

Term

construct to perm	A construction loan in which the buyer already owns the lot and wants to build on it. The down payment needed is based on the value of the lot. The lender works to approve the buyer for permanent financing but begins with construction financing before refinancing it into a mortgage. The lender vets the builder to ensure that construction is not too big of a risk to lend money for. Also known as a "two-time close", since the buyer must sign separately for the construction loan and permanent loan.
construction loan	The type of loan made to finance the construction of a new home or commercial building. It is a short-term loan used to finance the building of a home or real estate project.
Cost Plus	An extra cost built into some home building costs, such as granite, that might go up in price over the course of construction. This ensures that there are no surprises with obtaining enough financing to cover the cost of the home. Typically, there is a 10% extra cost built into construction to account for these changes in price. If the actual cost turns out to be less than was charged, that is adjusted at closing. Method of pricing a service or product in which a fixed profit factor.
Date Down Endorsement	Date Down Endorsements extend the effective date of a previously-issued loan policy.
mechanic's lien	A statutory lien that secures payment for labor or materials supplied for improving, repairing or maintaining real property. The subcontractors can put liens against the property to ensure that they are adequately paid when there is a dispute with the builder.
pre-approval	The process in which a lender checks the buyer's credit and confirms his or her ability to qualify for a mortgage of a specific loan amount for a particular period of time.
regular construction	A construction loan in which the builder already has credit lines, blueprints, and plans to build in a certain area, such as a subdivision. Financing for construction is straightforward; the builder often gets the construction loan and works through that on their end instead of the buyer's.
spec home	Short for "speculative", a new home that is already built by a builder before a buyer agrees to buy it. The buyer only specifies details such as carpeting. Closing does not take as long for this type of house as it does for other new construction.
subordination	When a builder owns a larger lot to be split up and built upon, it begins with a lien on the lot until it is paid for that prevents construction. Subordination is the process in which the builder releases the lien on the individual lot so that building can begin. No subordination occurs when the lot is already owned by the buyer, as it must be paid off with a construction loan.
take-out loan	A take-out loan is a type of long-term financing that replaces short-term interim financing

Concept

Builder's License	Ensure that the builder has the license required to build in Utah as part of being sure that they are a reputable company.
Construction Loan Draw	When the builder has completed certain portions of construction and proven that it is being built to code, this is the request for more money from the loan to continue construction. Multiple draws can be done during construction.
Down Payments in a Construction Loan	Lenders often require the buyer to put more money down than with conventional property purchasing, perhaps 20%. If the buyer owns a lot that will be built on, that lot can be used as equity towards the loan.

Getting Addenda to the Lender	When addenda to the new home contract are agreed upon, they must be passed along to the lender to ensure that the cost is not going above how much the buyer is approved to borrow from the lender.
Legal Safeguards	Buyers pay a substantial deposit to the builder to ensure that the buyer is sufficiently serious about making the purchase and not going to back out once ground is broken. The deposit counts towards the down payment, and it is held by the title company so that it is protected for the buyer against misuse by the builder.
Lien Recovery Fund	The Lien Recovery Fund is a great source of payment for subcontractors and suppliers of construction materials on residential property. It is also a great source for homeowners that are forced to deal with mechanic's liens
Methods of Disbursement	Lines of credit can be pulled upon as construction is completed. Each time a draw is done, construction is inspected to ensure that it is done correctly and that money is correctly used. Be sure that your buyer stays in contact with the builder and is not being taken advantage of by them.
New Construction Timeline	The breakdown of construction work over various stages. Closing on new construction can take a much longer time than closing on an existing home, since homes take a substantial amount of time to build. Approval for financing is done before ground is broken, but lenders usually do not want to pre-approve more than 6 months out.
Warranties Offered by a Builder	A one year "bumper to bumper" warranty is common for builders; if there are any problems on the home within the first year, the builder sends in subcontractors to correct the issue. This is standard for builders in the state of Utah. Some builders distinguish themselves with more extended warranties on foundations.