

The background of the image is a light blue-tinted photograph of architectural blueprints. The blueprints are spread out on a surface, with various lines, grids, and technical drawings visible. A large, white, stylized house-shaped frame is superimposed over the center of the image. Inside this frame, the text 'Buy. Build. Renovate.' is written in a clean, white, sans-serif font. The overall aesthetic is professional and focused on real estate and construction.

Buy.  
Build.  
Renovate.

Scotiabank®

# Home Builder Loan





## 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 Sales Officer (SO), 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.

# 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.

# Meet with your Sales Officer

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

Your SO 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 SO 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 SO will submit your loan request for approval.

Your SO 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.



# 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.



# 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



# 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.



- 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.

**FAQs**

# FAQs for Home Builder Loans.

## Questions that customers would typically ask during the Home Builder Loan process.

- 1) Q - When will the contingency be used?  
A - The contingency will be used at any stage where there is an unforeseen occurrence that can prevent completion of the property e.g. natural disaster, requirement for additional construction (e.g. retaining wall).
- 2) Q - Will I get back the cash contingency?  
A - If the cash contingency is unused after construction, the cash contingency will be returned once the mortgage is formalized.
- 3) Q - Can I convert to a Residential Mortgage with the Completion Certificate alone?  
A - No, we will require a final Quantity Surveyor's report as well as a Final Valuation, in addition to the Completion Certificate, in order to convert.
- 4) Q - How long do I have to finish construction?  
A - Construction is to be completed in 18 months.
- 5) Q - How will my interest be calculated?  
A - Interest will be calculated on the amount disbursed only. It is a daily interest accumulation. For example: For the months with 31 days, the interest will be more than months with 30 days.
- 6) Q - Do I need a Quantity Surveyor's report for each disbursement?  
A - Yes as the industry professionals, we will require a Quantity Surveyor's report prior to each disbursement to confirm the funds disbursed were used in construction and that the project is proceeding as scheduled.
- 7) Q - Can I change the building plans during construction?  
A - No. If the building deviates from the approved plans, we will require re-approved plans prior to continuing with disbursement of funds.
- 8) Q - What will my interest rate be?  
A - During construction the interest will be calculated at 1% higher than the Residential Mortgage rate until conversion.
- 9) Q - Will my principal be reduced with interest payments?  
A - no, during the construction phase, interest only payments will apply. Only once converted will principal payments be made.
- 10) Q - Is property insurance required during construction?  
A - Yes, during construction Builders Insurance (or Contractor's All Risk) is required, upon conversion, Homeowners Insurance is required. Funds cannot be disbursed if insurance is not in effect and current.

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