

MORTGAGE Q&A GUIDE

32 real questions from Capital Region homebuyers and homeowners, answered in plain English.

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Questions in this guide

These are the questions people actually ask me, with the answers I give them. Every situation is different, so treat this as a starting point and call or text me with yours.

01 What is the difference between FHA 203(k) and Fannie Mae HomeStyle?

Both finance the purchase plus renovation based on the after-improved value. 203(k) follows FHA rules: 3.5% down with a 580 score, more forgiving credit, but mortgage insurance and a required consultant on the standard version. HomeStyle is conventional: better credit needed, as little as 5% down on a primary residence, PMI that cancels at 20% equity, and fewer restrictions on the type of work. The short version: 203(k) if credit or down payment is the constraint, HomeStyle if you want no permanent mortgage insurance and broader scope, including luxury items 203(k) will not cover.

02 How do renovation loan draws work?

The renovation money is held in escrow at closing and released in draws as the work is completed, each draw following an inspection verifying that stage is actually done. The contractor is paid from those draws, not up front. That is a real cash-flow conversation to have with your contractor before they bid. Some are set up for draw work and some are not, and a contractor expecting 50% on signing will not work on a renovation loan.

03 Why is a contingency reserve required on a renovation loan?

Because walls come open and surprises appear. Lenders require a contingency, commonly 10% to 15% of the renovation budget, higher on older homes or when systems are being replaced, held in escrow to cover overruns. It gets financed with the rest of the loan. If you do not use it, it is either applied to the principal or refunded depending on the program. Do not treat it as extra scope money; it exists for the problem you cannot see yet.

04 Can I do the renovation work myself?

Generally no. Renovation programs require licensed, insured contractors with a signed bid and a work write-up, and the draw inspections are tied to their scope. Self-help work is allowed only in narrow circumstances and almost never on a 203(k) standard. It frustrates capable people, but the lender is financing the after-improved value and needs an accountable party on the hook to deliver it. Where homeowners do save is by scoping tightly and getting competitive bids, not by swinging the hammer.

05 How long does a renovation loan take to close?

Plan on forty-five to sixty days, sometimes more. The extra time over a standard purchase is not the lender. It is assembling the contractor bid, the detailed work write-up, the consultant report on a standard 203(k), and the after-improved appraisal. The single biggest delay is waiting on a contractor to produce a proper itemized bid. Line that up during attorney review, not after, and the timeline holds.

06 What is a construction-to-permanent loan?

It is a single loan that funds your build in draws and then converts into your permanent mortgage when the house is finished. One application, one closing, one set of closing costs, instead of a short-term construction loan followed by an entirely separate refinance.

07 Do I make payments while the house is being built?

Yes, but only interest on the money actually drawn so far. Early in the build, when only the foundation has been paid for, that payment is small. It grows as the house does. Budget for carrying that alongside your current rent or mortgage.

08 I already own the lot. Does that count as my down payment?

Usually, yes: the appraised value of the land counts as equity toward your down payment, and on a lot you have owned for a while it can cover the requirement entirely. This is the single biggest advantage of buying the land first.

09 Can I use my own builder?

You can use your licensed builder, but the lender approves them too. License, insurance, financial standing, references, and a detailed cost breakdown. Start that paperwork early; builder approval is the most common source of delay. Owner-builder arrangements are not permitted on most programs.

10 Can I build with an FHA, VA or USDA loan?

All three have construction paths, and VA and USDA versions can be built with zero down for eligible borrowers. Not every lender writes them, which is exactly why it is worth asking me rather than assuming.

11 What happens if the build goes over budget?

Programs hold a contingency reserve, typically 5-10% of the budget, for exactly this. Beyond that, change orders you initiate generally come out of pocket. Lock your specs before closing. Mid-build changes are where budgets break.

12 Is a new construction loan the same as a renovation loan?

No. A renovation loan finances buying an existing house plus the work on it. Construction financing builds from the ground up. If you are unsure which your project is, the dividing line is usually whether the existing structure stays.

13 Can I buy a house that needs a new roof or has a foundation issue?

Often, yes. The Standard 203(k) is built for exactly this. Structural work, foundations, roofs and major systems can be rolled into the loan and completed after you close.

14 How much renovation can I finance?

The Limited 203(k) covers up to about $75,000 in work for repairs and updates, while the Standard version starts at $5,000 and goes higher for larger, structural projects. These figures can change, so we confirm current limits for your file.

15 Can I use a renovation loan on a home I already own?

Yes. Renovation financing isn't just for purchases. If you already own your home, a renovation refinance can fund major improvements based on what the home will be worth once the work is done.

