

# NEW CONSTRUCTION GUIDE

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A step-by-step guide to building or buying a new construction home.





# Welcome!

Purchasing a home is one of the biggest investments you'll ever make, so it's essential to approach it with confidence and the right guidance!

Choosing between building or buying a newly constructed home and purchasing a resale home can feel overwhelming—but that's where we come in.

As new construction experts, we're here to answer your most pressing questions and guide you through every step of the decision-making journey.

To make things easier, we've created this guide to help you understand the ins and outs of building or buying a newly constructed home. If you decide this path is right for you, our guide will walk you through the entire process, from start to finish. We hope it helps you take the next step toward your dream home!



# Let's Connect



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# WHY HIRE A REAL ESTATE AGENT TO REPRESENT YOU WHEN BUILDING OR BUYING A NEW CONSTRUCTION HOME?

As industry professionals, Real Estate agents have the knowledge and expertise to guide you through the entire new construction process. From searching for the perfect lot and interviewing builders to navigating the mortgage application process, design selections, and the overall building journey, we're here to ensure a smooth transaction and help you achieve your dream home.

Your agent is there to oversee all the paperwork you sign and to help answer any questions you may have along the way.

A Real Estate agent will also stay in regular contact with your builder to ensure your project stays on schedule, acting as a liaison between you and your builder to keep everything on track.

**REMEMBER:** A sales representative working for the builder represents the builder first and may not always prioritize your best interests. Having your own agent means having a personal advocate dedicated to protecting your interests throughout the entire build process. This provides peace of mind, knowing you have someone looking out for you every step of the way.





**IS A NEW  
CONSTRUCTION HOME  
RIGHT FOR YOU?**



# WHY BUILD A NEW CONSTRUCTION HOME?

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There are many different reasons why people choose to build or buy a newly constructed home over a resale home. Here are the top three most common reasons:



# 1

## Customization

Building a new construction home gives you the flexibility to choose your own selections and customize your home.

# 2

## Warranties

A new construction home will come with required warranties by the builder and can vary by state that typically cover anything from faulty craftsmanship by the builder to utilities and structural.



# 3

## Safety & Efficiency

Most newly built homes are built to be more energy efficient and safer which can save you money in the long run and a healthier living environment.

# QUESTIONS TO ASK YOURSELF

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Purchasing a home is one of the biggest investments you'll make, and choosing to custom-build or buy a new construction home adds excitement and complexity to the process.

If you're considering custom building or buying a new construction home, here are key questions to ask yourself before getting started.

- How long do you plan on living there?
  - 1-5 years?
  - 5-10 years?
  - 10+ years?
  - ***(hint it may not make sense financially to custom build if it is not a long term home)***
- What is your schedule for starting?
  - As soon as possible?
  - 1-3 months
  - 3-6 months
  - 6 months or longer
  - ***(a custom build can take 6+more time, if you are in a bind and need something sooner, it may make sense to purchase a new construction home already under construction or spec home that has been completed. Or consider a resale home.)***
- What is your budget? **Building custom new can be more costly. If you are on a tight budget you may want to consider a completed new construction property or finding a resale home in good shape.**

# COMPARING A NEW HOME VS A RESALE

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What are some of the biggest differences between purchasing an existing home over building/buying a newly built home?

	New Construction	Spec Home	Existing Home
Flexible Timeline (custom builds take time)	✓	✓	
Customization	✓	Varies	
Old Character			✓
Location & Lanscaping			✓
Energy Effeciency & Savings	✓	✓	
Cheaper Sales Price			✓
Okay with unexpected repairs			✓
Prefer to fix up a home			✓
Mortgage Incentives	✓	✓	
Improved Air Quality	✓	✓	
Less Competition	✓	✓	
Smart home technology	✓	✓	
Less Long Term Repairs	✓	✓	

# COST COMPARISON

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When comparing the cost of custom building a new home versus a resale home on the market. Most of the time you will find that you are getting more square footage and space for your money by purchasing an existing home.

With that said, sometimes location is a factor, maybe you are not overly handy when things start to break. And maybe you just have a demanding job schedule where it makes sense to purchase something brand new for peace of mind and less maintenance.

