



TYPES OF LOANS FOR NEW HOME CONSTRUCTION IN THE CAROLINAS



CONSTRUCTION TO
PERMANENT LOAN



VA LOANS FOR
MILITARY VETERANS



CHOOSING THE
RIGHT LOAN TYPE

Types Of Loans For New Home Construction In The Carolinas

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Introduction

Building your dream home is an exciting journey, but navigating the financing process can feel overwhelming without the right information. This guide is designed to simplify that process and provide you with a clear understanding of how to finance your new build. Whether you're exploring loan options, curious about how Construction to Permanent loans work, or seeking expert tips to make the process smoother, this resource has everything you need. Inside, you'll find step-by-step guidance, answers to common questions, and practical tools to help you confidently move forward in building the home of your dreams. Keep reading to gain valuable insights and take the next steps with ease!

Please note that these materials are provided for informational purposes only. While we strive to ensure accuracy, we make no representations or guarantees regarding their applicability to your specific situation. Every individual's financial needs and circumstances are unique, and what is right for you will depend on your own due diligence and research. We strongly recommend consulting with a lender and your trusted financial and legal advisors to determine the best course of action for your home financing needs.



About Value Build Homes

Our goal, from the very beginning, was to provide the residents of the Sanford-Pinehurst, NC area with affordable, high-quality, new construction homes. Value Build Homes "On Your Lot" program combines the convenience of ready-made designs with the flexibility to customize options to build a beautiful home on the property of your choice. Our experienced Sales and Construction team will guide you throughout the entire process to ensure your home is built with the standards of quality and craftsmanship you expect and deserve.

Our commitment to offering the highest quality custom homes at the most affordable prices.

House-built-on-your-land Value Build Homes is not your typical "cookie-cutter" homebuilder. We work hard to be different. We work with each of our clients from inception through closing. We offer a 10-year, insurance-backed structural warranty. But there's one thing beyond that which really sets us apart: We specialize in building custom homes in NC on your existing land.

Perhaps you've inherited a parcel of land and you're ready to start a new home construction. Maybe you have found the perfect plot of land and have already secured it. We can even connect you to plot specialists who can help you discover some amazing locations if you haven't started looking yet.

Whatever your situation, we can build your dream home on your land.

How We Do It

How is it possible to deliver such high quality at an affordable price? We can do it because we always insist on building our homes 100% on site, stick built on the ideal lot you specify. While other builders will fabricate part (or all) of their homes offsite, we don't subscribe to this method of home building, and, quite frankly, never will.

In order to deliver the most house for your money, real home construction must be completed on site. To that end, we have established close relationships with select suppliers and trade partners so we can get the best rates available on all building materials. This is a tremendous savings that we pass on to you.

This is also why we can offer a 10 Year Warranty on the structural integrity of every home we build. We can do this with confidence because we know our work and can maintain extremely high quality standards since nothing is prefabricated offsite.





What is a Construction to Permanent Loan?

A **Construction to Permanent Loan** (often called a “C2P” loan) is a type of financing specifically designed for building a new home. It covers both the construction phase and the mortgage for the completed home, consolidating both aspects into one loan. Here’s how it works:

Construction Phase

- During the construction period, the loan funds are disbursed in stages (called “draws”) to pay for materials and labor as the home is built.
- Borrowers usually make interest-only payments on the loan during this phase, based on the amount drawn so far rather than the full loan amount.
- Construction usually takes 4 to 6 months, and during this period, the lender monitors progress to ensure the project remains on schedule and budget.



Benefits of a Construction to Permanent Loan

Complete Customization Options

With a Construction to Permanent Loan, you have the freedom to fully customize your new home from the ground up. This includes selecting floor plans, finishes, fixtures, and other personal touches to create a home that perfectly suits your lifestyle and vision.

The loan provides the financing needed throughout each stage of construction, making it simple to bring your design choices to life without needing separate loans or funding sources for each stage.

Utilize Lot Equity as a Down Payment

If you already own the lot where you're building, you can use the equity in that land as a down payment toward your Construction to Permanent Loan. This approach often reduces the need for additional cash upfront and strengthens your overall equity position from the beginning.

This feature can improve your loan-to-value (LTV) ratio, potentially resulting in better loan terms and lower monthly payments, making it a financially smart way to leverage an existing asset.

Stay in Your Current Home During Construction

One of the unique advantages of a Construction to Permanent Loan is the flexibility it offers for customers to stay in their existing home while construction is underway. This eliminates the hassle and cost of finding temporary housing, enabling you to maintain stability until your new home is complete.

Partnership with Insurance Providers

Construction to Permanent Loans often involve collaboration with insurance providers, simplifying the process of insuring your new home during and after construction. Lenders typically work with preferred insurance companies to ensure your property is fully protected throughout the build and beyond.

VA Loans for Military Veterans

A **VA Loan** is a mortgage loan available through a program established by the United States Department of Veterans Affairs (VA) to help veterans, service members, and certain military spouses buy or refinance a home. These loans offer many unique benefits, making them one of the best mortgage options for eligible individuals.

