

If you're building a home, you have probably already considered your budget, your wants and needs, associated costs, what architect and contractor you'll choose, and your favorite design trends- what's next? Financing.

Here is what you should know about financing for your future home.

## Did you know a construction loan is different from a home loan?

- **Construction-Loan:** Construction loans are short term, and they usually span the duration of the construction (typically 1 year). Because of additional risk, construction loans have a high interest rate. You will also be required to pay a 20% down payment and your loan amount will be paid in phases.
- **Home Loan:** A home loan is long term, usually the span of 15 or 30 years. They have a lower interest rate and potentially, a lower down payment. If you have a home loan, your loan amount is paid out immediately.

## Now, let's learn about the **different types of construction financing options** you can choose from.

- **Land Purchase and construction in one loan:** Land purchase and construction is a single loan that covers the cost of the land and construction.
- **Construction-only loan:** With a construction-only loan you are able to finance the construction of your new home on land which you already own. This loan covers only construction costs. You will need to **apply for a permanent mortgage loan** once construction is complete, either with us or another financial institution (preferably us!).
- **Bridge Loan:** A **bridge loan** is a short-term financing option that offers flexibility to borrow money for up to a year. A bridge loan gives homeowners quick access to finances to purchase a new home before they have sold their current property. You are able to use equity on your current home as a financing option.

Building a home is a big undertaking, but worth it in the end. **Contact one of our loan experts** if you need help choosing a loan option that is right for you.