

Temporary
VOS AFFORDABLE HOUSING PROGRAM
DOWNPAYMENT ASSISTANCE
FOR CONSTRUCTION TO PERMANENT HOUSING LOANS

The Village of Solomon has approved a sub-program within their first Affordable Housing Strategic Plan to include homeowner down payment assistance to serve the VOS tribal community. The sub-program can provide down payment assistance, up to \$20,000 per applicant, following the application process and eligibility criteria listed below;

1. Must be an enrolled Village of Solomon tribal member
2. Must be working with a licensed, bonded and insured builder
3. Must be working with a lender
4. Must have pre-approval letter for home to provide to the Council
5. Must have the construction plan and project schedule
6. Must have land use plan, land ownership, acquiring land ownership
7. Must be prepared to transition the construction loan into a mortgage with the lending agency

Please read these helpful tips:

What Is A Construction Loan? <https://www.rocketmortgage.com/learn/construction-loans>

A construction loan is a short-term loan that covers only the costs of custom home building. This is different from a mortgage, and it's considered specialty financing. Once the home is built, the prospective occupant must apply for a mortgage to pay for the completed home. While we don't finance construction loans, we can help you when it comes time to convert this to a permanent mortgage.

How To Get A Construction Loan

Wondering how the process of getting a construction loan works? Let's break it down step-by-step.

1. Choose A Builder

Before you begin to search for a lender, you'll want to choose an experienced builder for your new home. Be sure to thoroughly vet any contractor you're considering working with. Friends and neighbors may have recommendations of companies they've worked with in the past, and the National Association Of Home Builders (NAHB) has an [online directory](#) that can help you find builders in your area. Read online reviews, ask about their credentials and look at examples of previous builds they've done to get an idea of if they're the right choice to meet your needs.

2. Gather Your Paperwork And Choose A Lender

Just like with a traditional mortgage, you'll want to shop around for a lender that will give you the most favorable terms for your construction loan. As you're [comparing lenders](#), make sure you have all your paperwork ready to go, including the contract with your lender and detailed plans for your home's budget and construction.

3. Start The Approval Process

Once you've found your builder and your lender, you can start the approval process for your construction loan. Getting your [preapproval](#) is an important step in ensuring that you'll be able to afford the amount needed to build your dream home. You'll need to provide the same types of financial documents as you'd need when applying for a traditional mortgage, including your tax returns, W-2s and bank statements.

4. Purchase Homeowners Insurance

Even though you won't be living in your home while it's being built, your lender will probably require you to have [homeowners insurance](#) with builder's risk coverage as a condition of your loan approval. This will protect you should anything happen during construction.

Construction Loan FAQs

Hopefully you have a nice base of knowledge about home construction loans after reading this far, but there are likely a few queries still on your mind. Here are some frequently asked questions when it comes to construction loans.

Are there higher qualification requirements for construction loans?

Yes, construction loans often come with higher qualifying standards in terms of [credit score requirements](#) and down payment amounts. Usually, a minimum 20% down payment is required, and a 25% down payment requirement is not uncommon. In addition, most construction loans require a minimum credit rating of 620, if not higher.

FAQs: <https://www.bankrate.com/mortgages/construction-loans-explained/#how-they-work>

The companies that offer construction loans usually require borrowers to:

Be financially stable. To get a construction loan, you'll need a low debt-to-income ratio and proof of sufficient income to repay the loan. You also generally need a credit score of at least 680.

Make a down payment. You need to make a down payment when you apply for the loan, just as you do with a mortgage: The lender won't finance 100 percent of the project. The amount will depend on the lender you choose and the amount you're trying to borrow to pay for construction, but construction loans usually require at least 20 percent down.

Have a construction plan. If you have detailed plans and a project schedule, especially if the construction company you're going to work with put it together, it can help reassure lenders that everything will go according to that plan and you'll be able to repay the loan.

