

# Home Building GUIDE





# Getting a Construction Loan

Building a home requires a different kind of loan than buying an existing home.

Instead of a conventional mortgage, you take out a construction loan or construction mortgage. Construction loans cover costs related to the land and lot, contractor labor, building materials and any permits you'll need. They do not cover design costs such as for an architect or interior designer.

## CONSTRUCTION LOANS VS. TRADITIONAL MORTGAGE

Unlike traditional mortgages, which can run up to 30 years, construction loans last a year or less. The project must be finished during the term of the loan. The lender will need a construction timeline, detailed plans and a realistic budget.

Using those plans, the lender will then release funds at various phases, usually directly to the contractor. These releases, typically called draws, happen when major milestones are completed. The lender will expect you to make interest payments only during construction on the money drawn to date.

Bear in mind that construction loan interest rates are usually higher than traditional mortgage rates because there's no existing structure to provide collateral to secure the loan. The lender is taking on more risk, so they expect the borrower to pay more.

## TYPES OF CONSTRUCTION LOANS

Construction loans come in different types to suit different situations and financial needs.

A construction-to-permanent loan starts out a construction loan then turns into a traditional mortgage once

construction is complete. Just like with a traditional mortgage, you can choose a term of 15 to 30 years and opt for a fixed rate or adjustable rate.

Construction-only loans provide the funds necessary to build the home but the borrower must repay the loan in full when it matures, usually in a year

or less. You can settle either with cash or by getting a mortgage and using that to pay it off. This approach might net better terms on the new mortgage, but you might end up paying more with two separate loan transactions and two sets of closing costs.

Owner-builder construction loans

are construction-to-permanent or construction-only. In this case, the borrower acts as their own home builder. Most lenders don't allow these loans because of the complexity of building a home, but they may allow it if the borrower is a licensed builder by trade.





# Maximizing a Small Space

Homes in America are getting smaller, according to a Statista survey, shrinking for the past five years.

In 2023, the average single-family home for sale was 2,514 square feet. Smaller spaces generally mean more efficient spaces, which can be easier on a family budget. But that doesn't mean you have to sacrifice convenience or storage.

## OPEN UP SIGHTLINES

An intentional design can make a small space feel much larger than it is. A smaller home can feel bigger when a design creates long views that can create the illusion of the space being larger than it is. These sightlines create an expansive feeling and give an airy feeling to the overall layout.

## INCREASE VERTICAL SPACE

Raise the ceiling height where possible to make it feel more voluminous. Keep ceilings uncluttered and try to keep ceilings a unified height. Also increase the number of windows when and where possible to make rooms more spacious.

## ADD CUSTOM STORAGE

Take advantage of storage space. Built-in bookcases make good use of vertical space and don't interfere with available



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floor space. Custom storage cubbies can line entryways, mudrooms, laundry rooms, basements or playrooms. Personalize the cubbies to hold and organize your family's frequently used items. In the kitchen, consider pop-up storage for mixers and custom knife blocks hidden in drawers.

## CHOOSE LIGHT COLORS

When picking paint colors and wood finishes, go lighter. Light colors make small spaces feel larger and more open. Cream, white and soft pastel colors reflect natural light and visually expands spaces.

## CLEAR UP CLOSETS

Make the best use of the

smallest spaces in your home by choosing shelving, organizers and drawers to keep clothing and accessories organized.

Add a second rod when you can for hanging clothes and double the capacity of your closet.

Keep shoes and other accessories off the floor and go

vertical as much as you can.

## INTELLIGENT LIGHTING

Design the space so the light can make the room feel larger and look more inviting. Use a mix of ambient lighting and accent lighting to create depth and dimension. Use smart lighting systems to adjust the mood at a swipe.



# Choosing a Builder

Selecting a builder is an important part of your home construction process.

Here are some tips for choosing a builder to build your dream home from the National Association of Home Builders.

## RESEARCH BUILDERS AND ASK FOR RECOMMENDATIONS

The NAHB suggests contacting your local home builders' association for a list of builders who work in your area. Review the real estate section in your local newspaper to see who is working in your area. Real estate agents can recommend builders they've worked with, and as always, ask friends and family for recommendations of builders they know.

Look for a builder whose past work resembles your own design style. Ask a builder for past clients who can recommend their work. Ask those past clients about the quality of work, timeliness, communication and how any challenges with the builder were handled.