Eligibility Requirements

- **Who Qualifies:** VA loans are available to active-duty service members, veterans, members of the National Guard and Reserves, and certain surviving spouses.
- **Service Requirements:** Specific service time requirements must be met, typically 90 days of consecutive active duty during wartime or 181 days during peacetime.
- **Certificate of Eligibility (COE):** To qualify, borrowers need to obtain a COE from the VA, which verifies their eligibility for the loan program.



Key Benefits of VA Loans

- **No Down Payment Requirement:** Unlike most traditional loans, VA loans do not require a down payment, making homeownership more accessible.
- **Competitive Interest Rates:** VA loans often come with lower interest rates than conventional loans.
- **No Private Mortgage Insurance (PMI):** With no PMI requirement, veterans can save significantly on monthly payments.
- **Flexible Credit Requirements:** While credit requirements can vary by lender, VA loans generally have more lenient credit criteria than conventional loans.

Key Requirements

- **Occupancy Requirement:** Borrowers are generally required to live in the home as their primary residence.
- **Property Requirements:** The property must meet the VA's minimum property standards, ensuring it is safe, sanitary, and structurally sound.
- **VA Funding Fee:** Most VA loan borrowers pay a funding fee (a one-time upfront charge) to keep the program running, though exemptions are available for certain veterans, such as those with a disability connected to service.

Why VA Loans Are Ideal for Veterans

- 1. No Down Payment** – One of the most significant advantages of a VA loan is the ability to purchase a home with zero down payment. This makes homeownership much more accessible, especially for those who may not have large savings.
- 2. Reduced Closing Costs & Fees** – VA loans come with limited closing costs, which helps keep upfront costs lower than with other loan types.

Veterans also benefit from lower fees than other mortgage programs. For example, VA loans don't require PMI, which can save hundreds per month compared to conventional loans with less than 20% down.

3. Flexibility and Forgiveness

The VA offers some unique protections, such as assistance programs for veterans who fall behind on payments. This support can include negotiating with lenders on behalf of the veteran, which helps protect against foreclosure.

4. Ideal for Building Custom Homes

For veterans building a custom home, VA Construction Loans are available, combining the flexibility and benefits of a VA loan with funding for new construction. This can be especially beneficial for those looking to build a home on their own land.

Leveraging Land Equity as Down Payment

Using land equity as a down payment can be a powerful financing strategy for customers who already own land and want to build a new home. By leveraging the value of their land, they can strengthen their equity position, reduce the cash needed upfront, and potentially enjoy more favorable loan terms.

Using Land as Down Payment

How It Works:

- If a customer already owns land, the equity they have in that land can be used as part or all of their down payment on a Construction to Permanent loan.
- Lenders assess the value of the land, and if it meets certain requirements, this equity can replace or reduce the need for an additional cash down payment.

Requirements and Process:

- **Appraisal of Whole Package (Land and Build) Value:** Once the value comes back from the appraiser, we subtract the value from what you owe the builder. The remainder is your equity.
- **Equity Contribution:** The appraised value of the land then acts as equity toward the down payment, often reducing the overall loan amount and the need for cash.
- **Loan-to-Value (LTV) Ratio:** Using land equity can help improve the borrower's LTV ratio, which may result in better loan terms and lower monthly payments.

Benefits of Using Land Equity as Down Payment

1. Builds a Strong Equity Position from the Start

- By using land as equity, customers establish a robust equity base in their new home, which can enhance their overall financial position and help secure a better loan deal.
- This strong starting equity can be particularly valuable over time as it may contribute to lower interest payments and faster wealth accumulation.

2. Reduces the Need for Cash

- For customers who may not have substantial liquid assets, using land equity is an ideal way to minimize the cash needed for the down payment.
- This option enables customers to invest their available cash into other areas, like home customization or furnishings, rather than depleting savings upfront.

3. Increased Flexibility in Financing

- Many lenders view a land equity contribution favorably, which can open doors to more financing options and help the customer avoid private mortgage insurance (PMI) if the equity position is strong enough.
- For customers building a custom home, this approach allows them to maximize the benefits of their existing asset without incurring additional costs.

Living Arrangements During Construction

One of the significant advantages of building a custom home is the flexibility for customers to remain in their current home during construction. This option helps make the home-building journey smoother and allows customers to maintain stability as they await their new home's completion.

Option to Stay in Existing Home

How It Works

- Customers can choose to live in their current residence while their new custom home is under construction, allowing for a smooth transition without the need for temporary housing.
- This arrangement is ideal for customers who are selling their existing home, as it provides flexibility in timing for the sale and moving process.

Avoiding the Hassle of Moving Twice

- By staying in their current home, customers avoid the inconvenience and expense of moving into a rental or temporary housing.
- This option eliminates the need for storage solutions or short-term leases, saving both time and effort.

Home Owner Equity Program

The ValueBuild Homeowner Equity Responsibility (HER) Program is designed to help customers save significantly on essential pre-construction costs. By collaborating with our Preferred Lenders, we're able to provide customers with cost-effective solutions that cover key aspects of site preparation, including land clearing, well installation, and septic systems.

