

PNC's Blueprint
for Building or
Renovating Your

Dream Home



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We value you as our customer and thank you for choosing PNC as your lender.

Building or renovating a home is an exciting time for homeowners. Whether you're a first-time builder or a seasoned expert, everyone needs a little guidance along the way. This booklet will provide you with the basic information you need to meet PNC's guidelines, but it is not intended to take the place of the loan documentation you sign at closing. For specific information, program disclosures or loan terms, please reach out to your PNC Mortgage Loan Officer.

PNC'S ROLE

PNC's primary responsibility is to furnish financing while adhering to all applicable regulatory guidelines. We do this by providing outstanding service, being a resource for information, monitoring the project's progress and disbursing funds in a timely manner.

Keep in mind, however, that PNC, its employees, its representatives and/or its vendors are not contractors, engineers, architects, city officials, etc. Therefore, please do not rely on us to manage the quality or speed of the work, nor will we be able to ensure that your home is being built according to your plans, specs and local code requirements. If you need assistance, we recommend that you seek professional help from experts, such as your contractor, home inspector, consultants, insurance agents, attorneys, engineers or anyone who may be able to provide you with quality assistance.



PNC'S HOMEOWNER AND BUILDER RESPONSIBILITIES

- ✓ Meet PNC requirements, follow established procedures and adhere to the terms of the loan.
- ✓ It's both the homeowner's and the builder/contractor's responsibility to complete the project within the building contract terms.
- ✓ Meet frequently to discuss the project, issues, changes, etc.
- ✓ Make frequent job site visits together.
- ✓ Resolve disputes quickly and fairly.
- ✓ Have timely and effective communication.
- ✓ Inform PNC of any changes or issues as they arise.
- ✓ Take up to 12 months to complete construction. If the home isn't completed within this time frame, the loan is subject to PNC's extension policy. Additional fees and/or increased interest rate may apply.

DISBURSEMENT OF FUNDS FOR COMPLETED WORK

Requesting a disbursement of funds from PNC is easy and convenient. The typical disbursement process is as follows:

1 PNC will inspect the project to determine the progress. If inspections exceed the number of prepaid inspections (typically three for renovation and six for construction), additional inspection fees may be charged and are the homeowner's responsibility.

2 The inspection schedule will determine completion based on a percentage complete basis. The actual building cost may differ at any stage of completion.

3 Inspections are usually obtained within 48 hours of notice and corresponding draw made within 24 hours of the receipt of the inspection report and required documentation. If the homeowner and/or builder fail to complete a required document correctly, funds will not be released until the error is corrected.

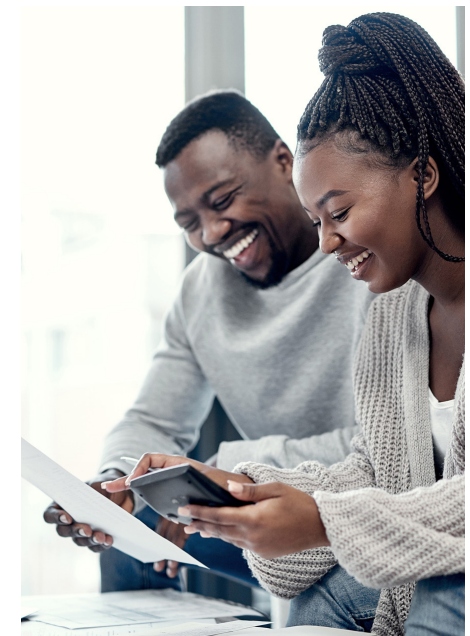
4 Funds are disbursed to the homeowner or to the builder as agreed to by the parties after an inspection of the property. Only items completed at the time of the inspection will be given credit.

5 Once the method of disbursement is established, any change in the disbursement method, regardless of who is requesting the change, is required to be submitted in writing by the homeowner.

6 If applicable, Earnest Money and the Startup Draw are calculated and factored into the first draw, which may be at closing. The homeowner and/or builder will be provided a breakdown that details how funds were used.

IMPORTANT DATES TO REMEMBER

Closing Date	Your loan is closed. Your Draw Coordinator will send a Welcome Email shortly after your closing date.
17th of the Month	Interest bills are prepared and sent to the homeowner.
1st of the Month	Interest payments calculated on drawn loan funds are due.
Construction Phase Maturity	Disbursements cannot be released if construction phase is matured.
Completion of Construction and Final Draw	30 days prior to completion of construction and final draw, contact your Draw Coordinator to discuss final requirements.
Conversion Date	Loan is converted from the construction phase to the permanent phase.



