



# Budgeting & Documentation Needs for Construction Loans – California 2025

Careful budgeting and thorough documentation are essential for securing and managing a construction loan in California. Lenders evaluate not only your credit profile, but also how well-prepared your project plan and financial package are before approving funds.

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## Budgeting Essentials

- **Detailed Construction Budget:** Break down costs by category (land, permits, site work, framing, systems, finishes).
  - **Contingency Reserve:** Most lenders require 10–15% added for unexpected costs.
  - **Interest Reserve Account:** Covers monthly interest-only payments during the construction period.
  - **Soft Costs:** Include permits, fees, architectural/engineering costs, and inspections.
  - **Draw Schedule:** Funds are released in phases tied to project milestones (foundation, framing, completion).
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## Required Documentation

- **Loan Application (1003 Form):** Uniform Residential Loan Application.
  - **Appraisal (1004 Form):** Projects property's value after completion.
  - **Construction Plans & Permits:** Blueprints, zoning approvals, and building permits.
  - **Builder/Contractor Agreements:** Bids, licenses, and insurance certificates.
  - **Proof of Assets & Income:** Bank statements, tax returns, employment verification.
  - **Insurance Coverage:** Builder's risk insurance and general liability coverage.
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## Key Insights

- Incomplete or vague budgets can delay approval or reduce loan amounts.
  - Strong documentation increases borrower credibility and improves loan terms.
  - California lenders are especially strict on **permits and zoning approvals** due to seismic and ADU regulations.
  - Organized records help with faster **loan draws** during construction.
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## EEAT Authority Links

- [Fannie Mae – Construction Loan Guidelines](#)
  - [CFPB – Mortgage Disclosure Rules](#)
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## Compliance & Author

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## **Disclaimer**

This budgeting and documentation guide is provided for **informational purposes only**. It does not constitute legal, financial, or investment advice. Loan terms, eligibility requirements, and documentation standards vary by lender and borrower profile. Always consult licensed professionals and reference official documents such as the Loan Estimate, CHARM Booklet, and Uniform Residential Loan Application before making financing decisions.