



QUESTIONS ABOUT FINANCING

If you are considering building a custom home, you'll want to understand the financing options you have for construction loans. Above all else, be sure to select a lender with construction experience. This is not the time or place for an online loan. Remember, the loan is a critical part of the home building process and you want the bank and the builder to work well together. You also want a financial institution that can process draws and the associated inspections in a timely manner, to keep your project on-schedule. Here are some questions to ask your loan officer or lending institution.

- How many years have you been doing construction financing? (You want someone very experienced in construction lending, not just regular loans.)

- Are there one or two settlements? (Two settlements generally have more associated costs, but are sometimes necessary depending on the project.)

- What are the terms offered?

- What are the down payments required?

- What are terms for short-term, while home is being built?

- Is the rate locked during construction or does it float?

- What are the terms after the home is completed?



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- Do you have a locked rate for the permanent loan? (How does this affect you in a rising or declining rate environment?)
- Do you have a construction fee/administrative fee?
- What are the draw fees?
- Describe the draw process.
- Are there any fees for converting the loan from a construction loan to a permanent mortgage?
- Is there an option for a float-down if the rates improve?
- Is the permanent rate locked at the beginning of construction?
- What happens if my build takes longer than expected?
- Are there extension fees?