



The Mortgage Process

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The lender you select will guide you through the loan approval process. Their goal is to find a mortgage that will satisfy both your needs and the requirements of the mortgage company. You must provide them with any requested information promptly to avoid delays. Try to avoid opening or closing any new credit accounts while your home is being built. Such changes may impact your credit score, which could affect your interest rate and/or loan fees. Credit reports can't be over 90 days old when you close on your new home, so a new one must be pulled within 90 days of your closing.

Make your lender aware of any job changes or changes to your income right away. Lenders must reverify your employment within 10 days of your closing. Job changes during the loan approval process can cause complications. Speak with your lender before making any such changes. Any changes to your financial situation should be discussed with your lender right away.

Your interest rate will be locked in before closing. Some loan programs, such as Alaska Housing Finance Corporation allow for rate locks up to 180 days. Other loan programs allow for shorter rate lock periods from 30 to 60 days. Talk with your lender about your rate lock options. Your lender has been instructed to contact Spinell Homes prior to locking your interest rate to make sure your home will be ready to close within the rate lock period.

The Construction Process

Spinell Homes is providing you with this overview of the construction process so that you can better understand the care and work that go into building your new home. Please be aware that the following is presented as a general overview. Your specific home may require different steps during the construction process.

In order to maintain the highest possible quality, we subcontract each part of building your home to specialty trades. For example, a subcontractor who specializes in interior trim hangs the interior doors and installs the interior handrails and baseboards. By having each part of your home constructed by specialists in each trade, we are able to provide you with a home that is affordable and of high quality. Each trade is scheduled days or weeks in advance of the actual work and time is allotted for the completion of their contribution to your home. It sometimes occurs that one trade completes its work a bit ahead of schedule. The next trade already has an assigned time slot that usually can not be changed on short notice. The overall construction schedule allows for this and you should expect several days during the construction of your home when it appears "nothing is happening." Similarly, it may appear that no progress is being made while the home awaits one or more inspections. This is a part of the normal sequence of the construction schedule and occurs at some point during the building of every home.

IMPORTANT NOTICE: Per the executed Real Estate Purchase and Sale Agreement, it may become necessary during the construction process for Spinell Homes to substitute materials. Spinell Homes reserves the right to substitute materials and appliances of equal or higher quality than those agreed upon.

Preparation Phase

How far will your home be set back from the street? Will you have a "left-hand" or "right-hand" garage? The exact position of your home on its site will be determined before the groundbreaking in the preparation phase. A variety of factors will be taken into consideration, such as terrain, drainage, local requirements and utility easements. Your home site is surveyed and marked with stakes. The house pad and the proposed driveway area are cleared of any obstructions and the soil is graded for construction.



If the property is not accessible to city water and septic systems, it may be necessary to drill a well and install a septic system. Spinell Homes contracts qualified professionals to design and engineer the placement of the well and the septic system on the property. Water quality will be tested and deemed acceptable by the Department of Environmental Conservation.

Construction Begins

The first activity you will see will be the staking of your lot for the excavation. Gastaldi Land Surveying will produce a plot plan that locates the home on the lot and shows the garage handling (which side of the lot the garage will be on) and the location of the home in relation to the property lines and the setback requirements. Many times we get requests for certain garage handlings. The garage handling is determined by the location of the services into the lot (water and sewer laterals from the street to connect the home to), the slope of the lot, mailboxes, the relationship with homes on either side, street lights and storm sewer inlets. Due to the many factors involved, we are sometimes unable to grant requests for a specific garage handling. The surveying contractor will then stake the home on the lot for the excavator, who digs the hole for the house to sit in.

The Foundation

The excavator will then start digging the home. The elevation (height) of your home is determined by several factors including: the slope of the street, the slope of the lot, drainage patterns, the type of house being built, the slopes and elevations of the houses on every side of the house. Most importantly, we will set the elevation of your home to maintain the grade requirements that help protect the structure from water.

Next, the foundation crew will install the foundation. Once the footings have been installed, the foundation contractor will "set the wall" so the walls of the foundation can be poured with concrete. This involves the standing up of panels. At numerous times during this process, the municipality is called upon to inspect the work that has been done.

Soon after the wall has been poured, the forms will be stripped off and the foundation will be waterproofed with a product designed to keep moisture from passing through the concrete.

Shortly after the waterproofing (or damp-proofing) has been sprayed on, the perimeter drain system will be installed if needed in that subdivision. The drain system may then be tied into the subdivision underdrain system. All this is done to keep water away from the foundation.

The process of attaching the home to the water and sewer service in the street will occur at this time.

