

Residential New Construction Process and Financing Options

OUR PROCESS

We are a General Contractor and we provide in-house design to support our building and remodeling services. We use a team approach to designing and constructing a home where all the players work together from start to finish. This approach integrates drafting and architectural design, interior design and product selection as well as the construction of the home – all under one roof. Our process improves coordination, allows the builder to design to your budget and enables changes on the fly to be made seamlessly without the homeowner having to manage a separate architect, builder, designer, etc.

We blend your ideas and ours to design a home that fits your personality and lifestyle needs. The following is our general process:

INITIAL MEETING(S)

We will typically meet with you in our office to obtain an understanding of goals with regard to a new home - you're your design preferences and budget. We will ask many questions about your budget, style preferences, lot location, previous building experiences, whether you need to sell your existing home prior to construction and any concerns you may have.

We want to get to know you, and you get to know us, with the primary purpose of the meeting(s) being to determine if we can help you achieve your vision.

If both parties are comfortable then we are ready to move into the Design Phase.

DRAFTING AND DESIGN PHASE

We start working with you as your plan designer. A primary advantage of your design team also serving as your builder is we are responsible to ensure that the final design can be built at the targeted budget.

1. Drafting / Site Visit

The fun begins as we start designing your new home. The order in which we typically work is as follows

- a. First we Design the Main Floor
This is the first step, and we typically will not move to the next step until the first floor is designed to the point of the perimeter dimensions and room sizes. Changing the main floor affects the other floors so it makes sense to design the main floor first;
- b. Design the Other Floors (Upper Level and/or Basement Level)
If it is a two story home we will design the second floor next, and then move to the basement design. Regardless of whether you plan to finish the basement, we design the basement as if you were going to finish it so we can properly locate plumbing for bathrooms, the windows, etc.;
- c. Design the Exterior Elevations
This involves creating the exterior look of the home – the rooflines, porches, columns and siding, stone and window detail;
- d. Interior Design and Product Selections
Now we will circle back and work with you (and our designers) to select and design the layouts for the kitchen cabinetry, bathrooms, flooring, trim, doors, stairs and millwork. We will create a 3D version of the home that you can walk through (virtually) both the exterior and interior.

During this phase we may visit the lot to determine whether there are any issues regarding placement of the home, lot corrections that may be needed or other items that might affect the building process. Once we have designed the home we will create a plot plan based on your actual lot and set the home on the plat so you envision exactly how the home will sit on the lot.

During the Design phase we like to set up weekly or bi-weekly meetings with you where we can review the work to date and work together to make decisions as needed. Between meetings we will also often correspond with you by email – sending current layouts and designs and asking questions.

Once we have completed the design phase, we are now ready to move into the Estimating & Pricing Phase.

2. Pricing and Construction Contract

With the design basically complete, we will now start sending out for bids. We will typically get multiple bids for each phase of the project: Excavation, Concrete, Framing, Electrical, Plumbing, HVAC, Drywall, etc. We send the bids to quality subcontractors or suppliers who we have used in the past and who have a good reputation. That way you can be assured you are getting the best quality work at the best price.

R Henry Construction does have its own crews as well and depending on timing and our current workload we often do our own framing, siding, trim and millwork, among other things. If we use our crews to do the work, we will still typically get other bids for the work and will match the lowest bid.

Once we have compiled all the bids, we will put them together in a project binder and set up a meeting with you to review all the bids, coming up with a final budget for the home. The cost should be at or very close to what we have been targeting all along – if the price does come in a bit over the projected budget we will generally have options for you to reduce the price as necessary.

Once any adjustments have been made and you are comfortable with the pricing, we will sign a construction contract. This will often be a fixed price contract, or we can set it up as time and materials if you wish, we will explain to you the advantages and disadvantages of each approach.

CONSTRUCTION / BUILDING PHASE

1. Constructing your Home

R. Henry Construction will now submit the plans and specifications to the appropriate city or county as required for procurement of the building permit. As each jurisdiction has differing requirements, we will work with the local officials to address any concerns and submit paperwork as required. Additionally, we will submit plans and specs to your bank or financial institution - if financing is involved.

Once construction starts there may still be regular meetings scheduled - either at the project site or in our office. These meetings will help to ensure communication is open between you and the project manager and your designer. Any changes to the schedule and timeline will also be discussed.

2. Close Out and Warranty

As the project nears completion, we will conduct a final walk-through with you at which time we will make note of any punch list items and details that still need attention. Once those items have been completed and final cleanup is finished, the construction phase of the job will be complete.

Now the Warranty period will begin, and your project manager will explain our warranty, any follow up visits you may expect, as well as product warranties that may be applicable.

Additionally, we will schedule a time with you to take final photographs of the project, which may require some minor staging on our part - which will be coordinated with you in advance.

FINANCING OPTIONS FOR YOUR PROJECT

While a few homes may be funded from savings, most often that is not the case and we understand that planning for the project's financing is a very important part of the process.

R. Henry Construction is happy to help and provide guidance when assessing your financing options. The following are some typical financing options for New Home Construction:

1. R. Henry Construction finances the construction of the home

This option will allow you to start building a little quicker than if you take out your own construction loan. In this case we would finance the construction, and you would sign an agreement in advance to purchase the home and lot upon completion of construction.

Another advantage to this for the homeowner is that it simplifies the process of construction somewhat as we do not have to submit monthly payment requests to you during the construction process.

2. Customer takes out a construction loan from the bank of their choice

If you already have a good working relationship with a bank, this may be your preferred option. The usual process is that you would take out a construction loan from the bank in advance of the start of construction, and when construction is complete or nearly complete, you would then lock in an interest rate and the construction loan would then be converted into a permanent loan (say a 30 year fixed rate loan, etc.).

Some questions you may wish to ask your bank regarding construction financing are:

- 1) What is the origination fee for the construction loan and does that fee also cover the permanent loan - or is there a separate origination fee for the permanent loan?;
- 2) What is the maximum amount you can you borrow on a construction loan (typically it is a percentage of the cost of construction or the appraised value of the home)?;
- 3) You may wish to ask the lender for what is called a 'Good Faith Estimate' of the closing costs, the bank will be able to print something out for you showing the estimated closing costs which will depend on the size of the loan;
- 4) Will the bank be requiring an appraisal of the home before the construction loan is finalized?;
- 5) At what point can you lock in a permanent interest rate (60 days from completion, 30 days, etc)?

When working with a local bank of your choice, R. Henry Construction will work with your loan officer and supply copies of the plan, specifications and any other things the bank may require from us. We can also talk to the appraiser directly to help ensure you get the best possible appraisal.

3. Customer takes out a construction loan from an R. Henry Construction recommended lender

R. Henry Construction has teamed up with a few local banks to provide construction financing to our customers. If you work with our lenders we can help streamline the process for you and also provide a very good financing package. Typically, the terms through our lenders are as follows:

- 1) ½% Origination fee which covers both the construction and permanent loan (this is very good);
- 2) 95% of the appraisal or cost of construction can be financed;

We have a great deal of experience with construction financing and will be happy to help you select the lender that works best for your goals – whether that be lowest rate or a lower down payment. Or even just understanding the various aspects of construction financing – we are happy to help.