REQUIRED DOCUMENTS DURING THE CONSTRUCTION PHASE

During the construction phase, the homeowner and/or builder is responsible for providing the required documentation to PNC.

Below is a list of the required documents.

Documents needed at the first draw:

- Builder's Risk and General Liability Insurance
- Foundation Survey, Foundation Title Endorsement or other foundation documentation accepted by PNC based on state-specific requirements

Requirements at all draws:

- Homeowner's and builder's approval
- Invoices, if applicable
- Builder's Risk and General Liability Insurance
- Lien waivers, if requested
- Title update, if applicable
- Flood Insurance, if applicable
- Homeowner's Insurance
Provide policy and proof of payment showing payment paid for one year.

Documents needed for the final draw:*

- | | |
|--|--|
| <ul style="list-style-type: none">• Final Inspection
Once the project is 100% complete, contact your Draw Coordinator to schedule the final inspection by the appraiser. Some loan types require a new appraisal in lieu of a final inspection; the homeowner is responsible for the cost.• Final Survey
Based on state-specific requirements• Final Affidavit
Provided by PNC• Soil Treatment Letter or Termite Bond
If typical for the area | <ul style="list-style-type: none">• Paid Real Estate Tax Receipt
For most recent tax period• Certificate of Occupancy
If required/provided by local authority• Well Approval
If applicable and provided by local authority• Septic Approval
If applicable and provided by local authority• Notice of Completion• Final Lien Waiver• Other State-Specific Requirements as Applicable |
|--|--|

*Your Draw Coordinator will provide required documents near completion of construction.

Extension Request (subject to lender approval):

In the event the improvements are not complete and/or you are unable to meet the requirements prior to maturity of the construction phase, additional fees and/or interest rate increases may apply.

INSURANCE REQUIREMENTS

When constructing a home, there are risks that must be insured by the homeowner and/or builder. Typical insurance requirements are:

• Builder's Risk Insurance

Provides coverage for fire, vandalism, mischief and theft. It is required during the construction phase. This is generally provided by the builder but can be provided by the homeowner. Always check the insurance policy for adequate coverage.

• Homeowner's Insurance with a Builder's Risk Rider

Provides coverage for the builder's risk that converts to a homeowner's policy upon completion of the home. Provided by the homeowner. It can be provided by the borrower during the construction phase as an alternative to standard builder's risk insurance.

• Flood Insurance

Required if your home is in an area that has been determined to be in a flood zone. Provided by the homeowner.

• General Liability Insurance

Provides coverage against claims from parties not directly associated with the project, such as a visitor falling on the job site. Typically provided by the builder.

• Homeowner's Insurance

Standard homeowner policy is required at the completion of the home and is provided by the borrower.

• Mortgagee Clause for All Insurances:

**PNC Bank, N.A.,
its successors and/or assigns
as their interest may appear
PO BOX 7433
SPRINGFIELD, OH 45501**

Important Information that May Affect Your Good Standing

- Disbursements cannot be released if an interest payment is past due.
- Persons who work on or provide materials on your project but are not paid may have the right to file a claim against your property. This claim is commonly referred to as a mechanic's lien. Be sure all suppliers and subcontractors are paid appropriately.
- Failure to complete the home prior to the maturity of the construction phase may result in a default of the loan.
- It's the homeowner's and/or builder's responsibility to bring any changes or issues to PNC's attention in a timely manner.
- Misuse of the funds by either the homeowner and/or the builder is a default on the loan.

FREQUENTLY ASKED QUESTIONS

What happens if I need more time to complete my project?

The lender will determine if an extension is appropriate. This is subject to qualification and applicable fees. Increased interest may apply. Some restrictions apply.

During the construction phase, what type of loan payment do I make?

During the construction phase, you pay monthly interest-only payments calculated on the loan funds disbursed.

My account has a contingency reserve. How are these funds released?

The contingency reserve is funds set aside for cost overruns. These funds will be released as needed based on the progress of the project. You would contact your Draw Coordinator if you should need to draw from the contingency reserve.

Can my builder submit that a draw request be funded/released without my approval?

No. Both the homeowner(s) and the builder must approve each draw request.

When can I convert my loan from the construction phase to the permanent phase?

The loan can be converted to the permanent phase upon 100% completion of the project and 100% satisfactory completion of all lender requirements.

I have started additional improvements that I did not include in the original loan. When must these improvements be completed?

