUR CONSTRUCTION LOAN INFORMATION



DISCOVER THE MFM DIFFERENCE

Congratulations on your new construction mortgage loan with Member First Mortgage. You will soon be assigned a personal Construction Specialist, who is located at Member First Mortgage's main office in Grand Rapids, Michigan. During the time your new dream home is under construction, they will be working with you and your Builder/Contractor through the construction process. They will be able to answer any of your questions as you venture in this mortgage transaction.

We want to make this a pleasant experience for you and your family. To set your mind at ease, allow us to go through, in a simple format, what will happen during the construction phase.

1. A sworn statement with the Original "Cost to Complete" for your project was submitted when your 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 your builder for each draw request.

2. Member First Mortgage typically has a (5) draw procedure for disbursing loan proceeds as the home construction progresses.

3. Each time the Builder completes a phase, they are entitled to loans proceeds to pay for the supplies and labor expenses. The Builder will contact Member First Mortgage for a "Draw Request" providing the required documentation.

4. If an overage occurs on a draw request due to changes made or an increase in labor/materials, you will be responsible for the overage amount. Your loan amount is not able to be increased once the loan is closed. You can resolve an overage one of two ways; by working with your builder to lower cost of other items that will offset the overage amount, or you may send a check in the amount of the overage.



YOUR CONSTRUCTION LOAN INFORMATION

CONTINUED...



DISCOVER THE MFM DIFFERENCE

5. Member First Mortgage will also order an inspection of the property to be assured that the home is being built as expected and on schedule.

6. Once the home is completely constructed and you are ready to move in, the final requirement of the Builder is to provide Member First Mortgage with a "Certificate of Occupancy."

**As a reminder, draws from your construction loan will not begin until any initial borrower funds for transactions have been fully disbursed.*

When your home construction is complete and the specialist has all required documentation, they will modify your loan from a construction loan to a permanent loan. Your interest rate and the term of your permanent loan where determined during or prior to closing.

During the Construction Phase you will be paying "interest only" payments on the amount disbursed to date. Interest billing statements are generated around the 15th of each month. Payments are due on the 1st day of the following month. Please pay the exact amount listed on your statement, as you are not able to make payments towards your principal amount.



CONSTRUCTION LOAN QUESTIONS

Construction Department

1.866.636.1052

construction@memberfirstmortgage.com

It is our sincere intent to make the construction phase of your loan go as smooth as possible. Please contact our Construction Department for any questions.

Please Remit all Payments to:

Member First Mortgage, LLC

Attn: Construction Specialist

616 44th Street SE

Grand Rapids, MI 49548



HOW TO MAKE YOUR PAYMENT

PAYMENTS BY CHECK: The amount of the check must be at least the amount of your regular monthly payment. Please write your loan number on the check. MFM provides monthly statements with a coupon attached at the bottom. Mail your check to:

Member First Mortgage, LLC
Dept. 771502, Detroit, MI 48277-1502

Additional principal payments may be made subject to the requirements of your loan. Please send a separate check with your loan number and "Principal Payment" in memo area to:

Member First Mortgage, LLC
616 44th Street SE, Grand Rapids, MI 49548

AUTOMATIC MONTHLY PAYMENTS (ACH): Fill out and send back the MFM ACH enrollment form (see next page). When you sign up for ACH, you will receive a letter of confirmation from MFM indicating the date the payments will begin. Until confirmation is received, you will make manual payments.

PHONE PAYMENTS: Make your payment by speaking with our Member Service team or by using the Automatic Phone Payment System. When you call 1.866.636.1052, have the following information available: Loan Number, ABA/Routing Number, Checking or Savings Account Number, Debit Card, and amount of your payment (fees may apply).



GENERAL LOAN QUESTIONS
Servicing Department
1.866.636.1052
servicing@memberfirstmortgage.com

ONLINE PAYMENTS: To enroll, visit: www.memberfirstmortgage.com. Select "My Account," click "Register" and fill out the information on the screen that appears. Once you have completed the sign up process, MFM will notify you of enrollment by email and you can then begin using this service. To make a payment: Select "My Account," login and follow the instructions to make your payment.

AUTOMATIC MONTHLY PAYMENTS

If you would like to enroll in Automatic Monthly Payments, please complete this form and send back to our Loan Servicing department:

EMAIL: servicing@memberfirstmortgage.com

MAIL: Member First Mortgage
Attn: Loan Servicing
616 44th Street SE
Grand Rapids, MI 49548

It will take approximately 30 days to begin this carefree method of making payments. You may choose any day to have your account drafted between the 1st and the 10th. We will automatically withdraw the amount of your payment from the checking or savings account of your choice. These withdrawals are made electronically and under the rules of the National Automated Clearing House Association (NACHA). There is no fee for the monthly draft. You may include an additional amount to be paid toward the principal balance. (Please indicate this amount clearly on the application).

