



Modifications

Choosing
A
Builder

The
Finishing
Touches

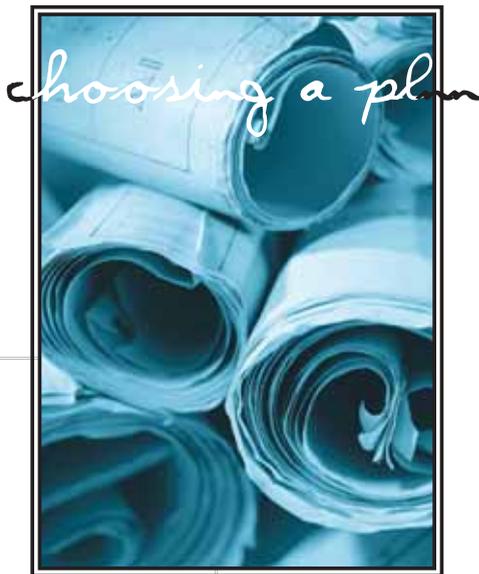
Choosing
A
Plan

Financing

A Step-by-Step Guide to Building Your Home

by Kirk Baruth

Wouldn't it be nice if building your own home was as easy as constructing the toy houses of your childhood? You'd get out a set of plastic or wooden blocks and arrange them exactly the way you wanted. If you weren't happy, you could knock the whole thing down and start over. Unfortunately, there's no Lincoln Logs kit for constructing a habitable dwelling. Careful planning, however, will ease you through the process. Building a home isn't child's play, but taking the time to educate yourself about what you're likely to encounter will keep you from going gray before your time.



Finding the perfect plan may be time consuming, but it's key to the success of building a home. If you're not in love with the final product, even if it's only on paper, you won't be committed to seeing it through to reality. You may already have a picture in your mind of what your dream home looks like. It's important, however, to ask yourself a series of questions that can help you choose a plan that works for you. The answers will provide direction for finding the home you need, not just the home you think you want.

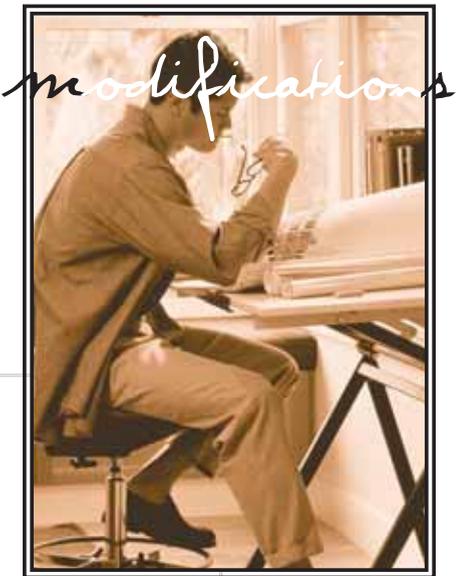
First, ask yourself a series of lifestyle questions. Are you single or married? Do you have small children or will you in the future? If so, will each child require a separate bedroom or will they share rooms? How many bathrooms are necessary to adequately fulfill the day-to-day needs of the family? Do you have parents who may be living with you in the future? Do out-of-town visitors often stay overnight? Do you frequently work at home? How often do you entertain? Do you require separate formal and informal spaces for different occasions? The answers to these questions may indicate the floor plan that best suits the way you live.

For example, answers to the first few questions help determine the number of bedrooms and bathrooms you need, perhaps the most important element of a floor plan. If you have elderly parents or frequently host overnight guests, you may want to consider a floor plan with a separate guest suite that includes a private bath or private access to a full bath. Answering the question about how often you work at home can determine whether a plan with a designated home office, study or quiet computer alcove is a smart investment. Answers to questions about how you entertain can help you decide what types of common rooms you'll need. If you enjoy entertaining on a grand scale, you may want a set of formal rooms (formal living and dining rooms or a library, for instance) that provides the space and the proper atmosphere for such occasions. If your entertaining habits are more casual, you may opt for a large family room adjoining an open kitchen, instead. Many people today choose plans that feature a central Great Room, the character of which can change to suit your entertaining mood, from formal to casual.

