VIRGINIA ACTS OF ASSEMBLY -- 1995 SESSION

CHAPTER 87

An Act to amend and reenact § 6.1-64 of the Code of Virginia, relating to construction loans by banks.

[H 1752]

Approved March 7, 1995

Be it enacted by the General Assembly of Virginia:

1. That § 6.1-64 of the Code of Virginia is amended and reenacted as follows:

§ 6.1-64. Construction loans.

Loans made to finance the construction of a building or otherwise to improve real estate, and having maturities of not to exceed sixty months if accompanied by a valid and binding agreement to advance an amount equal to or greater than the construction loan upon the completion of the building or improvement entered into by an individual, partnership, association or corporation acceptable to the bank (and including the bank itself), whether or not secured by a mortgage or similar lien on the real estate upon which the building or improvement is being constructed, shall not be considered as a loan secured by real estate within the meaning of § 6.1-63, but shall be classed as ordinary commercial loans, unless the terms of the transaction shall be more favorable than in the absence of a lien, in which case an appraisal shall be required as provided under § 6.1-63. No bank shall invest in, or be liable in, any such loans in an aggregate amount in excess of 100 percent of its capital and surplus, *except that any such loans supported by an executed agreement for permanent financing shall not be included in such aggregate amount*. The period of time, not to exceed sixty months, elapsing prior to the completion of the improvements shall not be counted in computing the period of forty years and two months specified in § 6.1-63. Loans made to finance construction of buildings or otherwise to improve real estate may be made under this section or under the provisions of § 6.1-65. Loans made under § 6.1-65 shall not be treated as construction loans for purposes of the limitations of this section.