THE PILLAR BLUEPRINT

A FRAMEWORK FOR CONSTRUCTION FINANCING
THE PILLAR BLUEPRINT – A FRAMEWORK FOR CONSTRUCTION FINANCING
WHAT IS THE PILLAR BLUEPRINT?

The Pillar Blueprint is a construction financing program offered by Pillar Financial Services Inc. (Pillar).
The primary goal of the Blueprint is to provide competitive, flexible mortgages for those planning on building or renovating their home.
In addition to outlining the program and its benefits, this booklet also provides an overview of the process and important information on what to look out for as you begin planning your new project – your new home.

Speak with a Mortgage Professional

If you require construction financing, it is extremely important to consult a mortgage professional prior to venturing out on your own to build a house.
Understanding what is involved and the factors that come into play during the construction process need to be made clear so that the task is completed successfully.

Consult a Mortgage Professional

If you are building the home yourself, lenders will ask if you are an experienced builder or if you plan to contract out most of the work.
The main concern of the lender is the individual's ability to complete the project – both financially and tangibly. These are the main factors that play into whether or not you will be approved for financing.

Types of Construction

Eligible for the Pillar Blueprint

- Residential (urban and rural)
- Renovations

Profiting from New Home Construction

1. Discuss your plans with a credible mortgage professional
2. Arrange financing with a lender who understands construction
3. Create your budget and timeline around a structured draw process
4. Build your house
5. Negotiate a new interest rate and term with your mortgage professional
6. Save thousands of dollars!
Flexible Financing
Pillar makes draws available at a range of construction stages and that can be requested at any time. Sample schedule:

- Foundation – 16% complete
- Lock up – 35% complete
- Drywall – 65% complete
- Completion

Mortgage Professionals Can Help You:

- Initiate the process
- Arrange a construction mortgage
- Hire a general contractor
- Manage your home construction costs

Benefits of the Pillar Blueprint
Pillar provides a wide range of lending options not limited by traditional bank restrictions and guidelines.

- Get funding up front – up to 65% of raw land value
- Build your own draw schedule
- Save on interest rates – freedom to find the best mortgage upon project completion (no penalties)
- Better cash flow – interest accrued is deducted from the following draw
- Dedicated underwriting staff to ensure project and draws are progressing as planned

Pillar advances all funds when the project is 98% complete; however, draws may be requested at any time throughout the process at a service fee of $150 plus inspection.

Contact Us Today to Receive a Free Construction Budget Template!
Planning Your Project

Many lenders follow strict guidelines when it comes to the number of draws and times at which a borrower may draw from a loan. The Pillar Blueprint allows you to finance your construction project with ease. Whether you’re looking to finish in four months, six months, one year or more, Pillar will work with you to build a budget and schedule that meets your project needs.

Standard Pillar Draw Schedule and Progress Report

<table>
<thead>
<tr>
<th>Registration</th>
<th>Project Completion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw 1</td>
<td></td>
</tr>
<tr>
<td>Excavation, footings, foundation</td>
<td>12</td>
</tr>
<tr>
<td>Damp proofing, weeping tile, backfill</td>
<td>2</td>
</tr>
<tr>
<td>Framing, sheathing, roofing completed</td>
<td>17</td>
</tr>
<tr>
<td>Draw 2</td>
<td></td>
</tr>
<tr>
<td>Exterior doors and windows installed</td>
<td>3</td>
</tr>
<tr>
<td>Roughed-in electrical</td>
<td>3</td>
</tr>
<tr>
<td>Roughed-in plumbing and floor drains</td>
<td>2</td>
</tr>
<tr>
<td>Roughed-in heating</td>
<td>2</td>
</tr>
<tr>
<td>Insulation and vapour barrier</td>
<td>2</td>
</tr>
<tr>
<td>Draw 3</td>
<td></td>
</tr>
<tr>
<td>Exterior finish (siding/stucco, trim)</td>
<td>12</td>
</tr>
<tr>
<td>Interior walls and ceiling finish</td>
<td>8</td>
</tr>
<tr>
<td>Finish carpentry (trim, cabinets placed)</td>
<td>11</td>
</tr>
<tr>
<td>Heating equipment complete</td>
<td>5</td>
</tr>
<tr>
<td>Electrical complete</td>
<td>1</td>
</tr>
<tr>
<td>Draw 4</td>
<td></td>
</tr>
<tr>
<td>Plumbing complete</td>
<td>4</td>
</tr>
<tr>
<td>Basement floor placed</td>
<td>3</td>
</tr>
<tr>
<td>Painting complete (interior and exterior)</td>
<td>5</td>
</tr>
<tr>
<td>Interior doors</td>
<td>2</td>
</tr>
<tr>
<td>Finish floors</td>
<td>3</td>
</tr>
<tr>
<td>Walks and driveways</td>
<td>1</td>
</tr>
<tr>
<td>Grading, site improvement</td>
<td>2</td>
</tr>
<tr>
<td>Takeout</td>
<td></td>
</tr>
<tr>
<td>Occupancy permit acquired</td>
<td>100</td>
</tr>
</tbody>
</table>

Construction Financing Fees

Some banks may not charge fees during construction, but will lock the mortgage (at a five-year term) and charge higher than regularly advertised interest rates once the project is complete. In most cases, this results in higher costs for the borrower over the long run.

