FREE GUIDE · FOR ALBERTA BUILDERS & RENOVATORS

Building or Renovating? Finance It Properly

Three different tools - the construction draw mortgage, purchase plus improvements, and the renovation refinance - matched to three different jobs. Pick wrong and you fund the project out of pocket at the worst moments.

- How a draw mortgage actually pays out - and the cash-flow gap inside it
- Purchase plus improvements: renovating on the mortgage from day one
- The renovation refinance, and the renewal timing that makes it cheaper
- The document package that gets construction files approved

Shawn Selanders

MORTGAGE BROKER · MORTGAGE ARCHITECTS

403-703-6847 · Shawn@ShawnSelanders.ca · shawnselanders.ca · Serving Southern Alberta since 1999

Tool One: The Construction Draw Mortgage

> Building new? The lender does not hand over the full amount on day one. Funds release in stages - draws - as the build passes inspections, and you pay interest only on what has been advanced.

The typical rhythm runs from foundation through framing and lock-up to drywall-and-mechanical and final completion - roughly four to six draws, each released after an inspection confirms the stage is done. The structure protects everyone: the lender is never ahead of the asset, and you are never paying full-mortgage interest on a house that is still a hole in the ground.

The cash-flow gap nobody warns you about

Draws release AFTER work is done and inspected - but trades and suppliers want paying as the work happens. Every build needs a working cushion to bridge stage to draw, and every budget needs a contingency on top of the contract price, because no build in history came in exactly on quote. Plan the bridge before the backhoe arrives, not during a framing invoice.

What the lender wants to see

Building plans and a site survey, a detailed cost breakdown, a signed builder contract (self-builds are possible with more scrutiny), proof of licensing and insurance for the builder, permits, and the land story - owned, being purchased, or family-transferred all read differently. Plus the standard file: income, credit, down payment traced.

Tools Two and Three: Renovating What You Buy or Own

> Most renovation money does not need a construction mortgage. Two simpler tools cover the majority of real projects.

Purchase plus improvements - renovate from day one

Buying a place that needs work? This program adds the renovation cost to the mortgage **at purchase** - one loan, one payment, insured down-payment rules still available. You supply contractor quotes with the application; the renovation funds release once the work is done and verified. The catch to respect: you carry the work's cost until release (there is that bridge again), and the scope is capped at a modest share of the property's improved value - big enough for kitchens, flooring, a furnace and windows; not a gut-to-the-studs rebuild.

The renovation refinance - unlock what you own

Already own the home? Refinance up to **80% of its current value** and fund the project from equity - usually the cheapest large-project money a homeowner can access. Mid-term it triggers a prepayment penalty, so get the exact figure first. **And if renewal is within sight, wait for it:** at maturity there is no penalty at all, and the restructure - equity out, amortization reset, whatever the project needs - happens free of breakage. Heads-up: a restructure like that usually involves a lawyer; a straight renewal does not.

Here's the thing about renovation math

Not every dollar of renovation becomes a dollar of value - kitchens and bathrooms hold value well, exotic personalization rarely does. Renovate first for how you live; when resale drives the decision, **ask what the neighbourhood supports before the contractor measures.** An appraiser-eye view before you commit is cheap insurance.

Go deeper: the payment math at shawnselanders.ca/mortgage-calculators · equity options compared at shawnselanders.ca/heloc-vs-refinance-alberta.