What The Experts May Not Tell You About Building or Renovating Your New Home.

By Rick Gomez

When building your new custom home having the inside knowledge can make all the difference between a great experience or a bad experience. This e-book is designed to put you in the home builder's driver seat. Enjoy! R. Gomez

Introduction

I started out in the construction loan business way back in 1984. It was my first real job and I was a mere 25 years old. The interest rates in 1984 were 14%, yes, you read that correctly. The crazy thing is that interest rates were 17% the year before. With rates that high you would think that no one would want to build a new home.

The number one priority for most families is having a roof over their head. Interest will always go up and always come back down. With the many different loan products that exist in today's marketplace homeowners are picking loans that can be altered, changed and controlled.

Over the years I have seen a lot of changes in the construction loan industry. First of all, the only type of construction loan that existed back then was a 12 month construction loan. The banks would give you or your builder up to 12 months to build a home and then you would have to refinance upon completion. If you couldn't refinance your new home the bank could foreclose. Today's popular construction to permanent loan did not exist until the early 1990's.

With today's technology in the home lending world, you can pretty much get any type of loan almost anyway you want it.

The problem is there are hundreds of banks that simply do not offer or care to offer construction loans. Some of the best advertised construction loan lenders have below average programs and high interest rates. You literally have to do your homework to find the best construction loans available in today's marketplace.

This report will help you strip away the construction home building mysteries out there and help you find the best loans, best rates and best service.

I have personally built 2 homes over the past twenty years and have funded millions of dollars of construction loans for customers just like you.

Some of the things you will learn in this report are industry secrets and most loan officers and lenders will panic at the sight of the information in this e-book.

In exchange for this information my intention is to earn your trust and eventually your business. I believe the best way to do business today is by being brutally honest and upfront with every aspect of the home lending industry.

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Introduction

Chances are if you've bought this book, you are giving some serious thought to putting down some new roots. Maybe your current home just doesn't fit your needs anymore. Perhaps every time you walk into your crowded kitchen you find yourself sighing heavily and saying, "Maybe someday . . . " And maybe you've scoured neighborhood after neighborhood looking for home that calls out to you, only to find that none of them do.

You want a house that "fits" perfectly, and you've decided the only way to do this is to build a new home.

You may have the complete floor plan of your dream home etched in your mind, or you may have merely planted the seeds to that dream. Building a new home may be part of your two-year plan, or it may be something that you want to tackle in ten years. You may be dreaming of a $120,000 log cabin in the woods, or a million-dollar mansion may be more your style.

Regardless, people just like you tackle the home building process every day. Some of them have enjoyable experiences that turn out well. For others, building a custom home turns into a cash-gobbling nightmare filled with stress and anxiety.

So how do you join the ranks of the former and avoid the pitfalls of the latter? Well, a little know-how can take you a long way. And that's where this book comes in. We're here to provide you with invaluable advice collected as a result of many years of experience. Sure, it's still going to take lots of hard work, and you are still going to face challenges. But hopefully the information contained in this book will help you walk away from those challenges with a good experience in hand . . . not to mention the home of your dreams.

Yes, you can build, own, and live in your very own custom home. And we're here to help you.

How This Book Can Help You

To the neophyte, building a custom home can seem made up of an overwhelming number of confusing processes and tasks. After all, we've all driven by home construction sites. It seems like one day the crew is clearing the land, and just a few weeks later they are landscaping. How did they get from point A to point Z? How did the electricity get there? How does the water get into the house to make the toilet flush? Will that garage door really go up with the press of the button? For those of us who don't do this everyday, the home building process can take on an almost magical quality. Well, we're here to demystify the process. Don't worry. We aren't going to ask you to break out a hammer and nails—unless you want to, that is. But by the end of this book you'll have a good understanding of what all those subcontractors are doing, and why. You'll have a general understanding of the order in which things are done. You'll be able to follow the construction process without feeling like you've fallen down the rabbit hole! Here are some other valuable things you'll learn in this book:

• We'll start at the very beginning, where we'll show you how to organize your project, as well as find the perfect piece of land to build your home on.

• You'll learn how to determine your house's design according to need and budget, and what role the architect plays in your home's design.

• You'll learn how to find a good contractor, as well as how to communicate with that contractor.

• You'll learn all about construction loans, from soup to nuts. We'll give you some tips on how to qualify for the money you need to borrow, and you'll also know why it is so important to have cash on hand!

• Finally, we'll show you how to manage the investment you've made in your new home, by discussing refinancing options.

Okay, you've spent enough time mooning around the home supply store. And you can say goodbye to those Sunday afternoons spent in front of HGTV too. Time for some action.

Turn the page to learn everything you need to know, and then some, about the home building process.

Chapter 1: It All Begins at . . . the Beginning

That's a rather cryptic title for a chapter, don't you think? But we think it sums up the experience of most people who decide to undertake the home building process. The beginning is always a great place to start, but in this case, where exactly is the beginning? Building a new home is not something you do every day. In fact, it will most likely be something you do once in a lifetime, and that's if you are one of the lucky ones. There are so many parts to building a home—securing a loan, hiring a contractor, finding land—it's hard to know where to begin.

Well, there's no perfect answer to that. Some people find a piece of land they love and the desire to build a dream home grows from that seed. Others have a complete blueprint of their custom home in their heads before they look for land. Some people have a budget in mind right off the bat, while others have to spend some time figuring out what they need and what they can afford. In a nutshell, the home building process is complicated, not to mention inconsistent. There is no right place to start.

But there is something you can do to up your chances of success. And that is to ask yourself a few hard questions before investing money, time, and emotions into this project.

• Is my partner/spouse in favor of this project, and can I depend upon their full support throughout the process? (If the answer is no close this book now . . . or ask your contractor for the name of a good divorce attorney.)

• Where do I want to live, and how long do I want to live there?

• How much money do I have to spend on this project, and is it in line with my dream house?

• How much time do I have to spend on this project, and is this a good time during my life to undertake it?

Be honest with your answers. If your wife or husband is not ready for the home building process and all it entails, you may want to shelve this project for a later date. Similarly, if you are short on money or time, building a home probably isn't for you. If you are going through some other major life change—a change in career, the death of a parent, the birth of a child, etc.—you should also probably wait until things even out for you. Building a home can be very stressful, and you shouldn't take it on if other events in your life are draining your emotions. You are going to need all your strength to get through this!

Here are a few things you'll have to do up front to ensure that your home building process goes smoothly.

Get Your Finances in Order

Before you look for land, before you draw up plans for your home, get your finances in order. This means knowing how much money comes in every month, versus how much goes out. Take stock of the cash you have in the bank, the equity you have in your current home, as well as any other sources of cash you might have. Now, how much money can you put toward this project? How much can you borrow? How much mortgage can you afford? We are going to talk a lot more about finances in Chapter 2, but for now you should have a rough idea of your budget. This is one aspect of home building that you absolutely must get right. If you are having trouble, ask a financial advisor or loan officer for help.

Now that You Know What You Can Pay, How Much are You Willing to Pay?

Just because the bank will give you a certain amount of money, doesn't mean you want to borrow that amount. You may have other payments such as school loans, car loans, or credit card bills that require a monthly commitment from you. Decide what your limits are when it comes to spending money on housing. What can you afford to pay, without losing sleep? This is the point at which you should take a good, hard look at your monthly cash flow, and come up with an amount that you can comfortably live with.

Consider the "What Ifs"

What if the market goes sour? What if your contractor runs away with all your money? What if your home ends up costing more than you thought it would? We are not being doomsdayers here. These things happen . . . often. The home building process is fraught with variables beyond your control, and you need to be financially, and emotionally, prepared for them. Have a plan in advance for all the "what if" situations you can think of, and decide in advance how you will financially and emotionally cope if worse comes to worst. So, how's your risk tolerance these days? Realize that in building a home you'll be taking risk after risk. Are you up for it?

Optimism is a wonderful quality, but it's not the most important quality you need when tackling the home building process. Instead, be sure to think of all the things that might go wrong, and have contingency plan when they do. In most cases, just discussing these things and keeping them in mind will help you resolve them before they do some damage.

Be Ready to Deal With Lots—We Mean Lots!—of People

How are your people skills? Well, time to ramp them up. There are a lot of players involved in the home building process, from the real estate agent who sells you the land all the way to the person who hangs your last curtain, and in the end you are going to be intimately acquainted with all of them. You are going to be dealing with a lot of people, with a wide range of personalities and different ways of communicating. Now's as good a time as ever to break out your flexibility and tolerance. A little later we are going to show you how to choose workers who compliment you, but the fact is at one point or another you are going to have to deal with someone who just sees things, and does things, differently than you. And you are going to have to deal.

Do You Have What it Takes to Be Your Own General Contractor?

First of all, this book assumes that you are not going to be the one actually mudding and taping drywall. In most cases, in fact, you are not even going to be hiring the drywall guys—that will be up to your general contractor. Some people, however, choose to act as their own general contractors. The main motivations for this are saving money and having control over the entire project.

But before you decide to be your own general contractor, you need to know what's involved. You need to realize that general contractors are professionals with experience, and that your lack of experience could end up costing you lots of time, and money, in the long run. Nevertheless, being a general contractor isn't a bad idea if you've got the goods. Ask yourself the following questions:

• Do I have the time to devote to this project, and is my time flexible?

• Do I fully understand the construction process, and do I have some experience? Can I tell good construction from bad construction?

