

# How to Take Advantage of a Construction Loan in 3 Steps

Have you been dreaming, planning and designing your dream home? Before you start falling in love with design options, establish your budget and be prepared to stick to your budget. Figuring out financing is as easy as 1-2-3.

## Step 1 – Get preapproval for your construction loan

You'll want to visit with a home mortgage banker that can guide you through the construction financing process from beginning to completion of your building project. A mortgage lender can provide support and help you find out how much home you can comfortably afford. A building contractor will ask you to obtain financing for your project. Once your financing strategy is in place it's time to meet with your builder design team to finalize your home design plan and a price that fits into your lifestyle and budget.



## Step 2 – Get approval to start building

Your home appraisal is based on a completed set of plans, specifications, estimates, insurance, and the builder's contract. This is done before the physical work begins. A construction loan has two parts; the interim loan during the construction period, and the long-term loan which is put in place after the house is built. Occasionally the buyer already owns the land and depending on how long they have held the title, this might work as appreciation or equity in the land in lieu of a down payment. Let the home mortgage banker know if you are in this situation. You'll want to establish a clear title to your new home site before any physical work starts on the project. The time to build a new house ranges from 3 – 18 months. While in the construction loan phase, you will pay interest only and only on the amount that you've borrowed.

## Step 3 – Get ready to move in

A final inspection by the home appraiser is done to determine that the house was built according to the original plans and specifications once the house is completed. You'll sign documents with your home mortgage banker to convert the construction loan to a long-term mortgage plan that makes sense for your needs.

Congratulations! It's time to settle in to your new home. It's important to note that loan products are subject to credit approval. Other terms, restrictions & fees may apply. Make smart financing a part of your home construction plan and learn how Decorah Bank can become your professional partner.



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