

## SHOULD THE BUILDER FINANCE THE PROJECT, OR SHOULD I?

The #1 consideration when deciding to finance the construction of your new home will be “cash-flow” (can I *afford* to carry the financing with my other monthly debts?). If you’re working with a builder who offers you the choice to obtain the Construction loan yourself or to simply “purchase” the completed home from them, here are some items to consider...

### ADVANTAGES:

- You have assurance that the builder has sufficient financial capacity to do the job.
- A builder paying interest on a construction loan has an incentive to get the job done as quickly as possible.
- Your existing budget will remain the same while your new home is being built. You will only need to get preapproved for one mortgage to purchase it when it’s complete.
- Typically interest rates on construction loans can be more favorable for the homeowner as opposed to builder financing. The builder factors their financing costs into the purchase price of the home, so the “bottom line” cost of a newly built home could be less if you finance it.

### DISADVANTAGES:

- If you’ve already purchased your lot, or own the land you wish to build on, the builder must have title to the land to obtain financing. Deeding the land to the builder incurs additional costs.
- If the builder is not the one paying the interest on the loan, they may not be as incentivized to move as quickly on the project to complete it on time.
- A buyer who is financing construction is committed to the transaction, making the builder more willing to make design changes throughout the process. If the builder is financing, they may be less flexible with modifications that could negatively affect the property’s marketability if the deal falls through. (\*\*Be careful with overages though... too many upgrades can put you over budget!)