

CONSTRUCTION & RENOVATION

Building new, buying a fixer-upper, or renovating your current home — how to finance it all.

PREPARED
BY

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1. Construction & Renovation Mortgages Explained

Whether you're building a new home from the ground up, buying a fixer-upper, or renovating your current home, there's a mortgage product designed for you. But they work differently than a standard mortgage.

Three main types:

- **Construction mortgage** — Build a new home on land you own or are purchasing
- **Purchase + improvement mortgage** — Buy a home and finance renovations at the same time
- **Refinance for renovation** — Access equity in your current home to fund improvements

2. How a Construction Mortgage Works

A construction mortgage releases funds in stages (**draws**) as your build progresses. You don't receive a lump sum on day one.

Typical draw schedule:

- **Draw 1** — Foundation complete (~15–20% of total)
- **Draw 2** — Framing and roof complete (~25–35%)
- **Draw 3** — Lock-up (windows, doors, exterior) (~20%)
- **Draw 4** — Drywall and mechanical complete (~15%)
- **Draw 5** — Final completion and occupancy permit (~10–15%)

During construction, you typically make **interest-only payments** on the amount drawn. Once complete, the mortgage converts to a standard mortgage with regular payments.

Shawn's Tip: Construction mortgages require more paperwork than a standard purchase: building plans, cost estimates, contractor agreements, and proof the contractor is licensed and insured. I'll walk you through every requirement before you break ground.

3. Purchase + Improvement Programs

Buying a home that needs work? Some lenders let you bundle the purchase price and renovation costs into a single mortgage.

How it works:

- Mortgage is based on the **improved value** of the property (after renovations)
- Renovation funds are held in a **separate account** and released as work is completed
- Lender may require **contractor quotes** and an appraiser to confirm improved value
- Typical limit: renovations up to **10–20% of property value**

This is ideal for buyers who find a great-bones home in a good location that just needs updating. You finance the purchase and the renovation with one mortgage at one rate.

4. Refinancing for Renovations

If you already own your home, you can access equity to fund improvements:

- Refinance up to **80% of your home's current value**
- Use the funds for any renovation — kitchen, bathroom, basement, addition, accessibility modifications
- **Strategic renovations** can increase your home's value by more than the cost
- Interest may be lower than a HELOC or personal loan

Renovations with the best ROI in Alberta:

- Kitchen remodel — **70–80% ROI**
- Bathroom remodel — **60–70% ROI**
- Basement development — **50–75% ROI**
- Exterior improvements (siding, windows, roof) — **60–80% ROI**
- Accessibility modifications — **Priceless for aging in place**

5. What You'll Need

- **Detailed renovation plan** (scope of work, materials, timeline)
- **Contractor quotes** (at least 2, from licensed professionals)
- **Proof contractor is licensed and insured**
- **Building permits** (if required by your municipality)

- **Property appraisal** (current value + estimated improved value)
- For construction: **building plans, site survey, cost breakdown**
- Standard mortgage documents: **income verification, credit check, down payment proof**

***Shawn's Tip:** Planning a major renovation or new build in High River, Okotoks, or the Foothills? I work with lenders who understand rural and small-town construction. Get in touch before you hire a contractor — knowing your budget first saves headaches later.*

Building or Renovating?

Know your financing before you break ground. I'll help you find the right product and the right lender for your project.

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