

PLANNING GUIDE

The Barndominium Process

Section 3:
Financing your
Barndominium

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FINANCING Your Barndominium

In this section we will cover:

Planning Ahead

Communicating with Lenders

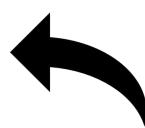
How Does DIY Affect Planning + Lending?

Appraisals + Pre-Approvals

How you plan to pay for your barndominium is obviously an important thing to consider. In the past, paying cash was normally a person's only option. Today, there are lenders readily available to loan for a build.

While the terms will vary from lender to lender, there are a few general things that you can take into consideration as you plan.

Our Finance page will have the most recent information on lenders that are barndominium friendly.



Visit our Finance Page!

The [Barndominium Budget Sheet](#) is a fantastic way to communicate your intentions with your lender, as well as providing them with confidence in your capabilities as a well organized self builder/contractor.

If you purchased this Planning Guide in the bundle, you should already have access to it.

If you didn't, you can follow the QR code here to view the product!



PLANNING AHEAD

Financing and budgeting for your barndominium go hand in hand. You'll likely go back and forth between sections as you make your way through the planning process.

This is going to be one of the most time intensive parts of this stage of your build, but having things organized and clear will save you so much down the road.

You'll also revisit these sections during the design phase. Having financing, budgeting and design all in sync with each other will keep you on track and limit some of the disappointment that comes with being unaware of what your financial options really are.

Below is a helpful checklist, but make sure to read on for advice on communicating with lenders.

Steps I have taken to plan my finances:

- | | |
|--|--|
| <input type="checkbox"/> Developed a monthly budget | <input type="checkbox"/> Contacted Lenders |
| <input type="checkbox"/> Determined a goal mortgage payment | <input type="checkbox"/> Applied for Lending |
| <input type="checkbox"/> Researched cost involved in my project | <input type="checkbox"/> Received Pre-Approval |
| <input type="checkbox"/> Calculated possible taxes on my project | <input type="checkbox"/> Understand my Loan Type |

Description of my overall lending plan:



COMMUNICATING

With Lenders

Simply asking if a lender will approve for a loan on a barndominium isn't enough. It's important to be able to communicate the type of construction you're planning to use so that down the road no one is surprised.

Barndominiums can still often be misunderstood, or lenders and counties are simply unfamiliar with these types of homes. You are constructing a 'Post Frame Custom Home' a 'Steel Frame Custom Home' etc. and referring to them as such can simplify the process.

Construction type

- Post Frame Steel Frame Stick Frame + Metal Cladding

Foundation Type

With post frame, keeping the wood posts out of the ground is something that most lenders will want. This drastically reduces the chance that a post could rot leading to major issues down the road.

- | | | |
|---|---|--|
| <input type="checkbox"/> Concrete Piers | <input type="checkbox"/> Monolithic Slab | <input type="checkbox"/> Crawl Space |
| <input type="checkbox"/> ICF | <input type="checkbox"/> Concrete Stem Wall | <input type="checkbox"/> Full Basement |

Do you have any restrictions on what type of foundation can be used?

Living Space

While barndominiums are known for their oversized garage areas, some lenders will have requirements of what % you need to have as a liveable area vs shop. They're considering overall resale appeal in this along with value. The less living space you have, the less expensive the build will be and that can cause issues depending on how much acreage you're building on.

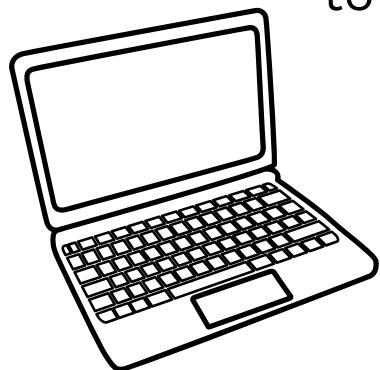
Are there limitations on how much shop vs. living space I can have, if so, what are they? _____

HOW DOES DIY Impact Planning + Lending?

You're a much higher lending risk as a DIY contractor or builder. It's just you and your word vs. a builder with a company. It is potentially more difficult for a lender to recoup their funds from an individual vs. a company. It also poses a greater risk that the work will not be performed properly since it isn't what someone does as a profession.

This doesn't mean there aren't DIY friendly lenders, but you want to be aware of the challenges they're facing and help to put yourself in a favorable position.

You'll want to treat this like a job interview and have things organized so that you can show your "resume." It has to be more than to save money. You need to be prepared to prove your skills, level of organization, and willingness to complete the project in the timeframe given.



Do you lend for Self-Contracting? If so, what are the requirements?

Do you lend for Self-Building? If so, what portions are permitted to DIY?

For DIY, what qualifications or proof of skill do I need to provide(if any)?

BARNDOMINIUM APPRAISALS

Pre-Construction Appraisals:

Often when you are getting a loan for your barndominium your lender will need to order an appraisal prior to closing on the construction loan.

The purpose of the appraisal is to see what your barndominium and property will be worth when construction is complete. This ensures that your lender is not letting you borrow more money than it will be worth.

It's important to include as many materials and labor bids as possible even if you plan to DIY. The project needs to be valued as close to as if it's been built for you to give you the most flexibility with your financing.

It's common for lending to be limited to 80% of the appraised value of the project. The remaining 20% will need to be made up by you either through the value of your already paid for/paid down land, cash, or the ability to build the project for less than what it's worth.

Fair appraisal value is a reason why it's important to work with a lender that understands barndominium construction.

Your project should be compared against other similar size builds, not necessarily a barndominium.

As a reminder, you're not normally required to borrow 100% of what you can but it's good to have the option. That way if your ability to DIY as much as you planned doesn't work out you aren't at risk of not being able to finish your project.



BARNDOMINIUM APPRAISALS

Final Appraisals:

When your barndominium build is complete, your lender will order a final appraisal. This is to ensure that the project has been completed according to what you've submitted receipts on, and that it is still worth at least as much as was projected in the beginning.



A lot of our DIY clients find that their appraised value at the end is greater than what they borrowed, sometimes giving them an opportunity to use equity for furniture or other needed items, or the satisfaction knowing they could sell for a profit.

In the rare case that the appraised value is not enough you may be asked to contribute more funds in the end to keep the loan to value at 80/20. If this happens to you, be sure to do your research and find out what comps were used, if there are any draws on your loan that you don't know about, and ask for as much information as possible.

If your lender seems resistant to helping and doesn't provide solid reasoning for the lower appraisal you can look for an alternative lender that might be able to help. This will come at some additional cost to you, but could be well worth it.

LENDING NOTES

Copy and use these pages as many times as you need as you research lenders.



Lending Institution: _____

Contact Name + Info: _____

Do you lend for Self-Contracting? If so, what are the requirements?

Do you lend for Self-Building? If so, what portions are permitted to DIY?

For DIY, what qualifications or proof of skill do I need to provide(if any)?

Lending Options

Do you offer land/lot loans? _____

Do you offer construction loans? _____

Do you offer one time close (OTC) loans? _____

What is the general process for pre-approval, construction, closing, etc.?

How long will I have to complete my build? _____

I have cash, can I start construction using my cash prior to using a loan?

PRE-APPROVAL NOTES

Pre-Approval Option 1:

Bank: _____

Loan Amount: _____

Downpayment Amount: _____

Downpayment Type: _____

Notes:

Pre-Approval Option 2:

Bank: _____

Loan Amount: _____

Downpayment Amount: _____

Downpayment Type: _____

Notes:

ADDITIONAL NOTES

- | | |
|--------------------------|-------|
| <input type="checkbox"/> | _____ |
