



# Builder & Contractor Selection Tips – California 2025

Choosing the right builder or contractor is one of the most important decisions you'll make in a construction loan project. Lenders scrutinize the qualifications of the professionals involved, and your choice directly impacts project cost, timing, and quality.

---

## What Lenders Expect from Builders/Contractors

- **Licensing & Bonding:** Must hold a valid California contractor's license and be bonded/insured.
  - **Experience:** Proven track record with similar projects (custom homes, ADUs, renovations).
  - **Financial Stability:** Contractors must demonstrate the ability to manage cash flow and subcontractor payments.
  - **Documentation:** Signed contracts, cost breakdowns, insurance certificates, and references are required.
  - **Reputation:** Lenders may check reviews, BBB ratings, and past litigation history.
- 

## Tips for Selecting the Right Builder/Contractor

- **Check Credentials:** Verify license status with the California Contractors State License Board (CSLB).
  - **Request References:** Ask for at least three completed project references and contact past clients.
  - **Review Portfolios:** Compare completed projects to your vision and required quality.
  - **Get Multiple Bids:** Obtain at least three detailed bids to benchmark pricing.
  - **Understand Payment Terms:** Avoid large upfront payments; align draw schedules with lender requirements.
  - **Confirm Insurance Coverage:** Ensure general liability and workers' comp policies are current.
  - **Assess Communication:** Clear, timely communication prevents costly misunderstandings.
  - **Check Subcontractor Network:** A strong, reliable network ensures smoother execution.
- 

## Key Insights

- Many lenders will only fund projects managed by **licensed, insured contractors** unless you qualify for an owner-builder program.
  - **Poor contractor documentation** is one of the most common reasons for delays in construction loan approvals.
  - Selecting the right builder not only improves project success but can also strengthen your loan application.
- 

## Useful Links

- [California Contractors State License Board \(CSLB\)](#)
  - [CFPB – Mortgage & Construction Loan Rules](#)
- 

## **Compliance & Author**

Equal Housing Lender · CA DRE #01900872 · NMLS #1132725

Prepared by **Irakli Ezugbaia · CA DRE #02271654 · NMLS #2728634 · CMP**

---

## **Disclaimer**

This builder/contractor guide is provided for **informational purposes only**. It does not constitute legal, financial, or investment advice. Loan terms, eligibility requirements, and builder approval 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.