

# Prepared by Liscott Custom Homes, Ltd

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General Process of Building a New Home:

## I. How will you pay for the home build??

There are several ways one can pay for the build of a new home. The first is simply having your own cash saved to do this, which of course is the simplest. Most people building a new home will need to get financing from a bank. When a bank finances the new home build, you will have to work with a bank that does "Construction" loans (the initial loan that will be used to pay for the actual building of the new home) and then the "Perm" or "Take-Out Loan", which you will need to have been approved for and have in place before you can close on the "Construction" loan. Not all banks do "Construction" loans, so be sure to ask your banker if they do. If not, Liscott Custom Homes, Ltd has several banks that they can refer to you that do construction to perm loans for new home builds.

Generally, banks require the borrower to have a minimum of 20% equity injection of the total project cost for a conventional loan. Some banks do offer FHA loans, where the equity injection can be as low as 3% to 5% down, but keep in mind that you will have to pay a Mortgage Insurance Premium each month on top of your normal mortgage payment when you use this type of loan due to the fact that you did not put 20% equity into the project.

This is the first step in any new home build process, immediately get in touch with your bank or the ones we can refer to you and determine how much you can afford for your new home, what kind of down payment do you need to have available for the equity injections, rates and terms, etc. You will then know exactly how much money you have to work with to build your new home.

## II. Understand how to budget for your new home

Once you have talked to the bank and understand how much your total budget is; now you are ready to use that information to break that budget into the three areas the money will need to be used to build your new home. There are three areas that you will need to budget for:

- 1) Land Acquisition or Payoff of existing land you may have already purchased
  - a. If you currently own land and there is no loan against it, you have this category completed.
  - b. If you already have land and have an outstanding loan against the property, the bank you work with to do your construction loan will pay that off, so they can put the land in their name as their collateral. So you would need to deduct from your total budget the amount of the land payoff.
  - c. If you do not have land, then you should identify the piece of property you desire to purchase and then deduct from your total budget the cost of acquiring the property.

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- 2) Site Improvements needed on the land
  - a) You will need to budget for getting the site ready for your new home and getting the necessary things required by the city or county your building in to get your final C.O. (Certificate of Occupancy). These items can include (but are not limited to): building permits, engineering of septic systems/foundation, etc., road work, wells/water source, septic/sewer source, gas source, excavation, foundation, sill plates, steel infrastructure, water proofing foundations, backfill, getting utilities from the source to the foundation, final utility connection to the home, final grade, step/decks to home door entries, garages or outbuilding, etc. You will find attached a general site improvement budget sheet that the banks will need completed as to finalize your loan.
- 3) The actual Modular or Off-Site Built home
  - a) This budget category should include the home you have worked with Liscott Custom Homes to design and meet your needs, sales tax for the State of Colorado, delivery from the factory to your job site, the crane service to lift the units off the truck onto your foundation, the cost of the licensed set crew to attached the modular units to your foundation and together, the completion of any factory ordered exterior siding that is not installed on the home at the factory, the “interior stitch” completion work on the home and the carpet or other flooring (if ordered from the factory as part of the home) installed in the home that was not completed at the factory. Liscott will provide to you a specific “Set and Trim Disclosure” as part of your home contract, which will detail for you specifically what is include in your contract with Liscott. This is completed at the time your order your drawings for your new home.

The process of working through the budget generally is as follows:

- 1) Identify the property where the new home will be built. This is very important as this will dictate the actual design of the home (example, if the property has a specific view, Liscott would want to help you design your new home to take advantage of this view from the main living areas of the home by making sure to design in the right amount of windows in the home in the right locations).
- 2) Work with Liscott to design your new home. Working with your budget in mind, Liscott will help you focus home designs that would work within your budget. Once Liscott has designed your new home and discussed with you the specific items you desire in your new home, Liscott will then go to work getting the home costed, so that we can get the budget number for item #3 above in the budget categories. This takes about 5-7 days depending on the complexity of the home design. Once completed, Liscott will then present to you a formal written proposal for the modular portion of your budget (this will include details of all items in the home and in each room as well as detail, for you, of the cost of any options or upgrades you asked to have included in the home).
- 3) The next step to move the process forward would be for you to order the drawings from Liscott for your new home. The drawings (plans) for your new home are needed for several reasons,

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including getting the bank loan to continue to be processed and move along as well as getting a formal set of drawings with specific information that can then be used to meet with site improvement contractors to complete an accurate site improvement budget that the bank will need.

