**EPISODE 6 – Jaime Wolf Transcription**

**Curtis:** Hello, everyone. You are listening to **The Your Project Shepherd Construction Podcast,** your personal guide that the custom home construction process. We teach that to succeed a construction project must have four key components demonstrated by a very simple drawing of a house. The foundation is planning. The left wall is your team, the right walls, communication, and the roof over the top is proper execution. Today's guest to my left is **Jamie Wolf with First United Mortgage Group**, his company was Number one, in construction, lending, and Texas last year, and they provide a variety of products for new construction and renovation loans. Jamie, thanks for joining me.

**Jamie:** Thank you for having me. Curtis. Appreciate it.

**Curtis:** I know your company has a little blurb we're supposed to say in the episode here so, we'll just get it out of the way Jamie wolf in MLS ID. 35 35 89 represents the first United Mortgage Group registered as First United Bank and Trust Company in MLS ID 40025. First United is regulated by the FDIC and is an equal housing lender, and as a license to London all states additional information, including detailed information regarding credit costs in terms is available by calling Toll-free at 833-213-4778 or reach out the Jamie at 281-543-5488.

**Jamie:** Reach out to Jamie ha-ha.

**Curtis:** You got to love Federal lending disclosures end a corporate CIA’s. That was fun.

**Jamie**: It comes with the territory. So, we got to do it.

**Curtis:** Thank you, Fannie Mae and Freddie Mac, and Uncle Sam. Okay, so, we're not going to get into specific loan products or situations today? Because we do not want to, you know, cross the cross. That line of saying, something we're not supposed to say, you know, be trouble the government or whatever.

**Jaime:** That's right, trouble with the company too ha-ha.

**Curtis:** Yes. Will speak about what a potential borrower should be thinking as they enter this process and just kind of in speak in general terms. So, the story that we've been following the Brian and Heather, which our listeners just heard, they purchased this tear-down-home with a 30-year, conventional mortgage, with like 5% down and I'm guessing they didn't disclose to the lender what they were doing because a few months into the process, the mortgage company sends an inspector by, and you know, lenders and insurance companies sometimes will send somebody by to check the collateral, make sure there isn’t anything weird going on. Someone goes by and sees the house is being torn down, and they call the note because the terms of the loan are being violated. If you are not familiar with that term, it just means that the loan is being canceled because you violated it and you've got a very short amount of time to pay that loan back in full.

**Jamie:** Correct

**Curtis:** So, they start scrambling trying to find a bank, that's going to give them the proper construction loan, but now they are finding out that instead of that 5% down, they had, you know, most construction lenders, you are wanting 20, 25, 30 percent down which they do not have. So, yeah, they are searching online because that's what they do is they search online. So, they've done their house plans, everything else. They find a big, you know, National Bank where they already have a credit card with, and this bank offers construction loans. So, let’s do it - twenty percent down, they borrow some money from Mom and Dad to make it happen.

**Curtis:** All that to say these folks went into this process very uneducated, they are making a ton of mistakes so, far. The first big mistake here was just not disclosing to the lender what they were going to do.

**Jamie:** Correct

**Curtis:** If they had just told their lender up front what their plan was, they probably would have avoided some of that. So, in this situation for a new home, what is the right way for somebody to approach this process?

**Jamie:** Well, number One, **Financial Diligence**, they need to speak to a competent lender that knows construction lending and they need to know what their options are and what their risks are going into any project, right? If they want to buy a house and their intention is to tear it down, then they need to disclose that upfront to the lender that needs to tell that's not to say that they can or can’t get a conventional loan, usually it would be an investment property loan, if you are not occupying that property, as long as the house is livable, right?

So, you can obtain one of those, and then you've got to get your construction loan in place and ready to go before you tear that house down because once you tear the house down, you've violated the mortgage and they will call the note if they find out, right? The big question is, will they find out? Who knows? But why take the risk?

**Curtis:** Right.

**Jamie:** So, yeah, they need to talk about this and be very upfront about what they are doing. Occupancy is probably one of the primary things that we look at with construction loans it has got to be your primary residence for the majority of construction loans for consumers, right? So, if you buy a property, let's say, you live in a house and you buy this other property, it is an investment property, and your attention is to tear it down, before you buy that investment property - or if you pay cash before you put that cash into buying that house or that lot or whatever - you need to make sure that you are qualified for the construction loan and you need to know what type of construction loan you are going to qualify for, right?

