

Construction Lending Regs and Best Practices

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Lisa has been with Michigan Business Connection, LC since 2011 as an Underwriter and Team Lead. In 2023, she took on a VP role overseeing the Underwriting and Portfolio Management teams.

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Shari has owned Total Inspection Services since 1990 helping the banking industry monitor commercial and residential projects.



Construction Lending NCUA Regulations

Lisa Bradley

Feasibility

- Describes likelihood that a proposed project will be economically successful
- Considered central to due diligence analysis by the NCUA
- Can be engaged as part of an appraisal (comprehensive/Level C) or separate analysis (can be borrower engaged)



Eligible / Qualifying Costs

- Costs necessary to complete a construction project
- Can include land, interest, contingency, and related developer fees, leasing expenses, broker commissions, management fees (if supportable)



Loan To Cost

Lesser of “As-Is” appraised value or purchase price PLUS Eligible Costs

Loan To Value

Based on “As-Complete” Value and “As-Stabilized” Value should be analyzed

Budget Considerations



NCUA regulations require a qualified individual representing the Credit Union analyze and review the budget



Complete a pre-closing budget review

Confirm

Equity Injection

Review

Executed Sworn Statement

Review

Lien Waivers and Change Orders

Obtain

Third Party Inspection

Obtain

Title Endorsement



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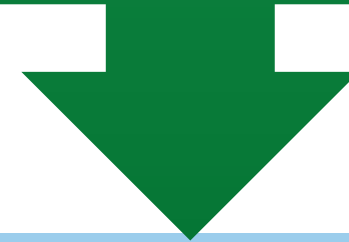
Best Practices / Current Industry Trends

By Shari Gosselin



Small Project Considerations

Smaller the project, the more important it is for borrowers to utilize professional services, including hiring a General Contractor.



Potential Pitfalls

Corner cutting of expenses

Delays in Job Completion

Increased Costs

Labor Shortages

- Real and evident!
- Superintendent Feedback
- Less People in Trades
- Obtain Trade Contacts Pre-Close
= Less Delays





Extended build times are still very common!



Why?

Understaffed Municipalities
Lack of experienced General Contractor



What should we do?

General Contractor Due Diligence
Adequate Draw Period



TOTAL INSPECTION SERVICES

Questions?

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