16 Do I have to use a specific contractor?

You choose your contractor, but they'll need to be approved for the loan and provide detailed bids. I'll walk you and your contractor through what's required so the file keeps moving.

17 Can I buy a new construction home with a regular mortgage?

Yes, if the builder is financing the construction and selling you a finished home. You need a construction loan only when you are the one funding the build.

18 Can I lock my rate before my new construction home is finished?

Yes, with an extended lock, and on longer builds an option to float down if rates improve. Locking for six to twelve months costs something. It usually buys more peace of mind than it costs.

19 What happens if the builder delays my closing?

Your rate lock is the exposure. Extended locks and extensions exist for this, which is why I would rather plan the timeline pessimistically up front than scramble at the end.

20 Can I finance upgrades with my new construction mortgage?

Generally yes, when the upgrades are in your purchase contract with the builder and reflected in the appraisal. Writing a separate check to the builder later is the version that does not get financed.

21 Can I use a construction loan to renovate a home I already own?

You can, though for most projects renovation financing is simpler. It is a refinance that funds the work against the after-improved value, with one closing.

22 Can I act as my own general contractor?

Rarely, and only on specific programs with proven licensing and experience. Most renovation and construction programs require a licensed, vetted general contractor, which protects the draw schedule and, frankly, you.

23 Can I build a garage, a barn, or an ADU with a construction loan?

Often yes. Detached structures and accessory dwelling units can be financed through renovation or construction programs, provided the improvement is permitted and supported by the appraised value.

24 When is a construction loan the wrong instrument?

Building is the most rewarding way to get a house and the most operationally complex loan I do. There are several scenarios where a construction loan is the wrong instrument entirely. You're buying from a production builder who finances the build. Most large builders carry the construction cost themselves and you simply take an end loan at completion. That's a normal purchase, no construction loan needed, and you get a standard 30-year product. Conventional loans -> FHA loans -> Your builder isn't licensed, insured, or experienced enough. Lenders underwrite the builder as hard as they underwrite you: license, insurance, references, financial statements, completed-project history. A cousin with a truck will not clear it. Talk to Brian -> You don't have a fixed-price contract and a full set of plans. A construction loan is built on a specific scope, budget, and draw schedule. "About $400K, we'll figure out the finishes" cannot be underwritten. What your builder needs to provide -> You're renovating a house you already own. That's a renovation loan or a HELOC, not a construction loan. Different product, easier process, less expensive. Renovation loans -> HELOC and home equity -> You need to buy raw land first and build later. If the build isn't starting now, a land loan comes first and construction financing comes when you're actually ready to break ground. Land loans -> You can't carry a rent or mortgage payment during the build. Most construction loans are interest-only on drawn funds during construction, but you're still paying to live somewhere else for 9-14 months. That double carry has to be real in your budget.

25 What income and equity count on a construction loan?

Income documentation is standard: the complexity on these files is the property side. Where construction loans differ is that your income has to support the payment at completion, calculated on a house that doesn't exist yet. Counts toward qualifying: W-2 wages: Standard two-year history. Note that your employment will be re-verified near completion, which can be a year after application. Self-employment income: Two years of returns averaged. A stable, well-documented business is important on a loan this long. Bonus, overtime, and commission: Two-year average with documented history. Retirement, pension, and Social Security: Documented and continuing. Rental income from properties you own. Leases plus Schedule E history. Land equity as down payment, If you already own the lot free and clear, its appraised value typically counts toward your equity in the project, often covering most or all of the down payment requirement. Doesn't count (or counts against you): Income starting after the build. A promotion or new job expected at completion can't be used at application. Rent you plan to collect from your current home, Unless you have a signed lease and meet the reserve requirements, the home you're leaving doesn't generate usable income. Sweat equity: Work you plan to do yourself generally isn't counted as value, and most lenders won't allow an owner-builder to draw for their own labor. Builder allowances and change-order optimism. The budget has to be real and fixed. Unfunded overages come out of your pocket, not the loan. Cost savings you hope to find. Lenders underwrite to the contract price plus a contingency, not to

your best case. The reserve requirement matters more here than almost anywhere else. Overruns happen on nearly every build. A lender who doesn't make you hold a cushion isn't doing you a favor.