You have a one-time close and you have a two-time close. A two-time close requires that you be qualified twice for the process and a lot can change over the course of building a house.

**Curtis:** Over one or two years.

**Jamie:** Oh yeah. Oh yeah. So, you need to do your diligence with the lender who knows what they are doing. You need to get facts, right?

You need to get facts about the process, you know, in their case, they had already purchased the house and it was their primary residence. They were living in it?

**Curtis:** Oh the one that they bought that is being torn down?

**Jamie:** Right

**Curtis:**  Oh no, they still have their other house.

**Jamie:** Okay. So, yeah, they intended to buy a tear-down to build all the way along and they are living in that other house. I got you. Yeah. So, upfront, you know their lenders going to do their diligence on them too? If they have a house, they are living in it and they are buying another property. If they say, that's going to be my primary residence and they are trying to do that, just to obtain a primary residence loan, well, the deed of trust on this primary residence mortgage says, you are moving into the house within 60 days, right? Anytime you retain property in the mortgage process you may be asked by underwriting “What is your intention” “Write it down. State it for us” right? So, you want to have the facts out, you want them to be completely clear so, they do not get caught in a tough position.

**Curtis:** Yeah. So, people can keep a second existing residence during this process, it's pretty common for equal for people not to sell their house yet. As long as they can qualify to carry both of those mortgages, correct?

**Jamie:** Yes, yes. So, if you have a house that you live in right now and you got taxes and insurance liability, you may not even have a mortgage, but you still have that liability on that property and that's all factored into the qualification for the new mortgage, right? Depending on the lender that you are working with, you will have different limitations on your debt-to-income ratio as to which program you are going to qualify for if it's a one-time close or a two-time close. Okay

**Curtis:** What are some general qualifications - I know every situation is a bit different - but what are some general qualifications for a borrower?

Things like you know the ratios, liquidity, credit scores, and things like that?

**Jamie:** Well because there's a variety of lenders out there with their own loan programs, I can't tell you exactly what it is but in general, you need to have better than average credit. If you have low credit scores you are probably not going to be approved for a construction loan. You've got to have reserves - that's probably the key thing right now, especially to have some money in the bank, post-closing after this project is commenced and finished. So, there are reserve requirements on construction loans, Home Improvement loans as well. You need steady employment, I think probably the biggest risks lay with self-employed individuals that are trying to do this because self-employed loans are already a little more difficult than typical loans with your W-2 borrower, there is an analysis of your income and it's a net number at the end of the day. You know, if you are filing a new tax return and your qualifications were based upon the previous two years and your next tax return comes down and your income has declined, then you may not be approved for the loan. Right.

**Curtis:** Right.

**Jamie:** So, in that case, that person should have obtained a one-time close construction loan, not a two-time close where they are qualified, you know, based upon their current information for that loan closed on it, their terms are locked in their safe - hopefully with a 30-year fixed-rate one time close but even a five-year arm or seven-year arm gives them some time Is after the loan is closed or after the construction conversion occurs, to refinance that again into long-term financing that they want. Yep, it's even required they may end up with a good enough rate on the one-time close, that they do not need to do that

**Curtis:** For self-employed, they generally want to see a decent length of time as self-employed or in business, right?

**Jamie:** Correct.

**Curtis:** Now I get a new startup venture that you are involved in, right?

**Jamie:** Yeah, in general, you got to have two years of tax returns to be analyzed. In some cases, it could be a shorter period of time, but rarely.

**Curtis:** I guess a lot of that can relate also, to what you are putting down as far as equity goes, you know, your put down 50 percent equity, it changes, a little bit, some of the other stuff, right?

**Jamie:** Well, it can. I mean when you have more equity in a project or when you have a larger down payment, then the loan is considered less risky because they are less likely to walk away from the loan. Does that change the way that the income is qualified? It does not. You still got to have that income and it's still got to support all of the debt to the rate that the lender requires. Right

**Curtis:** Right. Right. I guess those about that loan amount would be less though there if they have like 50 percent equity, Thomas is, Marvel amounts, Marvel, and payment. So, the income ratios could be

**Jaime:** Sure. Yeah, of course. That would be one, would be one way to offset it, if you were a little high on your debt ratio to put a little bit more money down right on the deal. Yeah.

