Introducing the Construction Loan Cost Calculator

The tool provides:

1. An easy-to-use, snapshot-styple comparison of the total cost of construction borrowing - based on interest rates and loan fees. The tool can compare propsed terms from up to 3 lenders.

2. An opportunity for those newer to the field to learn about the mechanics of construction loan financing. Each data-input field includes a brief explanation.

User Notes & Expert Tips:

1. The tool is currently populated with sample data for illustrative purposes. Once you download the tool, clear all grey fields and enter details from your own project.

2. Interest rates and loan fees are just two of many factors that go into selecting a lender, and should never form the sole basis for decision making.

3. When using this tool, remember that the total cost of borrowing is directly related to the length of time the loan is outstanding. To help you consider the potential cost of construction delays, the tool includes a cost of delay calculator. Click on the link to the right of Loan Option 3 to get to it. While a loan with a lower fee but a slightly higher rate might be cheaper if the project stays on schedule, the net benefit of the low fee might be outweighed by the net benefit of a lower rate if there are significant delays. It's important to be realistic about the construction timeline when evaluating loan options.

4. The cost of delay sheet also includes a tool that calculates the cost of a single month of delay at various interest rates. You can use this as a quick reference when faced with sudden construction delays, or if you are working on the liquidated damages number for a construction contract. Divide the result by 30 to get a daily interest cost. Note: interest cost will be just one of many costs that factor into a good liquidated damages clause.

5. This tool is set up to use the construction loan as the gap filler. This means that the construction loan will be sized to make up the difference between the Total Development Costs (TDC) and your other available sources. If you enter only the TDC, the tool will show a construction loan that is 100% of the TDC. The spreadsheet will function, but keep in mind the impact of other factors, such as lender Loan-To-Value (LTV) requirements. Most lenders accept a maximum LTV ratio of 80% or 85%.

5. This tool explores construction loan financing only. Just because your project is in balance here (meaning there is no surplus or gap, and you are not seeing a note that your project needs more/less funding), that does not mean it is also in balance for permanent financing. Permanent financing is related to, but separate from, construction financing. To be successful at financial structuring, it is important to understand how construction loan sizing can impact permanent financing, and to understand construction-only sources such as "Costs Deferred to Perm." I've created a separate resource - Understanding Construction Loan Financing that covers some of these topics.

That's it for now. I'd love to hear your comments about the tool. You can contact me at wendy@wendycarterconsulting.com or through the website form. Stay tuned for these upcoming tools and resources: Equity Calculator and Strategic Considerations in Lender and Investor Selection.

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