



The Mechanics of Financing New Construction

Owning a home is a great experience and one of the best investments you can make. Whether you are looking at your first home or your fourth home, you will have two options put in front of you... build or buy. The decision to build or buy is not an easy one and each has its own set of advantages and disadvantages that need to be carefully weighed against one other. If this is your first time around, there will be lots of decisions in any path you choose and there is really no perfect choice.

When making your decision about building or buying, don't

rule out building too quickly. Building your home offers tremendous sentimental value and advantages in the long run. When you build a home, you can have everything your way - from the tile in the bathroom to the cabinets in the kitchen and everything in between. There are definite feelings of emotional fulfillment and pride in a home you start and finish. Also, having everything brand-new and up-to-date is a tremendous advantage, such as brand-new appliances with the original warranties.

If you are looking at building, you'll definitely want to do

your homework first. There are several steps to take in financing a new construction home. As long as you think ahead and work with a qualified lender, you will be ahead of the game. Here are a number of items to consider in building and financing a new construction home.

What is a construction loan?

Most people are not able to afford the cost of the home construction up front, and getting a mortgage can be tricky. After all, you're asking a bank or a mortgage lender to

give you money for something that doesn't even exist yet. Because of that, a standard mortgage loan does not work - but you may be eligible for a special type of loan known as a construction loan.

A construction loan is typically a short-term loan used to pay for the cost of building a home. It may be offered for a set term, such as 6 months, to allow you the time to build your home. At the end of the construction process, when the house is done, you will need to

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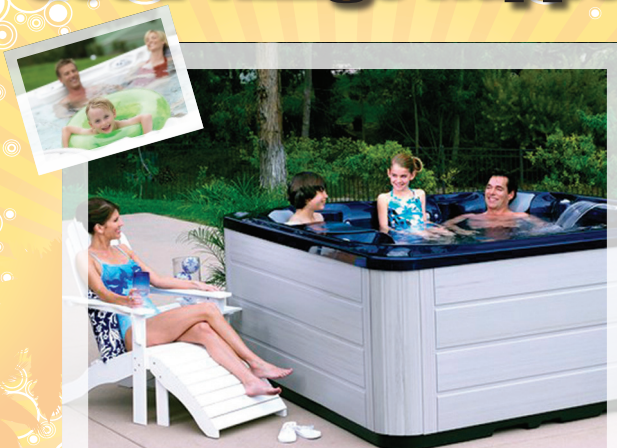
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