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In an ideal world, every construction loan should be safe and hassle-free. Yet the complexities of new home construction — including labor availability, supply inventory, and managing timelines amid frequent design changes — place this ideal world out of reach for many buyers. That's particularly true today, when an uncertain economy and rising interest rate environment is creating more roadblocks to progress.

Fortunately, credit unions have long been a trusted source of construction financing for their members. Like any lender, however, they are often challenged by manual processes and delays when getting new homes under construction inspected, responding to draw requests, and managing member expectations. New technologies have helped bring these challenges down to a minimum, and credit unions that use

them are seeing big gains.

NO SHORTAGE OF HURDLES

Perhaps one more troublesome aspect of construction financing is the draw disbursement process, which is typically handled through tedious manual tasks and spreadsheets. For many credit unions, the average draw process can take as long as two weeks between the time a draw is needed and

the actual receipt of funds.

Typically, a credit union will manage draw requests using several different solutions and platforms that often involve multiple steps. Draw information is also usually received from various home builders in different formats. Either way, manual work, including typing and retyping information, is common.

The process is cumbersome for builders as well. Typically, builders must manually fill out a draw request form, search out the property owner for additional signatures, scan the request to their computer, and then email it to the credit union to get paid. On average, the whole process takes about three days just to request payment. In a recent industry study, it took contractors an average of 83 days to get paid.

Inspections are another major obstacle in which financing can get bogged down in time-consuming tasks and often lengthy project delays. Of course, scheduling and ensuring inspections

during expected time frames is important to ensure funding and gain visibility that the overall project stays on track. In many markets, however, it's difficult to even find an inspector, especially in rural areas or markets where inspectors are exceptionally busy. Even when inspectors are available, it's not unusual for credit unions to get emails from the inspector saying they can't get reach the builder.

Inspection reports themselves can be a frequent source of headaches. Once the report comes in, it takes extra time and effort to cross-reference the document with the draw request and the project budget using separate screens. Because of these hurdles, it can take an additional 24 hours just to review the report.

Budgets are yet another area that requires extra time and effort. Generally, budgets are managed manually through spreadsheets and emailed at each draw from the owner or builder, leaving a trail of budget versions with no comprehensive budget of record. Without a single source of truth to track budget history, it takes significant time and resources just to keep the loan in balance. However, there are new tools available that credit unions and builders can use to streamline budget handling, inspections, and draw requests.

TECHNOLOGY TO THE RESCUE

Easily, the best way for lenders to significantly reduce draw turn times and increase workflow efficiency is to digitize their process with a software solution capable of streamlining draw management, inspection processes, and loan servicing. With draw management software, a credit union's construction loan administration team can easily manage from a centralized system of record and make faster decision-making on draw disbursements.

By digitizing the draw process, credit unions can reduce the time it takes to

draw funds by 80% or more. The process can also let credit unions achieve a more scalable construction loan business that enables them to adjust to rising demand. Plus, it provides a superior experience for local home builders.

For example, new mobile and web applications now empower builders to easily access the project's budget, upload documents, submit draw requests and communicate with a credit union from wherever they are, even at the

job site. These tools have been proven to eliminate the risk of data entry errors, inaccurate budgets, and over-funded draws. Armed with a mobile and web app, builders can fill out and submit draw requests entirely online in just a few minutes and get instantly notified when funding is approved. They particularly appreciate being able to submit a draw request on the go by just tapping a few buttons on their phone.

With the right technology provider, credit unions can also get access to inspectors in any market, nationwide. In fact, when combined with draw and inspection management technologies, credit unions can get access to tens of thousands of in-

spection companies and inspectors nationwide and complete inspections up to 50% faster than the typical scenario.

RESULTS IN ACTION

Last year, \$255.4 million Pacific NW Federal Credit Union (PNWFCU), based in Portland, Oregon, was looking for a way to eliminate the slow, manual tasks and the use of spreadsheets to manage the draw disbursement process for their construction loans. Since adopting our platform for draw management and inspections, PNWFCU has been able to streamline its construction loan processes and significantly reduce draw turn times, while providing an exceptional experience for members and builders.

Using our platform, for example, PNWFCU can now view all draw requests in the same format, in one place, which is creating an easier review process and quicker decision making for approving draws. "It's an efficiency factor for us — we don't have to go looking in folders in our shared drive when a draw is received," said Diane Calvin, PNWFCU's chief lending officer. "It really streamlines the process and is much more convenient for everybody involved."

Our mobile and web apps are also helping PNWFCU eliminate the risk of data entry errors, inaccurate budgets, and over funded draws. "The majority of our builders use the mobile app," Calvin said. "They love the fact that they can submit a draw on the go, anytime. It's on their phone and with just a tap of a few buttons, their draw request is submitted."

PNWFCU serves members in rural areas, where it can be difficult to find an inspector. Through technology and services, PNWFCU reduced their inspection turnaround time by 80%, resulting in an 83% reduction of draw time.

It's important to keep in mind that, while the market for new construction loans is itself very challenging, there will always be people looking to buy new homes, especially with current housing inventory so low. But financing a new home shouldn't be exceedingly more challenging than it is to buy an existing home. And with new technology solutions available to credit unions and builders, it doesn't have to be. ▲

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Sean Faries has deep roots in the construction finance industry and founded Land Gorilla in 2010. He is passionate about innovative technology to meet the complex needs of our ever-evolving industry and has been nationally recognized for his technology leadership. Under his leadership as CEO, Land Gorilla pioneered software solutions that make construction lending safer, faster, and more efficient.



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