

Buying a new construction home is an exciting journey, and for most buyers, securing financing is an important step in the process. As Brighton's preferred mortgage lender, Dave Perry of [Guild Mortgage](#) contributed this blog post to help guide you through the process, whether you're buying a completed new home or securing a traditional home loan for a home that may not be completed for several months. This article will cover key steps and important considerations to ensure your loan process stays on track from pre-approval to closing.

1. Understanding Traditional Home Loans for New Construction

If you've been researching building or buying a new construction home, you may have run across information on "construction loans." What some people may not realize is when purchasing a newly constructed home directly from the builder, you will generally qualify for a traditional home loan. This is certainly the case when you buy a new home from Brighton.

There are four main types of loans available to buyers purchasing a new-construction home from Brighton. The first three we'll look at are government-insured loans.

FHA Loans

Backed by the Federal Housing Administration, FHA loans require only 3.5% down and offer fixed-rate or adjustable-rate mortgage options. FHA loans are known for being a little more lenient on credit score and debt-to-income ratios.

VA Loans

Veterans Administration loans are available to active duty and retired members of the US military. These loans are an incredible benefit for vets because they require 0% down.

USDA Loans

Rural Development loans backed by the U.S. Department of Agriculture are available for homes in eligible areas of the Treasure Valley. For those who qualify these loans offer 100% financing (no down payment) and lower interest rates.

Government-Insured Loan Programs have additional, specific qualification requirements and

your lender can help you determine if you qualify. If you don't meet the qualifications for one of these government-backed loans, you'll likely want to consider a conventional loan.

Conventional Loans

Conventional loans require as little as 3-5% down, but there are down payment assistance programs available that require only 0.5% down.

It's important to know that while none of these loan programs require a 20% down payment if you are putting down less than 20%, you will have to carry mortgage insurance, also referred to as PMI (Private Mortgage Insurance). This is common and shouldn't be a barrier to homeownership. You can have your PMI removed once you pay down your principal or reach 20% equity through appreciation of your home's value.

2. Getting Pre-Approved for Your Home Loan

When it comes to getting pre-approved, there are three key factors:

Income

Today's technology makes income verification quite easy. Many employers now participate in E-Verification, which allows your lender to verify employment without tax returns or paystubs. Anyone owning 25% or more of a business will need to provide a bit more in the way of income verification including tax returns and current profit and loss (P&L) statements.

Assets

Verification of assets, namely balances in checking or savings accounts, can also be done electronically in many cases. At Guild Mortgage we use AccountCheck to e-verify.

Credit

A simple credit check is an important part of getting pre-qualified. It can also help your lender determine what kind of loan and what rates you will qualify for.

Once we verify enough information to be confident you will qualify for a loan once you've found your dream home, we'll issue a pre-qualification letter. This documentation will help you understand how much you can borrow and how much you will need to put down so you

can work with the builder's New Home Specialist find the right floor plan for you.

It's important to remember that the pre-approval is only a tool to help you narrow down your search to homes in your price range. You will still need to re-verify and qualify within 30 days of closing on your new home.

3. Navigating the Waiting Period Before Closing

One of the worst mistakes you can make when buying a new home is to do anything that might change your financial picture between pre-approval and closing on your home. This is something to be especially aware of when buying new construction since your home may still be under construction and you may have several months between going under contract and closing on your home. So what do you need to do (or not do) to ensure you make it to that closing table without issue?

Maintain Financial Stability

Don't take out new credit and avoid large purchases, both on existing credit or that depletes a significant amount of your savings. You were pre-qualified based on assets like the amount of cash you have for closing (money in your checking, savings, or investment accounts) as well as your credit score and debt-to-income ratio, so don't do anything that will change those numbers.

Manage Changes in Employment or Income

In other words, don't quit your job. If self-employed, manage your business expenses to keep the P&L looking healthy. Sometimes, things happen that are out of our control so most importantly...

Communicate with Your Lender

Update your lender of any changes to your finances so they can help get you from pre-approval to approval when your home is complete and ready to close.

Securing a loan for your new construction home from a builder like Brighton isn't all that different than securing financing on a re-sale home. And when you work with a lender like Guild that works with Brighton regularly, we can help you navigate the process confidently with our deep understanding of the process and nuances of buying new construction. But no matter who you choose for your new home loan, make sure you communicate proactively

and regularly.

If you're ready to start the journey of building your dream home with Brighton, [contact me today](#) to discuss your financing options and get pre-approved for a home loan.



About Dave Perry

Dave Perry is a seasoned Branch Manager and Residential Loan Originator at Guild Mortgage with over 22 years of experience in the mortgage industry. Dedicated to helping individuals responsibly achieve their dreams of homeownership, he has led a team that has successfully guided thousands of homebuyers through the complexities of the mortgage process. With a commitment to client satisfaction and financial well-being, Dave ensures a seamless and informed home financing experience.