

2025 Administering Construction Loans

April 30, 2025

Overview

Construction loans for both residential and commercial real estate (CRE) remain a major part of commercial bank lending due to continued growth in most markets. This program provides an overview of the many issues involved in both residential and commercial construction administration, as well as key differences between them. The focus is on the issues behind the various procedures in construction.

Many community banks attempt to utilize versions of their residential formats and policies to administer commercial construction loans; however, this generally does not adequately control risk in commercial situations due to several important differences between residential and commercial projects.

Highlights

- What is construction risk and how does it differ from general credit risk?
- Identifying the degree of risk and appropriate levels of monitoring and controls
- Types of construction situations: full construction vs. repair/remodel/repurpose
- Differences between residential and commercial construction loans
- Issues with construction contracts and budgets
- Assessing contractor credentials and financial strength, plus a format to use
- Residential:
 - Additional due diligence, beyond a conventional mortgage application and underwriting, such as a detailed cost estimate (Description of Materials form)
 - How is the construction loan going to end (get repaid)?
- Commercial:
 - The role interest reserves
 - Increased use of pre-built or pre-fabricated components
- Seven items that determine how you handle a specific construction loan
 - The degree of overall risk
 - The type of project (full construction vs. repair/remodel/repurpose)
 - The loan approval any policy waivers or added conditions or contingencies
 - The term sheet (or commitment letter) to the customer
 - Your bank's policies and procedures
 - The construction loan agreement
 - Results of inspections and other events during construction
- Overview of common documentation, including surveys and title insurance, plus surety bonds in commercial situations
- Common funding controls, including inspections, lien waivers and funds disbursement practices
- Dealing with cost overruns, delays and budget changes
- Completion of the project and (if applicable in commercial situations) release of the retainage, plus project stabilization
- Special issues with owner-occupied loans

Presenter



Richard Hamm

Richard Hamm has been training bankers for more than 30 years, including both creating and teaching courses for the American Bankers Association (ABA) and the Risk Management Association (RMA), plus regional banking schools (Graduate School of Banking – Wisconsin, Graduate School of Banking at Colorado, Southwestern Graduate School of Banking and Barret School of Banking – Memphis), numerous state banking and community banking associations and individual banks.

Who Should Attend?

Commercial lenders, credit analysts and support staff that deal directly with commercial construction loans; consumer lenders, mortgage bankers, private bankers and support staff involved in residential construction lending; small business lenders, loan review specialists, special assets officers, lending managers and credit officers indirectly involved in the construction lending process.

Register Today!



indiana.bank



317-387-9380

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April 30, 2025 | 8:30 AM

Registration

Please type or print legibly.

Bank Name

Attendee Name

Email Address

Additional Attendee Name

Email Address

Address

City

State Zip

Telephone

Cell # (in case of weather emergency)

Payment

Credit Card Information (check one):

MasterCard VISA AMEX Invoice Me

\$ _____

Total Amount Due

Cardholder Name CVV Code

Card Number Exp. Date

Agenda

Times are in EST

8:30 a.m.	Registration & Continental Breakfast
9:00 a.m.	Program Begins
Noon	Lunch
1:00 p.m.	Program Resumes
4:00 p.m.	Program Adjourns

Fees

IBA Members

\$295 first attendee

\$245 each additional attendee from same company

Surcharge of 100% for non-members

Participation in IBA programs is limited to members, associate members and non-members from an eligible membership category at applicable member or non-member rates.

Association Contact

Brooke McCormack

Education Meeting Coordinator
bmccormack@indiana.bank
317-387-9380

Hybrid Training

This course is being held as a hybrid training, simultaneously live in-person as well as streamed online. Each attendee will have the option to attend live or virtually. The live training will be held at the IBA Center for Professional Development, located at 8425 Woodfield Crossing Blvd Suite 155E, Indianapolis, IN 46240. Virtual training connection links and handouts will be provided 2-3 days in advance to allow for printing of the materials before class.

Cancellation Policy: Within three or more business days prior to the day of an educational program, no cancellation charge will be assessed. Within two days prior, 50% of the fee is assessed. Refunds are not provided for cancellations one day prior or absences on the day of the program. Substitutions are welcome at any time.