

# IVANHOE

Ivanhoe Financial, Inc.

## **STANDARD CONSTRUCTION/PERMANENT LOAN DISCLOSURE**

This document is designed to assist you in understanding the loan for which you are applying. This document does not constitute a commitment on our part to make your loan. The following disclosure of basic terms and conditions is intended only for your reference. The specific, detailed information relating to your loan will be stated in your loan note, security instrument (Mortgage/Deed of Trust/Security Deed), and other loan documents signed at closing.

### **General Description**

The construction/permanent loan offered by Ivanhoe Financial, Inc. (the Lender) has a variable, prime-based rate of interest during the construction period and will be converted to a permanent mortgage at the end of the construction period. The interest rate floats, so it may change during construction. Upon conversion to a permanent loan, the interest rate will be fixed or variable depending on the loan program selected. During the construction period, your monthly payment will be for interest only. There is no principal repayment during construction. Regular mortgage payments will begin on the first day of the next month following the date of conversion.

If you accept a commitment made by the Lender for this construction/permanent loan and close the loan, you become bound by the terms of the construction loan agreement, note, security instrument, and all other loan documents in the transaction. These documents establish your rights, and you should read and understand the provisions contained in them.

### **Terms and Conditions**

The following is a summary of the basic terms of the mortgage for which you are applying. Important information relating specifically to your loan will be contained in the commitment letter, note, mortgage, and construction loan agreement.

### **Loan Closing**

The day you sign your mortgage, note and construction loan agreement is known as the loan closing. This closing must take place prior to the application for permits, start of construction or delivery of any materials to the site.

**Construction Period**

The construction period is the period of time allotted to you by the Lender to build your home and is established prior to loan closing. In no event shall the construction period exceed twelve (12) months.

**Construction Interest Rate**

Interest will be payable monthly at a rate of Prime Rate plus one percent (1%). The Prime Rate is shown in the Wall Street Journal. These two rates when added together are the construction interest rate. The construction interest rate is subject to change on a daily basis.

**Prepayment Penalty**

In the event that the loan does not convert into a permanent loan with the Lender, a prepayment penalty of two percent (2%) of the loan amount will be charged at the time of payoff of the construction loan.

Please initial below to acknowledge that you have been notified regarding the prepayment penalty.

\_\_\_\_\_  
Borrower                      Co-Borrower

**Monthly Payments**

During the construction period you will be making monthly payments of interest only. The monthly payment will be calculated based on the amount of outstanding loan disbursements during the preceding month. The payment will be calculated and accumulated on a daily basis. You will receive a bill each month for the amount of interest due. Failure to remit the payment by the due date will result in late payment charges.

Here is an example of how the payment is affected by rate and disbursements:

Loan Amount: \$100,000.00  
Prime Rate in effect from the 1st to the 19th: 7.50%  
Prime Rate in effect from the 20th to the 30th: 6.00%

Draws made during construction  
\$15,000.00 at closing on the 5th  
\$20,000.00 first draw on the 25th

Interest calculations (Prime + 1%)  
5th through 19th: \$15,000.00 for 15 days @ 8.50%: \$52.40  
20th through 24th: \$15,000.00 for 5 days @ 7.00%: \$14.38  
25th through 30th: \$35,000.00 for 6 days @ 7.00%: \$40.27  
Total billing for the month: \$107.50

**Late Payment Charges**

The monthly construction interest payment is due by the 15th of each month. If the Lender does not receive the payment by the 25<sup>th</sup> day of the month in which it is due, then you will be assessed a late charge of five percent (5%) of the installment amount.

**Establishment of Permanent Interest Rate**

The interest rate for the permanent loan will be established no earlier than 180 days prior to and no later than 72 hours prior to the loan modification. You may choose to “lock-in” your permanent rate at any time within that time frame, keeping in mind that the longer the period that the rate is locked-in, the higher the lock-in fee will be. This interest rate will be the rate in effect for similar loans identified on the Lender’s rate sheet.

**Conversion Date and Loan Modification**

The construction loan will be converted to a permanent loan upon receipt of all final disbursement and loan modification documents as required by the Lender. The required documents include, but are not limited to, the Certificate of Occupancy, Lender’s Final Inspection, and all other requirements listed in the Residential Construction Loan Agreement to be signed at loan closing. A second closing known as the loan modification will take place. The Modification must occur on or before the expiration date of the construction period. Additional costs, such as extension fees, inspection fees, title fees, or recording fees, may be incurred if the loan modification does not take place on or before the expiration date.

**Extension Fees**

If it is necessary to extend the construction period, an extension may be granted at the Lender’s discretion. The fee for an extension is one-half of a percent (0.5%) of the total loan amount for every thirty (30) day extension. The Borrower(s) is ultimately responsible for all extension fees.

Please initial below to acknowledge that you have been notified regarding the extension fee.

\_\_\_\_\_      \_\_\_\_\_  
Borrower      Co-Borrower

**Escrows**

The escrow account will be established at the loan modification.

**Permanent Loan**

The following is a description of the key characteristics of your permanent loan. This information is intended for easy reference only. You will find other essential information in the note and other loan documents.