## TOUR NEW HOMES

Visit new developments in your area to see model homes available for touring. Look at the quality in the build, NAHB says, including the construction materials, cabinetry, carpeting, trim and paint. Ask questions about the home; a



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professional builder or their representative should be able to give you satisfactory answers. Make sure the builder and their representatives are people you can communicate with. Building a home is complex and they'll need to be able to communicate efficiently with you.

## CONTRACTS, PRICING AND PAYMENTS

A builder will provide a written estimate and detailed contract before beginning the work. It needs to spell out what work will and won't be done and provide a payment schedule. Don't hire anyone who says a contract isn't necessary.

## EXPERIENCE AND EDUCATION

Ask detailed questions about a builder's experience. How long have they been in business? Have they always operated under the same name? How will any problems be handled that arise after the build is complete? Is there a

warranty?

Inquire about involvement with professional organizations. Trade groups keep their members informed about equipment, tools, techniques, technologies and construction standards. Participation in trade organizations can indicate professionalism.



# Trends to Keep an Eye On

Homes change as families change. Today's homes are a blend of functionality and cozy vibes to bring both comfort and innovation to family life.

Here are some trends from Houzz and Zillow to watch for in 2025.

## GET HYGGE

Hygge, the Danish word for cozy, continues to be on trend. According to Zillow, listings mentioning "cozy" are up 35% over 2023. Buyers are looking for smaller, cozier spaces with a specific purpose, such as a home office or dining room.

## ENGLISH KITCHENS

English country-style kitchens are also en vogue. Cabinets made from rich woods and natural materials abound. Tuck the range into an alcove, expose those ceiling beams. Outside of the kitchen, Zillow sees floral patterns, tapestries, antique furnishings and vintage chic.

## ARCHES EVERYWHERE

In an extension of the organic style are arches taking the place of the harsh angles of open doorways. Builder Magazine says arches are more warm and create a welcoming, cozy feel. Incorporate arches into doorways,



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windows, niches, cabinets and millwork details.

## WET ROOMS

Adding a tub-shower space combo to a bathroom design gives it a more luxurious feel than a standard shower-tub combo. The wet room arrangement is moving from the master bathroom into smaller baths.

## ALL-ELECTRIC

Today's home purchasers

are looking for sustainable and environmentally friendly features, including whole home batteries and solar panels powering all-electric homes. Also consider building in an electric vehicle charger either for now or for future use.

## WOVEN AND MESH CABINET FRONTS

Woven and mesh details are showing up in the kitchen, where the organic materials

can break up expanses of cabinetry. It softens the look of the cabinets and provides a warm look to the space. Woven textures are showing up in bathrooms and window treatments.

## OUTDOOR SPACE

Outdoor entertaining spaces are still hot. Consider building in options such as traditional grills, pizza ovens, smokers, barbecues and more. Add an outdoor sink and a covered

entertaining space to extend your home's hospitality to the great outdoors.

## MAXIMALISM

Layer color, pattern and texture for a look designers are calling either maximalism or cluttercore. The overall vibe celebrates abundance and allows homeowners' personalities to shine. Think bold colors, patterned drapery, luxe furniture and rugs, and fluffy pillows.



# Choosing a Color Palette

This year's color trends revolve around an air of serenity and spa-like calm with subtle, luxurious accents.

HGTV Home and Sherwin Williams calls their 2025 collection of the year Naturally Refined. It's characterized by warm earth tones and cozy, soft hues that create an inviting feel. Keep reading to learn more about this collection.

## **HGSW6212 QUIETUDE**

This is the brand's color of the year. It is a soft sage with a hint of blue that's soothing and cool. Pair it with the warm white/gray of Snowbound (HGSW7004).