**Curtis:** So, one thing I've seen all the time is that banks, especially smaller Banks, they want to have a relationship, meaning, they want you to move some accounts there or already have accounts here is that was the case most of the time that usually just a smaller lender?

**Jamie:** Well, I mean it, that actually occurs in some cases, you know like in a home improvement loan - I'll give you a little story, right? So, when I bought my house 15 years ago, I immediately needed to expand the home to make it larger; take in the garage for a playroom for kids, etc. Our budget was pretty limited and we had purchased that house, and put 20% down. Now, I went after the closing and obtained a home improvement loan, the second leading and I use those funds to do the project combined with some of my own money that bank required me to open up a checking account, because the proceeds of the home improvement loan, we're going to be deposited into that account. Do I have a major banking relationship with them? I do not, but I was able to open accounts for my kids at the age of 11 and 12 with this bank and get them started that way. It was a good thing. You know, sometimes you get hooked up with a bank, and later on down the line you have a need and because you've done business with them, they are going to help you when it's a requirement. To put some money down into an account, something like that, you are getting something very special. Some banks, you know that you have a doctor’s loan, professional loan, or something like that may require direct deposit of their pay because they want that client’s business for life to give them 100% financing or whatever it might be, that that bank is it's giving them. You know, our bank, we do not require anybody to open an account or move money or anything like that.

**Curtis:** Okay, that's good. Over the years, I've seen that be less and less common than 20 years ago. I think I saw that a lot more where banks they are like, “hey, we're going to go to a million bucks, we want you to move some accounts”, you know, who's some considerable accounts over here, but I think that's less common these days.

**Jamie:** Yeah, and I think it if you think about how hard it is to kind of untangle yourself from your banking relationship with a lot of it is now online bill pay and things like that, you know, it can prevent you from going and doing business with that lender for a construction loan. You may go heck no, let’s find someone who doesn't want that.

**Curtis:** Let's pretend that I'm dumb, which is a good assumption. But for our listeners, you may not know the construction, the lingo. The lender lingo talks about the difference between a one-time close and a two-time close. Maybe it's obvious. But good, talk about that.

**Jaime:** Sure. Sure. So, on a one-time close, there is one loan you qualify for that construction loan, and you obtain that rate that is locked in, right? The rates will be higher than you would see for the standard conforming or purchase loan because it's being held for a year or a year and a half before it converts to the fully amortized loan.

A one-time close, in my opinion, is better because of the end result. Also, as with the diligence of a one-time close, you are going to qualify one time for that loan. You are going to close that loan on the other end, or it's going to convert right after the construction is over, and once it converts, you have permanent financing for a period of time; maybe a 30-year fixed, might be a five-year arm with a five-year lock-in period and that gives you some time to refinance that loan to long-term fixed-rate financing. Now, a two-time close is designed to do that. It may be that you take out the construction loan for 18 months, 12 months, and 18 months, and it's expected at the end of that construction loan that there will be a take-out of the construction loan, with a refinance, which means the borrower has to qualify again for that loan.

**Curtis:** Right

**Jaime:** So, you know, sometimes people do not qualify for a one-time close; they need to do a two-time close and, in that case, they need to fully understand what their risks are - during that construction period of what could happen at the end of the day, right? Have a plan, a plan B, a plan C, all of it in place.

**Curtis:** So, with the two-time-close I guess people could, the second time, finance with another lender if they chose to so, they would just do the construction loan with that construction lender, and then they could finance it with the same bank, and they agreed to terms, or they could shop it out and might get a better long-term rate somewhere else if they wanted to. So, the advantage of, hey, we can shop this out of the end of this process. We want to, of course, the downside is, like, right now, I go over the last, you know, the year that we have had people wish they had done one-time-closes. They are thinking yes, we will check the rates 18 months from now, well 18 months from now you are paying and extra 1%

**Jamie:** 2% higher

**Curtis**: So, you are kind of rolling the dice a little bit when you choose that route,

**Jamie:** That's true. Or if that's the only route that you have to take but you need to be prepared for that and you know, part of the part of our job as loan officers is to prepare you and say, okay, if you are, we're going to do a two-time close because that's what you qualify for now. I understand your risks. You are going to have to maintain your employment, you are going to have to have an even income, can't be declining necessarily. You got to have reserves in the bank. You need to maintain these things because when the time comes, you are going to have to qualify for a refinance and if you have lost your job or whatever you are going to have to hope that the construction lender will extend it until you can be qualified to take that out.