Preparing for Framing

Once the drain is installed and inspected, the excavator will backfill the foundation. When possible, we will tamp the dirt into place around the foundation and the garage. This is done to reduce the amount of settling you will see around the foundation. This step will not eliminate the settling, but will reduce the amount and degree of settling you will see. Once the backfill is complete, the house is ready to frame.

Framing, Plumbing, Heating, Electrical and Roofing

The framing stage is the longest construction process. The framing contractor will frame the home per plans and specifications and meet all building code requirements.

After framing is complete, the plumbing and heating contractors will go to work on the inside of the home installing the "rough in" portion of the heating and plumbing systems. The plumber will install the water system. The furnace will be set at this time in the garage.

Now the home is really for the electrical rough-in. At this time, all the electrical outlets, fixture locations are wired and were reviewed at the final meeting. At the same time, the roof will be installed.

Once the plumbing, heating and electrical trades have completed their work, the framing trade contractor will finish the installation of any dropped ceilings, soffits, lower-level and basement walls and make any

framing corrections. Exterior steps, stoops and walkways will be installed, weather permitting. The home is inspected periodically throughout this phase for the “rough inspections” by the municipality.

Insulation and Drywall

After all inspections have been completed and passed by the local building department, insulation will be installed. The municipality will inspect the insulation and the vapor barrier. The drywall contractor will then enter the home to install drywall. The drywall process includes hanging, taping and texturing the drywall. The interior walls are now painted.

Exterior Work

Exterior work can now take place. The exterior work includes the installation of OSB and lap siding.

Interior Work

The interior work includes the installation of interior doors and trim, cabinets and countertops. Afterward, they'll be painted or stained. Then the ceramic tile and hard surface flooring (if selected) will be installed. When the flooring is in place, the plumbing, heating and electrical contractors will be back to do the final portion of their work. This is when your home's plumbing and light fixtures, appliances, thermostat and heat registers will be installed. The drywall contractor will come back to do any final touch-up and repair any dings or dents. All door handles and bath hardware will be installed. The 30 Day Letter will be sent to you and to the realtors involved in the transaction at this time.

Final Steps

This phase includes the installation of the carpet, followed by door stops and bypass door guides. Screens (if purchased) will be installed. Windows and doors will be checked to make sure they work properly. The home will then undergo a “final clean.” The paint contractor will return to touch up any spots. Your home is now ready for a walk-through. During this time, final inspections are performed and work is inspected by the municipality. Copies of the approved inspections will be sent to your mortgage company.

Walk-Through and Declaration of Acceptance (DOA)

As your home nears completion, we will call your realtor to schedule a quality walk-through of your home. This homeowner orientation is an introduction to your new home and its many features – a meeting that surpasses the traditional walk-through to include a detailed demonstration of your home and information regarding its maintenance. Allow enough time for this meeting; you should anticipate approximately two to three hours. By arranging your schedule to use the full amount of time scheduled, you will maximize the benefits of the walk-through. You may wish to have your real estate agent present. If you would like to have a friend or relative view the house with you, this should be done prior to the walk-through. Our experience has shown that the walk-through is most beneficial when you can focus your entire attention on our representative; therefore, we suggest that children not accompany you to this meeting. Review all sections of this manual carefully before the walk-through. This meeting will be your opportunity to ask any and all questions regarding your home, including maintenance and warranty questions.

This walk-through will be your opportunity to note any minor imperfections in the home and, if necessary, to list these items for repair (this is called a “punchlist”). The construction department takes responsibility for resolving items noted on the punchlist. Make careful note of the cosmetic aspects of the home – sinks, tile, vinyl and other flooring, countertops, cabinet doors, glass, etc. As these are the items most likely damaged while you are moving in, Spinell Homes will not accept claims for warranty service on cosmetic items. Please keep



in mind that your new home cannot be perfect. For example, when noting sheetrock repairs, if you cannot see an imperfection from six feet away, a repair will not be done.

Approximately two weeks following this walk-through, our supervisor will schedule with you to discuss a Declaration of Acceptance (DOA). For homes built in the winter months, there will be two separate DOAs (one for interior items and one for exterior weather-related items). Exterior items will be completed as soon as the weather and subcontractor availability permit. Any outstanding items from the punchlist will be noted on the DOA to be signed off on when items are completed. In most instances, completion of the outstanding items will occur no later than 30 days following the execution of the DOA. In some cases, back-ordered materials may cause unforeseen delays. To assist in the completion of these repairs, your cooperation in making the home available during normal business hours is imperative.

If, through no fault of Spinell Homes or our representatives, we are unable to complete items noted on the DOA within the allotted 30 days, these items may be carried over to the 11th-month warranty.

Upon completion of all items, you will be asked to sign off on the DOA. When the DOA is signed, your home will then be assigned to our Customer Care team. That department will address all subsequent requests for service.