## **HGSW6393 CONVIVIAL YELLOW**

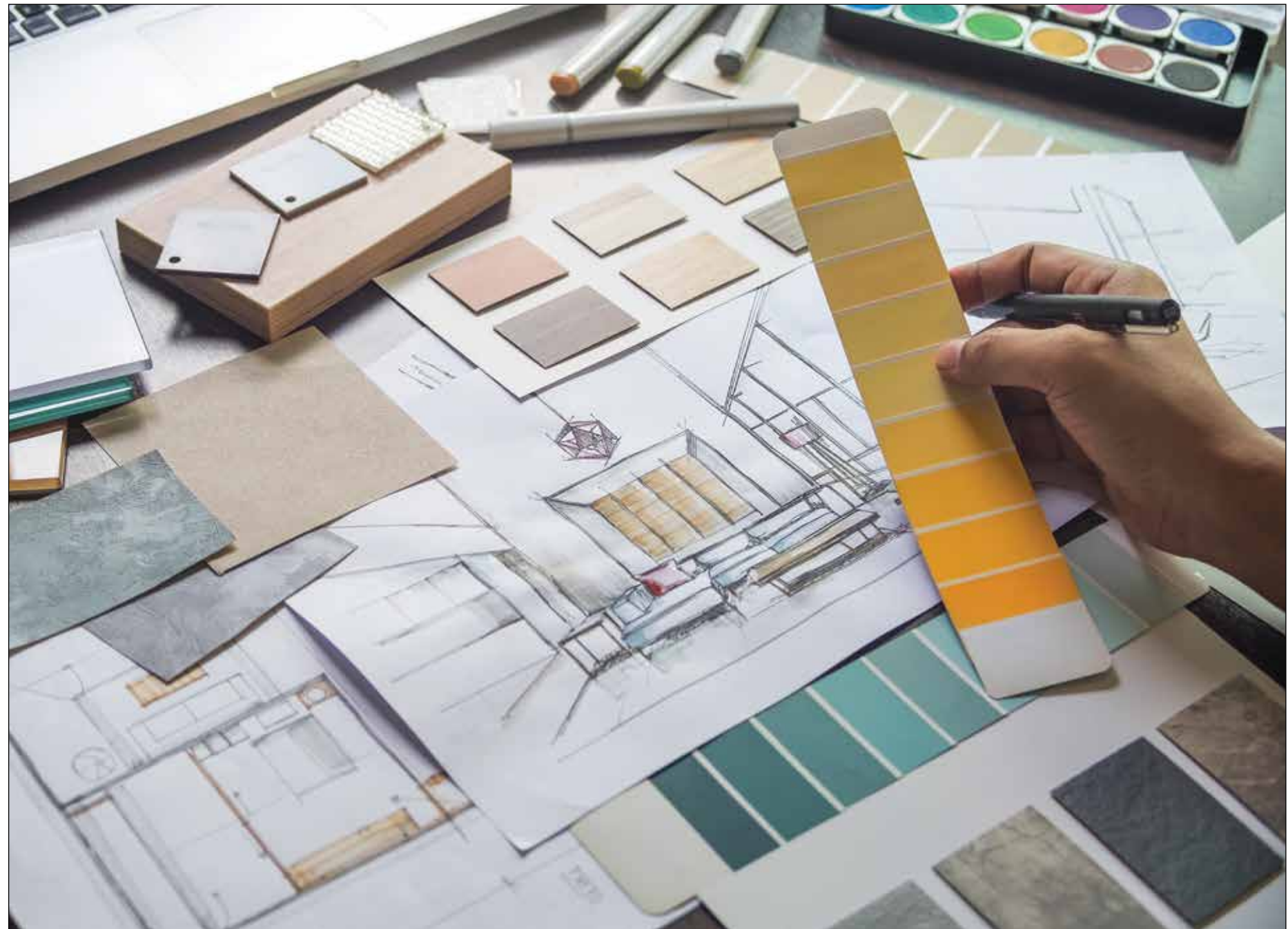
It's a warm, buttery yellow just a few shades off of tan. Looking for something darker or more bold? Try Sequin (HGSW6394) or Alchemy (HGSW6395).

## **HGSW7702 SPICED CIDER**

This rich terra cotta shade will warm up any space. Pair it with the soothing tones of Quietude for an eye-catching contrast.

## **HGSW6017 NOMADIC DESERT**

Look no further than this



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all-purpose tan for a base on which to start your color palette. It's a warm, inviting tan that plays well with a variety of other accent colors.

## **HGSW7569 STUCCO**

This is a lighter, more neutral tan that would work well interior or exterior. Combine with stronger accent colors for a balanced look.

## **HGSW9134 DELFT**

This is a classic blue that looks great with darker natural wood or the warm white of Snowbound (HGSW7004).

## **HGSW6215 ROCKY RIVER**

Want to go even more bold? Rocky River's got you, with a deep, cool shade of green that's just this side of hunter green. This is a great color for

layering texture upon texture. Look for corresponding tiles, organic woven linens or even houseplants in the same range of green.