Next, ask yourself what kinds of activities you enjoy. Are you an indoor or outdoor person? If you prefer spending time inside, choose a plan with features that enhance your leisure time: a fireplace, space for media equipment, a hobby room or a studio, or a gourmet kitchen. If you can't resist the call of the great outdoors, consider a plan with an open porch, a screened porch, a deck, a terrace or some other space that functions as an outdoor living room. Does the plan allow enough lawn area for children to use for outdoor games and sports? If gardening is your passion, consider the benefits of a plan featuring a

mudroom in close proximity to the utility room and a half-bath, perhaps. Or choose a floor plan that offers multiple outdoor views overlooking your handiwork.

Finally, the geographical features of your lot, if you've already purchased one, may determine the home best suited to it. A narrow lot usually calls for a design that rises up instead of spreading out. A wide, shallow lot, on the other hand, is perfect for a one-story rambler. A sloping lot offers you the chance to build a home with a daylight (walk-out) basement or an inconspicuous, tuck-under garage. For a scenic lot, you may want a design offering outdoor spaces like decks or porches that provide a panoramic view. If you haven't yet selected a lot, be sure to keep all of the above factors in mind when doing so.



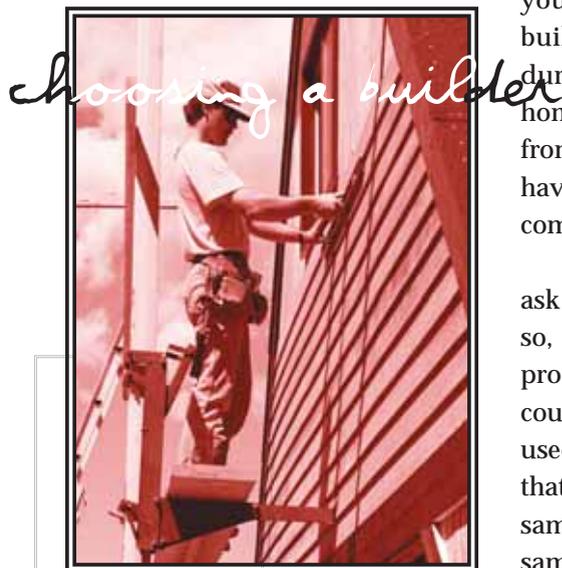
Chances are you'll find the home that fits your needs among the thousands of designs HomeStyles offers. If not, you have the option of modifying a plan so it's exactly what you want. Modification involves having an architect or draftsman redraw part of your plan to incorporate features that better suit your needs. Typical modifications include changing foundations,

adding rooms, changing the exterior wall framing to accommodate environmental conditions, and even going so far as to change the exterior look of the design (Do you prefer a Tudor-style home over a farmhouse? No problem!).

Homeplans Design Services of St. Paul, Minn., modifies hundreds of plans every year, in addition to producing original designs. The average price of modifying a plan is \$800 to \$1,600, well worth the cost to get exactly what you want. (By comparison, the average fee charged by an architect to design your home from scratch is 10 percent of the final cost of the home, or \$20,000 for a \$200,000 home.)

"In most cases, individuals find a plan that is close to what they are looking for but would like to make some changes to better fit their specific needs," says Jim Verhaest, director of sales and marketing for Homeplans Design Services. "We work with the client personally to create or redesign the plan in accordance with their design ideas and budget-related concerns."

Companies like Design Services usually prefer to be contacted before you've purchased your blueprints. DesignServices associates offer free estimates; you can call them toll-free at 1-888-2MODIFY.

