



Wisconsin's Home Building Team
Contact Us: 262-246-0330

NEW CONSTRUCTION FINANCING OPTIONS



Three Partners in Local Lending Share Advice

Mortgage rates, new home construction, and the real estate market are a hot topic in today's news. From tariffs to inflation, the actions of the Fed to terms like Jumbo Loans and Bridge Loans; when it comes to financing, there's a lot of Q&A's. This month, we asked several of our local lending partners to weigh in on the state of the industry. With perspectives from three different lenders, you'll learn a bit more about financing your new Demlang home while weighing which partner is right for you. We hope you find the following information helpful, and encourage you to reach out to Matt, Scott, or Susan for your lending needs.



Matt Gaulke

Vice President/Mortgage Loan Officer – Great Midwest Bank

600 Hartbrook Drive, Hartland, WI 53029

O: 262-367-7594 | C: 262-844-3984 | E: matt.gaulke@greatmidwestbank.com

Mortgage Information | NMLS# 296387

Matt Gaulke is a Vice President/Mortgage Loan Officer with Great Midwest Bank in Hartland, WI. He has been with the bank for over 13 years and is one of their Construction Specialists.





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Susan K. Vierck
AVP Senior Mortgage Loan Officer – Johnson Financial Group

14000 W. North Ave, Brookfield, WI 53005
C: 262.893.0749 | E: svierck@johnsonfinancialgroup.com
Mortgage Information | NMLS ID: #585471

As Assistant Vice President, Senior Mortgage Loan Officer Susan educates clients on the best available loan options, giving them the tools to make sound financial decisions to achieve their long-term goals. As an experienced residential mortgage lender, Susan takes pride in being a knowledgeable and resourceful partner. Throughout the entire process, her goal is to lead clients on the pathway to success by providing them with as much information as possible.



Scott Hart
Sr. Sales Manager – Waukesha State Bank

151 E. St. Paul Avenue, Waukesha, WI 53188
O: 262-953-2355 | C: 414-520-5830 | E: sahart@waukeshabank.com
Mortgage Information | NMLS: #526247

"I have had the good fortune to work side by side with top real estate brokers, developers, and new home construction professionals within our region. I credit a great deal of my success to these quality people. It has been these relationships combined with my steadfast devotion to superior customer service that has allowed me to maintain an exceptional reputation within our lending market."





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Demlang: What are your thoughts on the fluctuation we've had in mortgage rates this year?

Matt, Great Midwest Bank:

2019 saw a steep decline in interest rates from 2018. As of today, rates are still near their yearly lows. The drop in mortgage rates in 2019 has allowed our construction customers the ability to lock in attractive fixed rates at the completion of construction. We have continued to encourage our borrowers to lock in these rates for their long-term benefit.

Susan, Johnson Bank:

I would not consider our rate environment this year to be one of extreme fluctuation. We started the year out about at 0.50% higher than where rates are today. While recent news depicts some volatility, overall it has been a relatively stable year, with a rate spread between our high and low in 2019 of only 0.75%. However, if you go back to last year at this time it was a different story. It looked as if we might see the 30 year fixed rate hit 5.0%, making now a much more attractive time to buy and finance a new home.

Scott, Waukesha State Bank:

Overall, the market has been quite stable with the recent fluctuations primarily due to the Fed's overreaction to correct anticipated inflation by raising the Prime Rate. With today's drop, the Prime rate is now back to March 2018 levels. Additionally, financial markets often tend to fear the unknown. Recent tariffs have created some uncertainty, which initially created some upward pressure on interest rates.

Demlang: Does your economic team have any forecasts for the rest of 2019? 2020?

Matt, Great Midwest Bank:

Though expectations are for long-term rates to likely move up, we have to keep in mind the big picture. Historically speaking, this is a great time to be financing new construction.



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Susan, Johnson Bank:

Yes, our Chief Investment Officer, Brian Andrew issued an Investment Commentary in early November. He stated that, "If inflation remains tepid and bonds remain above average, it isn't likely that interest rates will move substantially higher and that the stable environment we've been in for some time will remain in the near future."

Scott, Waukesha State Bank:

Earlier this month I attended the Wisconsin Real Estate and Economic Outlook Conference held at the Fluno Center in Madison, WI. One of the featured speakers was Sam Khater, the Chief Economist for Mortgage Finance at Freddie Mac. Mr. Khater's research is predicting that mortgage interest rates will remain stable through Fall of 2020, with a slight increase related to demand in the spring. He expects this will be temporary, with rates settling back down in Fall. My personal disclaimer is that there are many external forces which can influence the direction of the financial markets, so it is very difficult to predict the future of mortgage interest rates.

Demlang: What options are hot right now in new construction financing?

Matt, Great Midwest Bank:

Jumbo-sized loans are becoming extremely popular, even with low down payment options. Great Midwest Bank is one of just a few lenders willing to consider these scenarios. In addition, we can offer a Jumbo Fixed Rate option for refinancing once construction is complete.

Susan, Johnson Bank:

We offer one-time close construction loans which covers the temporary financing during construction, as well as the permanent financing upon the completion of construction. While it is commonplace for lenders to offer construction loan ARMs (Adjustable Rate Mortgages), our program on conforming loan amounts (\$484,350 and under) give the borrower the option to convert into a fixed-rate loan after construction is completed at no cost.