• Do I enjoy working with lots of people?

• Am I good at organizing multiple projects? Can I juggle more than one thing at a time?

• Do you have access to a full roster of sub-contractors? Trustworthy subs are integral to the success of your project. Even one bad apple can set your project back and cost you valuable time and money.

• Do I stay calm and levelheaded when unexpected issues and problems come up, and am I good at problem-solving?

• Am I good at managing budgets and financing?

Remember, answer the questions honestly! If you answered yes to every single question, then by all means have a go at being you own general contractor. But if you answered no to even one question, give some serious thought to handing the project over to a professional. If you don't have the skill set to handle the project, there's a good chance it will end up costing you more money than you planned on saving.

Okay, at this point you have a good idea of what the home building process entails. Time to get organized.

Get Your Ducks Lined Up . . . Now

There's a ton to keep track of when it comes to the home building process. You'll have to keep track of loan and permitting paperwork, construction contracts, finance and budget paperwork, designs from your architect, invoices, information on your land purchase, materials information and receipts, and warrantees. Did we miss anything? The point is, there's a lot to keep track of, and you are going to have to be organized. If you are not an organized person, time to turn over a new leaf or hire someone to be organized for you. There are lots of books devoted to organization. Apparently it's something we could all use a little help with!

Here's a quick and easy way to get organized. Go out and buy yourself a loose-leaf binder and some dividers. Make sure you have a section for every category such as: house plans, contractor information, contracts, financing, land information, invoices, permits and approvals, paid receipts, land information, and any other categories you think are relevant. Any time you receive any communication regarding one of these categories, file it away. That way, you'll always know where to look when you need to find something.

Make sure you have the phone number of your contractor and subs handy at all times. Keeping your project on schedule is difficult at best, and good communication is key.

And while you'll have a bank involved with your finances, who, ultimately, will be keeping track of them? You, of course! The best way to keep track of your finances is to set up a separate bank account for money related to home building. And to revisit the loose-leaf binder you've already set up, you should have sections devoted to loans, receipts, and everything regarding your finances. Beyond that, some of today's software programs make it easier than ever to keep track of your finances. Try QuickBooks by Intuit.

Now that you have all your ducks lined up, it's pretty evident that you are serious about this home building thing! In the next chapter, we are going to talk about what's going to make this project go 'round. That's right . . . money! We'll show you how to budget your project, then we'll tell you everything you need to know about construction loans.

Chapter 2: All About Land

The first step in your home building process is finding a good place to put it. Before you apply for your loans, you'll want to find the perfect site on which to build your home. Plan on spending a lot of your spare time looking at both land and lots. But aren't they one and the same, you ask? Nope. There are quite a few differences between lots and land. A lot, by definition, is a piece of land in which a house is ready to be built. This means that it either has all of the utilities already installed, or is in the process,

Land, by contrast, is any piece of property without a house on it. Land usually isn't ready for building. If you buy land, you are probably going to have to do a bit more work than if you buy a lot. You'll need to do things like lay roads and put in the utilities before building begins. If you buy land, chances are you'll need to allow extra time to complete your project.

Finding the Perfect Land

They say location is everything, and that goes for the lot or land you'll build your home on, too! Choosing the right land can mean the difference between enjoying where you live and not enjoying where you live. So, how do you find the perfect piece of land?

The first step is to ask yourself some questions. First of all, how much land do you need? If your dream is to build a barn and have horses, you are going to need more than if your dream is to accommodate a swing set. Do you want to be around lots of neighbors in a city location, or is privacy important to you? Does it matter to you whether the lot is flat or sloped, and do you prefer sun or shade? What kind of views does the

land have? Is the school system in the town good? Is it noisy, or quiet? How close is it to power lines and other utilities? Do city plans call for any changes in the neighborhood? What kind of power, water, and sewage is available? You get the picture. Make a list of things that are important to you, and refer to them as you look at each lot or piece of land.

Finding a lot or land can be one of the most difficult processes in your home building experience. First of all, finding an agent who sells land isn't always easy, as many prefer the larger commissions that home selling provides. However, some agents actually specialize in selling land, and if you can find one of these you are in luck. These agents will not only work hard to help you find your dream property, they will also know the ins and outs of planning and zoning. And that will be a huge help!

Some people choose to look for land on their own. This means trolling neighborhoods that are in the process of being built for lots for sale, as well as taking some drives in your spare time in areas you like to see if there is any land available. Your newspaper, local realty magazines, and the web are also good sources of lots and land for sale.

When you finally find a piece of land you think you might like, ask yourself the following questions:

• How much is the land going for, and how does that compare to other lots that have sold in the area?

• Is the lot or land amenable to building? You want to make sure you are not buying a beaver pond or marsh!

• How much is the ultimate cost of the land going to be, and is it worth it?

The last question is probably the most important. When all is said and done, you want to know that not only can you afford the final cost of your land, but that you are getting your money's worth. You'll need to factor in things like how much it is going to cost to install a driveway, sidewalks and street lighting if needed, whether the layout of the lot necessitates a special foundation or more earth moving than normal, how much it will cost to get things like electricity and other utilities to your build site, etc. Consider all of these things carefully, and never, ever buy land with your heart. Always buy it with your mind.

The Wonderful World of Zoning

Okay, so you've answered all the hard questions and think this patch of land might be your future paradise. Does the town's Planning and Zoning department agree?

Yep, most cities and towns have zoning regulations that they adhere to. What exactly are zoning regulations? They tell you where, and what, you can build.

Finding out the zoning regs attached to a particular piece of land is as easy as making a quick phone call to town hall. Most housing lots are zoned R-1, which means that they can support one residence. However, there are lots of other zoning designations and again, the local government should have a guide that explains all the designations to you.

Did you know? Just because you like the zoning restrictions, don't think you are home free. Zoning affects only the general plan of the property. There may be more detailed restrictions for building, which you can find in the property's CC & Rs (no, this is not a band from the 70s . . . it stands for covenants, conditions, and restrictions). Your neighborhood might also have some restrictions when it comes to style, size, height, and even color. Best to check these things out before you make the land purchase!

The property zoning restrictions will also tell you what the setback is, which tells you how far from the edge of your lot you must build. Setbacks can often determine what size home you can build, so be sure to pay attention to them.

It is also very important to consider the size of your home when you purchase the lot. Cities and towns often have regulations when it comes to the size of the lot and what size house it can accommodate. Do your homework now, before you break ground. The goal is to avoid costly mistakes down the road.

Buying Your Land

You've found the perfect property and you've done all your homework. So now you have to buy it. Buying land isn't like buying groceries. You don't just accept the price in pay it. Instead, it is more like buying a car.

The first thing you need to do is figure out how much you are willing to pay for the property. You have a budget, and have a fairly good understanding of how much of that is going to go toward the construction of your home. How much do you have left over for land? Make sure your offer matches.

What's the next step? Presenting your offer to the seller. You'll want to give the seller an offer form, as well as a deposit—one to three percent of the offer will do. The check is held in escrow until the offer is accepted. So what now? Let the negotiations begin!

That's right, you and the seller will participate in a series of offers and counter-offers—hopefully not too many!—until both of you are satisfied. In the right scenario, both of you will give a little until you come up with a compromise that both of you can live with.

Next thing you'll have to do is find a lender. Our best advice? Be picky. Not all mortgage lenders have experience with land loans, and in order to ensure that you buy a product that fits your needs you'll want to work with someone who has a little experience. Ask friends and family who they have used for land purchases, and when you find a lender you think you can work with ask how many land loans they have done. Nationwide lenders are often a good route to go, as they have fewer restriction and more products than local banks, which will up the chances that you buy the right product.

Once you find a lender, you'll fill out a loan application. You'll need to arrange for an appraisal, and will need to give you lender access to your credit report. You'll also need to furnish three months of bank statements, two years of W-2s, your two most recent pay stubs, and two years' tax returns.

Once your application is on file, you'll open escrow with either an escrow company or your attorney. This means depositing your money with a neutral third party

while you and the seller go through the steps of completing your agreement. Now is the time to really go over the property with a fine-tooth comb to make sure you are getting what you think you are. Do all your research at this stage.

Picking the loan's length of time is a very important part of the process. You'll also need to choose between a fixed rate loan or an adjustable rate loan. In some cases, your qualifications will cause the lender to make some of these hard decisions for you! However, if you have some choices, and are planning on building right off the bat, and adjustable rate mortgage is the way to go. You'll pay a lower interest rate, and by the time the loan is scheduled to adjust you will have most likely rolled your land loan into your construction loan.

When you consider the many processes, from the time you buy you land to the time you break ground can two or three years. To that end, make sure your land loan is long enough that it will take you up to the time you roll it into your construction loan. Always be safe by adding a little bit of time. Again, you never know what will hold your process up, but chances are something will along the way!

Once your loan is approved, you'll bring your cash to escrow and sign the loan documents. You'll have loads of documents to sign, but in the end you'll walk away with the most important one of all: the deed stating that the land is yours!

Did you know? You don't have to pay off your land loan before you get your construction loan. You can easily roll your land loan into your construction loan when you get to that point.

Chapter 3: Planning Your Home

Now that you have somewhere to put it, let's talk a little bit about designing your home. You'll need to make lots of decisions, and you'll need plenty of time to make them. Are you ready?