**Curtis**: Do not go out and buy it. The ranch or whatever, in the middle of the process, unless you have the cash to cover that, right?

**Jamie**: But that is true. But You know, one of those. I would say one of the biggest mistakes, I see people make are ‘assumptions’. Just assuming that everything's going to be fine, just because they have a lot of money in the bank or, you know, they have a high-paying job at that time. They do not do any vital financial diligence upfront if they are not doing that and they've contracted a builder to build a home for them, and they are expected to obtain financing then they find out they cannot after putting up non-refundable, deposits, that could be quite high and they are in trouble. Then you are going to be looking for help from some family members or whatever you can to cobble together a loan to make it work. That is why the one-time close is preferred, right? The worst that can happen is you are, you know, on a one-time close, and perhaps your costs go up through the process of building it, which is by no fault of the Builder, or of them, right? We are seeing right now with construction costs going up somewhat, but, you know, a responsible lender is going to qualify you with a reserve. Qualify you for more than you need to make sure you are covered.

**Curtis:** What kind of reserve do you typically?

**Jamie**: 10% so, you know if it's you know a $900,000 loan, we qualify you for $990,000 just in case your material cost goes up and you need that. Your end loan won’t necessarily be that high. We would lower it back down, right? Where it needs to be.

**Curtis:** Well, that's smart because it may not just be cost going at, they may decide “hey, let's upgrade that stove to a wolf range”, and it has extra ten thousand dollars or whatever it is. Right? That’s there to kind of cover situations like that as well.

**Jamie:** Ha-ha what do they call that, ‘job creep’? Scope creep?

**Curtis:** You mentioned ‘Arms’. I think of arms being something that went away, you know, 15 years ago during that whole loan crisis that we all went through, when they were hot back then… Are arms still being used and popular these days?

**Jamie:** Well they are coming back a little bit just due to the interest rates going up in general, and if you can get a break on an arm on the rate, some people will do that, right? But the anticipation of rates coming down and refinancing it later on, right? Anticipation of rates coming down as another assumption, right? Am I a fan of an adjustable-rate loan? No, not necessarily unless that client knows that they are going to pay the loan off within that time period, or they are capable of paying it off, right? Or if they know they’ll be refinancing it.

**Curtis:** So, our main topic here is new custom homes that you guys also, do a lot of renovation loans and stuff like that. So, just tell the folks what other kinds of products you guys offer for the visit of situations, okay?

**Jamie:** So, we will do purchase renovation loans, okay? A purchase renovation - Let's say, you find a house and it has not been updated it has still got a pea green stove, and it needs a lot of work you could buy the house for a pretty good price but your whole intention is to update that home, right? We can do a purchase renovation. It just requires a slightly longer closing period because they are going to have to squeeze in their builder diligence during that time period. So, we would approve the Builder, okay? And we would approve the loan and then we would go ahead and do the construction loan from the start, okay? If there's time for that and a willing seller that will give you the time, that's preferred. Yeah, right. So, that'd be a jumbo renovation loan now, Fannie Mae has their home-style loan, right? This allows you to know your roll-in upgrades on a conventional loan but it's maxed out at the conforming loan limit, right? Which 648200 right. Random numbers right? But anyway, in most cases, if you are building a home, it depends on where you live, of course, and what your Equity position is in your lot, etcetera. You may not need, or you may not be able to do a loan like that, you'll need more money. That's where the jumbo renovation loans, come in handy, and it's just like a mini construction loan, you know? I mean, there's, there's no real line to draw that if you are tearing the house down to the studs and putting a second floor on it and everything else, then it's a construction loan from the start, right?

Curtis: Yeah.

Jamie: We will do a refinance as well. So, refinance construction loan, where you own the house already and you have equity in the lot

Curtis: Cash out, refinance!