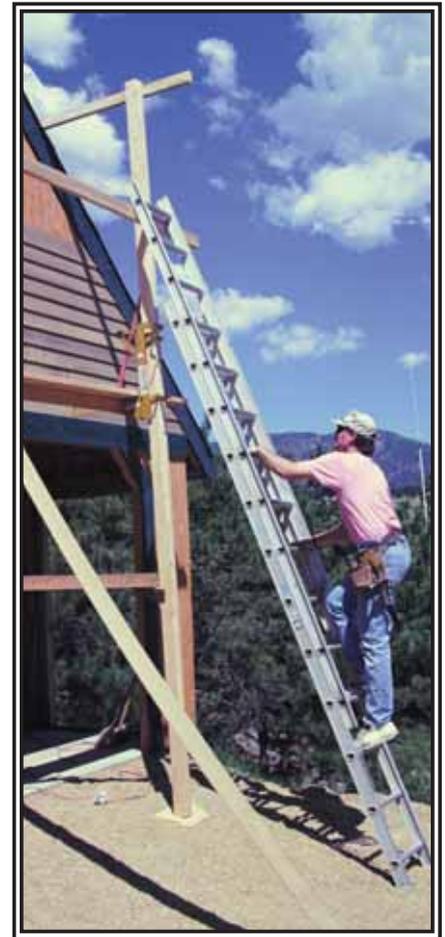


Builder, the magazine of the National Association of Home Builders, offers several tips for choosing a person or company to construct your dream home. The first step is to *find* a builder. As with locating any other professional with whom you seek to establish a relationship of trust, the best referrals often come from friends who have built a home. Ask them for recommendations, as well as for the names of builders they rejected and the reason. A local home building association can provide you with a list of builders in your area, though most, in an effort not to play favorites, won't refer you to a specific builder. You can even check sources such as real estate agents, hardware store owners, loan officers at banks, or others who commonly deal with the residential construction industry. *Builder* offers its own professional directory accessible through its Web site (www.builderonline.com).

Compile a list of potential builders, then schedule visits and get a rough estimate from each. Take your house plan with you, and ask to see a portfolio of the builder's work. At this meeting, it's important to get a sense of how you interact with the builder. Is the individual responsive to questions, and does he or she provide information without you asking? Remember, your builder will be your best friend during the construction of your home. If you get an uneasy feeling from the start, chances are you'll also have problems down the line, when communication will be vital.

Choose up to five builders and ask each to submit a final bid. To do so, they'll need a list of the specific products—from faucets to kitchen countertops to windows—you want used in the construction. Make sure that each builder is working off the same set of blueprints and the exact same list of finishing materials, or

you'll end up with skewed bids. When the bids come in, don't necessarily discount the highest and assume the lowest is the one you want. Some builders low-ball an initial bid and are then forced to cut corners to meet the budget.



Just as important as the builders' bids are their reputations. *Builder* magazine recommends making sure that each of your potential choices is sufficiently insured, bonded and licensed. Requirements vary by state, so check with the state agency responsible for registering builders (in most states it's required), and see if your candidates meet the basic criteria. Don't be afraid to ask for proof from the builder; a builder who has nothing to hide will produce such documentation willingly. A state licensing agency or a local chapter of the Better Business Bureau will be able to tell you whether builders have ever had a

complaint filed against them. Talk with past clients, too, and find out about their experience with a particular builder. Make sure to visit a home that was completed in the not-too-recent past to see how it's holding up. After all the information is in, choose the builder that best meets your criteria.

financing a home



Choosing an institution to finance your new home won't be nearly as hard as choosing a builder. However, if it's your first home loan, you may feel lost in the maze of banking jargon you encounter. Don't worry. As with the rest of the home-building process, remember that others have made it through, and you will too.

To start, remind yourself of something your grade school teacher used to say: there are no stupid questions. No one expects you to be an expert at financing or building a home, especially if it's your first, so ask questions. Doing so may even help you avoid costly mistakes. Follow another of your teacher's instructions: take notes. Write down the meanings of terms that are new to you, or that you want to get more information on at a later time. Many banks even offer handouts explaining the language of financing. If they don't, ask for one; the chances are

good that loan officers have something they can photocopy from a resource book they themselves use.

