



Bradley Martin, Construction Lending Sales Manager at Kinecta Federal Credit Union, has more than 30 years' experience originating and overseeing construction loans. After a career spent developing and managing construction lending programs for some of the nation's largest mortgage lenders, it is no surprise that Kinecta brought him onboard to head up its new construction lending program.

borrowers who own companies and multiple real estate holdings. It's important to have a team of underwriters who are nimble and can make common-sense decisions in a flexible environment. Of course, we want to make smart credit decisions, but, ultimately we are here to serve the needs of our consumers. Overall, we operate on a very different philosophy than traditional banking institutions."

Construction Loans Curated for SoCal Homebuyers

Written by H. K. Wilson

"With our headquarters in Manhattan Beach, Kinecta is in tune with Southern California and the amount of construction that is underway," Brad explains. "Our program allows people who love their neighborhood to stay and do a major remodel or tear down of their existing home and build a new one. You can't drive through a street in any of the coastal communities without seeing houses under construction. As a community lender, Kinecta is responding to the needs of the surrounding communities and emerging as a natural leader in the construction lending space."

Brad was instrumental in drawing the lending guidelines for what Kinecta envisions as Southern California's most competitive and robust construction lending product, a construction-to-permanent loan. As local experts who understand the nuances of the marketplace, Brad and his team took into consideration the types of borrowers who are common in the market, and they formulated underwriting standards to match. "Borrowers in this area are typically not salaried employees and are often complex

Bradley Martin

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banking done different

Brad has assembled a team of some of the industry's most seasoned construction lending professionals to deliver these loans to consumers and assist real estate professionals in closing transactions. "Everyone on our team is top-notch in the industry and well-versed in our product. A construction-to-permanent loan is very different from a traditional loan, since it takes longer to complete the process. It means maintaining an ongoing relationship with the homeowner while also dealing with the builder and helping to handle any issues that may come up during construction. It takes an experienced professional to help structure the loan properly and then see it through to a successful conclusion. Because of the complexity, we don't allow just anyone to originate construction loans. We feel our consumers are better served if these loans are handled by a Kinecta employee who is an expert in this area."

Several key features make Kinecta's construction-to-permanent loan program exceptional. The streamlined process allows for a one-time close with a single appraisal based upon the future value of the finished home. Furthermore, the draw process is managed by a Southern California-based fund control company. "This is an important distinction for us. We work with local companies, whereas national lenders tend to use national vendors. Companies that aren't local don't always understand local market issues."

Kinecta also understands that a borrower may need time to sell their current residence while their new home is being built. This fact can make it challenging to qualify for a new loan while maintaining an existing mortgage. "Rather than putting the full mortgage payment into the borrower's debt-to-income (DTI) calculation, we do a rental survey and give the borrower credit for 75 percent of the rental value, even when they don't have a signed lease. Since this is a portfolio product for us, we are able to qualify consumers with a higher DTI than some of our

competitors can, which also leads to potentially higher loan amounts for our borrowers."

For Realtors®, construction-to-permanent loans can open up new options for clients in circumstances where a house is uninhabitable and not able to close with traditional financing, or when someone buys with the intention to remodel or tear down and build later. "Even in situations where we don't provide the purchase loan, it's good for buyers to know this program is available to them in a year or two when they are ready to do a build-out. That way, they know they won't need the cash on hand to do it. They can go ahead and close on the house now, knowing the option is open to them in the future. This flexibility can go a long way toward making someone feel more confident about making a purchase decision now."

Brad concludes, "It's exciting when somebody builds a home, and it's typically something they've never done before. It's fun to educate them and take them through the process. Kinecta is an 80-year-old credit union with a rich history in Southern California. We are building on that history by offering this new product to meet our consumers' needs. Even though the program is new, we are deeply invested in it, and we intend to be a major player in the construction lending space."

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