Cost Savings Breakdown

Through the Home Owner Equity Program, customers can save between **\$12,000 and \$18,000** on essential pre-construction services, including:


- **Land Clearing:** Eliminating extra brush, trees, or debris to prepare the property for construction.
- **Well Installation:** Installing a private well to ensure a reliable water source for the new home.
- **Septic System:** Installing a septic system to manage wastewater effectively and sustainably.



Choosing the Right Loan Type

FHA loans are ideal for individuals and families with low to moderate income and less-than-perfect credit scores. They are backed by the Federal Housing Administration (FHA), and may help you qualify for a home if you do not meet other requirements.

Conventional loans (fixed-rate, adjustable-rate, conforming, non-conforming) are loans that are NOT backed by a government agency. Conventional mortgages usually need to meet down payment and income requirements set by Fannie Mae and Freddie Mac, and conform to loan limits set by the Federal Housing Finance Administration (FHFA).

FHA LOANS 	CONVENTIONAL LOANS
Ideal for individuals/families with low to moderate income and less-than-perfect credit scores	Conventional mortgages may need to meet down payment and income requirements set by Fannie Mae and Freddie Mac
Backed by the Federal Housing Administration (FHA)	NOT backed by a government agency
May help you qualify for a home if you do not meet other requirements	Loans may need to conform to loan limits set by the Federal Housing Finance Administration (FHFA).

Working with Preferred Lenders:

- **Personalized Loan Guidance**

- Our Preferred Lenders work closely with each customer to assess their individual financial situation, homeownership goals, and preferences.
- They explain the range of loan options available, from Construction to Permanent loans to VA and conventional loans, so customers can make informed decisions that align with their circumstances.

- **Expertise in Construction Loans**

- Building a home requires specialized knowledge in construction financing, and our lenders are well-versed in managing the unique needs and timelines involved.
- By understanding the ins and outs of construction loans, our Preferred Lenders ensure customers receive tailored advice that considers both short-term construction needs and long-term financial health.

Benefits of Personalized Coaching

1. Right Loan Fit for Financial Goals

- Personalized coaching ensures customers receive a loan that aligns with their financial goals, such as minimizing monthly payments, maximizing equity, or reducing upfront costs.
- By understanding each customer's financial situation, lenders can suggest the best loan products, whether that's a VA loan, Construction to Permanent loan, or another option.

2. Support Throughout the Loan Process

- Lenders provide ongoing support from the initial application through closing, making the process more manageable and less stressful.
- This guidance also includes preparing customers for each stage, including budgeting, understanding interest rates, and estimating future payments.

3. Confidence in Decision-Making

- The coaching process empowers customers to feel confident about their loan choice, knowing it is tailored to their needs and long-term homeownership goals.
- By working with knowledgeable lenders, customers gain peace of mind, knowing they have chosen a loan that is financially sustainable and aligns with their home-building vision.



Credit & Buying Power

Understanding your credit and buying power is one of the most important steps in the home-buying process. Before moving forward with financing a new construction home, it's essential to assess your credit health and determine the amount you can afford to borrow. This ensures that you're making informed decisions that align with your long-term financial goals.

1. Understanding Your Financial Position

- A credit review helps determine how much you can borrow, the loan terms you may qualify for, and what your monthly payments might look like.
- Lenders use your credit score to assess your reliability and risk level, which plays a crucial role in loan approval. Higher credit scores typically qualify for better loan terms, such as lower interest rates.

2. Impact of Credit on Loan Eligibility

- **Credit Score Requirements:** Each loan type (FHA, VA, Construction to Permanent, etc.) has specific credit score requirements. For example, Conventional loans often require scores of 620 or higher.
- **Buying Power:** Your credit score directly influences your buying power—how much home you can afford based on the loan amount you qualify for.

3. The Importance of a Full Credit Check

- It's crucial to get an accurate and complete view of your credit before applying for a loan. This includes reviewing not just your score, but also outstanding debts, payment history, and credit usage. Mistakes or outdated information on your credit report could impact your loan approval.

Questions and Answers

Q: How long does it take to get started on construction?

Once the budget and buying power are determined, and the pre-approval letter is issued, the customer meets with the new home designer to create a contract. Construction closing usually occurs within 30 days from receipt of all necessary documents.

Q: Are the construction loan and 30-year mortgage loan the same amount combined, or will it spike up from the \$100,000 to make it about \$200,000 or \$250,000 or more?

The construction loan amount can be the exact same as the 30-year fixed-rate loan. The 30-year fixed-rate loan pays out the construction loan in full, so both loan amounts will match.

Q: What determines the lot equity amount?

An appraiser will appraise the lot as if the house was already built. They will consider factors such as the number of bedrooms and bathrooms, and the materials used in the home. The lot equity is the difference between the appraised value and the amount owed to the builder.

Q: Does the price include a perk test?

The perk test can be included in the homeowner equity items and reimbursed. The cost of the perk test varies by county.


Q: Why are the home costs different for each county?


Home costs vary by county due to differences in building code requirements. Some jurisdictions have more requirements, which can increase the cost of building.




ARE YOU READY TO START BUILDING YOUR CUSTOM HOME?

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