

READY TO BUILD? HERE'S WHERE TO START.

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Building a new custom home is incredibly exciting and it can be tempting to focus on the finished product, but before you start making selections for cabinets and counter-tops (and all the other fun stuff), you will need to develop a plan. Having a well thought out building plan will help keep your dream home from becoming a headache.

While there are many important factors that go into the construction of a new home, budget is the most significant consideration. You should start planning your budget as soon as you make the decision to build. Here are few points to consider when establishing your budget.

Talk with a lender. To build a new custom home you will likely need a construction loan or mortgage. The first step is to determine how much of a loan you qualify for based on your income, your debt and any other financial obligations. Your lender can prepare a preapproval that will tell you how much home you can afford to build, and it will help you stay within your price range as you shop. Your lender will ask you to provide financial documentation such as W-2s, tax returns, pay-stubs, bank statements and retirement account statements. Before finalizing a construction loan, you will need a builder's contract that details the costs and time line for the build.

Your lender will also go through all your loan options. The most common type of construction loan is a construction-to-permanent loan. With a construction-to-permanent loan you will borrow the money needed to build your home and once the house is complete, the loan converts to a traditional mortgage. The benefit of this type of loan is a one-time closing meeting and you only pay one set of closing costs. This can save you both time and money.

Since you will be working closely with your lender throughout the entire building process, you will want to choose a lender who you trust and who has experience in construction financing. Working with a local lender may be especially helpful, as they will have relationships with local appraisers, title companies and other necessary services and can offer insight on the local real estate market.

Understand property taxes. When you buy an existing home you already know what the property tax costs are. That is not the case when you are building a new home. You will need to do a little research to calculate what the taxes will be on your new home. Initially you will only pay taxes on the land. Once the home is built, your taxes will increase to include the full property value. The difference in property tax rates can vary greatly from community to community. For example, a \$450,000 home built in a one county suburb may have annual property taxes upwards of \$10,000. The same home in another county town could be closer to \$5500. A \$4500 difference can be a budget breaker and can impact your ability to build in specific communities. You can find the tax rates for many municipalities online or by contacting the county treasurer's office. Tax rates are percentages or dollars per \$1000 in property value. Once you know the approximate value of

your finished home, you can estimate what your taxes will be.

Choose (and improve) a lot. You will need to buy a lot or land to build your new home on. However, buying land is not the same as buying an existing home. There are additional considerations and costs when purchasing land. This is great time to enlist the help of a professional builder who can guide you through the process and make sure you choose a suitable lot to build your home on.

1. Water and sewer - You will need to know if there are water and sewer connections to the land or if you will need to install a well and septic system. The purchase and installation of a well and septic system can have a large cost range, while connecting to existing municipal water and sewer will be more predictable.

2. Topography and condition - The topography of the lot will ultimately determine things like a full or partially exposed basement or the size and slope of your yard. You need to factor in these costs. You will also want to make sure a soil test is completed to ensure the land is buildable and to get recommendations for grading, drainage and foundation design. A soil test will alert you to any potential hazards that can affect your property. Be sure to add in the cost to remove any trees or clear the site of debris.

3. Impact fees - Impact fees are charged by each municipality on new development. These fees are used to offset the impact the new development has on infrastructure and services like fire, police, sewer, water and parks. Impact fees can range in cost from a few thousand dollars up to tens of thousands. Each municipality can provide you with a list of their fees.

Plan for the unexpected. Despite how carefully you plan, something unforeseen and not in your budget will happen. In those circumstances you want to have the ability to make decisions based on your preferences, not solely based on budget. To avoid going over budget and the stress associated with that, build in a contingency fund. When a problem arises, you will be happy that you did.

Building a new home is a huge undertaking. Working with an experienced builder will ensure a smooth process. From start to finish, the professionals at Halen Homes will help make sure your custom home is built with a thoughtful plan and a realistic budget, so your new home becomes your dream home.

Halen Homes is a locally owned and operated residential home builder based in Pewaukee. Halen builds custom single-family homes and luxury condominiums throughout Southeastern Wisconsin. To learn more about building your own custom home or condo, visit HalenHomes.com.