- 4) Once the plans have been ordered and arrive (this take approximately 2-3 weeks for the factories to send back the Prelim set of plans), we then meet at the site with site improvement contractors to discuss where the home will be placed on the property, location of wells, septic, driveways, etc and discuss with the contractor exact what will need to be included in the site improvement budget. Then contractor will then prepare formal written bids for this work. This can take 2-3 weeks. You will then have the bids required by the bank to complete your construction budget.
- 5) Once the bank has the information above, they will then order an appraisal as if the home where built. This appraisal process and time can vary by time of year, location, complexity of the project, etc. So it can take 2 weeks to 6 weeks+ for the appraisal to be completed.
- 6) Once the appraisal is back, and if everything is ok, the entire file is sent to an underwriter for review and approval at the bank, which can take 1-2 weeks. If approved, then your loan is scheduled for closing and once closed, we are ready to start the home build. If your purchasing the land with the construction loan or have a payoff to do, the first check out the construction loan will be used to pay-off the land.

Once the loan is approved and a Build Deposit from the loan is secured with Liscott (along with a Bank Commitment Letter), Liscott will then place the order with the appropriate factory for your home and ask for a production on-line and off-line date for your home. The factory will then schedule and confirm this back to Liscott, so that we now have a firm production start date. Production of the home, once the factory starts your home, can be 3-6 weeks, depending on the factory, complexity of the home, time of year, etc.

Normally, once the loan is closed, the site contractor will immediately begin the permit process with your city or county and once permits are issued, will start the foundation. So, while your home is being built at the factory, the foundation is going in at the same time.

When the home is completed at the factory and your foundation is in, Liscott will then transport your new home to the job site (which can take a day or two depending on the location of the factory and where your job site is). Then the home is set on your foundation, attached, etc-called the technical set of the home. This can take 1 to 4 days depending on the home design and number of modules.

Once attached, Liscott will call the State of CO for the first of two inspections. This is the installation inspection, where all the attachments of your home are inspected to make sure they have properly been completed.

Once inspection has been completed, Liscott scheduled their exterior siding crew to the site and completes any of the factory ordered siding on the home that was not installed at the factory. This can

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take 2-4 days once the crew is on-site. Meanwhile, the site contractor is doing utility connections, steps/deck, etc to complete the home.

Once the site contractor has power, water and sewer working in the home, Liscott will schedule the "interior modular finish crew" to come to the site and complete the drywall, doors and trim at the "marriage lines" of the home units, do any drywall crack repairs, adjust doors and windows now that the home is on the foundation, etc. This can take 5 to 12 days, again depending on the complexity of the home and what needs to be done.

Once the interior stich is completed, Liscott will install any carpet or other flooring ordered from the factory and not installed. Depending on what the flooring is, this can take 1 to 5 days.

Liscott then calls the State of Colorado back to do their final inspection, which is call the Habitability inspection. They do their inspection and then place a Colorado seal on the exterior electrical disconnect of the home. Now the site improvement contractor can call the local city or county building inspector and ask for the C.O. (Certificate of Occupancy) inspection. This inspector looks for the state seal and notes the state has completed their inspection and then proceeds to do the final inspections on the site work done. If approved, the inspector issues the final C.O and your ready to move in!!!!

Now your ready to move in and convert your construction loan to the "Perm Loan".

As a general rule of thumb, it can take 45 to 90 days+ after the home is set, to get the final C.O., depending on complexity of the project, time of year and specific permit and inspection requirements of the local city or county jurisdiction as well as customer desired on-site built garages, porches, outbuildings, etc. This certainly can vary for each specific project based on what needs to be done.