



# How to finance a Home Renovation or Construction

The more you know, the better your decisions.

## Decide your loan need.

### **Construction-to-permanent**

The lender releases money to the builder as phases of the construction are completed.

### **Construction only**

A stand-alone construction loan. The homeowner takes two loans. The first loan finances the construction of the home and the second refinances the construction loan into a long-term mortgage.

### **Renovation construction**

These loans are available to people who want to do a renovation, but do not have the money to finance it themselves. You have many options to pay for home improvements, including personal loans, lines of credit or government-insured loans.

## Talk to a lender.

### **Know what you can afford**

Find out how much money you can borrow and the necessary down payment for the loan. Ask a lender to walk you through the process from short-term to long-term financing.

### **Understand interest**

Know how the interest will be paid during construction and how it will change when you convert to a long-term mortgage.

### **Ask how loan will be paid out**

Construction loans are typically paid on a set schedule or as a percentage of project completion. Find out how your lender does payments and communicate that information to the builder before hiring them.

## Choose a builder.

### **Make a list of possibilities**

Call your local home builders association. Talk to your real estate agent and get references from people you know and trust.

### **Do your homework**

Once you have a list, find out what kind of insurance the builders and their contractors have. Get references and call all of them. Tour model homes and pay attention to details.

### **Stay involved**

Depending on your loan type, your lender will monitor the progress of the project to ensure invoices are paid for work completed. Good communication is key to a successful renovation or home construction project.