

Money for Construction - The Loan Factor

This article will outline the basic elements of a home construction loan. Learn the difference between a regular mortgage and a home construction loan as well as the financial requirements needed in order to attain money for construction.

Living in a house that is self-owned, is every ones dream. Different people work together to construct a house, thus it becomes necessary to pay all those helping hands. Moreover, the cost of raw materials and interior d?cors cost much. It becomes tough to pay all the money at one time. Thus taking construction loans from the banks and loan lenders, and paying it back in installments is the best option.

A home construction loan is one where the lender has to know the story behind the construction of the house before sanctioning the loan. Thus a home construction loan is also known as a story loan. People often want to custom design their own house since it's difficult to find a home that meets all the requirements. A construction loan finances the building of that new home. Construction loans are not paid all at once. They are drawn out in five to ten intervals depending on the stage of construction like pouring the foundation, framing, installing heating and cooling systems, wiring, and plumbing systems, installing cabinets, flooring and fixtures, and the finishing work like painting and carpeting.

Construction loans are mostly sort-term loans. There are "construction-only" loans where only the building of the home is financed. You then can search for another lender for meeting the other requirements. The "construction-to-permanent" loan can be converted into a standard loan by the same lender, once the borrower has a certificate of occupancy. Sometimes the mortgage rate can be locked for 12 months during construction, thus avoiding the risk of raising rates. Some of the lenders offer a float-down option which allows the borrower to take advantage of the rate dips.

It is necessary to calculate the cost of construction to take the loan. Once the cost of construction is estimated, you must find out how much you qualify to borrow. The pre-qualification offered by lenders will give you an idea on how much you can borrow. A home construction loan, like any other financing, requires research and preparation. Know accurately about other fees and closing costs, terms and the required monthly payment amount. The number of bedrooms, their sizes, size of the dining room, tile, carpet, bathroom and kitchen fixtures, color of rooms and tiles are the various factors that one should keep in mind while construction their own house.

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About the Author

Author Barney Garcia is a proud contributing author and enjoys writing about many different topics. Please visit my web sites @ <http://www.construction-and-more.info> and <http://www.content-hub.info> for more information on construction.