

Glossary of Construction Terms

Construction Loan

Temporary, short-term financing to pay for construction costs. Interest-only payments are made only on money that has been disbursed.

Curbside Funding

For system built projects, this refers to the payment made at the time your home package is delivered to the building site.

Loan Rollover

For the one-close option, this is the point at which your home is completed and your construction loan automatically becomes a permanent mortgage.

Permanent Mortgage

Also known as the end loan, this is long-term financing used to repay the construction loan on a two-close or the rollover of a one-close. Principal, interest, property tax, insurance, and any required mortgage insurance premiums will be included in the payments.

Disbursement Schedule

This is also known as the draw schedule. It is a timeline that shows when construction costs are paid out for work that is completed during the construction period.

Inspection

An inspection by an independent third-party is required after each phase of construction. Inspections do not evaluate the quality of the work performed.

Lien Waiver

This waiver releases a builder's claim against a property for services rendered. It is completed by the builder, and in some instances subcontractors, prior to each disbursement.

Mechanics/Contractors Lien Search

Also known as a title bring-down, this is completed by the title company to verify that no other parties have a claim on the property. M&T will require multiple lien searches throughout the construction of your home.

Escrows

The borrower is responsible for paying all real estate taxes and insurance during construction. On a one-close transaction, property taxes and insurance are collected at time of loan rollover to establish an escrow account. With a two-close transaction, property taxes and insurance will be collected at time of closing on the permanent mortgage to establish an escrow account.

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