Purchasing a spec/model home is a good alternative if you are looking for something more immediate and do not have the flexibility to wait on a custom build. But what you will find is even when comparing a spec/model home to existing homes you will still get more square footage for the price. That's when comparing the cost to remodel a property vs. building new is important to take into consideration.

## Average cost to remodel a home in Minnesota.

Bathroom Remodel

\$10k-15,000

Kitchen Remodel

\$30k-\$50,000

Home Addition

\$60k-\$100,000







# FINDING THE RIGHT BUILDER

# HOW TO DECIDE ON THE RIGHT BUILDER

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So you have officially decided to purchase a new construction home. So where do you go from here? First make sure you hire a knowledgeable Real Estate agent who knows the new construction builders in your area.



If you are looking at an existing or planned development, it is important to find out if the development has multiple builders or just one. And the timeline for completion of that neighborhood. If the neighborhood is fairly new, you will need to be okay living around construction. If the neighborhood has an open builder policy, it will be important to research custom builders in your area.



The unfortunate reality in the building business is some builders are truly not “custom” home builders. And many will cut corners to make some extra money at the end of the project which takes away from the quality of the build. So it is really important to work with your realtor to weigh your options.



It is essential to ask the right questions on how the builder runs their business. How will they communicate with you. Make sure you have someone communicating with you every step of the way.



Check out their reviews. Make sure they do not have an over abundance of complaints online or with the BBB.



# QUESTIONS TO ASK THE BUILDER

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Now that you have identified a few builders that are of interest to you. It's time to dig deep and ask a few questions to determine if they are a good fit to build your home. Here are some general questions to consider:

- How long have you been in business? Referrals?
- How customizable are they?
- Current timeline/availability to build?
- How do they handle design and selections?
- Current builder incentives?
- How do they communicate during the build process?
- What type of homes do they specialize in?
- How does the builder handle change orders?
- What suppliers do they use and how do selections work? Can you select items not held with their supplier?

When meeting with the builder, ensure you come prepared with specific questions/concerns and that the builder is providing you with detailed answers.

It is important to make sure you are feeling comfortable with the builders team and their personalities and communication process. Afterall, you will be working with their team for a good chunk of time.

By asking the right questions, you can narrow down the right builder for you.



A modern kitchen interior with a light-colored wall. On the wall, there is a large woven basket and a smaller cork circle. A wooden cutting board with a handle is leaning against the wall. A potted plant with green leaves is on the left. A glass jar containing wooden spoons is on the counter. A white ceramic bowl filled with lemons is on the right. The countertop is made of light-colored marble.

# FINANCING A NEW CONSTRUCTION HOME



# ALL YOU NEED TO KNOW ABOUT NEW CONSTRUCTION LOANS

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## What is a New Construction Loan?

A construction loan is a high-interest, short-term loan used to finance the costs associated with building a home from the ground up. Funds will only be available as long as construction is ongoing, typically one year or less. Depending on the type of construction loan you have, you'll be able to refinance it into a permanent, long term mortgage or pay it off completely once construction is finished.

## How do they work?

Standard home mortgages and construction loans are both used to make you a homeowner, but they work in very distinct ways. Most notably, the lender will pay builders, not borrowers, in intervals called draws. Another determining factor for payments will be construction phases, such as laying the foundation, installing plumbing, or adding the roof.

Before another draw is distributed, an inspector will arrive on-site to check building progress to ensure it's on time. This will happen at every stage of construction. During this time, you'll also be making interest-only payments based on the funds already used until construction is over.

## Types of Construction Loans

Construction loans vary depending on the project and your needs. Each type offers different advantages, disadvantages, and requirements. Here are five common types of home construction loans to consider when shopping around.

### ➤ Construction to Permanent Loan

Also known as a single-close construction loan, it converts to a standard mortgage once the building is complete. You only need to submit one application and pay closing costs once, with a fixed mortgage rate negotiated at closing.

### ➤ Construction Only Loan

Will only cover the construction of the home. Because this loan is short-term, you will have to find a way to finance once construction is over. But gives you time to shop for your mortgage.

### ➤ End Loan

An end loan is a different way to refer to your mortgage. Once construction on your property is complete, you'll have to pay off the end loan. To get an estimate of your payments, use a construction loan calculator.

### ➤ Builder Financing

Some builders offer financing, but due to the higher risk, they may require a larger down payment. The builder finances the upfront costs, and you take out a final end loan.