Jamie: Oh, well, that's a different type of loan and it depends upon how much cash you need to do the project. In the past, I've done different structures for loans, and, you know, I'll use an example how to borrower a little while back that had a house, that had some equity in it and he was planning on doing Improvement project to that house, and he needed quite a bit, but there wasn't enough equity in the house. So, what we did is we did a home equity loan in a first lien position. Took out or paid off his first mortgage, lent him the maximum, which I believe at that time was about $400K that he took out, and then after he closed because he had a first lien equity loan, so his only option to get more money to improve the house, in second lien position was a home improvement loan. Improvement loans are not considered Equity loans so, you can stack a home improvement loan on top of a first-lien equity line. Texas law only allows you to have one equity loan on your house at a time so, that's one way to maximize your equity and the house you already own. If you are happy with your first mortgage and you do not want to touch it, then you could leave it alone and borrow everything you need, if the numbers work out in a second-lien position, for a home improvement loan. Our bank doesn't do home improvement loans in a second-lien position right now. But this is very important, it doesn't matter whom you end up working with as your loan officer. Of course, you want somebody who knows what they are talking about, and they should be able to talk to you thoroughly and explain the construction lending to you, even if they do not have the product, they need to have good people whom they rely on to send you to execute that loan. The same way a Builder would need construction lenders to do the same for their clients where you just want to make sure that the client gets their project on the correct way.

**Curtis:** Yeah, great. What kind of mistakes - we touched on this a little bit a while ago - but what kind of mistakes do you see people making entering this process even? For example, you mentioned going into something and putting out a bunch of money with a builder, or earnest money or something, and then having to walk away from that, because they may be made some assumptions.

**Jamie:** Right, I'm going to say *assumptions.* It's always what gets you and you know the phrase, right? So, I do not need to repeat it here but you know, there's a lot of people that will go into a project thinking they can get it done exactly the way they want to do it without doing the lender diligence side, without understanding the risks and they get stuck in a position that they can't get out of - that's what you want to avoid at all costs. Thinking, there's a solution for any problem, which in some cases there isn’t a solution. So assuming and not doing the lender diligence up-front is probably the key thing before buying a house, building a house, or anything. Make sure you know what you can afford and be approved for - that's the biggest mistake.

**Curtis:** Yeah, I mean that is why in my little house diagram, but I described at the beginning, and kind of the foundation of that is proper planning and one of the walls building your team. So, the lender is part of the team and you guys have to be on board early. We say that when you want us to go into a construction project, you should, you know, people do not think this way in this is necessary, but they should choose their lender and they should have a good realtor, because the lender and the realtor are going to work together a lot so, those two team members have got to be on board early. Also, a builder and an architect - if the builders not doing design build because we all have to work together and you guys have to look at the financial side of it, the realtor is going to advise them as to the neighborhoods, the pros, and cons of the different properties, and then we're going to say this is what you can and can't do on the Property, right? So, if you go into the prep process without having one of those three minimum team members in place, you may get into a situation where you've got money into a deal and you to walk away from it. I mean, we just, saw that recently someone called me and said they had a property under contract they were out of their option, period. They called me to say, hey, can we build this here and I have to say, they gave me the address and I looked it up. I'm like no, you can't do that there, and I'm like, well, why not? I'm like, well it's in a floodway and the city won't let you build that there. They are beyond their option period now. They had to walk away from ten thousand dollars in earnest money. Thank goodness they didn’t have to put some big chunk of money down with a builder, but ten thousand dollars is bad enough right? Oh yeah so, you know it's just having those key team members in place at the beginning, and at a minimum we say, you know, Builder, lender, realtor at the very, very minimum at the beginning. My architect friends would argue architect as well, so, we'll throw them in there, too. But, yeah, having that team in place is absolutely KEY.

**Curtis:** So changing gears a little bit from a, from a lender's perspective. When people are looking at various builders for their project, what should they be watching out for? What are some red flags for people choosing a builder to work with?