Hiring an Architect

There are all kinds of ways to come up with a plan for your custom home. You may decide to purchase a plan through a magazine or web site. Or you may find a plan that you like, but think it might need some modifications. Or, you may have an idea of the perfect home in your head, but need some help putting it on paper.

If you are going the first route, you probably don't need an architect. But if you are choosing to go one of the latter two routes, you may. If you have lots of experience and some time to invest into design, construction, and building codes, then you may want to tackle the entire process yourself. In most cases you'll have a life outside this project, however, and hiring an architect might be one of the best decisions you make. If your state requires an architect for submitted plans, you'll obviously have to hire an architect. And if you have no idea how a home functions, lack vision when it comes to what your home will look like, or are building a home that requires complicated structural engineering, then hiring an architect is the way to go.

Architects aren't cheap. As a matter of fact, the price tag of your architect may make you gasp and decide to give the whole things a shot yourself. But before you do that, consider that the experience an architect brings to the table often saves you money in the long run.

You can find an architect for your project by trolling neighborhoods whose homes you like. It's easy to find out who the architect is. Or ask family and friends who they have used. When interviewing architects, make sure their aesthetic vision matches yours, and ask them about their experience and local knowledge. The more experience they have with local municipalities and planning boards, the better.

For an agreed upon fee, you can expect the architect to supply you with construction documents, landscape plans, mechanical and electrical drawings, plan copies, soils report, structural engineering, surveyor, and the architects time. You'll need all of these things before you begin the permitting process.

Did you know? Some companies today design and build your home for you. These are called "design-build" firms. These firms comprise architects and contractors, and can give you an all-in-one experience.

If you choose not to hire an architect, your alternatives are to design your home yourself, purchase a floor plan from a book or online, or hire a home designer. Home designers are not licensed architects, but provide many of the same services.

Where Will You Put Your Home?

Before you decide the size and shape of your home, you'll need to figure out where you want to put it on your lot.

No lot is perfect. In most cases you will have a limitation or two that will give you some guidance when it comes to placing your house on the land. In the end, however, chances are you'll have more than a few options. So how to decide where to put your home? Think about your preferences. How sunny do you want your home to be? Are there any views that make your decision easier? How much sun do I need in my front, back, and side yards? What temperature do I want my house to be? Where does the wind normally come from? Does noise come from one direction more than it comes from others?

You'll also want to take the natural elements around you into consideration. We've already mentioned views. Are you near water, and if so how do you want your home situated in relation to the water? You'll also want to take things like trees, rocks, mountains, and foliage into consideration when deciding how to situate your home.

The Size and Shape of Your Home

When you plan the size and shape of your home you'll need to take three main issues into consideration: your needs in terms of size and aesthetics, what you can afford, and how to ensure that your home will be built in a way to retain its value.

The first thing you'll need to determine is how many square feet you want your home to be. When deciding how big your house needs to be, think about your family's needs. How many people are living in your home? What special considerations are there? Do you want the master bedroom on the same floor as the kids' rooms, or do you want it separate? How many bathrooms do you need? Are you a cook who requires a special kitchen? Do you want walk-in closets? Do you need a playroom? You get the picture. When designing your home's floor plan be sure to take into consideration your lifestyle, foot traffic, storage, door placement, window placement, accessibility, convenience, and whether or not you have plans to expand in the future.

The second thing you'll need to consider is any zoning regulations or neighborhood covenants. There are often rules regarding how big or how small a house can be on a particular lot.

Finally, you need to make sure your house's square footage gels with your budget. Sure, you may be movie buffs and your dream house may have an 1100 square foot home theatre, but can you afford it? It's hard to know where to start, so how about starting with the house you want . . . at least on paper. Then see if it fits your budget, and make modifications accordingly depending upon priorities. Figure out what a home in your area costs per square foot, and do the math. If you have a budget of $250,000, and the going rate per square foot in your area is $100, then you can afford a 2500 square foot home.

When it comes to the style of your home you may have carte blanche, or you may have some neighborhood covenants that must be adhered to. Neighborhood covenants can dictate things like how tall your house is, what it is sided in, what color you can paint it, etc. The goal when designing your home is to not only pick a design that you love and will enjoy for years to come, but to pick a design that has some resale value. Make sure your home's design has mass appeal, even if you think you'll never sell it.

Your home's exterior will also affect its price, so be sure to take into consideration how you are planning on siding your house, as well as whether you want features such as balconies and porches, dormers, or fancy roofing materials.

The Details

Once you figure out the square footage and general layout of your home, as well as its exterior, you'll have to start paying attention to the details. And there are a lot of them! You'll want to figure out what kinds of cabinets and countertops you want in your kitchens and bathrooms, as well as how many you'll need. You'll want to determine your flooring in each room. Do you want special features like wainscoting, beadboard, or chair rail? For your kitchen you'll need to decide what grade of appliances you want and how much money you'll allow for them, and the same rings true for the bathroom. How many doors do you have planned, and what kind of wood will they be made of? Windows? You'll also want to take into consideration things like hardware, fixtures, and paint. And don't forget your technology needs. If you want wireless technology, for example, be sure to include that in the budget.

So, why are you thinking about all these things now, before you've even begun the loan process? Well, it's always best to select materials as early as possible. It prevents your contractor from building your house based upon estimates. Having an allowance for the details almost always means you are either going to go over budget, or you are going to end up putting in something of lesser quality than you want. Or you could spend a little time attending to the details now, and have exactly what you want in the end!

Chapter 4: Plans, Approval, and Permits

Would you believe that your house plans will comprise 30 to 50 pages? Not so amazing, really, when you consider how complex the building process is. When the plans are completed you've accomplished a major part of the home building process. Now you just need to get them approved. Once they are approved and you have the necessary permits lined up, you'll be ready to hire a contractor.

Prelims

"Prelims," or preliminary designs, are the first plans for your home. These are done by your architect or designer, and show the house in three dimensions. Prelims are used to show you where your rooms will be and what size they are. In addition to the location and size of each room, they also show doors and windows, as well as important features such as stairs, fireplaces, cabinets, showers, etc. Chances are you won't hit the nail on the head the first time; you and your architect will most likely make changes after reviewing the drawings.

Prelims also show your site plan, which means how the house sits on the lot as well as any other buildings, such as a garage or barn, will sit on your lot. Things like setbacks and how far away your house is from the street and other neighbors will also be addressed.

The last thing that your prelim will show is your house's elevations, which means what your house looks like on the exterior from each side. In addition to showing the doors and windows, the elevations show decorative features in the design.

Submitting Your Prelims for Approval

Dealing with your local government can be a nightmare when it comes to building your home, or it can be relatively easy. If you know what you are doing and follow the rules, you can ensure that the process goes as smoothly as possible.

In a nutshell, your town or city has to approve your plans. The goal is to make sure that your home's plans fit in with any rules or regulations. The rules vary depending upon where you live. Most planning offices try to make the process as easy as possible, and you can usually break ground on your home three to six months from the time you first contact your planning office. Keep in mind that every government works a little bit differently, so having people on your side—architects, engineers, contractors—who are familiar with the way things work in your city and town can only expedite the process.

Be sure to submit your prelims to the powers that be before creating your engineering plans and working drawings. Otherwise, you may waste thousands of dollars

and have to do your engineering plans and working drawings all over again. You'll probably find that in rural areas the approval process is much simpler and is most concerned with building code requirements and safety, while in more densely populated areas the rules and regs are stricter, and there are more of them. Rules and regulations may address architectural style, drainage, environmental issues, exterior finish materials, height, landscaping, and paint color.

Did you know? You may need special permits for grading, well, and septic systems. Based upon the needs of the lot, these plans may need to be submitted before your house plans are complete. If there are restrictions, it's best to find out about them before you begin the permitting process. Make sure you give your town hall a call to talk about these issues and any requirements early in the process, and be sure to discuss them with your architect and contractor.

Working Drawings

Working drawings can be completed after the prelims are approved. What exactly are working drawings, anyway? They are a series of drawings that represent the house plans in explicit detail. They are basically a very detailed book of instructions on how to build the house. What's included in the working drawings? Everything, from the number of joists in your kitchen floor to where every single telephone jack will go. Working drawings include everything prelims do—floor plans, site plans, and elevations—and also include all the technical elements and architectural considerations needed to build the home. As a rule, working drawings include architectural plans, civil plans, an electrical plan, a landscape plan, mechanical plans, plumbing plans, and structural plans.

Once you have your working drawings done you'll formally submit them to the city or town planning department for review and approval. Then what happens? Well, your plan will be carefully looked at to ensure it meets all the local requirements and codes. In most cases you will be requested to make a change here and there. In very rare cases, your plan may be completely turned down.

Once you make the changes the plans are resubmitted, rechecked, and the process goes on and on (but hopefully not for too long!) until the planning department is 100 percent satisfied. At this point, your plan is officially improved. Congratulations!

Permits

Once your plans are approved, it's time to arrange for your permits. You'll need to get your permits, and pay the associated fees, before you break ground. Permits and fees you may need to line up may include building permits, design review fee, drainage study fee, grading permit, land use permit, school fee, tree permit, and walkway fee. The permits and fees can really add up, so make sure you know ahead of time what you need and how much they will cost, and be sure to include them in your budget.

Chapter 5: Hiring a Contractor

Some people choose to hire a contractor before the permitting process, while others find one after the planning and design process is complete. The point is, if you haven't hired your contractor yet, now is the time to do it!

