



Building your Dream Home

Building a house can be an exciting yet demanding task, but given the right support, you will enjoy many relaxing years in your dream home!

Our Building Guide outlines some of the key things you need to consider when building or renovating.

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International Bank

10 Things You Should Know When Building Your Home

1. The journey to building your home should begin with a conversation with one of our mortgage specialists to determine your mortgage qualifying limit.



Many times clients create elaborate house plans only to be disappointed when they realise their dream home will cost more than they can afford.

To avoid this common mistake, engage your CIBC FirstCaribbean mortgage specialist and use our simple and seamless mortgage health check-up to find out exactly how much you can qualify for.

Knowing how much you can afford can guide you when planning your design and help you to get into your home much faster.

2. Choosing the right land to build on is just as important as choosing the right house. Whether the land you own was gifted, inherited or purchased there are a few important things to consider before building a house on it. These include:

- a.** The cost to complete your house. Costs can escalate substantially if your land hides surprises below the surface. Ideally, you should have test holes done on multiple areas of the land to assess how deep you may have to dig before you reach solid rock;
- b.** The risk of flooding or landslides in extreme weather conditions;
- c.** Zoning restrictions (e.g., residential vs. agriculture); this can impact how much financing you may be able to obtain;
- d.** The distance to work, public transportation, schools, recreational facilities, grocery stores and other retailers and close family members.

3. It's recommended that you share your vision with a professional who can output your ideas to



10 Things You Should Know When Building Your Home cont'd

working drawings with detailed specifications. Be sure to discuss the features that fit your lifestyle, the size of your lot and your budget. Once completed, these plans are the instructions for the builder; the better they are, the easier the build.

4. Give yourself enough time to get at least three quotations for absolutely everything to be done on the project well before sub-contractors have to be on site. If you rush this part of the project you will not get the best results.

5. Choose a builder/contractor that comes highly recommended and whose work you have physically seen and inspected. Ensure that you do a thorough investigation into previous construction projects he/she has managed and also speak to past clients.

Your builder/contractor will be responsible for the site and everything that happens on it and can make or break your project. Therefore, it is crucial that you spend time selecting the right one.

6. Avoid making major design changes when the project has started. Not only will this be costly, but may require planning approval again. Even small changes in your fixtures and finishes, such as changing from ceramic tiles to porcelain tiles or laying your tiles straight vs diagonally or changing from sash windows to casement windows can eventually cause your project to run over the agreed budget.

7. Consider lead times on certain products like windows. They can take several weeks to be delivered to your site. If you order them too late it can severely impact your timelines.

8. Do not use funds designated for your project to buy fixtures, fittings, furniture or any other materials outside the initial scope of the individual project stages. This can negatively impact whether there is enough money to ensure your project is completed on time or within budget.

9. Stay in regular contact with your contractor/builder. Keep a record of progress reports, make frequent unplanned visits to your site to see the progress being made and deal with issues as soon as they arise, as it will likely be cheaper for you in the long run.

10. Always keep your mortgage specialist abreast of your progress at every stage. Your CIBC FirstCaribbean mortgage specialist has a wealth of experience and knowledge in managing construction projects and can help you avoid many of the common mistakes clients tend to make.



Information Required



Unlike a standard mortgage where your mortgage specialist will provide you with one large lump sum when your loan is drawn, a construction or bridging loan is typically drawn in multiple stages over 6-12 months. This construction loan usually attracts a slightly higher interest rate than the standard mortgage until your house is completed and is then converted into a mortgage.



Here is a list of the key documents you will need when applying for a construction loan.

Your CIBC FirstCaribbean mortgage specialist will tell you in detail what's required but here's an outline:

✓ **Proof of identification**

- Valid identification (i.e. passport, driver's license or national ID card)
- Jamaica only: Taxpayer Registration Number (TRN), proof of age (copy of birth certificate), 2 references.

✓ **Proof of address**

- Recent utility bill (less than 3 months old), valid driver's license, recent statement from a financial institution.

