Finally...
Construction & Renovation Lending Meets Technology

11.30.2017
U.S. CONSTRUCTION

$1.2 TRILLION  Growing market

≈850,000  Single-family new starts
≈350,000  Multi-family new starts
≈200,000  Single-family renovations
≈250,000  Non-residential projects

GLOBAL CONSTRUCTION

State of the Industry

SOURCE: U.S. CENSUS BUREAU
State of the Industry

Demand is strong

12% NEW HOME STARTS

New home starts are anticipated to increase by 12% during 2017. It is worth noting the size of new homes is larger meaning longer term commitments by builders.

MORE CONSTRUCTION WORK

There is an expectation that infrastructure spending will also spur growth in other sectors in 2017, which could mean more construction work—new hotels, schools and retail establishments are anticipated to be in demand.
State of the Industry

Challenges

• Supply/inventory shortages
• Labor shortages
• Antiquated/disparate systems

The labor trend may lead more construction companies to offer better wages, more training or other benefits to potential employees.

The cost of construction materials is slated for a modest increase during 2017 which will lead to higher building costs.

Higher fuel costs will also mean higher costs associated with the delivery of goods which may increase building costs as well.

Labor has been a major concern in the construction industry. During the recession, 40% of all construction jobs were lost. Many builders are finding it hard to bring the skilled laborers who left the industry back into the fold.
Large capital projects typically take 20% longer to finish and are up to 80% over budget.

McKinsey & Company August 2016

In a study on digital innovation, adoption and usage across industries, construction was ranked 2nd to last. Construction lending is the lifeblood of the industry and has been equally underserved to date.

Most lenders use phone, email and heavy staffing to administer construction loans while tracking progress on spreadsheets.

Builders, borrowers and draw inspectors lack transparency and the ability to interact with loans in a digital fashion.

Construction loans are perceived as high risk and receive a high level of scrutiny from regulatory agencies.
What the Problem Looks Like

**SAMPLE DRAW SHEET**

A “draw sheet” is a spreadsheet created at loan origination that determines how a construction loan will be funded throughout the course of construction.

Draw sheets get passed between lender staff, draw inspectors, builders, borrowers, and others during the course of each draw to appropriately track progress and disburse funds.
The Process Today
Opportunities for Improvement Through Digitization

- **Risk Control & Management Capabilities**
  - Global and granular portfolio insights
  - Full transparency for all key stakeholders involved
  - Simplified regulatory examinations and audit

- **Differentiated Client Experience**
  - Completely digital and convenient experience for borrowers
  - Faster draw turnaround time for builders
  - Mobile app for Draw Inspectors

- **Significant Cost Control: Scalability & Efficiency**
  - Increased capacity for administrative staff and management
  - Scale and automate standardized process across entire portfolio
  - More profitable loans: manage more in less time
The Process With Digitization
Risk Control & Management Capabilities

Real-time access & reporting into the metrics that matter:
• Proactively manage risk
• Monitor operational performance
• Simplify compliance
• Gain valuable portfolio insights
Differentiated Client Experience

- Real-time notification of key activities
- Visibility into all aspects of the construction project
- Significant decrease in draw turn around time providing faster access to funds for the builder
Significant Cost Control

- Streamlined communications can lead to 3x the number of loans an administrator can oversee.
- Digitization significantly reduces the time needed to manage construction loans, create reports, and complete regulatory reviews.
- Through digitization, draw turnaround times can decrease by 3 days.
- Increased interest income is realized as time to pay decreases.
- Competitive advantage for lenders looking to grow their construction loan
- Enhanced borrower experience through increased transparency, convenience, and an easy-to-use interface.