All improvements, whether financed or paid for out of pocket, must be 100% complete prior to the conversion of the permanent phase.

What should I expect to pay at the conversion to permanent phase?

Please refer to the Post-Closing addendum on your Loan Estimate and to the Post-Closing Fees and Other Loan Expenses disclosure. Some of the most common expenses you should expect to pay are:

- Final construction phase interest
 - Escrows for tax and insurance(s)
 - Prepaid interest on the permanent phase
 - Additional inspection fees, if applicable
 - Reappraisal fee, if required
 - Additional title insurance fees, if required
 - Final survey fee
-

When are escrows collected?

Most escrows are collected at conversion for the permanent phase. For properties in designated flood zones, flood insurance may be required and will be escrowed during the construction phase.



GLOSSARY OF COMMON CONSTRUCTION LENDING TERMS

A

Acquisition Cost

The total cost of construction, including the home, land, closing costs, interest and other construction-related items.

Affirmative Title Coverage

Coverage provided by the title company insuring against filed and unfiled liens. This is obtained in situations where the project has started prior to closing and recording of the security instrument.

B

Builder's Risk Insurance

Insurance that covers the project from theft, vandalism, weather and defects. Usually this is provided by the builder but can be provided by the homeowner.

Building Contract

The written agreement between the homeowner and the builder for the construction of the home and all improvements.

Built Technologies

Our online draw platform.

C

CCRs

Conditions, Covenants and Restrictions. This document is created for a specific subdivision development to ensure that each project adheres to the parameters set by the developer.

Certificate of Occupancy

A document furnished by a local government indicating that the project meets local and state building codes, ordinances and regulations, and is ready to be occupied.

Change Order

An agreed-upon written change in the project between the homeowner and builder.

Construction Phase

The time period during which the improvements are to be completed, and the homeowner will make monthly, interest-only payments based on the outstanding loan funds.

Construction Phase Interest Rate

The rate of interest charged on the outstanding loan funds during the construction phase.

Conversion

The date on which the loan will convert from the construction or renovation phase to the permanent phase.

Cost-Plus Contract

A building contract that has an estimated cost but allows for the actual expenses related to the completion of the project to be passed onto the homeowner.

D

Disbursement

The remittance of construction funds to the designated party.

E

Earnest Money

The funds given to the builder by the homeowner per the terms of the building contract.

Extension

The time period allowed beyond the anticipated construction phase that will allow for the completion of the project.

F

Final Inspection

An inspection performed by the appraiser indicating that the project was satisfactorily completed per the plans and specifications.

Fixed-Price Contract

A contract that has a fixed price, which has been agreed upon by the builder, for the building of the home. Oftentimes the contract includes allowances

for specific items like flooring, cabinets, light fixtures, plumbing fixtures and landscaping.

Float-Down Option

The option to modify the permanent phase interest rate prior to the maturity of the construction phase.

Foundation Endorsement

This is provided by the title company and is an endorsement to the title policy indicating that the home is located within the boundaries of the mortgaged property and there are no easements or encroachments present.

Foundation Survey

Provided by a registered land surveyor indicating the location of the structure on the mortgage property.

G

General Liability Insurance

Insurance obtained by the builder to protect against certain claims and lawsuits against the builder alleging that the builder's negligence has resulted in bodily injury or resultant property damage to a third party. Such claims/lawsuits can arise while construction is ongoing or many years after the home is sold.

H

Hard Costs

The part of the cost to build that includes labor and materials (i.e., bricks, sheetrock, framing, etc.).

I

Inspection

A visit to the job site by the lender's representative to determine the progress.

L

Lien

A document filed in the county records claiming that money is owed for work or materials furnished on the property.

Lien Waiver

A document that waives the right to file a lien and is usually provided after payment is made.

M

Mechanic's Lien

A lien filed against the property by a person who performed labor or provided materials during a project and was not paid.

Modification

Change in loan terms, such as an extension, increase in loan amount or change of interest rate.

P

Permanent Phase

The time period following the construction phase during which the homeowner makes payments according to the terms of the Note.

R

Retainage

Funds held until the home is complete and the final documents are provided.

S

Soft Costs

Costs associated with the project other than labor and material costs (i.e., plans, fees, permits, etc.).

Spec Home

A home built for the sole purpose of selling for a profit.

T

Title Endorsement

Enhancements or updates to the title policy for items (liens, mortgages, exceptions) on the property that would prevent PNC from having priority on the title.

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