

BROCHURE

# THE PROGRESS ADVANCE MORTGAGE (+LAND)

Insured Lending



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## The perfect solution for new home construction financing

Bridgewater Bank's Progress Advance Mortgage (+Land) is one of the most broker-friendly construction loans and has your client's best interests in mind. We work directly with you, the broker, to support your expertise and ensure your client's attention remains on the finishing details of their dream home rather than the financing. Your dedicated expert underwriter works directly with you to ensure you have all of the information you need when you need it.

### NEW! Now with a land advance option

With our land option, you can finance the land and the build, all in one place, through one easy process. If your client requires funds to purchase land and is ready to start building, we will wrap the land advance into the construction draw. We register a single mortgage on title for the value of the full build project, including the land, and the land advance is paid out at the first construction stage draw.

### BWB LAND AND CONSTRUCTION DRAW MORTGAGE HIGHLIGHTS

<b>INTEREST RATE</b>	Calculated at Prime +5% <sup>1</sup> Interest only on advanced funds Due monthly and debited automatically from Borrower's bank account
<b>TERM</b>	Construction must be completed as per Advance schedule and within 9 months of commitment (11 months with land advance option)
<b>LOAN AMOUNT</b>	Maximum \$1,000,000* (includes mortgage insurance) No amendments to loan amounts after first inspection 15% cost overrun required to cover upgrades
<b>LOAN TO VALUE</b>	New Home Warranty Owner-occupied purchase 1-2 units max. 95% ≤ \$500,000, max. 90% > \$500,000 New Home Warranty Owner-occupied purchase 3-4 units max. 90% Self-Build owner occupied purchase 1-2 units max. 90% Mobile/Modular owner occupied purchase max. 90%
<b>PROGRESS INSPECTIONS</b>	The cost of inspections is included in the insurance premium and are completed by a designated appraiser
<b>ADVANCE STAGES</b>	Land Advance (optional): Must be paid out within 90 days, on the first construction stage draw Construction Advances: Up to 3 interim advances plus the final advance at completion (4th stage) No additional advances beyond the 75% completion stage will be made other than the final advance

\*Subject to underwriting. Amounts over the above-stated limits may be available on a case-by-case basis. Geographic, property, and credit restrictions apply.

### LAND ADVANCE OPTION

<b>INTEREST RATE</b>	Prime +5% interest only on advanced funds
<b>FEES</b>	Save fees by only registering the mortgage once
<b>LTV</b>	50% LTV on raw land, 75% LTV on serviced land
<b>LAND VALUE</b>	Purchased: Based on purchase price Owned: Value registered on title or most recent Tax Assessment A recent land appraisal can be used in lieu for both scenarios
<b>TERM</b>	Must be paid out within 90 days on first construction stage draw

## Stay or go at completion, choose what is best for your client

### No penalty switch

We hope that this is the perfect solution to finance your client's build, but we understand that you may want to find a specific mortgage solution for your client once the build is complete. We insure the mortgage, so your client can choose to switch without penalty and access the right mortgage for them in the open market. We require notice of the intention to switch 30 days prior to completion.

### Stay with us

Choose from a 1, 3, or 5 year term. Contact your BDM for today's rate.

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### Who qualifies for this mortgage?

TYPE OF BUILD	THE DETAILS
<b>RESIDENTIAL HOME BUILDER</b> For Borrowers buying a home through a residential home builder	Builder must be a member of an approved New Home Warranty Program (NHWP) and have the property registered with the NHWP.
<b>CONTRACTOR</b> For Borrowers who build their home through one general contractor	Contractor must be a member of an approved New Home Warranty Program (NHWP) and have the property registered with the NHWP.
<b>SELF-BUILD</b> For Borrowers who act as their own general contractor and hire qualified, licensed trade persons to build their home (New Home Warranty required for self-builds in Alberta)	<p>The Borrower must have demonstrated expertise to complete the work being undertaken. Borrowers should have industry knowledge and be prepared upon request, to submit a resume substantiating construction knowledge, industry contacts and references.</p> <p>Borrowers should have sufficient resources, cash or independent lines of credit, available to ensure they have the financial wherewithal to carry the construction to the first draw. If the Borrower is a qualified tradesperson, they may complete all work they are qualified to conduct. However, the value of the work cannot exceed the Borrower's down payment.</p> <p>Self-builds must be within 50 km of major urban centres with min. 50,000 population.</p>