Hiring a contractor is a huge leap of faith. You are entrusting someone not only with your hopes and dreams, but also with a lot of your money. It goes without saying that hiring the right contractor can make or break your project.

You'll need to do lots of homework before finding your contractor. Don't just look in the yellow pages; ask a trusted family or friend whom they have had good experiences with. Once you have a list of names, begin the interview process.

You and your contractor are going to be working as a team. To that end, someone might be the nicest person in the world, but their style and your style might not match. In order to find the right contractor, you are going to have to ask yourself some questions first. The most important question is: How much control do you want over this project? If you are the type of person who wants to be kept in the loop at all times, you'll need to find a contractor who is willing to keep you apprised with daily communication, and who

doesn't mind your input. On the other hand, if you want to just hand the reins over you'll have to find a contractor who is comfortable making big decisions on your behalf.

So, what exactly does your contractor do? Well, in most cases he won't be hammering any nails. Instead, think of your contractor as a supervisor of sorts. He'll be doing things like making sure all the permits and fees are lined up, sourcing and buying materials, coming up with a schedule, hiring and managing the subcontractors, managing the budget, and keeping you informed. Most contractors also need to be excellent problem solvers, therapists, and communicators!

Getting Bids

Chances are you'll interview more than one contractor. You'll want to get the most for your money, and you'll want to compare the prices, as well as the styles and working habits, of several different contractors. To this end, you'll be putting your project out to bid.

Friends and family are a good place to start to find potential contractors; you can also solicit those who have worked on houses in neighborhoods you like, as well as those found on the internet, in local resources, etc. How many contractors do you want to invite to bid on your project? At least three.

One of the reasons why it's a good idea to have already done the planning and design work on your home before selecting your contractor is that you'll get a more realistic bid. And you'll be able to compare apples to apples. The more detail your plans include, the better the comparison. If you know exactly what the bidding contractors are charging you for that Sub Zero refrigerator, for example, you'll be able to figure out their profit margins fairly quickly.

Basically, when hiring a contractor the first consideration is to hire one you can afford. After that need has been met, you want to choose a contractor whose craftsmanship you like, as well as whose style is compatible to yours. If you can find a contractor who meets all three of these criteria, you'll be in great shape!

Contracts

If you are building your own home, you are going to have to familiarize yourself with contracts. If you are acting as your own general contractor, you'll have to draft a contract for every single person working on your home, from the person who prepares the building site to the person who puts the final coat of paint on the walls. If you hire a general contractor, you'll only have to negotiate with him.

What is the purpose of a contract? A contract should button down and spell out all of your terms in case a dispute arises somewhere during the building process. A good contract should put down in writing specifically what you expect from the contractor, as well as the goods and services he is providing.

While many people put the contract away and never need to refer to it again, a contract can be a great reminder of what you and your contractor agreed upon. It ensures that everyone starts off on the right foot when it comes to communication.

In most cases, your contract will have a standard contract. Before you sign a contract read it very carefully, and have your attorney review it. Remember that contracts are legally binding documents. The project's price, payment plan, and the scope of the project should all be clearly spelled out. A good way to figure out if your contract is clear it to imagine a third party reading it. Would it make sense to them?

A contract should always include the following:

- Names and addresses of all the parties involved.
- The contractor's license and type.
- Workers' Compensation info, including policy number.
- Tax ID, or if your contractor doesn't have one, social security number.
- Location where the home is going to be built.
- Job specifications.
- Price and terms.
- When the project will be completed.
- Warranty information.
- How the parties will proceed if a conflict arises.
- Signatures and dates.

Remember, a good contract is an excellent way to open the path of communication, and ensures that conflicts that may arise down the road are more easily resolved.

Communication and Your Contractor

Good communication between you and your contractor is the best way to ensure that your project runs smoothly without any glitches. How much communication is enough? Well, in most cases you can't communicate too often. More communication is always better than less. And since there is something new happening on your project more or less every day, a good rule of thumb is to check in with your contractor once per day.

Now, chances are both you and your contractor are very busy, and even with the best of intentions it is going to be difficult to follow through with meeting once per day. Well, thanks to modern technology there is no need for a physical meeting, and daily communication couldn't be made any easier. If daily meetings in person are just not possible, don't let that stop you from checking in regularly. Use your phone or email instead. Why do you need to have a meeting every day? Well, it all is going smoothly you'll know it and will have peace of mine. But if issues or problems arise—and they will—you'll have a better chance of nipping them in the bud.

It's a very good idea to come up with a list of questions that you would like answered in your daily update. Make your contractor aware of these questions, so that he knows what to expect. Ask the same questions every day, and your updates, if all is going well, shouldn't take more than a few minutes. Some questions you want to ask might include:

- What did you work on today?
- Are you still on schedule and on budget?
- Did any problems, issues, or concerns arise today regarding the project?
- What are you working on tomorrow?
- Is there anything you need from me today to keep this project running smoothly on time and on budget?

Remember, communication works both ways. If you are having any issues—say you don't like some aspect of the way the project is going—it is important that you bring this up to your contractor as soon as possible. Your contractor may be building you your dream house, but that doesn't mean he can read minds!

Chapter 6: Financing Your Home

Before you decide how much cash you need for your project, before you go to the bank for a construction loan, you are going to have to come up with a preliminary budget. In a nutshell, you are going to have to balance out the cost of your home with what you can afford.

It's sometimes tough to know how to approach this. You don't know if you can afford your home until you design it, but you don't know what to design until you know how much money you have to spend. It's a bit of a "chicken-and-egg" dilemma, best solved by looking at the two issues separately. We recommend that you start off by taking a good hard look at your finances and cash flow.

If you use a financial advisor or a certified public accountant, now is a great time to give them a call and get them on board with your project. When coming up with a budget for your project, here are the main things you need to consider.

• How much cash you have access to and are willing to devote to the project. This would include cash in your savings, as well as cash you have access to through home equity loans, 401K plans, etc.

• Your current tax bracket.

• Any capital gains issues.

• Tax deductions for interest and points.

• How long you intend to own the home.

• Your other monthly financial obligations.

Taking all of this information into account, the goals right now is to come up with a monthly payment that you can handle comfortably. Once you have arrived at this figure, you can use a mortgage calculator to translate it into a loan amount. These

calculators are pretty easy to find online. Just try doing a Google search, or go to www.mortgage-calc.com.

Take this loan amount and add it to your cash on hand. You now have a basic budget to work from. Remember, this budget is not only for the house, but must also include land purchase, permitting fees, architect and contractor fees, decorating costs, and landscaping fees, to mention just a few of the more obvious costs associated with building a home.

Why Having Cash On Hand is So Important

Okay, a few pages from now we are going to get into some really detailed information regarding getting your construction loan. So if you are planning on getting a loan anyway, why are we talking about how much cash you have right now?

When you get right down to it, the answer is pretty simple. Sure, your construction loan will cover a good portion of your home building costs. However, there are lots of rules and regs concerning your construction loan, and sometimes it takes a little while to get the money you need. Having cash on hand will ensure your project doesn't come to a screeching halt while you deal with red tape.

You'll need cash for things like the downpayment on your land, permits, closing costs, moving, landscaping, and decorating. Most of all, you'll need some cash on hand if something goes wrong—say your contractor skips town or materials costs unexpectedly go up—as well as for upgrades you'll want once the home building process is underway.

Of course, it's not enough to just have cash. You need to manage it, too. There are many online resources that can help you get a good start on managing your money. Eventually, you'll want to find a good financial planner who can help you manage your investments and ensure that your works for you and your cash is put in a situation that allows it to grow.

In the end, building a home is a risk. You never really know exactly how much your home is going to cost until it's done. Your estimate is a guess only. You also need to know that you have no control over economic conditions—whether your house will hold it's value or whether interest rates go up or down, for example. Make sure you can handle

risk by being aware of worst-case scenario. Have a game plan should your worst-case scenario come to fruition, and never get in over your head so that you can't handle, or recover from, things that have the potential to go wrong.

Construction Loans

It seems like every time you turn on your computer and check your email these days, there's another message from a home mortgage company trying to entice you with lower rates or a new product.

If you've bought a home or homes before, chances are you know a bit about how home mortgages work. Well, put all that aside for now. When you are building a custom home you have to get something called a construction loan, and construction loans work very differently from normal mortgage loans when it comes to pricing and structure.

One of the most noticeable differences of a construction loan is that the bank doesn't give you the money up front, all at once, the way it does with a home mortgage loan. Instead, the bank gives you the money depending upon where you are in the construction process. Why do they do this? In order to protect themselves as much as possible. If the construction process is halted for any reason and building is not able to continue, the bank doesn't want to have to recoup the amount of money the finished home would cost.

Because banks tend to structure their construction loan products based on their needs, there is not the same type of regulation when it comes to construction loans as there is with home mortgage loans. This can sometimes make them hard to compare. Despite that, all construction loans fit into one of two categories. They are either single-close, or double-close.

The Double-Close Process

Until the 1990s, this was the only way to get a construction loan. With this type of loan the bank gives you a short-term loan designed to last through the construction process.

Once construction is complete, you have to secure permanent financing through a home mortgage product.