The first step in financing your home is determining how much you can afford. The rule of thumb is that your mortgage should be no more than 2-2½ times your annual salary. Another standard dictates that homeowners spend about 38 percent of their annual salaries (after taxes) on total housing costs—including mortgage, insurance and utilities. Remember to take into account your changing financial circumstances over the life of the loan (up to 30 years). Do you expect your income level to remain stable, increase or decrease? Do you have young children, or will your family be expanding in the future? Will education costs affect your family over the course of the loan? A good loan officer will review all these factors with you.

Your loan officer will also ask to see certain financial documents. These could include the purchase contract for the house, bank account numbers, bank branch addresses, recent bank statements, pay stubs, W-2 forms, information about all loans, debts and credit cards, mortgage or rental payment receipts and a Certificate of Eligibility from the Veterans Administration if you want a VA-guaranteed loan. If you are self-employed, the lender may also want to review business tax returns and balance sheets from the past two or three years.

It's likely that you'll end up with one of two types of mortgages. Perhaps the most common in the past has been the 30-year fixed-rate mortgage (FRM), which carries the same interest rate and the same monthly payments throughout the life of the loan. FRMs are also available in 15-year terms. The 15-year mortgage carries a higher monthly rate, but the amount you

pay in interest is lower over the life of the mortgage.

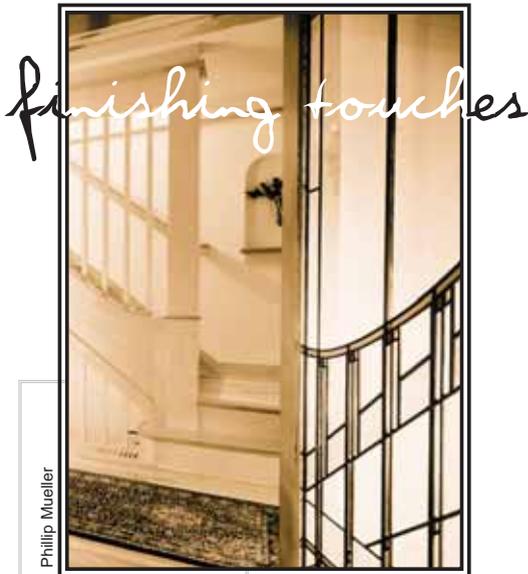
Because interest rates fluctuate from week to week and even from day to day, the rate a lender quotes when you are shopping around could be very different from the rate available when you finalize. Those rates can also increase after you apply for the loan, but before finalization. A few percentage points can dramatically increase (or decrease) the total interest you pay over the life of the loan.

Many lenders offer a lock-in on a quoted interest rate and sometimes on the number of points quoted. (A point equals one percent of the amount borrowed. Lenders often charge points to increase the yield on a mortgage and to cover loan closing costs.) The lock-in ensures that if interest rates increase before finalization, the borrower can still secure the loan at the terms previously discussed. Lenders often charge a fee for the lock-in, which lasts for a pre-determined time—usually between 30 and 60 days.

An increasingly common type of home financing is the adjustable-rate mortgage (ARM), so called because the interest rate adjusts periodically throughout the life of the loan. Many lenders advertise ARM interest rates that are much lower than those for fixed-rate mortgages. Those rates often last for a short time and, after that initial period, the rates are adjusted on a regular basis. The time between rate changes—called the adjustment period—is usually one year. Three- and five-year adjustment periods are also available.

An ARM allows you to take advantage of low initial rates. If interest rates drop over the life of the loan, you could also save money over an FRM. However, if interest rates rise, you could end up owing more than you would have under an FRM. Before assuming an ARM,

evaluate how your finances will change in upcoming years. Can you afford monthly payments that could be higher than those you started with? A federally mandated cap on ARMs may help, but you should still work with your loan officer to find the type of mortgage that's of most benefit to you.



Philip Mueller

Now comes the fun part. After you've selected your plan, hired a builder and secured a mortgage, your dream home begins to take shape before your eyes. This is no time to sit back and take it easy, however. The final touches, the little parts of yourself that make a house a home, have yet to be applied. It's at this point that you'll need to ask yourself whether hiring an interior designer makes sense.