✓ **Confirmation of assets and debts**

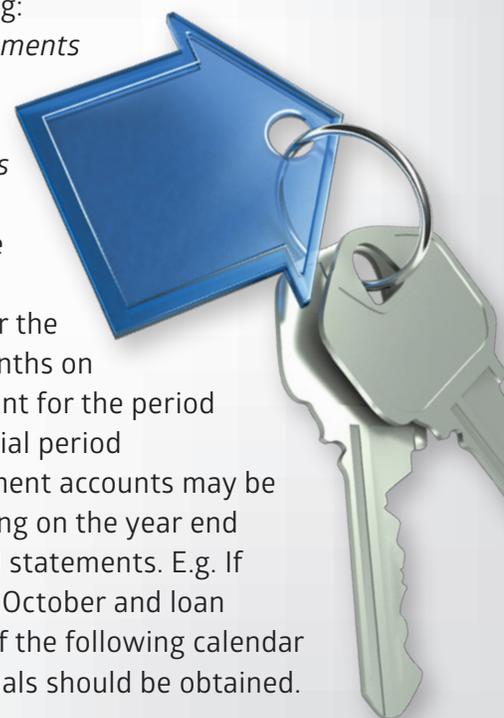
- Last three (3) months' statements from your financial institution (i.e. savings, chequing, credit cards, hire purchase accounts, loan accounts)
- Proof of the required down payment, legal and closing cost (i.e. evidence of the source of funds will also be required)
- Credit Bureau report (where applicable).

✓ **Salaried Employees**

- Letter of introduction from employer confirming remuneration, the position you hold within the company and length of employment
- Most recent pay slip.

✓ **Self-Employed applicants**

- Last two years' financial statements including:
 - *Profit & Loss statements*
 - *Balance sheet*
 - *Cash Flow*
 - *Notes to Financials*
- A full set of tax assessments for the last two years
- Bank statements for the past twelve (12) months on the operating account for the period matching the financial period
- Interim or management accounts may be warranted depending on the year end date of the financial statements. E.g. If the year end is 31st October and loan presented in June of the following calendar year, interim financials should be obtained.



✓ National Housing Trust Requirements (Jamaica only)

- Completed NHT application form
- NHT eligibility letter
- NIS card

There are also a number of important documents that you will be asked to provide as part of the construction process.

✓ At the start of the project

- Planning permission (usually valid for 3 years only) - full permission needs to be in place at the mortgage application stage.
- A copy of approved plans from the Environmental Protection Department is required **where applicable**.
- Detailed builder's estimate and contract showing a breakdown of materials and labour cost. Fixed price construction contract or signed agreement showing detailed costs broken down into stages of construction and realistic start and completion dates.

- Initial valuation - an initial valuation report completed by a member of CIBC FirstCaribbean's panel of valuers, instructed by CIBC FirstCaribbean.

✓ During the build

- All legal work must be completed before the release of funds.
- Quantity surveyor's report - before the release of a stage payment, a report from the assigned quantity surveyor is required to confirm the progress of work that has been completed.
- Land surveyor's report or regulatory confirmation that the property being built is within the property's boundary.
- Regulatory approvals to start the next stage (where applicable).
- Stage draws will be executed as per agreed builder/client/Bank schedules previously accepted by all parties.

✓ At the end of the project

- Construction completion valuation - when the build is completed, a final valuation report (by the same valuer who completed the initial valuation report) is required. This report confirms that the forecast market value has been reached, along with the current fair market value.
- Regulatory approval - evidence of regulatory approvals (where applicable - certificate of compliance or certificate of occupancy) will be required to convert the facility into a mortgage.
- Funds held for retention purposes will be disbursed at the end of the agreed withholding or retention period.



Costs Associated with Building

Let's look at the various costs that you are likely to incur as part of your building project. It's important to understand these from an overall project perspective and also for your mortgage application.

1. Cost of the land

If you do not already own the land on which you intend to build, you must consider this cost when seeking financing.

2. Construction cost

This will be the bulk of the cost of the project and should include estimates for all of the elements of your building project.

3. Fees and other costs

Some fee costs include stamp duty, legal fees, planning approval fees, and valuation fees. Remember to budget for professional fees associated with design and planning (e.g., architect and engineer). Ask about local authority fees that cover the cost of roads, verges, parks and other amenities attached to the locality (where applicable).

4. Insurance

Mortgage protection cover and building insurance must be in place before the first draw down of funds. Your CIBC FirstCaribbean mortgage specialist can assist you with obtaining these.

5. Timescale and budget

Obtain detailed time estimates up front. Overtime can have a significant impact on the overall cost of the building project or if you need to employ extra people to get a delayed project back on track. In addition, the longer your project takes to be completed, the more bridging interest you will pay. Balance your expectations with your budget.

6. Contingency cost

Because construction projects are seldom completed at the exact amount of the contract sum, you may also qualify for a separate loan for any unforeseen circumstances. This loan is a short term loan of 5 years, only to be drawn if needed.

This guide has been published for general information purposes only and is not a substitute for legal and other professional advice. It is strongly advised that legal and professional advice is sought when building. The contents of this document are a reference point and subject to change from time to time.

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For more information please
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