

Building Loan (Construction Loan in New York) FAQs

Q: What is the New York Building Loan application?

A: The state of New York requires a recordable document (a “Building Loan Agreement”) detailing exactly how much money is set aside for construction, and how/when it should be dispersed to the borrower. This “application” allows you to create a Building Loan Agreement and related documents that are needed to make a building loan in New York.

Q: Are there any limitations when using the Building Loan application?

A: We know by looking through our data that this feature should work for the vast majority of loans made by our users. Specifically, most users will utilize this functionality when there is a single borrower, single property, and a single loan being refinanced.

Below are current situations in which the Building Loan Agreement documentation **will not** produce correctly:

- 1) Borrower(s) must be the **ONLY** owners of the real property securing the loan. The BLA functionality will not work properly if you are using a “**Non-Borrower Property Owner // Non-Borrowers**” function where a party other than the Borrower owns the real estate.
- 2) **ALL** real property must be located in the state of New York. The BLA functionality will not work properly if you are cross collateralizing the loan with property outside of the state of New York.
- 3) **Governing law** should be New York. Using a different Governing Law will produce an incorrect BLA.

Please Note: IF YOUR LOAN TERMS DEVIATE FROM THE ABOVE, THE DOCUMENTS PRODUCED WILL REQUIRE MANUAL REVISIONS BY AN ATTORNEY

Q: When should I use the Building Loan application?

A: If any loan funds will be disbursed by the lender or its agent to pay for any construction on a New York property, the Building Loan template should be used.

If no funds are held back by the lender at loan closing, you will not need to use this feature.

Q: Why does using the Building Loan feature create a first and second position loan?

A: The reason two loans are utilized in New York is that New York has unique mechanics lien laws in which a contractor's lien can take priority over the entire loan amount (making the entire loan subordinate). To avoid this result, lenders are advised to create a first and second loan so that if a mechanic lien is recorded, only the construction holdback loan (the junior loan) can be subject to a mechanic lien taking priority.

Q: What is the cost of using this feature?

A: There is no additional cost to use the Building Loan application. The Building Loan application will follow your monthly per-file pricing schedule.

NOTE: If a Building Loan set AND a Master Loan set are created for the same record, these will be billed as one single file instead of two.

Q: How do I access this feature?

A: There are two ways to create a set of NY Building Loan documents

- 1) **Create using an existing/applicable record.** Only use this method if the following criteria are met.
 - There will be a **non-building** portion of the loan (purchase or refinance);
and
 - Non-building and Building Loans will have the **same loan terms**.

[Click here](#) for further instructions.

- 2) **Create as a standalone interview from scratch.** Only use this method if ***either of*** the below criteria is met.
- The Building Loan will have different loan terms than the Non-building Loan; or
 - All loan funds will be used towards construction on a NY property.

[Click here](#) for further instructions.

Additional questions? Please reach out to support@lightningdocs.ai for assistance!