

Construction Loan Guide

Our goal at AES is to make the construction funding process as simple as possible. This package will assist you in understanding the construction funding process. A construction loan is a **promise**. You are promising that you will complete your construction project on time and within budget. How you access money during the construction process is called the Draw Process or Inspection Process. Your Lender will be happy to explain the process for this Project.

Questions that need to be answered before closing a construction loan.

1. How do you handle Builder Deposits?
2. How long does it take for funds to be released?
3. How will I know funds have been released?
4. How will I access my construction funds?
5. Who is responsible for paying my builder?
6. How do you handle change orders and cost overruns that exceed the presented budget?
7. Do you fund invoices?
8. Do you fund materials?
9. What Draw schedule are we going to use for this Project?
10. What is the start and completion date of the project?

Draw Schedule *is a detailed payment plan for a construction project. If a bank is financing the project, the draw schedule determines when the bank will disburse funds to you and the contractor. The goal is to make progress payments to the contractor as work is completed.*

Please keep in mind that a cost sheet provided by your builder or a spreadsheet you have created yourself does not always translate into an efficient funding strategy. **You should confirm with your Lender the Draw Schedule they prefer.** Then you should convert your cost sheet to that format.

AES will provide you with a project review. Part of this review will be the funding format that best suits the Project. All parties will have to agree to this funding format before the Project can proceed with AES.

Project Documents

Please understand that it is your responsibility to provide all required information to your Lender. Misinformation presented to your Lender can cause severe problems with your construction loan process.

No Work Affidavit *Whether the construction project is building on a vacant lot or an existing building that will be renovated, the affidavit states that construction had not started nor building materials delivered at the time the site inspection of the affidavit is performed.*

Plan

To complete any project, you will need a plan. The following documents will be required to Set Up, Close, Fund, and Complete your construction project with your Lender.

Pre-Closing Documents

- Property Survey
- Stamped Digital Plans
- Builder License
- Builder Insurance
- Executed Contract
- Budget/Cost Sheet/Schedule of Values
- Draw Schedule
- Builders Risk Insurance
- Flood Insurance
- Building Permit

Post Closing Documents/ Draw #1

- Survey Spotting Improvements/Spot Survey
- Soil Treatment Certificate/ Termite Certificate
- Flood Elevation Certificate

Final Draw Report Documents

- Final Survey (Showing all improvements and Flood Zone)
- Homeowners Insurance Policy
- Clear Lien and Privilege Certificate
- Certificate of Occupancy

If you are working with a reputable professional builder, he/she will be able to assist you with most of the required documents. Please contact your Lender for a specific list of required documents. This will expedite the funding of your Project.

Permitting

Proper permitting is vital to the success of your construction project. Please consult with your contractor or local permitting office to confirm that they understand the full scope of your Project. Your Lender will require a permit before funding can begin.

Improper permitting can result in the following:

- Work Stoppage
- Fines
- Funding Delays
- The inability to acquire a Certificate of Occupancy
- Financial liability in the event of an insurance claim

Basic Permitting Requirements

Most municipalities follow standard building codes; To ensure life safety in construction, there are several requirements for proper permitting. There are costs involved in acquiring a building permit. In a perfect world, you should have your building permit before you close on your construction loan.

- **Demolition/Site Preparation**
All structural demolition usually requires a separate permit. This can even include removing a fence.
- **Framing**
If you are adding or repairing existing framing, it is strongly advised that you consult with your permitting office on your complete scope of work. They will be able to advise you on the proper procedures.
- **Electrical-Plumbing-HVAC (Air & Heat)**
In theory, if you are changing out a ceiling fan, you need a permit. I know that sounds extreme. All of these disciplines in any capacity require a permit.
- **Structural/Additions**
All structural repairs require a set of architectural drawings stamped by an engineer, Including additions to existing structures. This is probably the most common oversight in construction.

One more thing about permitting. If your builder tells you, "You don't need a permit....."

GET ANOTHER BUILDER!

Construction Budget

The most vital part of **your** construction project is your construction budget. It will determine your success or failure. Having an accurate and detailed budget is vital. You need to make sure you are borrowing enough money to complete your Project. Cost overruns are viewed as a mistake. This mistake will cost you money. AES has provided you with a cost template to help you prevent this costly and time-consuming situation. A 10%-20% contingency is advised for all renovation projects and self-subcontracted projects.

Start-up Funds/Deposits

In most cases, deposits cause problems for you and your Lender. Your Lender will be hesitant when it comes to funding for materials that have not been installed or for work that has not been completed. The whole concept behind a construction loan is that you will improve the value of the bank's collateral as you complete work. This is the only security for your Lender. You should address any deposit request with your Lender before closing.

Most professional builders have commercial accounts with their suppliers. This significantly reduces the need for additional capital deployments. Please consult with your builder on their need for start-up funds or deposits.

If your builder is requesting a deposit, please have him/her contact your Lender directly to discuss the procedure.

For More Information on AES please visit our website www.aesrequest.com.

Congratulations on your construction project!

We look forward to working with you.

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AES Schedule of Values (SOV)

Please insert a cost next to the corresponding scope.

Line Item	Cost
Permitting	
Plans/Engineering	
Clearing/Grading/Site Preparation	
Demolition	
Dumpsters	
Site Clean Up	
Temporary Utilities/Bathrooms	
Piles	
Subsurface-Plumbing	
Subsurface-Electrical	
Foundation System	
Lumber Package	
Framing Labor	
Sheathing/Wrap	
Roof Decking/Underlayment	
Windows	
Exterior Doors	
Roofing Components	
Plumbing Rough -In	
Electrical Rough-In	
HVAC (Air Conditioning)	
Fireplace	
Audio/Visual/Alarm/Cameras	
Siding/Stucco/Masonry	
Exterior Paint	
Insulation	
Drywall	
Mill-work (Interior Trim)	
Closet Build Out	
Interior Doors	
Interior Paint	
Cabinets	
Vanities	
Plumbing Fixtures	
Electrical Fixtures	
HVAC Condenser Set	
Flooring	
Tile Work	
Cabinet Countertops	
Vanity Countertops	
Appliances	
Fences/Gates	
Landscaping	
Flatwork/Walks/drives	
Pool	
Outdoor Kitchen	
Contingency	
Total Project Cost	