



Getting started is easy

**Scotiabank**<sup>®</sup>



## Getting started with a Home Builder Loan (HBL) from Scotiabank is easier than you think

Choosing to build rather than to buy takes greater effort, but to live your life in a custom-built home just for you – it's worth it!

You can build a new structure or renovate an old one. With Scotiabank, you will never be alone. A Personal Banking Officer (PBO), along with expert support staff, is there to guide you along each step of the way to the completion of your building project and beyond.

From the moment you decide to build, keep two clear objectives in mind:

- Make every effort to build within the budget
- Build within the specific time

Having helped many customers with their home building dream, we created this brochure to show you how – giving you step-by-step information and instructions for a smoother process to finance your building project.

# STEP 1

## Find out the Cost

Having an estimated cost to construct your new home will give you a clear picture of the financing you may require to establish a budget which will be your guide.

Your construction cost will entail, but is not limited to:

- Estimated building cost
- Architect's fees
- Appraiser's fees
- Quantity Surveyor's fees
- Land Development/Landscaping
- Permits
- Fixtures/Finishing
- Legal cost
- Inspection cost

Avoid changes to the plan mid-way through the project so as not to face project delays or cost overruns that can jeopardize the completion of the project. Ask for a floor plan and elevation drawings for an optimal vision of your future home.

In preparing your budget, it should also include your monthly living expenses and debt. This will give you a true picture of your cash flow during the construction period.



### Tip

- Ensure that you hire a reputable builder who will stay on time and within budget.
- Investigate and select an experienced builder from an architect's recommendation or two (2) references from customers who have had projects completed.
- Requirements for builders:
  - A copy of the Builder's Business License and Degree or Certificate as proof of competency;
  - AND**
  - List of completed projects and references in the past 24 months. Must include the following information:
    - Project/Structure Type (house, multiple unit dwelling, business, etc.)
    - Size/Value of Project
    - Reference Contact Information
  - OR**
  - Larger established builders referred by Commercial Lending are adequate.
- Obtain a copy of the builder's business license and degree or certificate as proof of competency.
- When entering into a contract with your builder, we recommend that you negotiate a Fixed-Cost contract, which will assist in managing the budget.

## STEP 2

# Meet with your Personal Banking Officer

Call us and you will be connected to your Personal Banking Officer (PBO) who will guide you through all the steps to acquire a loan to build your dream home.

Your PBO will help you determine:

- The maximum amount you can borrow
- Your ability to repay the loan
- Your source of down payment and contingency funds

In the process, your PBO will review your income, assets, liabilities, credit reports (if applicable) and assist in determining your source of down payment, such as savings and investments, and equity in your property/land or gift from family.

Upon completion of the application requirements, your PBO will submit your loan request for approval.

Your PBO will also discuss your monthly interest payment, which will be due when drawdowns commence.



### Tip

Your contingency fund is an important feature of a Home Builder Loan, where money is set aside to cover unexpected cost changes during the construction process. It will be between 5-7% of your construction cost.

The contingency covers unexpected price changes and costs passed on from the contractor. These should be few and low in cost, given the small buffer.

- Upgrades in materials used and unexpected changes to the plan require additional equity injection from the borrower.
- Ensure that you fully understand the architect's plans:
  - (a) Do you prefer an open concept layout for the living room and kitchen or do you prefer enclosed rooms?
  - (b) Do you prefer one sink or two in the bathroom?

- Ensure that you are comfortable with the layout of the rooms, the number and that the size of the bedrooms is sufficient for your family's needs.
- Ensure that you fully understand the builder's plans:
  - Did the builder account for possible time delays due to unforeseen circumstances such as delayed shipments, supply shortages, weather conditions, etc.?
- Carefully select materials for floors, counter tops, tiles etc. to match your style while staying within the allocated budget.
- If the budget for materials needs to be updated, ensure it is done prior to construction and is accounted for in the total costs.
- Changes/Upgrades to materials during construction is one of the major reasons for cost overruns. Avoid overrun situations!
- Any structural changes to the floor plan (interior or exterior) during the construction period will have to be pre-approved by government regulators.

## STEP 3

### Loan Approval Process Requirements

- Construction Contract
- Property Appraisal Form
- Architect's Certificate or Quantity Surveyor's Report
- Evidence of Builder's Insurance/All Risk Insurance
- Building Permits/Planning approvals
- Approved municipal plan (where applicable)
- Drawdown schedule, timeframe and expected date of completion
- Up to date property tax
- Certificate of title/Mortgage deed
- Evidence of clear title

Once the loan is approved and you've signed all loan agreement documents and a charge is registered on the property, you are ready for Step 4.



#### Tip

- Have in place your down payment and contingency funds in your Scotiabank account for the sole purpose of the loan.
- Remember, you will need funds to cover insurance costs during the construction period along with your other living expenses and debt.

# STEP 4

## Let's Start Building

Understanding the building stages is very important. Having a good relationship with your builder is very key and strategic to the timely completion and success of your building plan. Keep yourself informed and understand the timeframes.

You are now ready for the first drawdown. Drawdowns will be aligned to the Quantity Surveyor's Report.

### CONSTRUCTION PROCESS

1. Substructure: Excavation and earthworks; reinforced concrete pad, strip, and ground beam foundations; foundation blockwork and ground floor slab
2. Frame and Upper Floors: Reinforced concrete columns, beams, suspended floor slab and staircase
3. Walls: Hollow core blockwork; reinforced concrete lintels and ring beam
4. Roof: Standing seam roof covering on metal framed construction
5. Windows and doors
6. Services: Plumbing and electrical, smoke detector(s) installations
7. Finishes
8. Fittings and Fixtures: High and low-level kitchen cupboards; vanity counters; bedroom cupboards; closets and handrails
9. External Works: Reinforced concrete apron paving; surface water drains; septic tank and soakaway
10. Preliminaries: Mobilization; site supervision; insurances



## STEP 5

# Converting your Home Builder Loan to a Mortgage

Upon completion of the building project within the given timeline of 18 months, it is time to convert your Home Builder Loan to a mortgage. You will require:

1. Final appraisal and Quantity Surveyor's reports from the bank-approved panel indicating completion.
2. Government Completion Certificate/Occupancy Permit on file.
3. Certificate of Property Insurance.

During the construction period, you will be assigned a Home Builder Specialist who will support you throughout the construction project, providing guidance, oversight and subject matter expertise.

It is very important that the construction project is completed within 18 months. If not completed within this timeframe, your monthly interest rate may increase.



### Tip

- Ensure your building project is completed within the specific time.
- Once construction has been completed prior to 18 months, your Home Builder Loan can be converted to a mortgage.
- When converting to a mortgage, you can:
  - Lower your monthly payment by amortizing over 30 years to fit your budget.
  - Protect your loved ones with optional credit life insurance. You can be sure that your mortgage will be paid off in the event of death.
  - Find out from your Sales Officer how you can prepay your mortgage without penalty.

Visit [www.scotiabank.com](http://www.scotiabank.com), click on "More Scotiabank Sites", then select your country to view full details on requirements for a Home Builder Loan.