**Jamie:** Choosing a builder?

**Curtis:** From your perspective?

**Jamie:** If they've done things in the right order and they've gone to a lender and been pre-qualified at that point when they are selecting their builder, right? They go through their regular process, maybe they interview three Builders and they get some idea about what they want to do. If they are set on using the specific lender, they are going to want to make sure that the Builder is approved by the lender, you know, has the right Insurance and all of those things that the lender requires that they wouldn't want to get too far down down the road with a builder and then find out that the lender doesn't work. Then find out that lender that one and then they can't find a lender to do it for whatever reason, right? So, they should certainly do that, right? Just get with their lender and make sure the lenders going to approve the Builder as soon as possible, right? If a builder is unwilling to turn over the documents required, to get the loan approved, there's probably an issue, and then more personally I would probably say, like, you know, we've done Home Improvement projects and whenever we did them, we would get referrals from friends who had used specific company or the design services of that company and we had a designer and then we had a builder when we did our project. The second time, the first time I did not have a designer, I only had a builder, and they did exactly what I wanted him to and it didn't turn out the way I wanted. I wish that builder had told me to do it differently, but it didn't matter because the house turned out great and everything else. But yeah, I mean, you want to make sure that the Builder Has a good book of business and has examples for you to see, and I think you know the thing that impressed me the most when we were talking to builders when we did, our last remodel, was that they came up with ideas that, you know, I had my own ideas, they came with ideas of their own and we ended up doing everything they told us to do, except putting wallpaper in the entry hall ha-ha and it turned out great. So, I think people with better and good ideas aren't afraid to challenge their assumptions about what they want.

**Curtis**: Yes. So, one of the things that you mentioned, was the paperwork that the lender might require from the Builder, and as a builder, I've gone through this process with numerous letters over the years, and I think, usually, they ask for some banking references and trade references, trying to think, what else, you know, how long it business copies of your insurance, all your insurance, correct? And like you said if a builder is not willing to disclose that information, they are probably hiding something because I mean, honestly because every, every Builder gets asked for these things with almost every project the banks are involved with, and so, if they are not wanting to cough up that info, there's probably something wrong there…

**Jamie:** You know, I wouldn't necessarily assume that there's a problem, right, until I saw what they had right? But if it's a drag on your process and they are not doing what is required, how could you expect them to do what's required later on? Right, yeah, so, yeah.

**Curtis:** Yeah for sure, so that's red flags for Builders but what about people that maybe aren't the best suited to go through this process? You know, I firmly believe some people are probably better off, just buying a house that's already built or buying an existing inventory. You know, whatever. What kind of people do you think maybe aren't the best aren't best suited to go through this process?

**Jamie**: Impatient people. You know, it's usually when I sit down and talk to a borrower in there, asking about, you know, they may be thinking about buying a property or building, right? It's very common. Once I'm done explaining the construction process versus the purchase process you can kind of tell if they are up to it. You know, if they've got what it takes, if you are that marriage has what it takes or whatever it is, right? So if you have borderline credit or maybe your income and your job history are not very consistent, if there's some risk that you may lose a job or whatever, or if you are very close on any of the numbers that we talked about before, reserve requirements things that are going to matter when it comes down to getting that loan approved. Either on a first one-time or a two-time close. On a two-time-close people with risky finances, right? I would say maybe, self-employed people more fluctuation may run into more problems than somebody who is a standard W-2 employee that's worked with the same company for 15 years and as a CEO or someone like that. So, you know first time home buyers usually do not fully understand what they are getting into it with building a home. That doesn't mean they shouldn't do it, if they are ready to do it and they are financially ready, we will not stop anybody from building a house they are qualified and they understand the risks, right?

**Curtis:** I think kind of the culture is, I want something and I want it now, even when, even if I'm not necessarily ready for it or qualified for the well, they have it. So, I should be able to have that too. So, oh yeah, I think that mentality is we see if up pop up all the time, you know and again it goes back to expectations and assumptions they are like oh I mean I think I can afford this, I can make this happen, without really thinking through all the requirements that they may not be aware of.