Get a home appraisal. The finished home will serve as collateral for the loan, so lenders want to make sure the collateral will be sufficient to secure the loan. For that, they may require you to

Construction Loans Vs. Traditional Mortgages

<https://www.rocketmortgage.com/learn/construction-loans>

There are several key differences between a construction loan and a traditional [mortgage](#). As mentioned, construction loans are short-term loans, usually no longer than a year in length. On the other hand, traditional mortgages are long-term loans, with terms typically ranging from [15 – 30 years](#). With a mortgage, the borrower receives the money in one lump sum. Upon closing on the loan, the payments start immediately and consist of both [principal and interest](#).

When you take out a construction loan, you'll usually make interest-only payments while the construction is being completed. Construction loans also tend to have higher interest rates than most home loans because they are considered to be more risky for lenders.

Get an appraisal estimating how much the finished home will be worth.

Please fill out the application below

VILLAGE OF SOLOMON DOWNPAYMENT ASSISTANCE APPLICATION NEW CONSTRUCTION LOANS

Applicant Name: _____ Date: _____

Tribal Enrollment #: _____ Phone Number: _____

Date of Birth: _____

Applicant Employer: _____

Job Title: _____

Gross Annual Income: _____

Length at Employer _____ yrs _____ months

Applicant Physical Address

Street: _____ City _____

State _____ Zip Code _____

Mailing Address: If same as physical, check box

Street/PO Box : _____

City _____ State _____ Zip Code _____

Household Information:

How many persons in household? _____ (excluding applicant)

Full Name

Date of Birth

AN/AI – YES OR NO

Please use back side if more room is needed

Mortgage Lending Agency/Mortgage Financial Institution Information

Name of Lending Agency/Financial Advisor: _____

Phone Number: _____

Email Address: _____

Mailing Address of Financial Institution:

Type of Mortgage Loan Product: _____

Do you understand the requirements/criteria within this particular loan? Yes No

Home Appraiser _____

Realtor Direct Phone Number: _____

Physical Address of Prospective Home

Street _____

City: _____ State _____ Zip _____

Name of Builder: _____

Contractor license and information attached? Yes No

CONSTRUCTION PLAN ATTACHED? Yes No

Construction to build price: _____

Pre-Approval Letter attached? Yes No

Down Payment Request Amount: _____

I understand that this Down Payment Assistance opportunity can provide up to \$20,000 per applicant. If the down payment requirement for the type of loan and home price exceeds \$20,000, the remainder of the amount agreed upon will be from:

_____ Amount _____

_____ Amount _____

_____ Amount _____

Anticipated Construction completion date?

If the event occurs there that of, mortgage payments, homeowners insurance, mortgage payment insurance will not be made and/or the home is sold, put in foreclosure, etc:

I understand I am financially responsible for paying back my down payment assistance amount received from the Village of Solomon at 20% of the full amount by setting up a payment plan with the Village of Solomon Tribal office/per Council approval. A Deed of Trust will be signed by all parties, which outlines the agreement stated in this section.

Ex: \$20,000 x 0.20% = \$4,000. \$15,000 x 0.20% = \$3,000. \$10,000 x 0.20% = \$2,000

I understand that this Down payment assistance program is to serve the Village of Solomon tribal membership in successfully becoming a home owner following the acknowledgement of the VOS Council recognizing affordable housing as a need for the tribal community.

I, _____, hereby agree and fully understand the terms and guidelines set forth within this application for downpayment assistance new construction, provided by the Village of Solomon. Additionally, I further agree to make mortgage payments, insurance payments on time to avoid foreclosure status and will seek available resources to avoid such a status, including but not limited to; contacting my financial advisor, contacting the VOS office for outside resources, etc.

I understand the Village of Solomon trusts in good faith, that I have the capacity to fulfil my homeownership, maintenance and have acquired the knowledge and education in maintaining my income, my home and all other homeownership responsibilities. Any false information provided, is subject to immediate denial of my application.

Furthermore, if my application is approved, VOS will draft a letter for information on wire transfer information to provide to title agency, underwriter, mortgage lender, etc. to progress forward in my home purchase verifying these funds are available for my down payment.

Applicant Name Printed

Date

Applicant Signature