## **HGSW6040 NUTSHELL**

This warm brown is another good choice for layering textures. It's a deep color that gives hints of red and purple and would look great with the

lighter tan and white shades in this palette. Or go more vintage by pairing it with Convivial Yellow or Spiced Cider.

If you like to switch up colors as trends change, try going with a more neutral color on your walls and having an accent wall or using the other colors on accessories you can easily change out.



# Licensing, Bonding and Insurance

Contractors often advertise as being licensed, bonded and insured, which, for your protection, is a great thing.

Here's what that means and how it protects you.

## CONTRACTOR LICENSING

A contractor's license authorizes them to work in a city, county or state. The licensing process ensures competency in the complicated world of building codes and regulations. Some states require a license only if the contractor is bidding on a project that exceeds a certain amount.

There are three types of licenses, generally speaking. A Class A general engineering contractor is also known as a public work contractor. This contractor is responsible for overseeing public works such as bridges, freeways, airports, municipal buildings and more.

A Class B general building contractor are usually given oversight over an entire building project. They can specialize in residential, commercial or multi-family buildings. General contractors often hire subcontractors, such as painters and electricians, to perform particular tasks.

A Class C contractor is a specialty contractor that handles specific jobs on the project. Plumbers, electricians, roofers, masons and carpenters are all



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Class C contractors. Each of these specialties has their own licensing requirements.

## BONDING

Bonds are a third-party guarantee that the contractor hired can perform and finish the work for which they were hired. If they cannot or do not, the bond will protect the company against financial losses. The bond issuer will pay the bond amount if they do not meet contractual obligations and the contractor and issuer will settle up.

There are different kinds of

bonds:

- **Bid bonds:** Guarantee that winning project bidders will meet or exceed contract agreements. If not, the project owner can file a claim to recoup the difference between the full bid amount and the next lowest bid.

- **Maintenance bonds:** These bonds act like warranties, protecting project owners from defects in design and labor for a certain amount of time after a project is completed.

- **Performance bonds:** One of the most common types of bonds, these bonds guarantee

the bonded contractor will complete the project as specified by all terms and agreements in the contract.

## INSURANCE

Insured contractors have active commercial insurance policies to protect the contractor's company, the project they're working on and their clients. Just like with bonds, there are lots of different kinds.

- **Builder's risk insurance** covers buildings under construction, equipment and materials against damage or loss.

- **General liability insurance** is required for most licensed contractors. It covers property damage and bodily injury caused by a contractor or one of their employees.

- **Professional liability insurance**, also known as errors and omissions insurance, covers contractors against negligence or incorrect professional advice that causes a financial loss.

- **Workers compensation insurance** covers contractors and homeowners against the costs of injury or illness on the job.

# New Construction Inspections

A home inspection is frequently part of the home buying process, but many people don't realize it's also necessary for new construction.

You hire a home inspector to inspect a home on your behalf and act in your best interest. Even in new construction, inspectors can find errors and things that need to be corrected.

## WALK-THROUGH VS. INSPECTION

A builder may offer to do a walk-through with a buyer instead of an inspection. A walk-through is where the homeowner or their representative walks through a new build with the builder or their representative. This is mainly used as a time to flag cosmetic problems and ask questions about features, finishes and more. Walk-throughs don't typically go into attics and check things that aren't readily seen. Inspections do, and often catch small problems that can add to big problems later.

## TYPES OF INSPECTIONS

There are several types of inspections that may happen on a new build.

Phase inspections are a series of inspections that happen as a home is built. These inspectors usually work for the lender providing the



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construction loan and come at certain points during the build, such as when the foundation is laid, before drywall goes up and when the home is completed.

Wind mitigation inspections happen in storm-prone areas and tell insurers how resistant your home is to wind hazards. It can cover features of your

home such as door and window coverings, roof materials and sealing and more. It may not be required for your homeowners policy, but it can result in savings.

A pool inspection specifically covers the pool area, including structure, filters, pumps, heating elements, fencing and latches. A general

home inspection may not cover the pool and pool area.

## FINDING A HOME INSPECTOR

A Realtor or your lender can recommend a reputable home inspector for you to work with, or you can ask friends and family who have purchased a home recently who they used.

You can check with professional organizations such as the American Society of Home Inspectors or your state's home inspection organization. Make sure to talk to the inspector you choose and ensure they'll cover the whole home. Check their credentials and ask what you'll get at the end of the inspection.