**Curtis:** So, right on the flipside of that, what is, what is your ideal client? Your ideal borrower?

**Jamie:** The one that does everything I ask them too ha-ha.

**Curtis:** Me too ha-ha

**Jamie:** (continues laughing) The one that doesn't shop interest rates ha-ha. I mean, you know, the ideal client is just ready to listen. Right, many cases they want to get it all out and tell you what they want and make demands of you without truly listening to what they are doing, right? Whether it is buying a home, or whether it's, you know, doing a construction loan or home improvement loan, a cash-out refinance. If they are not listening, right? Then they are not going to get the whole picture - I can type up a five-page letter and explain it all to them and they are not going to read it. You know, ideally, a client that's going to listen in turnover documentation. When asked quickly, right? The sooner we get documentation, the sooner we can truly pre-approve you for a loan - and I think a little bit, a lot of clients might confuse pre-qualification with pre-approval, right? I see those two words thrown around a lot - are you pre-approved for this loan? Well, no, you are not unless your loan has been to an underwriter’s desk, right? Pre-approved could also, mean, you know, when we start a process with a, with a client, will take a loan application, look at the credit and then we will look at the scenario and run it through one of the automated underwriting systems to see what kind of results we get back. Then it will tell you whether you are pre-approved, but we still have to have the documentation required in those findings to get you from so, someone who's ready to turn over loan documentation for us to review, not fight us on it. If they do that quickly, they are in a better position than they could possibly be in before they buy or even step into a new house that they want to.

**Curtis:** Yeah, we, we talk about how people have a tendency to want to play things close to the vest, you know. When it comes to money, and you know, when you are building that team, you've got to be open with your team members. I mean, especially your banking relationship your lender right. But you know, the builder, the architect, everybody has to really have a pulse on what you, you know, can and want to spend on something. If you are not honest about those numbers, this thing is not going to go very far so, you know you've got to tell us realistic numbers. If you have some weird situation tell us about it and then turn those documents over when you are supposed to do. That's you know, just the same type of person that struggles with getting their own stuff together is the same type of person that's going to struggle with going through the design process of the build process. It's like, you know, you have to be open and communicate with your hold with your team.

**Jamie:** That's true. You know, we have, we have to be empathetic to people’s situations because not everybody is very tacky or has all their documents in electronic format and ready to send right away. And that's where, you know, the process of selecting a loan officer, you know, you need to, you need to find somebody who can play by your rules to a degree be empathetic. Help you get the documents someway? To get approved, you know? Typically I may have met, perhaps, I'll do it without being ageist, my father doesn't know how to work a scanner or anything like that. I'm just kidding, but most of his documents are printed in and files and if I asked you for all of them, he'd go up, you know, okay give me a week, they didn't work at an office with a high-speed scanner, he'd be running around town, and that case I'd say come to my office and let's meet, let's take a look at what we need, what you have, and then we'll follow up with more and try to get exactly what we need after we see the first round of documents, right? So, yeah, it's being empathetic and understanding their scenario and, you know, obviously having someone who will be empathetic to what you are doing and want to help you get their loan approved.

**Curtis:** Yeah. Well lastly, do you have any stories for us about any projects that have been a struggle or anything that's downhill that you can share with us?

**Jamie:** Well, I mean, my personal story with Home Improvement is kind of this kind of interesting because, you know, we bought a house about 15 years ago it was too small for our family. I knew it when we bought it, I knew that I would be updating that house right away but I'd never done it before. I've never done it other than a little bathroom remodel that we'd done. So, you know, I talked to a couple of Builders, and we did not have a lot of money to do what we really needed to do. So, we had to focus on, you know, what we could afford. So, we did a second-lien home improvement loan, right? We did the home improvement loan. We expanded the size of the house. We did not do the surface remodel and all the things that my wife wanted to make the house look the way she wanted it to look, but I promised her that we would do in the future. It did come around 2014/2013 actually and at that point, the market was very tight. It was a little bit like today's market when it comes to inventory, there wasn't a lot to pick from out there and if you pick something, you are going to pay a premium for it, and we had kids in an elementary school and we didn't want to move him out of the elementary school. So, she said well if you are going to buy a bigger House and we wanted a pool in a bigger house. You can shop in this postage stamp and try to find something, right? So, we start shopping, and we find a house that is a little unique, but it's got some potential and we thought we could get it for pretty good deal and in the end, the realtor ended up working with somebody else selling it for $200,000 more than what we were willing to pay for it at that point. We were stuck where we were and we made the decisions, hand-shake husband and wife deal that we're going to stay here a long time I'm going to make this worth it. So, we did, we went out and we had equity in the home at the time, and I didn't need a home improvement loan. I decided to do a home equity line of credit. Now, that's an equity product, and I had a regular mortgage in first lien position at that point. So, I could do that and we did a home equity line of credit and our intention was not to use every bit of it, but we did, right? It was You know getting into the project and finding out well if you are going to replace all the doors, you better do all of the trim. It just naturally occurred and then if you are going to do this do that? So, yeah, we ended up maxing out this line of credit and I you know conservative guy I sweated for a year because it was prime plus a margin, and I do know what's going to happen if the rates go up in one year you know but we had to wait a year, because on Equity loans you have to, you have to have that loan for one year before you could refinance it. The plan all along was to combine it with my first lien into one loan at a lower rate. So, we would have waited for a year, and then when the time comes, we refinanced it into one loan so, we were in a good position right there with what we had and then, later on, we refinanced it to an even better rate you know just recently. So, you know it and when you run the traps on all of it made sense the home value. Kept going up, right? But we also, knew that, okay, this house, if anybody buys it, they are probably going to tear it down and build 5,500 square foot mansion. They are not going to want the house, maybe a tweener for a little while, but any money that we put into the house, we probably weren't going to get a lot of it back at that point, we realized that it was for us. It was why we made the long-term commitment to being in the house and it's been worth it. Absolutely worth it, we've loved living in the home since then.

