



Construction Risk Checklist for Lenders

Key items to review before funding a commercial construction project

TOP 3 RED FLAGS

- Budget has not been validated by a contractor
- Key costs (permits, FF&E, utilities) are missing
- Plans are incomplete but pricing is treated as final

Budget & Cost Validation

- Project reflects current market costs
- Budget reviewed by qualified contractor
- Includes contingency (5-10%)
- Accounts for site conditions and escalation

Commonly Missed Costs

- Design & engineering fees
- Permits and impact fees
- Utility connections
- Testing and inspections
- Furniture, fixtures & equipment (FF&E)
- Technology / low-voltage
- Owner-supplied items

Plans & Scope

- Plans complete enough for accurate pricing
- Scope clearly defined
- No major unknowns leading to change orders

Contractor Evaluation

- Relevant project experience
- Financial stability
- References verified
- Clear contract structure

Insurance & Risk

- Builder's risk policy in place
- Owner/lender listed as loss payee
- General liability + workers comp verified

Schedule & Feasibility

- Realistic timeline
- Long-lead items identified
- Aligned with loan terms

Borrower Readiness

- Understands full cost and scope
- Sufficient equity and contingency
- Experience with similar projects

Need a quick second opinion on a project? We can review budgets, plans, or scope before funding decisions are finalized.