



Construction Mortgages

Building your Dream Home

Building your own home can often seem overwhelming, but knowing the steps involved will help make the process easier.

A construction (or builder's mortgage) is more involved than a regular purchase, due to the fact that the house your building is completed in stages.

The financial institution will only advance money for the construction of your house based on what you already have completed. There may be construction delays or cost overruns. This is the reason that financial institutions usually require that you already own the property the house will be built on free and clear.

The following will provide you a clear understanding of the steps involved in being approved for your construction mortgage.

Step 1 - The Application

The first step in the construction mortgage process is getting approved for the amount you need to complete your build. This is the same as if you were purchasing a property. This amount will take into consideration, materials and labour costs. You probably have an idea of the maximum you would want to spend in order to get the application started.

Step 2 - Determine if you will be your own General Contractor

If you plan to be your own General Contractor then you must obtain an Owner Builder Authorization. In order to obtain this authorization you must pass the Owner Builder Exam.

Owner builders are exempt from having to become licensed and arrange for third-party home warranty insurance on their home. As an owner builder, you must build or directly manage the construction of your new home yourself. You will also be personally liable for any construction defects in the new home for 10 years.



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To learn more about these requirements visit <https://www.bchousing.org/licensing-consumer-services/owner-builder/>

If you are hiring a General Contractor to oversee the building of your new home, you must ensure that he is a licensed builder in good standing. The licensed builder will need to apply for and confirm the home is covered by home warranty insurance.

You may confirm that the contractor you hire is in good standing by visiting the Public Registry of Residential Builders. <https://lims.bchousing.org/LIMSPortal/registry/Licence/>

Step 3 – Cost Estimates and Plans

Once you have been pre-approved for an amount, you must provide the financial institution with a copy of all plans and cost estimates for the house you wish to build. These cost estimates will include the actual building of the home (materials and labour), permits as well as other items such as installing water, sewer and hydro if required. Integris can provide you with a cost estimate sheet to assist you with this part of the application.

Your cost estimates should incorporate any applicable taxes. In addition, it is good practice to add 10-15% to deal with contingencies.

Step 4 – The Appraisal

Once the cost estimates are complete, contact your lender. The lender will contact an appraiser to go out to your property, and using your cost estimates and plans, provide the credit union a market value of the completed project.

The Credit Union will register a mortgage of up to the LESSER OF:

- 75% of appraised value at completion
- 80% of cost to build (land, hard costs and permitted soft costs)



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If you require more than what Integriscu can approve under a conventional mortgage, then the application will be sent to CMHC or Genworth who will allow up to 95% of the appraised value or construction costs. Note: if CMHC or Genworth insurance is required, the premium charged by those companies will be added to the total mortgage amount.

Step 5 - The Commitment Letter

Once we receive the appraisal and we verify there is enough equity in the finished project to proceed, we will have you complete the Construction Mortgage Commitment Letter.

At the time of signing the commitment letter, you will have negotiated your term and rate with your lender. The minimum term allowed is a 3 year penalty mortgage.

During the construction phase, your rate of interest will be 2% higher than the documented rate negotiated. In addition, during the construction phase, you are only required to make interest only payments on the funds advanced.

Once the construction is complete and you have obtained your occupancy permit, Integriscu will automatically adjust your mortgage to the negotiated document rate. At the same time you will be switched to regular principal and interest payments.

Step 6 - Life and Disability Insurance

You should look at applying for life and disability insurance for the final mortgage amount.

By having the insurance in place prior to construction, you will ensure that should something happen to you while the house is being built, your family will have enough money to complete the project.

Step 7 - Cost of Construction Insurance

Prior to beginning construction, you will need to obtain "course of construction insurance". If you have hired a licensed builder, they should have obtained this coverage.



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This insurance must be in place prior to the start of your project and protects the building and materials during the construction period against fire, flood, vandalism and in-transit risks.

For further information on course of construction insurance, please contact an IntegrIS Insurance staff member.

Step 7 - The Lawyer

IntegrIS Credit Union will forward the commitment letter to a lawyer to register the mortgage. Once you have signed these documents with the lawyer and the mortgage is registered, you may proceed with the building of the house

Step 8 - The Construction Process

A construction (builder's) mortgage is advanced on a draw basis.

The Credit Union will advance money for the construction of your house based on work that is already complete. This is why we usually require the land the house is being built on to be free of any charges.

This allows the Credit Union to advance up to 75% of the land value (if needed) to get you started.

Each time you need money to get to the next stage of building the appraiser inspects your property in order to provide the Credit Union with an update on the percentage and cost to complete your home.

Costs of Building your own home



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There are some additional costs surrounding a construction mortgage you should be prepared for

The following list shows some, but not necessarily all, costs you might encounter. All costs are approximate, depending on the firms used.

Item	Approximate Cost
Appraisal	\$500.00 to \$1,000.00 Approximately
Construction Commitment Fee	\$250.00
Inspection Fee	\$75.00 plus cost of inspection
Legal Fees	\$1,500 approximately
Cost of House Plans	\$800.00 to \$1,500.00 approximately
Cost of Building Permits	City determined
Cost of Construction Insurance	Contact Integris Insurance
Cost of General Contractor	Determined by Contractor Hired