**Curtis:** Great. That's a great point that you made about doing it for you because we have people all the time that are like you know what about resale value resale? I mean resale is important, but you are building this house for yourself, not for somebody else or you are remodeling this house for you, and not for somebody else. So, we encourage people not to always think of just ‘resale’ if you are building a house for resale if you are building a custom house for resale it's the wrong way to go. Like you will never get your money back out of the customs house, you know, in a short period of time.

**Jamie:** That's true.

**Curtis:** So, if you are concerned about that, just go buy something that's already sitting here.

Jamie: Yeah, it's like sweet, you know, we had the other option we were thinking about doing was putting in a swimming pool and we wanted one - we really wanted a pool to raise our kids and have a pool and all that stuff but then we had a pool company, come out and look at it and by the time they had a look at it and told us how many trees we would have to get removed and pipes that we would have to move and how much leveling we had to have done, the price was three times as high as what we expected, right? But we did the diligence, and we talk to them, and we understood and, you know, and also, being a lender, we examine appraisals all the time, right? We will go out there, try to obtain the value on a refinance in those circumstances, and when the value comes to a certain level, and the bar says, wait a minute. I just spent a $120K on that incredible backyard, pool and on the appraisal maybe they do not get $120,000, a fraction of that in the value. The pool is for them. Just like you said, it's for your enjoyment. Why do you own the home? If you get it, if it appeals to someone who wants to buy it in the future, great. Right. I'll tell you just doing that work on the house and back in 2014. And the spring I still walk around the house and cross my arms and look around. I like this place. You know, you still haven't lost the new car smell. So, you know, I think we did the right thing, and we could potentially live there a very, very, very long-time size of our family bun, have to move. So, we think we made the right decision and I think, you know, that's something that, you know, people need to think about when they are taking on a remodel project.

**Curtis:** Yeah, yeah, awesome. Well, hey, it's been great talking about construction lending with you. Yeah, I appreciate you being on the show with us, and I hope that we've answered some questions for folks about that process. So, tell people how they can contact you. If they would like to talk to you about

**Jaime:** Sure, thank you, Curtis. Thank you for having me on the show. Appreciate that. Yes, if you want to get in contact with me, probably the best way to do it is to email me at Jamie.wolf@FirstUnited[bank.com](http://bank.com/) although even better just text me or call me at 281-543-5488.

**Curtis:** Awesome, and just to mention you guys do loans, all over Texas right?

**Jamie:** All 50 states.

**Curtis:** Okay, so, if you like what you are hearing from Jamie and you are not in the Houston area, give them a call. I'm sure he has some contacts and someone in his other branches. That could help you. They can refer you to if he can't personally do it. Is that right?

**Jamie:** Absolutely Yeah. Like you said, team building within the lending business. We do it ourselves. We find out who can get the job done for our clients. If we can't do it we're going to find someone who can. All right.

**Curtis:** Fantastic. Okay, well that does it for this episode of The Your Project Shepherd Construction Podcast. Remember that every successful project has those four key components that we mentioned earlier represented by a very simple drawing of a house. The foundation is planning. The left wall is your team, the right wall is communication and the roof, protecting it all is proper execution. Have all those components in place and your project will succeed. Stay tuned for our next episode where we will talk to attorney Karalynn Cromeens about construction contracts and legal matters.

I hope you can join us then. Bye.