# HOW TO GET A NEW CONSTRUCTION LOAN

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Even though the application for a construction loan may be similar to a standard home mortgage, a construction loan is much more complicated. Here's a brief step-by-step overview of the construction loan process:

## Step 1

Talk with your real estate agent on referral partners for a new construction home loan. Depending on the builder, there is also a good chance the builder has a direct referral partner or in-house lender they work with.

## Step 2

Provide the lender with important financial documents, including W-2's, taxes returns, and bank statements.

## Step 3

Once approved you will meet with your lender to go over final pre-approval details. You will also need to supply the builder you will be working with a pre-approval letter at time of contract.

Builders in developments often work with referral partners or an in-house lender and will offer discounts off closing costs, rate buy downs or even basement finishes/fixtures for using their lender.

Builders will use their own contracts, similar to a regular sales contract, but will include specific terms related to the specific home being built. As your realtor I will read through these contracts with you.

Some builders will offer builder-financing. Which means the builder finances the build and you will close with a standard mortgage at day of closing. And others will require you finance your build by first purchasing the lot and your new construction loan would disperse payments to builder throughout the build.



# FILE PROCESSING, APPRAISAL & MORE

Once you have an accepted purchase agreement/contract with the builder your lender will work with the builder to disperse appropriate draws to fund the build. During this time the lender will still also be doing things such as file compliance, appraisal, underwriting, and buyer approval. Lenders also cannot release final funds to close until they receive a final certificate of occupancy and proof construction is completed.

**\*\*If you are purchasing a spec/model home under construction. You will not need a new construction loan and would finance this with a standard mortgage pre-approval.**

## Submit Files

Files submitted to title company and lender. This period may take some time, during which you will not hear anything new.

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## Appraisal

The purpose of the appraisal is for the bank to determine whether the value of the home is sustained. It is the buyer's responsibility to arrange and pay for the appraisal.

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## Final Underwriting

Your finances will be gone through on a deeper level. The bank will determine for sure if they will lend you the money. You may need to provide more documentation.

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## Final Approval

Everything is good to go on the title side and good on the finance side. We have the green light for closing - Clear to Close!





# **BREAKING DOWN THE NEW CONSTRUCTION TIMELINE**

# NEW CONSTRUCTION TIMELINE

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The new construction timeline can vary depending on whether you are building with a production builder/custom home builder or buying a home already under construction. Below is an snapshot of a typical build timeline



## *Step One*

### **Pre-Approval**

Before you can begin the new construction process. You need to determine how you will fund the build. Either with cash or a new construction loan.



## *Step Two*

### **Lot Selection/Closing**

Once the lot is selected, you will sign a purchase agreement to purchase and close on the lot.   
\*\*Note if the builder is financing your entire build you would not close on the lot but have one closing at completion of the home.\*\*



## *Step Three*

### **Final Paperwork**

You will finalize purchase contracts, build estimates & build contracts for the building portion of the home. Finalize paperwork with your lender.



## *Step Four*

### **Design Selections**

Once you get through the formalities, it's time for the fun part, your design appointments. Once your final selections have been made, you will sign on all upgrades/changes and finalize your final build amount to be financed.



## *Step Five*

### **Construction Kick Off**

The builder begins excavating and prepping the home-site for foundation and framing.



## *Step Five*

### **Final Walkthrough & Closing**

Once your home is near completion the builder will have a final walk through with you. During this time you will have the opportunity to address any issues that need to be completed prior to moving in. It is also a time for the builder to walk you through the home and explain the in's and outs of your home.



# LOT SELECTION & FINAL CONTRACT

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## Reserving Your Lot

If you are working with a builder in a development, you will need to determine which lot in that neighborhood works the best for you. Once you have decided on a lot, you will put a 7 day hold on that lot typically with a lot hold fee. This is typically refundable and gives you time to work through the purchase agreement with the builder, and takes the lot off the market.

## Initial Contract Signing

After determining which lot is the perfect fit for you and finalizing the details with the builder, the next step is signing the builder's contract. This important milestone not only formalizes your agreement but also places a permanent hold on the lot you've chosen, ensuring it's reserved just for you as you move forward in the exciting journey of building your new home.





# HOME DESIGN SELECTIONS

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Getting to select all that will go into your home is the single most important reason people decide to build a newly constructed home. You get to hand select all the pieces that go into making your house a home.

