

## Residential New Construction Process and Financing Options

### OUR PROCESS: CUSTOM HOME DESIGN AND BUILD

R Henry Construction is a General Contractor providing Design and Drafting services to support our New Home Building and Remodeling work.

Our approach integrates architectural drawings, interior design, product selection and construction all under one roof. By combining these items, and not outsourcing, we have the ability to design a home with your budget in mind.

The following is a basic summary of our process for a custom home design and build, although any one project may vary depending on the individual client needs.

If you prefer to select one of our pre-designed plans rather than design a custom home, then please download our 'PRE-DESIGNED HOME SELECTION PROCESS' manual instead.

#### **INITIAL MEETING(S)**

We will typically begin by meeting with you in our office to help us understand your goals for a new home - your family needs, design preferences and budget. We may ask questions about your budget, style preferences, lot location and lot size, potential county or regulatory issues, previous building experiences, financing needs, status of your existing home prior to construction and any concerns you may have about new home construction.

We try to get to know you with the primary purpose of the initial meeting(s) to determine if the services we offer fit with your needs and goals and if we will be able to serve you effectively.

We will also describe the difference between the following:

1. Full Custom Design
2. Semi Custom Design

When both parties are comfortable we then will move forward into the Design Phase. At this point we will understand your budget and you will understand what size and type of plan we will be designing to meet that budget.

#### **DRAFTING AND DESIGN PHASE**

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

#### **1. Drafting / Site Visit**

The order in which we typically work is as follows

- a. Plan Outline: Design the Main Floor, then the Upper Floor (if any), then Basement (if any) followed by the exterior elevations;
- b. Site Plan: We will develop a site plan showing house placement, driveway, sidewalk and other site details based on the plan developed in step A;
- c. Plan Details (Product Selection and Interior Design): Now we will circle back to the interior and work with you to select products and design the layouts for the kitchen cabinetry, lighting and electrical, plumbing fixtures, bathrooms, flooring, trim, doors, stairs and millwork. We will typically create a 3D version of the home at this time that you can walk through (virtually) both the exterior and interior.

If we are not familiar with your lot, we will also visit the lot during (or before) this process to determine whether there are any issues regarding placement of the home, lot corrections that may be needed or other items such as county or city regulations that might affect the building process.

During the entire Design Phase we prefer 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 may 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 obtain multiple bids for each phase of the project: *Excavation, Concrete, Framing, Electrical, Plumbing, HVAC, Drywall, etc.* We send the bids to preferred, quality subcontractors or suppliers who we trust and have experience with and who have established a good reputation. We believe by bidding it out to multiple quality contractors you can be assured you are getting the both good quality work at a competitive price.

R Henry Construction employs its own crews and depending on timing and our current workload we will often use our own crews for *framing, siding, window and door installation, trim and millwork, among other things.* When using our own crews to complete the work, we will still typically obtain other competing bids for the specified work and will match the lowest bid.

Once we have compiled all the bids, we will set up a meeting with you to review the bids, select subcontractors and determine a final cost 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 little 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 prefer, we will explain 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 (see below).

Once construction is underway there may still be a need for regular meetings as the job progresses - 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 at these meetings.

### **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 some clients may pay cash for their home and not require any financing, 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 can 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 is often chosen for convenience and will usually allow you to start building a little quicker than if you take out your own construction loan. In this case we would purchase the lot on your behalf (assuming you do not own it already), finance the construction, and you would sign an agreement in advance to purchase the home and lot upon completion of construction.

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

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 be converted into a permanent loan (say a 30 year fixed rate loan, etc.).

We work with a number of banks who are experienced in new home construction financing. We would be happy to set you up with one of the banks we work with as they often make available additional discounts to our clients.

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 produce a printout 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 plans 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 items the bank may require. We often also talk to the appraiser directly to help ensure you they are informed of the construction details and to help you obtain the best possible appraisal.