Of course, now that there is another option (which we'll get to in a second), there are reasons why this type of land loan is becoming increasingly unpopular. First of all, you have to go through the entire application and qualification process twice, and why do that if you don't have to? Second, the double-close process is almost always more expensive because you have to pay for costs associated with two loans. And finally, there's no feeling of security with a double-close loan. The economy at the beginning of the loan process can be completely different by the time construction is complete and its time to apply for another loan. In a nutshell, you really have no good way of knowing whether you or the house will qualify for another loan when all is said and done. It is possible that a change in interest rates, or in the economy, will have you facing payments you can't afford. Or even worse, foreclosure.

The Single-Close Process

Single-close construction loans have been around since the 1990s, and is the option you should go with unless for some reason you don't qualify. These loans go by many different names, including All-in-One, Construction/Permanent, One-Time-Close, and Construction-to-Permanent. These loans were created by larger banks when they realized that people who live in homes they have built themselves default on their loans less and live in their homes longer. By offering an all-in-one loan package, these banks are securing good long-term customers, which is profitable to them.

Single-close loans generally have the following features:

• Once your construction is done you roll into your permanent loan automatically with no re-qualification or re-appraisal process.

• You can choose from a wide variety of permanent loan options depending upon your needs.

• Sometimes you can even buy land and roll that into the loan as well, assuming all the construction documentation is ready.

• You may be able to lock in a good interest rate before the house is completed.

Single-close construction loans make the loan process, indeed the home building process, easier on the consumer. They are a great way to go, especially if this is the first time you've undertaken a home building project.

How to Choose Your Construction Lender

The first thing you should know when looking for a good construction lender is that not a lot of lenders have experience in this field.

To that end, going through your neighborhood bank is not always the best idea. You want a lender with lots of know-how and experience, and you might have to do a little homework in order to find one.

If at all possible, look for a lender who is an expert in construction loans. And make sure that your lender has your interests in mind when selling you a product. Lenders are salespeople—no doubt—but they should be willing, and able, to sell you a product that is good for you.

It's hard to determine whether a particular lender has your best interests at heart, especially if you yourself don't have a lot of experience or knowledge of the product. To that end, we suggest you educate yourself. We also suggest that you really screen potential lenders. If a lender tries to sell you something without asking lots and lots of questions regarding your particular situation, then steer clear.

We also suggest that you ask your potential lenders lots of questions about the construction loan product to determine the extent of their knowledge. The lender should either know the answers without batting an eye, or he or she should be willing to research the answers. One of the questions you should ask is how many construction loans your lender has personally done. Try to go with someone who has done at least a dozen.

Some mortgage lenders act as construction loan consultants and can guide you through the entire process, from A to Z. They commonly sit down with you, assess you situation in detail, and then come up with the best possible program for you. The fees for these consultants can be somewhat more than other lenders, but their experience can save you lots of time and money in the long run. Also, it's tough to put a price on the peace of

mind you'll having knowing you are working with an expert who knows all the answers. Which brings us to the next question.

Should You Cut Out the Middleman?

Well, in theory it sounds like a great idea, doesn't it? But in reality, Cutting out the broker and going directly to the bank probably won't save you money in the long run. As a matter of fact, you might end up spending more money, The goal here, the one that will have the best long-term rewards for you, is to find the program that works best for you. When you consider that bank loan officers are often the most inexperienced in the business, not to mention the fact that banks are limited by the products they have (none of which might be right for you), cutting out the middleman all of a sudden doesn't sound like that great an idea.

So, let's focus on some reasons why it's good to find a broker. First of all, brokers are very experienced. They spend their days contrasting and comparing programs, so the odds of them finding one that's right for you are pretty good. Mortgage brokers also have access to every program out on the market, which means that once you find a broker you like, you can do all the shopping you want. Finally, mortgage brokers can help you when it comes to presenting yourself to the bank in the most favorable light.

The Loan Process

Before you submit your application to the bank, you should have already purchased your lot, have your finances in order, including knowing what you can afford and what your budget is for the project, and your plans should already be submitted to the building department.

Did you know? In most cases, you won't have to sell your current house in order to finance your new house. Most banks don't take the cost of your current home into consideration when calculating your loan amount. Discuss with your financial advisor the benefits of refinancing your existing home at this time. Taking the highest loan

possible at the lowest payment will keep your monthly payments low, while also giving you access to extra money. Worried about paying for two homes at once? Don't be. Most construction loans have something called an interest reserve, which covers the construction loan payments.

Make sure you time the loan process correctly. You have about 90 days after you sign the loan to fund it. If you don't do things within this time period, you'll have to spend additional time and money getting a new credit report and appraisal. When is the best time to submit your paperwork for a construction loan? About 60 days before you are ready to start building. Since most building departments take about a month and a half to review your plans, a good time to begin the loan process is when you submit your drawings.

Paperwork, Paperwork, and More Paperwork

You'll kill at least a few trees with the amount of paperwork you need to fill out. To that end, it's a very good idea to have one file or folder in which you keep it all. That way, if you need to get your hands on something quickly, you'll know exactly where to go.

Here's what you'll need:

- Application, which includes all of your personal and financial information.
- Consent form, which allows the lender to verify the info on your application.
- Signed disclosures.
- Two most recent pay-stubs.
- Two years worth of W-2s.
- Two years of your tax returns.
- Three months' bank statements on all accounts.
- Recent retirement account statement.
- Land purchase closing statement.

In addition, lenders will also want the following construction-related documents before they review your application:

- Three sets of plans.
- Cost breakdown supplied by contractor.
- Description of materials form, also supplied by contractor.
- Builder statement
- Construction contract.
- Architect information.
- Insurance information.
- Contractor's liability policy.
- Workers' compensation policy or waiver.
- Course of construction policy.
- Copies of permits or permit applications.
- Copies of receipts for any items or work that has been done thus far.

To Lock or Not to Lock?

Many construction loan programs don't allow you to lock the interest rate in. After all, the banks don't know what the interest rates are going to be in 6 to 18 months any more than you do. Understand that if you do find a program that allows you to lock in the rate, it's going to be somewhat higher than that day's refinance rate. Which is fine as long as the market gets worse during your building process, but how can you determine whether or not this is going to happen? The answer is, you can't. You are going to have to work with your loan officer to decide whether or not to lock, if that is an option, and even then you have to accept that, really, you are just guessing.

Do I Want a Short-Term Loan, or a Longer One?

Well, for all intents and purposes all construction loans could be called short term. Most range in length from six months to 18 months. You'll get a better rate for a six-month loan than you will for an 18-month loan. But, while it might be enticing to go for the shorter loan with the lower rate, any number of things can cause your construction project to drag on. And what happens when you go over your construction loan time limit? You

get zapped with penalties. And the penalties can be very, very expensive. You are much better off making a conservative estimate when it comes to how long your house will take to build—and then tacking on a few extra months if you can as a safety measure.

What Your Loan Will Cost

There are lots of fees attached to your loan, and you are probably wondering what they all mean. Where are these fees listed? You can find them on the Good Faith Estimate provided by your lender. Here's the lowdown on where all your money is going:

- Points. These are upfront fees equal to one percentage of you loan amount charged to either generate cash or reduce the interest rate.
- Escrow and title fees.
- Appraisal fees.
- Insurance on your construction loan.
- Administration and inspection fees.
- Credit report fees.
- Funding and underwriting fees.
- Processing fees.
- Recording fees.
- Tax service fees.

Wow! And there are sometimes more. Roll all of these together and you get what are called closing costs. The point is you need to take all of these things into consideration when budgeting. You can pay for these things up front with cash, or in many cases you can roll them into your loan.

Did you know? You'll need proof of one or more types of insurance before your lender hands over the funds. First of all, you'll need a liability policy designed to protect you if someone, authorized or not, gets hurt on your build site. Your lender will also want to see your contractor's workers' compensation policy if her or she employs people. You

also may need a Course of Construction policy, which protects you in case of fire, theft, weather, or other damage to the house during the building process.

In the End, How Much Loan Do You Need?

How much loan will you need? Figuring out the final number is pretty easy, when all is said and done. You'll need to add up the cost of your land, soft costs (planning, design, permitting, and fees), hard costs (all costs associated with construction, including labor), plus your emergency fund (some money set aside for anything that might go wrong. And something always does!). Add your interest reserve, plus you loan closing costs, and now you are ready to total up how much it is going to cost you to build.

Once you have a fairly good estimate of your project's cost, it's easy to figure out how much of a loan you need, as well as how much cash. Lenders will use both the appraisal and the cost to build to figure out how much of a loan they are willing to give you. Some will base the loan on finished value, while others will base the loan on cost to build. Lenders will loan between 65 to 90 percent when doing it on a finished value basis, while a cost to build loan is almost given at 100 percent. In the first case, you'll just have to do some simple math to figure out how much cash you need. Just take the cost to build and subtract the maximum loan amount, and that's how much cash you'll need for the loan.

How Your Construction Loan Works

As soon as someone picks up a hammer, you are going to have to open your checkbook. But how does the money get from the lender to your contractor? Hold on, and we'll explain.

As we've mentioned many times, construction loans are very different from mortgage loans. And one of their most obvious differences is that you don't get all of your money up front. Instead, you get the money depending upon where you are in the construction process.

You and your contractor must come up with a detailed construction budget. Based on this, the lender will come up with a loan-in-process (LIP) account. This account will have every item in your budget in it. After a particular job is completed, you support proof of payment in the form of a receipt and the bank hands over the funds.

This type of draw system is managed on a percentage of completion system. In other words, on the amount of your home that is finished.

Did you know? All construction loans have what is called a contingency. This is money set aside in case you go over budget.