With Pillar, you’ll pay for an initial inspection and administrative fees for an appraiser during the project, but your mortgage is fully open – meaning you can shop for the best mortgage rate with your mortgage broker once the project is complete!

Phases of Construction

Phase 1
- Excavation
- Foundation
- Framing
- Windows and doors

Phase 2
- Mechanical and electrical
- Interior walls and stairs
- Garage
- Exterior finish (house wrap)

Phase 3
- Insulation and drywall
- Plumbing
- Fireplaces
- Exterior finish (siding)

Phase 4
- Lighting
- Cabinetry
- Flooring appliances

Phase 5
- Decks and patios
- Kitchen island and trim
- Landscaping

Draw Process
- Draws typically happen every 30 to 45 days
- Prior to draws, an appraiser, municipal building inspector or architect will perform an inspection
- Draws are based on project completion status (%)
Lien Holdbacks

An appraiser must be sent out after each draw and a lien holdback will apply in the amount of 10% for each draw (as per the Construction Lien Act). Lien holdbacks are held for protection of the trades. In Ontario, a 10% holdback is required for 45 days. These funds are held by the solicitor until completion of the project & the occupancy permit is acquired.

Breaking Ground

If you’re starting your first construction project, be sure to learn about all of the variables:

- **Land**
  
  With banks, the borrower must own the land free and clear. Private lenders can advance a certain percentage of the value of the land upon registration.

- **Servicing**
  
  Depending on the lender, land will need to be fully serviced. Certain elements must be included, such as site preparations and municipal services.

- **Soft costs**
  
  - Municipal permits
  - Fees for architects and engineers
  - Fees for realtors and solicitors
  - Fees for appraisals and inspections

- **Initial building costs**
  
  Some banks will require you to finance the initial stage of construction (usually 35% of construction) with your own money.

- **Cost overruns**
  
  For self-build projects, the borrower should have additional resources or the ability to carry additional credit facility equal to at least 10% of the construction cost to allow for cost overruns.

- **Interest costs**
  
  Banks require borrowers to make interest-only payments on all amounts advanced until takeout financing is arranged once construction is complete with another institution – this restricts cash flow.

- **Material costs**

Project Pointers

- You must own at least 35% of the land to initiate financing with the Pillar Blueprint
- Build a cash reserve – 15% of your total budget is a good rule of thumb
Blueprint Guidelines

- Pillar commits up to 80% of the value of the completed home (land included)
- 2.5% underwriting fee
- 1% monthly accrued interest (open for repayment with no penalty)
- Draws based on level of completion

Borrowers Are Not Required to Make Monthly Payments

- Pillar will accrue interest and deduct from the following draw
- Interest is charged on funds advanced to date

Go to PillarFinancial.ca to use our construction draw calculator to help determine your budget.

Documents Required for Final Approval

- Complete application on Filogix by a licensed mortgage agent or broker
- Appraisal, as complete, including land value (refer to list of approved appraisers)
- Tarion Warranty Corporation insurance certificate if home is for resale
- Takeout financing commitment or purchase and sale agreement
- Confirmation of costs to complete
- Building permits
- Building plans
- Name of contractor
- Notice of assessment
- If business for self, proof all government remittances are up to date

Built on a Strong Foundation

With 30 years of experience operating in eastern Ontario, Pillar is expanding into new communities across Canada. Pillar is the mortgage underwriting company within W.A. Robinson Asset Management Ltd. – a respected Ontario company with a solid reputation.

We are an experienced and earnest operation doing our best to offer financing for contractors, builders and individuals building their own home.

We’d be very pleased to meet with you to see if the Pillar Blueprint can work for you.

Contact:
Cam Delli-Pizzi
Business Development and Residential Underwriter
Cell: 613 282-1242
Fax: 1 877 279-3060
cam@pillarfinancial.ca

The Pillar Blueprint: A Framework for Construction Financing
THE PILLAR BLUEPRINT – A FRAMEWORK FOR CONSTRUCTION FINANCING