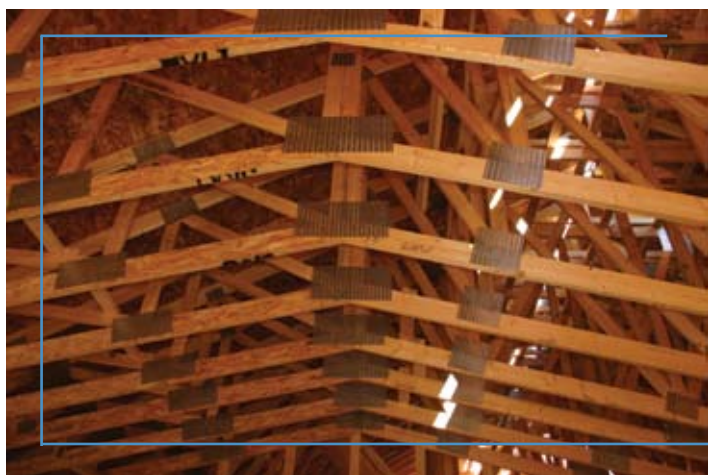


New Home Construction Loans

Funding Your Dream Home



Submitted by Clarion Mortgage Capital

Building a new home can be an exciting process. Before the excitement can begin you must make sure you have the financing. Unless you have the funds to start and complete the process you will need to apply for a construction loan. You could apply for a loan after construction has started but it makes things more complicated and your documentation will have to be complete to prove payments have been made for the work that has been completed.

There are two basic types of construction loans:

The One Time Close construction loan is when your mortgage and construction loan are closed at the same time. The interest rate for the final mortgage can be locked with a long term lock that has a free one time float down option. The interest rate for the construction part of the loan can be a fixed rate or an adjustable rate, you choose. However, fixed rates during construction are more costly in closing fees. The one time close has one settlement statement and one set of closing costs.

The Two Time Close construction loan is when the construction loan and mortgage loan will close at different times. There will be two settlement statements and two sets of closing docs. Once the construction is complete the amount of the construction loan will be due. Banks understand that you do not have that kind of money lying around, so they will require a loan commitment from a final mortgage lender before they will approve your construction loan. This is the second part of a two time close, the final mortgage. The banks will be happy to quote you on this loan but you can go to any mortgage lender and we suggest you shop. Usually the interest rate will be determined for your final mortgage once the construction is complete. Although up front long term locks with a one time float down are available, there is a refundable up front fee for these locks.

Items that will be needed from you, other than a loan application, for either type of construction loan are your plans, permits and a qualified contractor.

The Major differences between the two types of construction loans are:

- Doing the paper work once with a One Time Close lender.
- Possible lower closing costs with the One Time Close lender.
- Draw schedules can sometimes be more flexible with a local bank's construction only loan, although, One Time Close lenders are getting more flexible. Be sure to discuss this with your builder and lender.
- No payments during construction on the One Time Close loan with interest reserves.
- One Time Close loans can use stated income versus proving income, if you have a good credit score. Talk to your lender about this.

Once you have been approved for the construction loan, the lender will not just write you a check for the amount of your loan. They will only disburse the loan in increments according to the agreed upon schedule which is known as a draw schedule. You begin making interest only payments only on the part of the loan that has been disbursed. Your monthly payment increases as more of the loan is disbursed. This does not apply if you have a One Time Close with interest reserves.

It can seem very overwhelming, but with patience, determination and a knowledgeable lender, each step of the process can be achieved and soon enough the dream becomes a reality.

Your
Commercial
Real Estate
Expert



Ron Bentley

Associate Broker

I began my real estate career in the early 1970's in Culver City California, a small community on the west side of Los Angeles. My business partner and I started a small Real Estate firm focused on the residential market. Soon our interests shifted and we tried our hand at commercial real estate. It didn't take long before we found ourselves with a twenty man sales office. This type of operation required a larger facility so we built a building with the help of a relative who was a general contractor. I was hooked!

I had so much fun learning the building process; I focused on building structures that could be marketed by our sales staff.

When interest rates went through the ceiling in the early eighties, my wife and I decided to retire and move to Maui Hawaii.

Lying on the beach soon became boring and I couldn't resist the lure of Real Estate. Even before I had time to make my first sale, I met a gentleman who was in the Savings and Loan business. He convinced me to open a Mortgage office in Lahaina, Maui that we operated for eleven years. During this time I had a burning desire to build something. The result was a twelve-unit office structure into which we moved the mortgage office and rented the rest. In order to build commercial property in Maui you have to be a licensed contractor, so I took and passed the licensing exam. And since I was licensed in Real Estate, Mortgage and Construction, I thought I might as well build a couple of houses. Which, of course, I did.

After 20 years, my wife and I decided to relocate to the mountains where the pine trees are evergreen and the wildlife is just outside your window. After a lengthy amount of exploration, my wife chose Colorado and upon her return to Maui announced that she had bought a house in Pagosa Springs. Since I had never been to Colorado, I thought this would be a nice change. It has turned out to be a delightful experience.

I look forward to using my expertise to find your dream home or the right location for your new business. Come see me at the Uptown office, I can't wait to meet you.

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