Don't expect the bank to take your word that the project is running as planned. At several points during the process they will send out what is called field inspectors—people who will visit your build site to check out your progress.

The inspectors aren't looking at the quality of the work; they are just there to determine that the project is progressing as you say it is. Make a point of walking the project with the inspectors, and always be courteous and friendly.

Most lenders will insist that five to 10 percent of the hard costs remain in your account until your home is completed. You can access this money, and therefore complete your loan, by handing in the following paperwork:

- certificate of occupancy
- final draw request
- copy of homeowners' insurance
- final progress inspection
- statement from contractor saying you have paid him and all subs in full
- verification from the title company that there are no liens on the property.

Chapter 7: Breaking Ground

You've bought your land and secured your loans. You have a great house design, and have hired a contractor. Your plans have been approved and you have your permits in place. Let the fun begin!

It's time to break ground. What is the first step? Preparing your site.

Preparing Your Site

Definitely not for the do-it-yourselfer, this part of the process requires experience, not to mention some pretty heavy equipment.

Of course, before you bring in the bulldozers you are going to have to have the land surveyed. During this part of the process, a professional land surveyor will mark the property boundaries, setbacks, and underground utility lines. At this point you'll also want to call the local authorities in charge of protecting accidental damage to underground utilities. This step saves lives and money. If you hit a line during the construction process, the fines can be huge!

Your lot will most likely need to be cleared of brush and shrubs, and you'll also want to decide which trees to save and which to remove. You'll need a subcontractor with a bulldozer to remove stumps of large trees. Don't forget to talk to your contractor about how to protect the trees you want to keep during the building process.

After the lot has been cleared, the next step is grading. Rough grading moves the earth around to create level ground, while finish grading goes one step further by contouring the yard so that it is nice to look at, while also ensuring that water drains away from the house.

During the site preparation your contractor will also want to mark where and how your utility connections—water, gas, electricity., cable, sewer, and telephone—will come and go from the house. The utilities should be in place before you begin breaking ground.

Dealing with Sloping Lots

If your lot is on a hill, you'll probably have to do some more serious grading and create a building pad. This flat building pad is where your foundation will lay. In some cases a retaining wall will have to be build to prevent the land, and your house, from sliding downhill. A three-foot high retaining wall can be built without cement, while those standing higher require cement.

Did you know? For every one foot of retaining wall above ground, there must be two feet below. Make sure your contractor knows too!

Drainage

Good drainage is very important. It is what keeps your basement dry, and your foundation in good shape for years to come! To that end, your contractor will follow the guidelines set forth by engineer regarding drainage. In a nutshell, your property will be graded with a slight slope away from your home, so that water runs off the property.

In houses with basements sometimes a French drain system is installed. This is a series of trenches at a slight downhill angle are dug around the house's foundation, designed to move water away from the foundation. Pipe with holes in the top is put in the trenches and covered with gravel and dirt. Water is carried through the pipes and away from the house. Voila—dry basement!

The Foundation

The foundation represents your house's strength, so get it right! Just think about the job you ask your foundation to do—support all the walls, floors, roof, and the people who live in it.

Your contractor will know how much dirt to remove based on your engineering plans. There are several different foundation types—perimeter footing foundation, concrete slab foundation, and pier-and-grade beam foundation—and the type you choose will depend a lot on where you are building, as well as the kind of home you are building. In most cases, the type of foundation you will build will be decided upon in the planning and design phase of the home building process.

Once the hole is dug and your foundation is poured you'll have a good idea of what your house is going to look like on your lot. But before you move on to building make sure the foundation is correct. If there are any problems, you will want to fix them now. The concrete should be hard and secure, and there should be few cracks. Any hardware should be in place without being broken or bent. Any utility pipes that are

protruding should be clearly marked, and should have protective collars. Finally, use a level and a square to determine that all corners are square or at the right angles according to the plan.

Chapter 8: Framing and Roughing: The Bones of Your House

Now that you have the foundation of your house all set, it's time to set up the bones!

That's right . . . here's where you house really starts to take shape! At this point, your house's framing and rough systems will be done. The first thing you want to do, of course, is review your plans with your contractor. The working drawings will show exactly where the framing and things like electrical and plumbing will go.

At this stage, your contractor is the one who is most likely responsible for coordinating the subs and determining the order of the jobs. Your duties at this point, should you choose to accept them, include making sure your contractor keeps you in the loop. While you don't want to nag your contractor, you certainly don't want to see delays happen as a result of poor scheduling. To this end, ask your contractor what the schedule is. In which order will everything be completed, and how long should each task take? If you know the answer to this up front you'll know if things fall off schedule.

Framing

There are a number of materials that home's are made of, and we don't know which one you and your contractor have chosen. But regardless of whether you have chosen to frame your home in wood, steel, or log, the process is the same. This section should give you a good working knowledge of how a home is framed, so you can converse intelligently with your contractor and keep up with progress.

Framing begins with subfloors, which are those base floors that are placed on top of your foundation but beneath your carpet or wood or whatever other flooring surface you choose. The subfloor also serves as a platform for building walls and to attach

flooring. Building a subfloor is mostly done using wood, and will be done by a framer or a contractor.

Subfloors comprise girders and joists, which provide support. Other things that will be used during the subflooring process include a seal, which is a metal strip that protects the wood framing from bugs and moisture; a sill plate, which is a pressure-treated piece of wood anchored to the foundation; and the subfloor itself, which is plywood that is laid perpendicular to the floor joists.

Did you know? There are different grades of plywood? The best grade to use for subflooring is CDX, or CD exterior, which can better handle the elements such as rain.

The next part of the framing process will consist of erecting load-bearing walls. Just like they sound, these are the walls are designed to support weight, and are designated in your working drawings. After the load bearing walls are framed, the additional walls will be framed. Exterior walls are generally framed first, followed by interior walls. Bottom stories are framed before top stories.

Your plan may call for 2 x 4s or it may call for 2 x 6s, but regardless the process will be the same. A bottom plank called the sole plate is the base for a series of studs that are placed 16 inches apart. Lumber matching this sole plate, which is called a top plate, caps these studs. A tie plate above the top plates ties the walls together at junctions.

During this process the area where your doors and windows will be will also be framed. A header, which is a piece of lumber that distributes the wall's weight away from the window or door opening, will be used to ensure that the openings don't compromise wall strength. Trimmers, which are side supports that transfer the weight from the header to the sole plate, are also used.

Did you know? If you have really large fixtures such as special bathtubs or a Jacuzzi for 10, your contractor may have your plumber install them before the framing process is finished. A general rule is, anything that won't fit through your door openings should be installed now!

If your house has more than one story your contractor will use either platform framing or balloon framing for the second story. With platform framing, the ceiling joists of the first floor do double duty and serve as the floor joists for the next story. After installing the subfloor, framing of the walls is done just like it was on the first story. Balloon framing, by contrast, uses continuous studs running from the sole plate at the base of the house up to the roof.

During the framing process things like fireplaces, dormers, decks, and soffits will also be accommodated and will begin to take shape.

The last thing to be framed is the roof. Your contractor may use individual rafters, or he may decide to use prebuilt trusses and I-beams. Your roof will be structured according to the house's basic design, as well as what kind of roofing materials you chose. Slate or clay, which are heavier, for example, have different framing requirements than lighter asphalt. In the end, your working drawings will have a lot to say about how your roof is framed.

Installing the Rough Systems

Once the framing is complete, it is time to add the elements of your home that make it livable. This means water, heat, air conditioning if you choose it, and electricity.

You will already have a plan as to where these things will go and how they will get to your house. Just check out your working drawings. But it's still a good idea to sit down with your contractor at this stage to talk about who is doing the installation, and the order in which the tasks will be completed. Again, ask two simple questions that will help you keep on top of whether the process is going according to plan. In what order will the jobs be done? How long will each job take?

Did you know? Now is a great time to check in with your suppliers to make sure all the electrical and plumbing appliances you ordered are in stock and will be ready when it's time for them to be installed. You don't want to hold up your project because the chandelier you picked out for your dining room in on back order!

Plumbing

During the plumbing stage, your contractor will mark all of the locations, according to your working drawings, of your plumbing fixtures. It's a good idea to take a walk through your home with your contractor after the markings are made, to make sure they are indeed where you want them. If you want to make any changes, it's now or never!

The plumber will then install the water supply, the sewer system, and the vent system. The water may come from a public utility, or, if you live in a more rural area, you may have well dug on your property. In either case, hot and cold water pipes will be laid in the framed walls and crawl spaces in your house, and will go to every place where you are going to need water. Your plumber will also install a water heater to ensure your showers are toasty warm! But wait! Before you are able to turn on your water supply the plumber will test it using air pressure and then water. If no leaks are detected, then you are good to go! If leaks are detected, your plumber will fix them before connecting the system to the water supply.

Your plumber will also deal with your sewage system. Your sewer line will either deliver waste to a city treatment plant, or to a septic tank on your property. Because sewer systems work according to gravity, the sewer line that leaves your home must be lower than the lowest source of water—sink, toilet, drain, etc.—leaving your home.

Finally, your plumber will install the vent system. The vent system ensures that the water in your home moves in a steady flow. The vents allow air and gases to escape, and your plumbing lines to breathe.

At this point, your plumber is done. You may wonder why the pipes are still uncovered at this point. Well, chances are the town or city building inspector needs to check them out and sign off on the plumbing. Make sure you are available for this visit so that you can be made aware of any problems.

