



WE BUILD
 GREEN
 HOMES FOR
 HEALTHIER
 LIVING
 LEED AND
 ENERGY
 STAR
 CERTIFIED

VIRGINIA LUXURY HOMES MONTHLY NEWSLETTER

HOW CAN I FINANCE MY CUSTOM BUILT HOME?

There are two financial questions that should be asked by those who are considering building a custom home rather than purchasing an existing home because the process is different with the financial institution: (1) What is a home construction loan? (3) How does a home construction loan work?

As its name implies, a construction loan is extended by a financial institution to a homebuilder or homeowner for the purpose of constructing a new home. In general, construction loans are riskier propositions for lenders than other types of loans. The reason is that if the borrower were to default before the new home is completed, there is nothing tangible for the lender to sell to recoup its loss. Likewise, if the builder were to default with the build not complete, it would be difficult for the lender to sell to recoup its loss.

This is why it is important that the funding institution becomes comfortable with the financial acumen of the homebuyer and they provide a preliminary budget which they are

willing to fund before the build process/ architectural plans are developed/finalized and submitted to the county. Likewise, it is important that the funding institution is familiar with the builder, and the builder's track record of successful home build completions, in order to move forward with the construction loan. The buyer will generally have an option of five different types of construction loans to consider. They are as follows:

1. Standalone Construction Loan: With this loan, the borrower takes out a short-term construction loan, which then must be converted to a long-term mortgage with a separate loan. This results in two closings – one for the standalone mortgage loan, and one for the long-term mortgage – which typically results in higher costs for the borrower. Standalone construction loans can be used for: Construction completion; lot and construction; or ground-up construction where the borrower already owns the land

2. Conventional Loan: Conventional construction loans are offered by banks, credit unions and mortgage lenders that

conform to the standards of the two government-sponsored enterprises: Fannie Mae and Freddie Mac.

3. Government-Backed Loans: Government-backed construction loans are funded by banks, credit unions or other mortgage lenders. Because they are backed by federal agencies, lenders are able to lend to borrowers with riskier credit profiles. In the case of construction loans, two main agencies are in play: The Federal Housing Administration (FHA) and the U.S. Department of veterans Affairs (VA).

4. Hard Money Loans: Hard money loans are funded by private lenders that sometimes will fund loans that banks or credit unions won't touch. Hard money lenders place much more emphasis on the value of the property than the credit or other qualifications of the borrower; the tradeoff is that they are usually more expensive. They also are often short-term loans, and can be used to pay for construction. It may then be possible to re-finance into a conventional, long-term mortgage.



Richard Feller
 Founder &
 President
 703-628-6008
 richard@virginialuxuryhomesllc.com

The Newsletter will be distributed to our many friends, including our past, present, and future homeowners, real estate partners, trade contractors, suppliers, and anyone interested and engaged in the home building process. The Newsletter is designed to take the mystery out of the home building process and to showcase the exciting adventure of collectively creating a new home. We will provide you with an insider's look at home building best practices, as well as keep you informed of upcoming events in our area. Each Newsletter will feature one lead article accompanied by customer questions.

Inside this issue:

HOW CAN I FINANCE MY CUSTOM BUILT HOME?	1-2
RECOMMENDATION	2
QUESTIONS & ANSWERS	2
OPEN HOUSE WITH CATHY KANE	2

5. All-In-One Construction-to-Permanent Loan: The idea behind a construction-to permanent loan is to simplify the process of constructing a new home. With construction-to permanent financing, the homebuyer can finance the construction of the home and your mortgage, all with one loan. This can save money in closing costs, as the homebuyer would otherwise need to take out separate loans – one for constructing the home, and one for long-term permanent financing, with two sets of closing costs, instead of one. This loan type is often called all-in-one construction-to permanent loan.

RECOMMENDATION

We recommend the All-In-One Construction to Permanent Loan. This type of loan can finance the purchase of ground for the build, if needed, as well as the design and construction of the build itself. Another advantage is that there is only one required closing, which can save money for the homebuyer. The construction part of the loan saves you money since all the construction build monies are not paid in advance, and are only paid when certain milestones, or build phases are achieved, so interest is only paid on the funded monies - not the entire loan. When the home is totally finished and the Occupancy Permit for move in is issued – the loan is transitioned to the mortgage.

QUESTIONS & ANSWERS

QUESTION: How does Virginia Luxury Homes work with custom home buyer prospects in reference to financing?

ANSWER: We recommend certain funding institutions who we have successfully worked with previously. They are familiar with our work and successful completion record as a builder so we are pre-qualified by them as a builder. Once the homebuyer is qualified, a build budget for the construction loan is developed. The construction budget is then broken into build

phases and a dollar amount is designated for each portion or milestone of the build. We then submit supportive documentation to the funding institution verifying that the milestone has been achieved so they fund that portion of the build. Operating within this framework, there are no surprises. Instead, we become a “team” with our customers, so they understand the VALUE that they are paying for - and receiving. The end product: Their uniquely created DREAM HOME – designed and crafted - according to their specific wants, needs, wishes, and vision, within budgetary constraints!



QUESTIONS? CALL CATHY & FRANK!



Cathy Kane
703-868-1976
cathy.kane@c21nm.com

Century 21
New Millennium
8078 Crescent Park Dr #205
Gainesville, VA 20155

Frank Martin
540-270-1494
frank.martin@c21nm.com



OPEN HOUSE!

Visit us at our Model Open House at 6600 Chesterfield Ave in McLean, Virginia. Contact Cathy Kane at 703-868-1976 for details.



Bijan Hakimzadeh
Project Manager,
Build Operations
703-349-9949
bijan@virginialuxuryhomesllc.com