26 Why do construction loans get denied?

Construction files fail for reasons that have nothing to do with the borrower's credit. It's the builder, the budget, or the appraisal: every time. The builder doesn't get approved. No license in the state database, insufficient liability or builder's-risk insurance, thin financials, or no completed comparable projects. The borrower is approved and the project isn't. What I do: I send the builder's package requirements at the very start and review the submission before it goes to underwriting. If a builder won't or can't produce it, you know before you've signed a contract. The as-completed appraisal comes in below cost. Plans and specs go to the appraiser and the finished value lands under the build cost plus land. The gap becomes cash out of your pocket. What I do: I get the plans, specs, and a comp package to the appraiser with the order, and I stress-test the budget against what this market actually pays per square foot before you commit to a build. The contract or draw schedule isn't lender-ready. A handshake budget, no fixed price, no line-item breakdown, no draw schedule, missing lien-waiver language. The file can't be structured. What I do: I give your builder the exact contract and draw-schedule format the lender needs before it's signed. Fixing a contract after signature is far harder than writing it right once. Cost overruns exhaust the contingency. Change orders, a material price spike, or a subcontractor bailing. Once the contingency is gone, the shortfall is yours, and an unfunded project stalls. What I do: We build a real contingency into the budget and confirm your reserves can absorb an overrun. I'd rather approve you for less house with a cushion than for the maximum with none. Inspection and draw timing problems. A draw requested before the work is complete, a missing lien waiver, or an inspection that can't be scheduled. Subs walk off unpaid jobs and the schedule collapses. What I do: I manage the draw process with your builder on a rhythm, inspection, waivers, disbursement, so subs get paid on time and the job keeps moving. Rate or income changes before the conversion. Construction loans run 9-14 months. If your income changes or the market moves before the permanent loan locks, the end loan you assumed may not be available. What I do: We discuss the lock strategy at the start, including extended-lock and float-down options, and I re-verify your income position well before completion, not at the last minute.

27 When should I skip a renovation loan?

A renovation loan is how you buy the house nobody else can get financed and finish it with one mortgage. It's also more paperwork than a normal purchase, and sometimes the simpler route wins. The work is cosmetic and under about $15,000. Paint, carpet, a light fixture package. A renovation loan adds a consultant, a contractor bid process, and draw inspections. Just buy the house and use cash or a credit line for small work. Conventional loans -> HELOC and home equity -> You already own the home with plenty of equity. If you have equity and good credit, a HELOC or a cash-out refinance is dramatically simpler than a renovation loan, no contractor approval, no draw inspections, no consultant. HELOC and home equity -> HELOC vs cash-out -> You want to do the work yourself. Most renovation programs require licensed contractors. Self-help provisions are narrow, rarely approved, and never cover your labor as a draw. If you're DIY, this isn't your product.

HELOC and home equity -> You're on a tight closing timeline. Bids, a scope of work, a consultant where required, and lender approval of the contractor all take time. In a fast bidding war this program is a disadvantage. FHA loans -> You're building new or tearing down. Ground-up construction and full teardowns belong on a construction loan, not a renovation loan. Construction loans -> The numbers don't support the after-improved value. Renovation loans lend against the appraised value after the work is done. If you're putting $120K into a house that will only appraise $60K higher, the loan won't support it, and honestly, you shouldn't do it.

28 What income do I need for a renovation loan?

Income is documented normally on these loans. What changes is that you have to qualify for the full loan amount, purchase price plus renovation budget, not just the price of the house. Counts toward qualifying: W-2 wages: Standard two years of history, 30 days of paystubs. Self-employment income: Two years of returns averaged, same as any other program. Bonus, overtime, and commission: Two-year average with documented history. Rental income from the units you're renovating, On a 2-4 unit you'll occupy, projected post-renovation market rent from the other units can help you qualify, a powerful combination on a distressed multi-family. Social Security, disability, pension: Documented and continuing, grossed up when non-taxable. Six months of payment reserves in some cases, Not income, but if you can't occupy during construction, the program may require the mortgage payments during the work period to be financed into the loan or held in reserve. Doesn't count (or counts against you): Your own labor: Sweat equity isn't income and generally isn't a fundable draw. Budget for contractors. The future value as income. After-improved value sets the loan ceiling. It doesn't help your debt-to-income ratio. Rent you hope to get without a lease or appraisal support. Projected rent has to come from the appraiser's rent schedule, not your estimate. Money you plan to save by cutting scope later. The budget is approved as submitted. Reductions mid-project create their own problems. Income starting after the renovation. A new job or a business you plan to launch in the finished space can't be counted at application. Remember that you're qualifying on the combined loan: house plus renovation. A $250K house with an $80K renovation is a $330K mortgage payment for DTI purposes, and I'll show you that number before you fall for the house.