HVAC

Your HVAC system will allow air to be circulated in your home for heating, cooling, and circulating purposes. How does the air circulate? In all cases, via ductwork. Your HVAC

duct work system will allow air to be delivered and returned throughout your home via passageways.

How many HVAC units will your home have? That depends greatly upon the complexity and design of your home. At any rate, these choices will have already been made during the design phase of your project.

There will be openings in your walls, called registers, that will allow for air supply and air return. Many times these openings are put near doors and windows to compensate for heat or cold loss. At any rate, your engineer will determine where your registers are placed so that your HVAC system is as efficient as possible.

Each room will have at least one supply duct and one return duct. For heat, the supply will be placed low and the return will be placed high. For cooling systems the opposite is true—the supply will be placed low and the return will be placed high.

You'll need a little extra in rooms like kitchens and bathrooms, and basically any other room in which you want to install an exhaust fan. These rooms will need power ventilation ducts, which are basically ducts that require electricity as well as ventilation to the outside.

Ducts are usually made of two materials. Insulating fiberglass ducting can be cut with a knife and has greater insulation. This translates into a lower installation cost overall, and a quieter airflow. Sheet metal ducting is noisier, as temperature changes can cause it to contract and expand. You'll often find sheet metal ducting in older homes but it is becoming less popular in newer homes, because it is more difficult to work with and not as cost-effective.

Electrical

Your electrician will make a careful review of the working drawings before beginning on your home's electrical work. It is important to note that everything must be installed to code.

At this point it's a good time to walk around the house with your electrician to tell them exactly where you want outlets, light switches, etc. Again, code will dictate how many of these are installed, but you'll want to figure out where to put them so they are

most convenient. At this point you'll also want to decide whether you want extras like dimmer switches or outside electrical outlets, and if so where you are going to put them. If you have special systems like a security system, smoke alarm, sound system, cable television, or central vacuum, these should also be taken into consideration.

So, how do you get the lights to turn on? Well, your electrician will run cable or conduits throughout the house in different circuits. The circuits are responsible for distributing the electrical load, which will then tie back into circuit breakers at the main panel. Your electrician may install subpanels. Either way, each circuit will be marked so you know which breaker goes to which outlet.

At this point, you may also want to talk to your contractor about wiring your home for technology. Be careful to allow for future technology, and don't spend too much money on today's technology. Technology changes quickly, so keep in mind that whatever you install may become obsolete.

Sheathing and Flashing

Sheathing and flashing are two of the last things you do before adding the finish work to your custom home. By definition, sheathing and flashing are when you enclose the framing with a covering material to the outside. Sheathing adds strength to the walls, allows you a place to attach the siding, and stabilizes and protects the studs from the load as well as from weather.

What is sheathing made of? Well, the most common and least expensive is made of asphalt-soaked fiberboard. At first glance sheathing seems to have a fragile outer shell, but your contractor will use a special type of nails, combined with protective plates, to keep from harming the sheathing when it is being attached to the studs.

After your contractor nails the sheathing to the studs about every foot or so, a permeable vapor barrier will be attached to the sheathing. This barrier will sit between the sheathing and the siding, and will allow the air to pass while keeping moisture out. During this phase, your contractor and his crew will wrap all the windows with window wrap, and will tape all seams.

Your roof will need to be sheathed as well, but the material used to sheath your roof is different. Roof sheathing is usually made of weatherproof plywood, and is nailed to the roof rafters or trusses about every eight inches or so. When sheathing the roof, your contractor will leave holes and spaces for any planned vents, ducts, or skylights. And here's where the flashing part comes in. All of these holes and spaces must have flashing. What is flashing? Flashing is metal stripping that is nailed around the perimeters of these holes, then sealed or caulked, to prevent water leakage.

Once the sheathing and flashing has been completed on your roof, your contractor will most likely stack the roofing material on it until that part of the construction phase is ready to be undertaken. Stacking the roofing material here is not only convenient, it prevents the plywood sheathing from warping, expanding, and contracting.

Insulation

Now that your home is enclosed, it is time to insulate it. Good insulation will help keep your home nice and warm in the winter, and will also keep it cooler in hot weather.

The type of insulation you are using will most likely have been decided upon in the design phase of your home. Most insulation comes in a blanket-like form, and these can easily be rolled out into the walls and ceilings.

Chapter 9: The Details

Your foundation is complete and you've framed and roughed your house. But it's not time to rest quite yet. Now is the time to make your house a home. That's right. We are going to talk about all the little details that will complete your home and make it move-in ready. We are talking about finishing the exterior, completing the roofing, and putting in the driveway. After that we'll move inside and talk about finishing the walls, installing the cabinetry, doing the finish carpentry, putting in the floors, and installing the appliances. We've got a lot to cover here, so find a comfortable chair!

The Exterior

Time to give your house some curbside appeal! So let's talk a little bit about what the outside of your house is going to look like.

What is the first thing people will see when it comes to your house? It's exterior finishing, of course! To that end, choosing the right exterior treatment is an extremely important decision. Things you'll want to think about when making your decision include the style of your home, neighborhood guidelines, cost, and personal preference.

When choosing your home's outside surface, you'll have three basic choices: siding, stucco, and stone.

Siding is a popular choice, and one that many homeowners find appealing. Within the siding category, there are a wide variety of choices as well, including wood, vinyl, aluminum, and cement board.

Of these, wood is probably the prettiest choice, but it is also the one that is most susceptible to the elements. Wood can be expensive on the front end depending upon what type of wood you choose, and you will also have long-term maintenance costs. You'll have to paint or stain on a regular basis, and may even have to replace if your wood siding falls victim to rot, sun, pests, or moisture.

Synthetic siding materials—namely aluminum and vinyl—are less expensive up front and generally have few associated maintenance costs. However, synthetic siding is not nearly as attractive as wood.

Cement board is another siding material. Cement board is cost-effective and not susceptible to rot, insects, moisture, heat, or sun. It looks like wood and you actually paint it. Even better, cement board usually needs to be painted only once every 15 years or so. Cement board is easy to install, and is fire resistant.

Stucco is another type of outdoor wall covering. A contractor who is applying stucco to a home's exterior will apply a concrete mixture to wire lathe, and allow it to dry. A smoothing coat is applied after the first coat is dry. Stucco comes in a variety of colors and textures, and suits many different home styles.

Your home can also be covered in stone or brick. Real brick or stone is expensive and requires specialty subcontractors called masons to apply it. But if you really like the

look of brick or stone a less expensive option is to apply a masonry veneer, which looks like the real thing but is less expensive and easier to apply.

The Roof

When it comes to choosing the type of roof to go on your home, there are many things to consider. The style of your home, expense of the materials, how long they last, environment you live in, and whether or not you have any neighborhood restrictions will all factor into your choice.

The most commonly chosen type of roofing is asphalt shingles. Made of fiberglass and asphalt, this type of shingles generally lasts about 15 or 20 years before having to be replaced.

Laminated fiberglass shingles are made of the same materials as asphalt shingles but are thicker and last 10 or 15 years longer. They come in different textures and shapes and can give your home a custom look. The downside? They cost about twice as much as asphalt shingles.

Standing seam roofs, also called sheet metal roofs, are comprised of large rolled plates of metal. You can find these roofs in a variety of colors, and they are lightweight and easy to install. While they cost about ten times more than asphalt shingles, they also last about three times as long. This type of roof is very popular in snowy areas, as they allow snow and ice to easily slide off.

Slate roofing is beautiful to look at but is very heavy. If you decide on a slate roof, you'll need some extra reinforcements to hold the weight of this material. Slate is very expensive—about 30 times more than asphalt. That being said, it can last more than 100 years. You'll have to decide if the beauty and durability is worth the price to you, and whether you are willing to pay for a roof that will most likely outlast you!

Wood shingles are another beautiful choice, and at only five times the amount of asphalt shingles, perhaps a more reasonable choice than slate. That being said, wood shingles last about the same time as asphalt shingles, and are the most flammable choice. If you live in a high fire area, consider other options.

Regardless of what kind of material your roof is made out of, good drainage is imperative. Otherwise, water has a way of makings its way into your home! In order to ensure this is not the case roofers will flash your roof's valley and angle your roof to channel water down the surface toward the edge. Gutters, which direct the water away from the foundation, will also be installed. Your contractor will be able to figure out how many downspouts to install and the method of drainage at the foundation.

The Driveway

The kind of driveway you have really depends on where you live. In rural locations, your driveway may be a simple dirt or gravel road. In more urban areas, it will most likely be concrete or pavement.

No matter what your driveway is made out of, they all do the same job. So what would make someone spend the money necessary to install a concrete driveway when a dirt driveway will serve the purpose just fine? Many neighborhoods have building covenants and restrictions that require you to choose a more finished look. Also talk to your contractor about the climate you live in, and ask if some choices hold up in your climate more than others.

Did you know? If you are going to have a driveway with a finished look, such as one made out of concrete or pavement, it's best to wait until the construction process is almost complete. Nothing ruins a new driveway faster than bulldozers and heavy machinery!

The Interior

Time to move inside! Now we just need to do the finish work on the interior of the home, and it'll be time to move in!

Walls

Most homebuilders today use drywall, which is made of plaster, gypsum, and heavy gauge paper, to cover interior walls. Because of drywall's cost and ease of installation it has more or less made the old way of lath and plaster wall covering obsolete.