### Borrower Qualifications

- Standard requirements related to income, qualifying ratios and down payment and credit apply
- Min. 650 credit beacon – no previous bankruptcies
- Must qualify at Bank of Canada's benchmark 5-year rate
- Sweat equity may be considered as part of down payment
- The Borrower must qualify with a 15% cost overrun (calculated on total construction costs) in one of two ways:
  1. Fifteen per cent (15%) cost overrun must be factored into the Borrower's qualifying ratios; or
  2. The Borrower must have liquid assets or a line of credit to cover the cost overrun. Applicable interest charges must be factored into the Total Debt Service (TDS) ratio.

### Special Qualifications for Self-Builds

- Individual contracts with sub-contractors/trades cannot exceed 50% of the total construction costs
- For self-builds with or without new home warranty, must be within 50 km of major urban centres with minimum 50,000 population

### Eligible Properties

- Single-family, duplex up to a 4-plex, new modular or mobile homes on owned land, purchased land, acreage
- Condominiums are not eligible

### Mortgage Insurance Requirements

- To help minimize the Borrower's inspection costs and allow for the option to switch at completion, mortgages are insured through CMHC or Sagen
- Borrowers must qualify with one of these insurers, regardless of Loan to Value (LTV)

### Building Codes and Standards

All new construction must meet the following codes and standards:

- National Building Code of Canada
- Residential Standards of Canada (latest edition)
- Applicable municipal and provincial building code

### There's a difference between a self-build and building a house yourself.

Being the 'Jack of all Trades' is not enough. We require proof that the home is being built by or overseen by qualified, licensed trades people.



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## LAND ADVANCE OPTION (If applicable, this is the first advance before the build starts)

OPTIONAL STAGE	THE DETAILS
<b>LAND ADVANCE</b>	<p>For clients who are ready to build right away</p> <p>Ensures that your clients can fund their whole project in one place</p> <p>Can be used to purchase raw or serviced land or to access equity in their already owned land</p> <p>Serves as the initial advance before the build starts</p> <p>Must be paid out within 90 days at the first stage of the construction draw</p> <p>The first construction stage advance (16%) must be sufficient to pay off the full land advance</p>

## STANDARD BUILD

4 STAGES OF CONSTRUCTION	PERCENT COMPLETE	THE DETAILS
<b>1. BACKFILL</b>	16%±	The foundation and backfill are complete and subfloor is under construction
<b>2. LOCK-UP</b>	49%±	All main framing complete, doors and windows installed, and the roof is complete Ready for drywall
<b>3. PAINT READY</b>	75%±	Drywall complete (installed, taping and sanding) Lighting and electrical 90% complete Furnace and water heater installed and functioning
<b>4. COMPLETE</b>	100%	Final home inspection complete and occupancy certificate issued Subject to seasonal holdbacks

## PRE-FABRICATED (MOBILE/MODULAR)

3 STAGES OF CONSTRUCTION	PERCENT COMPLETE	THE DETAILS
<b>1. LAND PREPARATION</b>	11%±	<p>Excavation, backfill</p> <p>Water supply (well and septic tank, where applicable)</p> <p>Concrete forms</p> <p>Concrete</p> <p>Crushed stone</p> <p>Foundation damp-proofing 100% of the land cost (less the amount of the down payment)</p> <p>This disbursement requires an inspection to determine the percentage complete</p>
<b>2. MODULE(S) COST</b>	80%±	<p>Upon delivery and installation of unit to foundation</p> <p>Up to 80% of the final mortgage amount</p> <p>This disbursement requires an inspection to determine the percentage complete</p>
<b>3. COMPLETE</b>	100%	This disbursement requires an inspection to determine the percentage complete

Pre-fabricated (or mobile/modular) homes follow a different draw process. These types of home construction consist of three draws because the Lock-up and Paint Ready stages are replaced by a singular Module(s) cost.

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### Holdbacks

There are three types of holdbacks as explained below, which may be applicable to newly constructed properties whether funds are advanced on completion or progress advances are made. The holdbacks vary from province to province.