Delays in Construction

We strive to provide you with the finest quality home. With the amount of skilled workers and components involved in the building of your home, this is not an easy process. The following are examples of some common delays in construction you may experience.

The local municipality inspects your home frequently during construction, and will not allow us to close on your home if any flaws are found. Municipality inspectors check on the most current building criteria and codes. Occasionally, a municipality inspector will require a change or addition that will make your home somewhat different from the renderings. It is not uncommon to experience a delay while waiting for the inspector to perform an inspection. Unfortunately, Spinell Homes exercises no control over the municipality.

Weather delays are common when building homes in Alaska. We cannot foresee extreme cold, large amounts of snowfall and/or rain. While we attempt to take into consideration weather delays and adjust our schedules accordingly, we are sometimes inaccurate.

We appreciate that most homebuyers want to customize their home; however, special orders cause delays. Any change order executed for your home delays the construction time. Prepare to add five business days to the closing date for each standard change order. You must allot numerous extra days to your tentative closing date for special orders.

In order to maintain the highest possible quality, we subcontract each part of the building process to specialty trades. We are fortunate to employ some of the top subcontractors in Alaska. We will not "settle" for mediocre subcontractors. Spinell Homes nor its subcontractors can be responsible for labor delays and material shortages, which may lengthen the building process.

While many potential delays have been outlined above, the process of building a home is not an exact science. Many variables can delay the process of building your new home. Spinell Homes will work to complete your home as quickly as possible without sacrificing quality.

Site Visits

Construction sites can be hazardous. We do appreciate your desire to visit your home during construction. Your safety is of prime importance to us. Please make arrangements to visit your home during normal business hours with the seller's or buyer's real estate agent.

All communication regarding your new home must be directed to the buyer's real estate agent or to Spinell Homes in writing. Subcontractors have no authority to enter into agreements for Spinell Homes or to make any changes to your home. Please do not talk to the trade contractors working in your home. Miscommunication may cause mishaps, problems or delays in the construction of your home.

As our insurance does not cover non-employees who may be injured on the construction site, Spinell Homes cannot be responsible for injuries obtained on the job site. Please see the New Home Job Site Indemnification Agreement sign at the time of your Earnest Money agreement.

We encourage you to be aware of the many hazards that may affect children playing on or around construction areas. Children love to play around construction areas, but they are not aware of the potential dangers. We rely on parents to keep children safe while visiting construction areas.

You should be aware that customer-construction alterations (other than those previously approved in writing) are not permitted in your new home until after closing. Each plan (including selected options) is submitted and approved by the municipality before the start of construction. There have been instances in the past where local inspectors would not approve a home because of items added to the home.

Independent Home Inspections

Home inspections have become commonplace in the resale home industry and are used on a limited basis in new home sales.

If you elect, at your own expense, to have your new home inspected by an independent home inspection company before closing, we will make every effort to accommodate the independent home inspection process. Spinell Homes, however, is not obligated to respond to items noted by your inspector.

Please keep in mind that all our homes undergo a thorough quality control process starting at the foundation and ending with the completed home. All phases of construction are inspected by our staff as well as local building department officials. This process ensures that your new home not only meets Spinell Homes' high standards, the home meets or exceeds all local building code requirements.

Closing On Your Home

Spinell Homes recognizes that timing is vitally important in planning your move and locking in your loan. We can specify an exact delivery date when construction reaches a point where weather and other factors are unlikely to impact the completion of the home.

Weather can delay getting the foundation in and can affect framing, roofing, and exterior finish. Material and/or labor shortages may affect the construction schedule. Please remember that you may delay the construction schedule by not responding to inquiries made by your lender, Spinell Homes or real estate agents. Changes submitted after the original purchase agreement has been completed can add days to the schedule. Special orders can add up to several weeks to the construction schedule. The closing cannot occur until all inspections have been performed and passed, and the Certificate of Occupancy has been issued.

Date of Closing

The closing will take place shortly after your Final Declaration of Acceptance. Your realtor will notify you of the closing. Typically, the closing process will take approximately one hour.

Location of the Closing

Usually, the closing will take place at the title company. You will be notified of the exact location of the closing when the appointment is set.

