



# The Pillar Blueprint

A FRAMEWORK FOR  
CONSTRUCTION FINANCING



# What is the Pillar Blueprint?

The primary goal of the Pillar 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.

## 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 60% 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 draw
- Dedicated construction 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.

## 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.

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.

### MORTGAGE PROFESSIONALS CAN HELP YOU:

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



## 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

## 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.

## TYPES OF CONSTRUCTION

(Eligible for the Pillar Blueprint)

- ✓ Residential (urban and rural)
- ✓ Renovations

## DRAW PROCESS

- Draws typically happen every 30 to 45 days
- Prior to draws, an appraiser will perform an inspection
- Draws are based on project completion status (%)



## Flexible Financing

Pillar makes draws available at a range of construction stages and that can be requested at any time.

### STANDARD DRAW SCHEDULE AND PROGRESS REPORT EXAMPLE

Will vary by appraiser

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

## 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 appraisal and inspection fees 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

## Lien Holdbacks

An appraiser must be sent out before 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 to ensure trade staff get compensated. In Ontario, a 10% holdback is required for 60 days. These funds are held by the solicitor until completion of the project or 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.

### Soft costs

- Municipal permits
- Fees for architects and engineers
- Fees for realtors and solicitors
- Fees for appraisals and inspections
- Initial building costs

### 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.

### Servicing

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

### Initial building costs

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

### 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

Visit [www.pillarfinancial.ca](http://www.pillarfinancial.ca) for Construction Cost Template

## PROJECT POINTERS

- You must own at least 40% of the land to initiate financing with the Pillar Blueprint
- Build a cash reserve – 10% 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% underwriting fee
- Up to 1% of the balance in monthly accrued interest (open for repayment with no penalty)
- Draws based on percentage 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

## Documents Required for Final Approval

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

## Built on a Strong Foundation

With over 30 years of experience operating in eastern Ontario, Pillar is expanding into new communities across Ontario. Pillar is the mortgage underwriting company within W.A. Robinson Asset Management Ltd.

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

### Contact Us:

Pillar's team of underwriters are available every business day to review deals within 48 hours upon receipt of a complete application.

FSCO Administration License # 11209  
FSCO Brokerage License # 10119

**Let's talk: 1-877-279-2116**



Solution Based Lender<sup>®</sup>

Visit [www.pillarfinancial.ca](http://www.pillarfinancial.ca) for additional complementary resources including a Constructional Draw Calculator and Construction Budget Template.

14216 Road #38, PO Box 208

Sharbot Lake ON K0H 2P0

Tel: 1 877 279-2116

Mortgage Brokerage Licence #10119

Mortgage Administrator Licence #11209