If you own a piece of land that is not in a neighborhood, you will have more flexibility when it comes to fully customizing the layout and design of your home. However, if you are working with a builder in a development there may be more restrictions on what type of home style can be built on particular lots. And most likely the builder has a range of home plans for you to choose from that can be semi-customizable. Again, this is neighborhood/builder and location specific.

When it comes to final selections, it is important that the builder is communicating to you what options are within your allotted allowances and what selections will be an upgraded cost. In a typical design appointment, you will be selecting everything from: siding, windows, trim, roofing, paint colors, flooring, tile, plumbing fixtures, and countertops.

And in some developments especially with the larger national builders, many times your options are limited in your selections. Some of the larger scale builders will only give you 1-3 options to choose from in each category. This is because they purchase the materials in bulk to bring the cost down.

So make sure to be asking these questions upfront before signing a contract with a builder, so you are fully aware prior to you getting to your design and selection stage of the build.



# REVIEWING YOUR BUILDING QUOTE

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As part of the final steps before construction begins, you will have an opportunity to review a final building quote. This will have all your updated numbers after final selections have been made. So what can you expect to see in your final building quote?

## Exterior Costs

This will include everything from site preparation/excavation, doors, trim, siding, roofing and landscaping. You will also see line items for add ons like decks, patios, porches. Most builds do not include these as options so make sure to talk with your build specifically on this if you would like one of these options.

## Interior Costs

This will include everything from your interior doors, trim, paint, cabinets, countertops, fixtures, lighting, flooring, all your appliances and so forth. This is also where you will find line items for your HVAC, Electrical and Plumbing.

## Upgrade Tips



When finalizing your selections it's important to go through your final line items on the builder's quote. This is your final opportunity to make decisions on which upgrades are worth your money and those that you can live without.



Kitchen and Bathrooms are notable areas to do upgrades, as that is where you spend the majority of your time. Going with the higher end appliances are also a good idea that may provide longer duration before replacement.



Choosing the cheaper builder grade options, are not always the best decision but a personal choice. Spending the money on the upgrades now means longer lasting durability and less renovations if you plan to live there long term.



# FINAL CONTRACT SIGNING

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Your almost there. You have selected your lot, signed initial contract with the builder to purchase the lot. You finalized your home plans and completed your selection appointments. You have reviewed and negotiated the builders final quote and finalized your financials. Now you are officially ready to finalize your contract.

## BUILDING BEGINS

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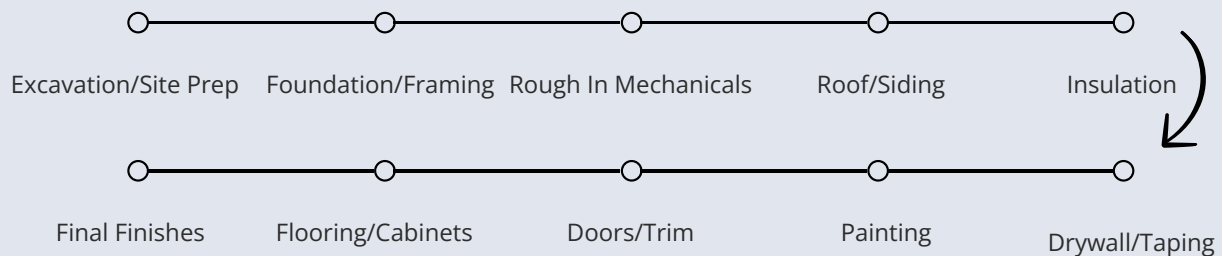
Prior to construction starting you will have one last pre-build meeting with your builder. Again, this varies by builder/development on how they work their processes.

You will review expectations, all the details in the contract and check-in on the selections to ensure nothing has changed this you had last met. This meeting is important to ensure your build goes smoothly and without and issues.

# STAGES OF CONSTRUCTION

No builder is alike and each may vary in terms of process and timing to completion. Below is a general average of what you can expect during your build.