Closing Documents

At closing, the documents necessary to convey your new home to you and to close on the loan from the mortgage company will be executed and delivered. In addition to the following standard



documents, additional items may be required by Spinell Homes, the mortgage company or the title company. Principal documents will include:

- Title Commitment – will be delivered to you at or before closing. The standard form ALTA owner's title insurance commitment will insure merchantable title of your home to you in the amount of the purchase price. Permitted title exceptions may be described in the purchase agreement. Within 30 to 60 days after closing, the title company will mail you a standard ALTA owner's title insurance policy, insuring you title to your home. The title insurance policy should be kept with other valuable closing paperwork. Review the preliminary title insurance policy and the title insurance policy you receive after closing carefully. Contact the title company with any questions you may have.
- Settlement Statement– The settlement statement or closing statement, aka HUD-1, will be generated by the title company only after having the lender documents and approval of the statement.
- Statutory Warranty Deed – conveys the home and the lot to you, as they are prepared according to Alaska Statute.
- Limited Warranty – a copy of the Limited Warranty provided by Spinell Homes is provided in this manual for your review. The Limited Warranty begins on the date of the closing or the date of occupancy, whichever is earlier.
- Deed of Trust – encumbers your home as security for repayment of the Promissory Note.
- Promissory Note – this note is signed by you, payable to the lender in the principal amount of the loan, plus interest. Annual taxes and insurance premiums will be added to the loan amount and your monthly payment will be calculated.
- Closing Expenses – Certain customary expenses, such as taxes and utilities, will be prorated based on the periods that Spinell Homes and you own the property.

You will be charged for items such as prepaid expenses, reserves required by your mortgage company, or reserves required by your Homeowners Association. These items are typically prorated to the date of closing.

All adjustments and prorated expenses made at closing will be final.

The final cost figure is usually available only very near the actual closing. A reasonably close estimate may be provided to you prior to closing, however, many items included in the final total are subject to last minute adjustments. This is a result of several variables that cannot be controlled.

You will need to bring a cashiers check or certified check that must be from an Alaska Bank. Otherwise, it would need to be a wire transfer.

Most Common Questions

The Real Estate Settlement Protection Act (RESPA) provides you with many protections. Under this law you can request copies of the documents you will be signing at the closing prior to the appointment. Although these documents are not negotiable and thousands of previous buyers have signed them, you should read through them before signing.

You will need to obtain and present proof of a homeowner's insurance policy from your insurance company. Your insurance agent will know exactly what is needed. We suggest that you arrange for this no later than three weeks before the expected closing date.

The title company is not authorized to negotiate or make representations on behalf of any of the parties involved in the closing. Therefore, please discuss any questions, agreements or other details directly with us or your lender in advance of the closing.

You will need to notify all applicable utility companies of your move so that service is provided under your name. We suggest that you contact these companies well ahead of time to avoid any interruptions in

service. Spinell Homes will automatically have utility services removed from our name within days after closing.

Purchasing Homes with Escrow Items to be Completed

Part of building homes in Alaska is the reality that all the work cannot be completed when the home is built during the winter, and even early spring. Items left for completion can include final grading, driveway paving, permanent deck supports, exterior painting and gutters. Since these items are included in the purchase price but are not complete at closing, the funds required to complete them are held in escrow.

Snowfall, and then the melting snow in spring, makes our job difficult to be as neat and clean as we would like to be. Unfortunately, all sorts of debris and trash are neatly buried by the continued snowfall. Ice holds things in place weeks after the last snow falls and then melts. We attempt to clean up around the homes as the snow melts but this usually happens at the same time for all homes built during the winter. It is really helpful if you pile up any waste materials near the curb and we will send crews around to collect them.

You may notice water in your crawl space around this time as well. This usually occurs in areas that do not have final grades completed. As the snow begins to melt around your home, walk around your foundation to ensure no "funnels" are being created in the melting snow which drain water down your foundation. If so, shovel the snow away from the house. If you see water begin to accumulate in the crawl space, please call Spinell Homes for an inspection. If needed we will install a sump pump system in your crawl space. Please be advised that if the water becomes too deep we cannot install a pump and the water will have to be drained slowly – so call early if you think there is a problem. For further information please see our letter about Procedure for Water in Crawl Space.

We will be painting exteriors as time and weather permit. You may notice newer homes being painted first. This is because lenders will not allow homes to close with escrow items when the weather permits completion before closing. Painters will begin work in homes already closed as soon as the weather and schedule permits.

The final steps are final grading and paving. The frost, often down four to six feet below the surface, must disappear prior to final grading and paving. The settling that must occur will not happen until then. When the frost does leave the ground will begin to dry out and firm up enough for heavy equipment to work on. Next, the gas and electric lines must be buried so we may final grade. This is done by the respective utility companies, and is usually done subdivision by subdivision until complete. About a week after they begin burying the lines we will be around to final grade and prep for asphalt. It is very important that as the ground becomes soft you stay off the driveway until it has dried out completely. Adding gravel and/or placing boards on the driveway will slow the process. You must also hold any landscaping plans until after all escrow items are complete. Our goal is to complete all escrow work by July 15. This is, of course, subject to Alaska weather! Please be patient. We would like everything complete as much as you do.