Drywall comes in sheets of several sizes, and has tapered edges on the long side and full edges on the short side. When the tapered sides are put together they create a channel. Drywall tape is run along the channel, and then a drywall compound, commonly called "mud," is applied to cover up and hide the joints. When all is said and done you have a nice, smooth wall, and you can't tell where one sheet of drywall ends and another begins.

Finding a good drywall sub is key, so go with the best you can find, even if he or she is a little bit more expensive. The fit should be tight and smooth and the finishing coats should be so thin that minimal sanding is required.

Did you know? If the framing of your house is not square, you'll find out during the drywall phase. Lumber that is warped or not square will make the drywall installers job difficult, and if problems are significant, the framer may have to fix them before the drywall process continues.

While you may think that drywall is drywall, you will have a few choices to make. Your rooms might call for drywall with a fancy texture, for example, or you may want to install waterproof drywall in rooms like bathrooms and kitchens.

Finish Carpentry

Finish carpentry is what will distinguish your home from other homes. Those special touches are very important, so you want to make sure they are done correctly.

Finish carpenters need lots of skill. After all, they will be doing things like hanging doors, setting door sills, setting window and window sills, installing shelving, installing decorative trim and railings, putting in crown and base molding, and installing decorative molding like chair rails and wainscoting. They will also be doing things like installing your cabinetry and countertops.

A helpful tip is to make sure that all your supplies match. If you run out of molding in the middle of the job and have to order more, the next shipment may vary in some way. Ordering plenty of supplies from the same supplier not only makes life easier for your finish carpenter, it ensures that the interior of your home has a uniform appearance!

Painting

Painting is the last thing you'll want to do before you get to the really pretty stuff—flooring, appliances, and fixtures. Why do it now? Well, you don't want to install a really expensive floor only to get paint on it, do you? Also, painting the walls now means you don't have to paint around appliances and fixtures. And you'll have a little more room for error!

Lots of people choose to save a little money and paint the interior of their home themselves. But this is usually before they realize what they are truly in for! Painting is time-consuming, physically demanding, and takes quite a bit of skill. Also, people generally underestimate the sheer volume of things that need to be painted. In addition to walls, you'll also have to paint all of the doors, trims, and woodwork. And because your house has never been painted before, it will need a coat of primer and two coats of paint.

Murals and faux painting are very popular these days, and give a home a custom look. If you are interested in one of these types of finishes, your contractor can most likely recommend a specialist.

Flooring

Now that the interior of your home is painted, it's time to install the flooring. Chances are you've chosen several different types of flooring and will be using several different subs.

Did you know? It's a good idea to do a good, thorough cleaning of the job site, and to set pathways, before installing your new flooring. This will ensure that your flooring stays as clean as possible.

Flooring choices include wood, laminate, vinyl, tile, and carpet.

Wood flooring is expensive up front, but it is beautiful and lasts longer than other types of flooring. In fact, there's a good chance that your wood floors will outlive several generations! Plank flooring can be installed with nails or glue, or a combination of the two. Tongue-and-groove flooring has grooves that allow the pieces to fit up against each other like a puzzle. Parquet flooring is wood flooring with an inlaid design, and is usually installed in squares that are glued or nailed.

Your contractor should have your wood floors delivered a couple of weeks prior to installation. It should be stored in the actual room it is going to be installed in, to let the moisture content stabilize. This will prevent your floor from gapping after installation.

After the floors are laid they will be sanded, and then stained.

Laminate floors have the appearance of wood or stone at a fraction of the cost. They can also be easier to install, and are very durable. The downside is that they don't last as long as wood, nor are they quite as aesthetically pleasing. Laminate floors that imitate stone usually come in squares, while those that imitate wood come in planks. Laminate floors usually interlock and are attached to the subfloor with glue.

Vinyl floors are durable, versatile, come in a variety of styles, and are very easy to install. The most difficult aspect of installing vinyl flooring is making sure the patterns work with the angles of walls and placement of doorways. Some vinyl floors are self-adhesive, while others are applied using a special adhesive for this purpose.

Tile flooring is beautiful and works well in mud rooms, entryways, bathrooms, and kitchens. But tile flooring can be hard to install, and requires someone with experience to get it right. The installation process begins when the tiles are cut, spaced, and laid out. After you approve the design and layout, the tile is put permanently in place using a special adhesive. The spaces between the tiles are filled in with a substance called grout.

Carpet come in a variety of styles and colors and really adds warmth to a room. Buying the most expensive carpet padding you can will not only improve the feel of the carpet, it will give it a longer life. Carpet is attached at the walls to a wood strip with wood tacks called a stretcher strip. A good carpeting company should agree to come in a few months later to do a final stretch and adjustment of the carpet if needed.

Hardware, Appliances and Fixtures

The last things to go in will be your hardware, fixtures, and appliances. There will be quite a lot to do at this stage, so don't underestimate the time needed. At this point you'll be installing hinges, doorknobs, cover plates for outlets and light switches, lighting fixtures and ceiling fans, thermostats, exhaust fans, toilets and toilet roll holders, towel racks and soap dishes, medicine cabinets and mirrors, shower rods and doors, faucets, and cabinet and appliance knobs. Whew!

If you have built-in appliances, those should have gone in when you installed your cabinetry and countertops. Free standing appliances can go in now, once all the painting and flooring is completely installed.

Landscaping

Okay, you can move in now! The only thing you have left to do now is landscape your home. While landscaping can seem like an afterthought, you should know that good landscaping will add significantly to your home's value.

Hopefully you set aside a good chunk of change for landscaping at the beginning of this project. But if for some reason you didn't you may be able to refinance your new home in order to pay for some of the costs. Of course, in order to be able to do this your home must be finished.

Landscaping is broken down into two areas: hardscaping and softscaping. Hardscaping deals with things like walkways, pools, fences, and walls, while softscaping deals with trees, shrubs, and plants.

Some people have it in their budget to hire a landscape designer, while others choose to plan their own landscaping. Regardless of which way you go, the first step is to revisit your site plan, paying special attention to your house's location, property lines, placement of windows in your home, site's topography, site conditions, and location of utilities. This plan will come in very helpful when deciding how to landscape your property.

The next thing you need to decide is what you need, as well as what you want. It goes without saying that you'll need some trees and shrubs, but do you also want vegetable or flower gardens, a water garden, fences, walls, or anything else. Ask yourself how you intend to use your yard. Are you just concerned with appearance, or do you use your yard to entertain? Do you enjoy gardening, or do you have children and need a play area? Be sure to take your area's climate into consideration when planning trees, shrubs, and plants. Some species thrive in one area only to perish in another. Plants are expensive, so no need to buy anything that doesn't have a good chance of surviving!

Once you have an idea of your wants and needs, ask yourself how much time you have to maintain your yard. If you plan on hiring someone to maintain it, fine. But if not, you'll have to understand that the more complex your yard is, the more time you'll maintaining it during your free time. The goal here is to come up with some sort of balance.

Once you think you know what your want your yard to look like, put your plan down on paper. There are computer programs designed for just this purpose, that make landscape design easy. Look over the plan carefully, and change things that don't seem to be working. Once you have your plan completed, you are ready to put it into action!

Chapter 10: Moving In: Some Final Thoughts

You are finally done. The last brushstroke of paint has dried. Congratulations! You can now move into your home!

In order to move into your home, you'll have to acquire a Certificate of Occupancy from the city or county building inspectors. In order to get this, your property will be subject to one final inspection. Hopefully it will pass with flying colors, and you'll be good to go!

Now it's time to attend to your house's financial details. If you chose a all-in-one loan, you are ready to roll it into a permanent mortgage.

Did you know? You'll need to have paid all of your workers in full before you button up the financial details of your home and move into it. Otherwise, workers can attach liens on your home, which will make financing impossible.

The rollover is simple, but you'll still need some paperwork on hand. You'll need:

• The final draw request. This is the money your lender puts aside until the house was complete, and is usually about 10 percent or so of the loan.

• Final lender inspection. This is the final inspection done to ensure that all the work was done according to plan.

• Copy of the Certificate of Occupancy.

• Lien releases. All subs and contractors will have to sign releases stating that they have been paid in full.

• Verification from the title company. So the lender knows that the property is still yours.

• Your Homeowner's Insurance policy.

Depending upon the loan program you chose and your lender, once you furnish these papers you may have the option of changing your interest rate or loan program.

Once your loan is rolled over congratulations, you are officially done with the home building process. Now all you need to do is keep an eye on rates and loan programs. If a better deal comes along, you may want to refinance down the road. In the meantime, enjoy your new home!

About the author

The above information is from 22 years experience in the construction lending business. If you have additional questions and or would like to apply for a construction loan to build your new home, call me on my direct line (866) 211-3344. This e-book is worth anywhere from hundreds to thousands of dollars. One additional bonus I have for you is a free appraisal for every customer that utilizes our services. To qualify you must fund and close your construction loan with us. Call me for details.

Or visit our website and either download a complete construction loan application package or request one to be sent to you by mail.

Call me and I will let you in on the most technologically advanced home, silently being built today that was produced by the famous architect Frank Lloyd Wright many years ago. This home is the most energy efficient home being built today and no, it's not solar. The home can easily be framed up in a weekend and no, it's not panelized or modular.

I hope this information has helped you.

Any questions please call me.

http://www.CaliforniaConstructionLoans.com

Thank you,

Sincerely,

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