#### Lien Holdbacks

Liens result if a builder, contractor or owner does not pay its suppliers and subcontractors for materials procured to build the property or for work done. Solicitors, in accordance with provincial regulations, manage lien holdbacks to protect their clients by withholding a portion of an advance (generally 10% to 15%) for a period of time (usually 30 to 45 days) after the work is completed. The holdback is usually released upon expiry of the statutory period and upon satisfactory verification of Title and Searches.

#### Complete Holdbacks

The cost to complete construction is held back to ensure there is adequate money to complete construction. Bridgewater Bank calculates this holdback cost from the appraiser's inspection report.

#### Seasonal Deficiency Holdbacks

Deficiency holdbacks, also managed by Bridgewater Bank, are required when fall and winter weather prevents completion of exterior work (i.e. stucco, paint, concrete). Funds are generally released upon completion of the outstanding work following spring or summer seasons.

Deficiency holdbacks may be waived if the following conditions have been met:

- The property is at least 95% complete
- The unit is occupied
- The cost to complete does not exceed 5%
- Subject to mortgage insurer approval
- There are no liens and the lien filing period has expired

### FAQ

#### Q: How is a Progress Advance Mortgage (+Land) registered?

A: During Land and Construction (the Draw Term), the mortgage is registered as a convertible term and interest is calculated at Prime +5%. Upon 100% completion of construction — with no request for a switch to another lender — the mortgage converts to the End Term and rate. The End Term interest rate is based on our posted rates at that time or within 90 days of completion upon request.

#### Q: How are interim/construction advance amounts calculated?

A: The following equation is used to calculate the amount of advanced funds during construction:

$$(\% \text{ of work completed} \times \text{total construction cost}) + \text{land value} - \text{down payment} - \text{previous advance(s) (if any)}$$

**Note:** The percentage (%) of work completed is determined by the mortgage insurer inspection.

#### Q: Are land-only advances offered?

A: BwB's Progress Advance Mortgage (+Land) does not offer land-only advances. The Borrower must be prepared to build.

#### Q: Can changes to loan amount be made during construction?

A: Amendments can be made to the loan amount up until the first inspection.

#### Q: Are cost overruns necessary?

A: A 15% cost overrun is required to cover upgrades.

#### Q: What do I need to do in order to switch my client at completion?

A: BwB must be notified at least 30 days prior to the final advance (see prepayment information below).

#### Q: What are the prepayment charges for the Progress Advance Mortgage (+Land)?

A: During Land and Construction (Draw Term), prepayment is subject to a prepayment charge of 3% of the amount being prepaid. If the customer wants to switch to another lender at completion of the Draw Term, they can do so with the finder's fees and prepayment penalty waived under following conditions:

1. Customer must pay full mortgage insurance premium
2. BwB must be notified of the switch at least 30 days prior to final advance
3. The mortgage must be paid out within 30 days of completion

After construction, with no switch notification (see point two above), prepayment charges are the greater of either 3 months interest and the IRD based on the difference between the mortgage interest rate and the yield on a Government of Canada Bond with a similar remaining term, plus 0.75%.

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## What to submit with an application

To ensure a fast approval of your application, please provide the documents outlined in the schedules below, along with your application. All documents are found online at [BwBbrokerinfo.ca](http://BwBbrokerinfo.ca).

SCHEDULE	REQUIREMENTS
<u>Schedule A: Construction Costs Schedule</u>	Only required for Self-Builds
<u>Schedule B: Advance Schedule Report</u>	Required for all BwB Progress Advance Mortgages
<u>Schedule C: Document Checklist</u>	Required for all BwB Progress Advance Mortgages

## Contact your local BDM

Building a home is a big commitment for your clients. Managing their expectations and controlling their fears can be one of the biggest challenges for brokers.

### We are here to help.

Our expert underwriters and our seasoned BDMs ensure you have the information you need to answer all your clients' questions. For more information, [contact your local BDM](#).

1. The annual interest rate will vary if and when Bridgewater Bank's prime rate changes. The annual interest rate is compounded semi-annually not in advance. Find Bridgewater Bank's prime rate at [bridgewaterbank.ca/rates](http://bridgewaterbank.ca/rates)

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