

# Owner-Occupied CRE Construction Financing 101



**"A Commercial  
Construction Loan is just a  
commercial real estate  
loan with a construction  
bridge loan component  
added!"**



**Victor Castillo @**



# How do construction loans work?

- **Step 1:**

- Borrower provides a complete loan package
- Also submits construction plans and budget
- General contractor due diligence is required
- Lender requests an as-built appraisal report

- **Step 2:**

- Lender approves construction bridge loan & a permanent loan
- Borrower is able to draw against bridge loan to start construction
- Lender monitors the project & requires inspections before contractors are paid

- **Step 3:**

- Lender verifies all contractor liens removed
- Lender verifies certificate of occupancy
- Lender pays off bridge loan with the permanent loan

# Construction Loan Structure

- **Construction Bridge Loan**

- Up to 90% financing on owner-occupied projects
- Investor construction varies by project type & lender
- Term up to 2 years
- Lender will require additional collateral and/or reserves during construction

- **Permanent Loan**

- Up to 90% financing on owner-occupied projects
- Investor construction varies by project type & lender
- Term up to 25 years

- **Project Types**

- Owner-occupied: office, industrial, retail & special purpose
- Investor: add multi-family to list above

# **Want To Improve Your Business Lending Game?**

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toolkit helps you get your loans  
approved & funded fast!**

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