The expertise of a certified interior designer extends far beyond aesthetics. In addition to space planning, lighting design, color coordination and the selection of materials, furnishings, fixtures and finishes, interior designers possess a working knowledge of interior construction, fire and building codes, and safety, energy and environmental issues.

When seeking an interior designer, you may want to consider working with a professional with



Mark Englund

membership in the American Society of Interior Designers (ASID). This organization represents the highest level of interior design professionalism, and its membership requirements are demanding. An applicant must fulfill educational and/or practical experience requirements, be engaged in professional practice, and have completed the National Council for Interior Design qualifications exam. ASID offers an on-line nationwide referral service (www.asid.org) as a valuable starting point.

Request from all potential designers a list of three to four previous clients, and ask the clients about their satisfaction with the designer's work and working style. You should schedule a meeting with the designer to review a portfolio of past work and to discuss expectations. Inquire about the designer's education, training, experience, professional affiliations and other credentials. He or she will explain the design process and how design services are charged. Ask about available services, cost

estimates and what the designer can do to maximize your budget.

Whether you decide to consult a professional or follow your own intuition, good planning and a realistic idea of what you want to accomplish will help your interior design project immensely. First, identify your likes and dislikes. A knowledge of your own tastes is essential to creating an interior you love. Go through your current home and identify the items that do and don't work for you. Note pieces of furniture, antiques, special objects and anything you want to keep, so you and your interior designer can incorporate these objects into the new design. Then, peruse how-to books and your favorite magazines for ideas on design style and technique. Visit furniture stores, department stores and model homes for additional ideas and inspiration. Take pictures of what you like. Perhaps most importantly, make sure family members agree on the plan before you start spending money on furnishings or interior design fees.

Take a step-by-step approach to your design project. Decide how and by whom each space will be used. Matching your design to the way you live is essential. Whether a room is to be used for relaxation, entertaining or work, its use will determine its design and the elements that go into it. Remember to be realistic about the



Mark Englund/Homeplans, part of Move

size and scope of the space you're considering, and choose a design that reflects the mood you want to create while meeting your functional needs.

Examine the special features and the possible shortcomings of the room in question. Is the ceiling too low or the room drab? Do you need more storage space or a special computer or hobby area? After you've answered a few basic questions and critically assessed your needs, you'll have a specific idea of how to proceed. Find a focus for each room—a cornerstone upon which to build the design and decor of the rest of the room. If the room doesn't have something that naturally draws the eye, such as a picture window with a great view, you can substitute a striking piece of furniture or a group of smaller elements, such as flower

arrangements, to create a focal point.

Finally, decide what you really want and what you can live without. Go to stores and price the design elements. Develop a list of priorities that addresses your monetary and time limits. Also keep in mind size limits for furnishings. Make a grid on a sheet of graph paper of the room you're working on; one square on the paper should correspond to a square foot of floor space. Sketch in doors, windows, heating and cooling outlets, and any other features of the space that determine where you can place furniture. Then, take both your floor plan and a tape measure with you when shopping. A couch that looks just the right size in a spacious showroom can overwhelm a modest-sized area.

Remember that certain decisions regarding your interior layout must be completed early in the planning process. Kitchens and baths, especially, require the ordering of appliances, countertops, faucets and fixtures that may influence a builder's estimate of how much it will cost to construct the home.

A satisfying building experience hinges on your ability to be *proactive* rather than *reactive*. In this endeavor, more than any other you may undertake in your lifetime, forethought is crucial. Careful planning is the key that will unlock the door to your dream home. 🏠



Sources:

"How to find the Right Builder," *Builder Best Home Designs*, Mid-Spring 1991; Laura Lentz, "Interior Definers," and Jessica Tolliver, "Realize Your Dreams: A Guide to Financing Your New Home," Homeplans, part of Move; Jim Verhaest, Homeplans Design Services