

Financing Your New Home

New home financing is required for:

Lot Acquisition

Construction Financing

Long Term Mortgage

Lot Acquisition: If you or the builder already own the lot, then financing for lot acquisition is not necessary. If you plan to purchase a lot and wait for some time before you build, you will need financing to purchase your lot. If you plan to start building as soon as you acquire the lot, you may include the lot acquisition in the construction loan.

Construction Financing: These funds are used to buy the materials, pay the subcontractors, purchase the lot (if it's not already paid for), and cover the builder's overhead.

If you are purchasing a spec home, the builder has already arranged for the construction financing and will make the interest payments on the construction loan. The interest paid will be structured into the final price that you will pay for the home.

If you are building a custom home, you will apply for the construction financing and make the interest payments during construction.

Construction money is not funded all at once. The builder makes draws on the money for specific work. He may not draw more until the work is completed. If the builder borrows the construction financing, the lender must approve the work. If the construction loan is in your name, both you and the lender must approve the next draw. This is to safeguard that the builder is using the funds only on your home.

Mortgage Financing: You will apply for your mortgage financing prior to the start of construction. At closing these funds will be used to pay off the construction loan and any lot acquisition loan. The builder signs an affidavit swearing that all outstanding bills have been paid. After closing, the only lien on the home will be your mortgage.