When you sign up for the automatic withdrawal method of payments, you are agreeing to the fact that the draft amount can change due to periodic escrow analysis and/or interest rate adjustments according to the terms of your Note. You will receive written notification of this change at least 15 days prior to the draft date.

It is further agreed that if the draft fails due to lack of funds in your account or an invalid account number, Member First Mortgage may draft the payment a second time in accordance to the rules of the NACHA and you will be responsible for the \$25.00 return item fee. (Please note: This fee will be added to your outstanding fee balance until paid).

When you sign up for the automatic payments, you will receive a letter of confirmation from Member First Mortgage indicating the date the payments will begin. Until the confirmation letter is received, it is understood that you will make manual payments.

Your authorization is to remain in full force and effect and any cancellation or changes will need to be made in writing and received by Member First Mortgage in such a manner to afford Member First Mortgage a reasonable opportunity to act on it.

ENROLLMENT FOR AUTOMATIC MONTHLY PAYMENTS

*Loan Number

*Name(s) on the Account

*AUTOMATIC MORTGAGE PAYMENT

Yes, I would like to have my mortgage payment automatically deducted from my account each month.

Debit my Checking account** Debit my Savings account

**Please include a voided check with this enrollment form if deduction from a checking account.

*Financial Institution Name

*Financial Institution Routing Number

*Financial Institution Account Number

*You may choose any date between the 1st and 10th, beginning on: _____

Optional: I wish to designate \$_____ as an additional Principle or Escrow (circle one) payment each month.

Automatic Mortgage Payments Consent: I understand that an automatic payment will take place on the day of the month that I designate, and will occur each month until the loan is paid in full. Only the current month's payment will be withdrawn. If my account becomes delinquent, I must bring it current by check or money order. Payments returned for non-sufficient funds will be re-submitted on the date Member First Mortgage is notified and I will be charged a fee. Payments returned for non-sufficient funds a second time will be reversed and I will be charged a fee and a late fee will be assessed if my replacement payment is more than 15 days overdue. This authorization will remain in effect until Member First Mortgage receives my written notice of cancellation (with reasonable time for the cancellation to take effect), or upon Member First Mortgage's 10-day advance notice of termination.

*SIGNATURE

*DATE

All fields with an asterisk (*) denote required information for this form to be considered complete. Signature and Date is required for the eStatement Consent & Authorization to be valid.



HARDSHIP

ASSISTANCE



DISCOVER THE MFM DIFFERENCE

HARDSHIP ASSISTANCE:

Sometimes life throws you a curveball, and when that happens you may need to alter the plan. Member First Mortgage will work diligently to assist members who are experiencing a hardship in their life. To apply for Hardship Assistance or if you have further questions, please contact the Member First Mortgage Home Preservation Department.

DISASTER RELIEF ASSISTANCE:

Mortgage relief options may be available to you if your home has been affected by a natural disaster. To apply for disaster assistance, visit the following websites:

- www.disasterassistance.gov
- www.fema.gov

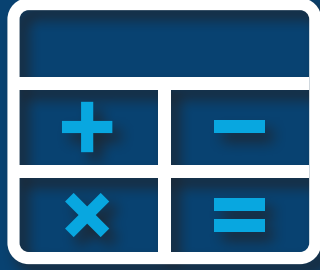


HARDSHIP & DELINQUENCY QUESTIONS

Home Preservation Department

1.866.636.1053

loss_mitigation@memberfirstmortgage.com



TAX

INFORMATION

ESCROW:

If you have an escrow account, your monthly mortgage payment will consist of principal, interest, taxes and insurance (P.I.T.I). Using an escrow account, Member First Mortgage will pay the taxes and insurance on your behalf each month. If you don't have an escrow account, you will be responsible for paying your own property taxes and insurance.

YEAR END 1098 STATEMENTS:

Member First Mortgage will prepare your 1098 tax statements each year. A digital statement will be available in your online account and a hardcopy will be mailed to your address that MFM has on file.



ESCROW, TAX & INSURANCE QUESTIONS

Escrow Department

616.588.9760

escrow@memberfirstmortgage.com

DISCOVER THE MFM DIFFERENCE





www.memberfirstmortgage.com
1.866.898.1818 | NMLS ID# 149532



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