



# BUILDING YOUR DREAM HOME?

## KNOW YOUR LENDING OPTIONS

Building a home can be a stressful process if you don't have the right financing in place. With 7 years of experience, you can rely on me to get you the best possible mortgage for your project.



**BLAKE HARPER**

MORTGAGE BROKER

BLAKEHARPER73@GMAIL.COM

250-869-2285

213-810 Clement Ave, Kelowna Bc V1Y 0J7  
Independently owned & operated



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# CONSTRUCTION MORTGAGES

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## LENDER 1

Flexible financing with fixed rate mortgages and interest only payments during the course of construction. When it comes to build time, Interior Savings will administer the mortgage funds throughout the draws, through to completion. The funds are drawn as needed by the members, by calculating the inspected LTV while retaining the cost to complete. Draws may correspond with the builder's contract (controlled through inspection draws as below), the alignment of the mortgage finance contract and the construction companies draw requirements are imperative. A full understanding of what the instalments are as pre-defined stages of completion are reached, or as credit terms dictate.

### **Typically draws are conducted at the members request and follow these stages:**

- Purchase of Land (up to 75% of land value)
- Completion of Sub-floor
- Lock-up
- Completion (100% complete)

When completing a construction mortgage application, there are additional areas of consideration that the Mortgage Broker will be required to address in addition to normal mortgage procedures. These areas will be provided when a construction or progress draw is requested.

### **Initial Requirements**

#### Down payment confirmation

- Required down payment is 25% of the lot and construction costs in most cases however this may increase due to size/value of the project and the property type
- 10% Contingency

#### New Home Warranty Builder

- Purchase Agreement
- Builder contract (product, cost specifications and contact information)
- Home Design Plans
- Building Permit
- Appraisal
- Survey Certificate (once the foundation is complete)
- Course of construction insurance (prior to construction)
- Interior Savings named as first loss payee - we have a full insurance division for your convenience



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## LENDER 1

### Additional Requirements

- Cost Overruns
  - a new appraisal and/or application may be required to qualify for increased amount
- Completion Costs
  - 1st advance will be maximum 75% of the land value (based on lower of cost or appraisal)
  - For subsequent advances, Interior Savings will hold back the cost to complete the home construction at each draw request as provided by the inspecting appraiser
  - Construction must be completed within 6 months of the first draw date
  - Interest -only payments will be made during the construction period. With regular blended payments after completion
- Fee Disclosure for Members
  - Construction mortgage fee (charged by Interior Savings as per fee guide, \$750 under \$500,000 mortgage request, \$1,000 over \$500,000 mortgage request)
  - Appraisal fee (as charged by the appraisal provider)
  - Draw fees (charged by Interior Savings, \$50 per draw)
    - Usually 3 to 5 draws after 1st advance (no specific maximums)
    - Inspection fee (as charged by the appraisal provider)
    - Final progress inspection at 100% completion with Final Occupancy Permit from the district / municipality / city (required prior to advancing the final draw)
  - Course of construction insurance premium
  - Legal fees
  - Property transfer tax fees
  - High-ratio mortgage insurance premium (if applicable)



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## LENDER 2

**First West Credit Union will grant a loan to an applicant(s) who qualify for the purpose of:**

- Construction of a principal residence
- The renovation or addition to an existing dwelling

\*\* This program is not for spec or revenue financing, for that information please see "Financing for Commercial Applications" under "Lending Programs" found on our website.

**Program details:**

- Owner occupied
- Income qualified only
- The approved loan will not exceed 75% of the lesser of the "finished appraised value" or the "cost to complete" for the 1st \$1,000,000 and 60% on the remaining amount
- Fixed rate term mortgage locked in at first draw.
- Interest only payments made during course of construction at Prime + 1.50%.
- Owner-occupied - Construction Fee of 0.5% will apply and will be collected at the first draw.
- Construction fees are non-refundable.
- Maximum construction term is 18 months.
- A Quantity Survey may be required for certain construction mortgages at the cost of the client.

**Additional Documentation Requirements:**

- Construction Cost List
- Blueprints
- Confirmation of builder licensing by BC Housing (contractors)
- Course of Construction Insurance
- Survey Certificate or Title Insurance is required with First West as the beneficiary
- New Home Warranty
- Signed Construction Loan Requirement letter (see broker portal)



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## LENDER 2

### **Funding Process for Progressive Advances:**

Cost to complete progress draws:

- Owner Equity must be injected first
- Remaining un-advanced mortgage amount must always be enough to complete construction
- Each draw is subject to an advance fee of \$100.00
- Title Searches (confirming no builders/contractor liens) with each advance

### **Draws**

Funds are advanced in multiple draws as required by the homeowner, or contractor, opposed to one single advance. The applicant(s) can request their draws via our branch lender.

Standard draws as follows:

- Purchase of the lot/land (maximum first draw is 80% of appraised value or purchase price less members equity)
- Completion of framing (approximately 20% complete)
- Lock-up (approximately between 50-80% complete)
- Completion (100% complete)

### **Additional information applicant(s) should be aware of:**

- All associated costs/fees pertaining to the construction process
- Interest payments on drawn funds will be required during the construction phase
- We expect the build phase to be no more than 12 months, if not, advanced notice should be given
- All construction draws are based on "Cost to Complete" basis
- Self builds are not accepted



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### **Lien Holdbacks**

Although the Builder's Lien Act requires the borrower/owner hold back 10% on payments throughout the construction process, First West Credit Union has chosen NOT to retain the required hold backs as we do not want to assume responsibility for incorrectly calculated hold backs and proper payment to third parties. Failure by the borrower/owner to maintain a hold back account is in default under the construction contract and is advised to seek ILA (independent legal advice) pertaining to lien hold backs

### **Contingency**

15% of the building costs are required for contingency above and beyond the required down payment/equity. Must be on deposit with First West in an account under the borrowers name.

NOTE: This offer can be withdrawn without notice.



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