## STAGES OF A BUILD



## Average Months to Completion

Type of Build	Months to Completion
Spec Home Under Construction	3-4 Months
Production Builder (builder with more than one lot in a neighborhood)	6-8 Months
Owner built with a custom home builder (owner purchases lot and hires a custom builder)	8-11 Months

There are many variables that can impact the timing to completion of a new home. And having clear expectations upfront will help you determine if building or purchasing a newly constructed home is right for you. Reasons your build may get delayed:

- Permits, Final Plans & Surveys
- Contractors Schedules
- Weather and Environment
- Buyer Indecisiveness

# B U I L D

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# STAGES

## STAGE 1 - BUILD PREPARATION

This is generally the time for permits to be submitted. Final survey is completed.

If you are working with a development builder, this is typically the time you are introduced to your construction manager.

## STAGE 2 - EXCAVATION/FOUNDATION PREP

This is when you typically see sewer, water, well or septic hookups happening.

Your site will be excavated and prepped for foundation work.

Your foundation will be built, rough plumbing to be completed, slab poured and block walls constructed.

## STAGE 3 - FRAMING/WINDOWS/ROOFING

Roof will be installed, exterior and interior walls framed, roof trusses will go up, windows installed & Roof is shingled.

## STAGE 4 - MECHANICAL ROUGH IN'S

All your mechanicals including, plumbing, hvac, electrical will be roughed in. this includes plumbing lines, electrical wiring and ductwork to be completed.

This is also a time that you will usually have an electrical walkthrough and make final decisions on electrical locations.

## STAGE 5 - INSULATION AND DRYWALL

Once all your final rough in's have been completed it is time to insulate the walls and put up drywall. once all the walls are drywalled we will have taping begin.

typically at this stage of the build, you are asked to not be in the property during the drying times.



# B U I L D

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# STAGES

## STAGE 6 - FINISH CARPENTRY AND PAINTING

the builders painter will be on-site painting walls and trim (if you are having custom trim painted).

Doors and trim install will follow suite behind painting.

## STAGE 7 - CABINETS, TOPS AND FLOORING

simultaneously while your interior trim finishes are happening, cabinets, countertops, and flooring will also be taking place.

this is a good stage to be stopping by your build site to make sure cabinet colors are looking correct and correct flooring was installed.

## STAGE 8 - FINISHING WORK

this is typically when builders are working on all the final finishing touches to your home. exterior siding can be done at anytime after framing is completed.

## STAGE 9 - FINAL HOMEOWNER WALKTHROUGH

This is the stage where you will have an opportunity to walk the home with the builder. You will mark any additional touch up locations with blue tape and ensure everything is in working order.

If you were going to hire an additional inspector now would be the time to do so.

Typically during this meeting the builder will also walk you through your home and go through your utilities and how to operate everything in your new home.



# FINAL BUILDING TIPS

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DON'T delay meetings, walkthroughs, and selection appointments. Doing so could delay your overall build timeline.

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Make sure your realtor is staying in regular communication with you and the builder. And make sure you are communicating back to both your realtor and builder in a timely fashion.

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DO NOT change your job or make any large purchases during your build.

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Take your time with your selections to ensure you are 100% happy with your new home.

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And finally, ENJOY building your dream home. I hope you find it to be a fun and an exciting experience.

# CLIENT TESTIMONIALS

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"I had an amazing experience working with Steve as our real estate agent while buying our home in Flower Mound, TX. From the start, he made the entire process smooth and stress-free. His knowledge of the local market and attention to detail were impressive, and he always made time to answer our questions and offer guidance. Steve was very responsive and professional, and he worked hard to ensure we got the best deal possible on the best house possible meeting our needs. If you're looking for a reliable, knowledgeable, and dedicated agent, I highly recommend Steve!" **Source Zillow**

"Rebecca McMahon is amazing! She sold our house and helped us build a new house, so my husband and I spent quite a bit of time with her. Rebecca is a:

- Proactive and clear communicator. We always felt like we were up to date. She would keep us aware of next steps at all times. She answered our (many) questions quickly, patiently, and honestly. She knows the local market very well.
- Great negotiator. She listens and then responds in a calm, logical way that makes it hard for people to say no to her. This calmness is one of my favorite things about Rebecca because selling & buying is stressful.
- Problem-solver. The selling and building processes went very smoothly. We attribute that to Rebecca's ability to keep on top of, and ahead of, potential problems.
- Caring person. We feel lucky to have worked with her and we consider her a friend."

**Source Google**



*We look forward to helping  
you build your dream home.*