



MILBACK CUSTOM HOMES BUILDER FINANCING

How Traditional Construction Loans Work

A home construction loan is a short-term, higher-interest loan designed to finance the building of a residential property. Typically lasting about one year, these loans are available through most local lenders. During this time, the home must be constructed, and a certificate of occupancy should be obtained.

To secure a construction loan, the borrower submits financial documentation, project plans, and timelines. Upon approval, funds are drawn as each phase of construction is completed, with borrowers usually repaying only interest during this period. A bank inspector periodically assesses the project to authorize additional fund disbursements.

Construction loans often have variable rates that fluctuate with the prime rate and generally carry higher interest rates than traditional mortgage loans. Since the property isn't fully built, lenders view these loans as higher risk, resulting in interest rates typically ranging from 5% to 10%, averaging about 1 percentage point above traditional mortgage rates.

Milback Custom Homes Has a Solution

To simplify the home-building process for our clients, Milback Custom Homes offers in-house short-term construction financing. Acting as an intermediary between you and your preferred permanent lender, our solution eliminates traditional construction loan complexities.

Key Benefits:

- No Closing Costs: Avoid the extra fees associated with traditional loans.
- No Interest Payments During Construction: Focus on building your home without the burden of monthly interest payments.
- One-Time Fee at Project Completion: This fee, calculated based on total construction costs and duration, is separate from the contract price, making it more straightforward and cost-effective.

What Milback Custom Homes Requires

To utilize our financing option, clients must meet the following requirements:

- Pre-Approval Letter: Provide a letter of pre-approval or pre-qualification from your preferred lender for at least 10% higher than the contract amount.
- Deposit: A 10% deposit of the total construction amount is required at contract signing to initiate the project.
- Final Mortgage Process: Approximately 60-90 days before construction completion, clients will be notified to begin securing their permanent mortgage.
- Property Transfer: The property will be deeded to Milback Custom Homes during construction. Upon completion, clients will purchase the house (and land) using a conventional long-term loan, streamlining the financing process.
- Final Payment: At or before closing, the purchaser will provide a separate check to cover financing expenses incurred during the project. This fee is distinct from the contract price.

At Milback Custom Homes, we aim to make your home-building experience as convenient and efficient as possible. Let us help you turn your dream home into reality!

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