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Scott, Waukesha State Bank:

The Waukesha State Bank hottest product for construction lending is easily our Bridge Loan (subject to credit approval). Unique to the Southeastern Wisconsin market, our Bridge Loan is different in that it allows buyers the ability to liquidate up to 90% of a borrower's fair market value on their current home. We cross-collateralize the homeowner's current primary residence with the new home they will be building, which can reduce or eliminate the need to bring cash to closing. This also typically reduces the borrower's monthly debt liabilities during construction. Another huge benefit of our bridge program is the ability to expand a borrower's debt to income ratio calculation during the build. Where other lenders inform a prospective customer that they must sell their current home to qualify for a construction loan, we frequently say yes!

Demlang: What makes your new construction loan program unique?

Matt, Great Midwest Bank:

Great Midwest Bank is a family run mutual bank. We have our portfolio product that allows for "common sense" underwriting decisions. It also gives us the ability to qualify borrowers on a case by case basis with decision makers only a phone call away. We focus on what we've always done best, only residential mortgage lending, and we understand the nuances of new construction financing. Low down payment options are also available for qualified borrowers. We do not charge an origination fee on any of our construction products either.

Susan, Johnson Bank:

Expanding on our one-time close construction loan process, I would say that makes Johnson Financial Group unique. Some lenders will say they can offer a no-cost refinance at the end of construction, but a refinance does cost the lender and this cost is passed on to the consumer through a higher rate. When we convert the borrower into a fixed rate loan, the borrower gets street rate and at truly no additional cost. It's more convenient and less costly for all involved.



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Scott, Waukesha State Bank:

Our construction loan products (subject to credit approval) are all interest only with no private mortgage insurance regardless of down payment during the build. At Waukesha State Bank, we will lend with as little as 5% down payment and also offer both conforming and jumbo construction loans. I personally have over two decades of construction lending experience, and as a community bank we are known for being very flexible. On a daily basis, I enjoy finding solutions to help homeowners build. That means offering competitive rates, and a quick and easy process. It means working with appraisers who are knowledgeable and who have a demonstrated track record for valuing new home construction in our region. And it means offering new construction products that help make the homeowner's transition from loan application into occupying a newly built home as painless as possible. It even means lending anywhere in the state, so that Demlang Northwoods build can become a reality!

Demlang: What documents and information must a home buyer gather to get the process started?

Matt, Great Midwest Bank:

Homeowners should gather several items to get the process rolling:

- Last month of paystubs
- 2 years of W2's
- 2 years of Federal Tax Returns (self-employed borrowers)
- Two Months of recent bank statements
- Most recent retirement account statement
- Idea on estimated budget (cost of lot+construction)
- Contract, lot offer to purchase, and title report if available

Susan, Johnson Bank:

Getting started with a pre-approval for new construction financing is easy and you should plan to provide these documents:

- 30 days of current paystubs
- Last 2 years of W2's
- Most current 2 months of bank statements
- We also offer the option to apply in-person or through our convenient online application.



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Scott, Waukesha State Bank:

For a full application, the following documents are necessary for underwriting:

- Signed building contract and builder specifications
- Fully-executed vacant land offer to purchase. If a borrower already owns the lot, we will ask them to provide the closing disclosure/settlement statement received when they purchased the lot.
- Recent paystubs reflecting 30 days of income
- Most recent two months of complete bank statements
- Years 2017 and 2018 W-2's
- Years 2017 and 2018 personal tax returns with all schedules
- Evidence of homeowner's insurance
- Copies of driver licenses
- If a borrower is self-employed, we will additionally ask for last two years of corporate returns with all schedules including K-1's if applicable, the most recent quarterly business profit and loss statement.
- For a pre-approval, all that is needed would be paystubs and W-2's.

Demlang: How can home buyers be ready and prepared to lock in a rate when they are comfortable with the market?

Matt, Great Midwest Bank:

Constant communication with one of our experienced loan officers is extremely important. We are always available to answer questions regarding the current market. Completing the pre-approval upfront and then staying up to date regarding rates with a daily or weekly email through our "Rate Watch" system is highly recommended. This is a simple system to keep our customers informed on any rate changes in the market.

Susan, Johnson Bank:

Once the borrower has selected both a lot and builder, is able to provide an accepted vacant land offer to purchase, and signed construction contract with specs and plans, we can get the borrower's construction financing locked. They can also lock their fixed rate permanent financing up to 6 months before construction is complete.



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Scott, Waukesha State Bank:

Fannie Mae and Freddie Mac do not provide funding for new home construction, which is why you must work with a local bank to secure construction financing. Once a borrower has an occupancy date, we can lock them into long-term fixed rate financing should they so desire. We also have programs that will allow a borrower to lock into longer-term financing six months in advance of occupancy, with a free float down should rates decline during their build.

Demlang: What is the best way to get started with the mortgage process?

Matt, Great Midwest Bank:

Call one of our local loan officers to have an introductory conversation. We will ask a few questions and provide guidance on the expected process for the initial pre-approval. We can then meet in-person to complete an application or you can apply online at www.greatmidwestbank.com to expedite the process. Once we receive the necessary documentation, we can usually provide a pre-approval in about 48 hours.

Susan, Johnson Bank:

Give me a call! Or, get started with a pre-approval for new construction financing using our easy [online application](#) or visit johnsonbank.com/construction to learn more about the financing process.

Scott, Waukesha State Bank:

Start by meeting with your lender. I make it a point to meet with my construction customers face-to-face early on in the process so I can help them determine how much they are eligible to borrow. Much of what I do initially is to educate my customers on the entire process and help guide them from pre-approval to occupancy of their new dream home.