- A. “Due on Sale”: If you sell or transfer all, any part, or any interest in the security property without the Lender’s prior written consent, the Lender may, at its option, require immediate payment in full of the remaining balance of the loan.
- B. Late Payment Charges: If the Lender does not receive your regular monthly payment by the end of fifteen calendar days after the date that it is due, you will be required to pay a late charge of five percent (5%) of your overdue principal and interest payment. If the loan is sold to an investor or state laws requires a different late charge percentage, then that required percentage will be used.
- C. Prepayment Penalty: You may prepay your permanent loan in whole or part without penalty at any time. This prepayment may be a lump sum payment of all or part of the remaining debt. Partial prepayments must be made on the same day of the month that your monthly payments are due. The Lender must be informed in writing as to your desired prepayment. No partial prepayment will delay the due dates of future monthly payments.
- D. Total Monthly Payments of Principal, Interest, and Escrow: Your total monthly payment will be due on the first day of the month, and will include principal, interest, and escrow payments for taxes and hazard insurance. There may be additional items included in your escrow, such as private mortgage insurance or life/disability insurance. The amount of your escrow payments will be established based on 1/12<sup>th</sup> of the actual insurance premium and tax bill amounts. These escrows are collected monthly as a part of your payment so the Lender can assure that the bills are paid when due.

If any deficiencies should arise in your escrow account or if you should fail to make proper monthly payments, the Lender may advance funds as necessary to pay these expenses in order to protect its security interest in the property. If such advances are made they will be added to the principal of the loan. The Lender is not obligated to advance such funds to pay such expenses even when the monies escrowed are insufficient. The Lender will provide you with written notice of any escrow balance deficiency or surplus that arises. At the Lender’s option, the amount of the deficiency may be resolved by one of the following methods: (1) The amount of the deficiency will be prorated monthly with the monthly escrow payment being adjusted accordingly, or (2) An immediate lump sum payment will be required to compensate for the deficiency. If the Lender determines that there is a surplus balance in your escrow account, any such surplus will be refunded to you upon receipt of a written request.

Failure to make timely escrow payments is a default, which gives the Lender the option, after giving you notice and a chance to cure the default, to demand immediate repayment of the loan. In the event full payment is not made, the Lender may proceed to foreclose and sell the property.

- E. Term to Maturity: This loan will have a term to maturity from a minimum of ten years (120 months) to a maximum of thirty years (360 months). This term will be established by the Lender and disclosed to you in the commitment letter.
- F. First Regular Permanent Monthly Payment: Your first regular permanent monthly payment of principal, interest, and escrow for your loan will be due on the first day of the second month following the month in which your loan is modified. As an example, if your loan were modified in January, your first payment would be due March 1<sup>st</sup>.
- G. Interest Rate and Payment Amount: The principal and interest payments for the permanent mortgage will be based on the loan program you have selected. IN THE EVENT THE INTEREST RATE EXCEEDS THE MAXIMUM APPROVED INTEREST RATE AS STATED ON THE LOAN COMMITMENT, YOU MUST QUALIFY FOR AND ACCEPT A SUBSTITUTE LOAN PROGRAM THEN CURRENTLY OFFERED BY THE LENDER.

The payment amount during the permanent phase of the loan will be based on the loan amount, term, and interest rate. The monthly payment of principal and interest will be the amount necessary to pay the loan off at the end of the loan's term in substantially equal payments. Some examples of how your payment is affected by term, rate, and loan amount are:

Loan Amount	Term	Interest Rate	Payment*
\$50,000.00	30 years (360 months)	10.00%	\$438.79
\$50,000.00	30 years (360 months)	11.00%	\$476.16
\$40,000.00	15 years (180 months)	10.00%	\$429.84
\$40,000.00	15 years (180 months)	11.00%	\$454.64

\* The payment is principal and interest only and does not include the required escrow payment.

- H. How the Loan Amortizes: This permanent phase of the loan will amortize (pay off over a period of time) in the following mathematical way. Each month the principal balance is multiplied by the interest rate divided by twelve. The result of this calculation is the interest for the month. The interest due to the Lender is subtracted from the payment with the resulting figure being the amount of principal being paid for the month. That figure is then subtracted from the principal balance of the loan.
- I. Loan Acceleration and Foreclosure: If you fail to keep all of your promises and agreements in the loan documents or do not pay each monthly payment when due, after giving you notice and a chance to cure the default, the Lender may require immediate repayment of all amounts due under your loan and may foreclose and sell the property covered by the loan documents.
- J. Legislation: If, after your loan is made, the law changes in a way which makes your loan obligation unenforceable, or allow any part of the sums you owe uncollectable,

or in a way which diminishes the value of the security, then at the Lender's option, it may declare all such sums you owe to be immediately due and payable. In the event payment is not made, the Lender may proceed to foreclose and sell the property.

K. Advice to Borrower: NO INTEREST RATE FORECASTS ARE MADE IN THIS DISCLOSURE. CERTAIN STATISTICS AND MATHEMATICAL EXAMPLES HAVE BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY, AND THE TERMS OF THE LOAN PROGRAM HAVE BEEN SET FORTH IN A NARRATIVE MANNER.

THIS DISCLOSURE IS NOT A COMMITMENT. THE TERMS OF THE NOTE AND SECURITY INSTRUMENT, WHICH WILL BE EXECUTED AT CLOSING, WILL BE THE CONTROLLING DOCUMENTS. SHOULD ANY INFORMATION IN THIS DISCLOSURE CONFLICT WITH INFORMATION PROVIDED IN YOUR LOAN DOCUMENTS, THEN YOUR LOAN DOCUMENTS WILL PREVAIL. HOWEVER, AN EFFORT HAS BEEN MADE BY THE LENDER TO PRESENT THESE TERMS FAIRLY AND IN A REPRESENTATIVE FASHION. YOU HAVE THE RIGHT TO SEEK LEGAL ADVICE BEFORE EXECUTING THESE DOCUMENTS.

Please sign below to acknowledge that you have read and understood all aspects of this disclosure.

\_\_\_\_\_  
Borrower Signature

\_\_\_\_\_  
Borrower Name (Please Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Borrower Signature

\_\_\_\_\_  
Co-Borrower Name (Please Print)

\_\_\_\_\_  
Date