29 Why do renovation loans get denied?

Renovation files die in the contractor and scope phase far more often than in credit. Handled in the right order they're very manageable. The contractor isn't approvable. No license, no insurance, no references, unwilling to work within a draw schedule, or unwilling to submit financials. The single most common failure on these loans. What I do: I give you the contractor requirements before you collect bids, so you're only getting quotes from contractors who can actually be approved. That saves weeks and a lot of frustration. The scope and bids don't match. Three bids with different scopes, missing line items, no permit costs, no contingency. Underwriting can't approve a budget it can't verify. What I do: We build the scope of work document first, then bid it. Same scope, comparable numbers, permits and contingency included, and a consultant engaged where the program requires one. The after-improved appraisal doesn't support the loan. The appraiser doesn't see the value the renovation will add, or the neighborhood ceiling caps it. The loan amount drops and the project is underfunded. What I do: I get the plans and the scope to the appraiser with the

order and I know the value ceiling in each Capital Region neighborhood. If the numbers don't work, you hear it from me before you spend money. Permits weren't obtained or the work started early. A contractor begins work before closing or without permits. Most renovation programs prohibit both, and it can void the loan. What I do: Nobody swings a hammer until we close. I tell you and the contractor that explicitly, in writing, at the start. Overruns and change orders. Structural surprises behind a wall, a code requirement nobody anticipated. Without contingency the project stalls half-finished. The worst outcome in this business. What I do: We fund a contingency into the budget on purpose. On older Capital Region housing stock I push for more contingency, not less, because something always turns up. Timeline overruns. Renovation programs have completion deadlines. A slow contractor or a long permit queue can breach them. What I do: I set a realistic schedule with your contractor at the start, including permit lead times for your specific municipality, and I monitor the draws so slippage gets caught early.

30 When is a land loan the wrong move?

I finance vacant land when most lenders won't, and I'd still rather you hear the honest version. There are several situations where a land loan is the wrong instrument. You're breaking ground within a few months. If the build is starting now, go straight to a construction loan. It rolls the land purchase and the build into one financing and saves you a second set of closing costs. Construction loans -> You have less than 20% down. Land loans are equity products. 20% minimum and often 25-35% on raw acreage. There is no low-down-payment land loan anywhere, and a gift generally can't cover it. Talk to Brian -> You're buying land with a house on it. If the parcel has a habitable dwelling, that's a home purchase, conventional, FHA, or USDA, at far better terms than a land loan, even with a lot of acreage. Conventional loans -> USDA loans -> The parcel isn't buildable and you intend to build. No road access, a failed perc test, wetlands, or zoning that prohibits a residence. The loan may still be possible, but you'd be financing a plan that can't happen. Do the due diligence first. Talk it through -> You already own the land free and clear. If the land is paid off and you want cash out of it, that's a different structure, and if a build is coming, the land equity is usually more valuable as construction down payment than as cash. Construction loans -> HELOC and home equity -> You're buying commercial or farm-operating acreage. Working farms, timber operations, and commercial parcels are a different lending world with different underwriting. This program is for residential land and building lots.

31 What income and reserves do land loans require?

Land loans are portfolio products, so income documentation is flexible, but the payment has to fit your ratios alongside everything else you owe, including the mortgage on the house you live in now. Counts toward qualifying: W-2 wages: Standard two-year history, paystubs and W-2s. Self-employment income: Two years of returns. Bank statement documentation is available with some land investors when returns understate the income. Bonus, overtime, and commission: Two-year average with documented history. Rental income: Leases plus Schedule E on properties you own. Retirement, pension, Social Security, Documented and continuing, common on recreational land purchases. Reserves, Not income, but land loans generally require six to twelve months of the land payment in reserve. Budget for it separately from the down payment. Doesn't count (or counts against you): The land's future value: Appreciation isn't income and doesn't help

your ratios. Timber, lease, or hunting-rights income, Rarely usable as qualifying income on a residential land loan. Gift funds for the down payment. Most land programs require your own funds. Confirm before you plan around family help. Income starting after you build. A plan to rent a future structure or run a business on the parcel can't be counted today. Cash with no paper trail, Same as every other loan, if it isn't documented, it doesn't exist. The payment on a land loan is real money for something that doesn't shelter you yet. I'll run it next to your current housing cost so you see the true combined number before you commit.

32 Why do land loans get denied?

Land files die on the parcel and the appraisal far more than on the borrower. Doing the property homework first is what makes these close. The appraisal can't find comparable land sales. Vacant-land comps are thin in much of upstate New York. Without recent comparable sales the appraiser can't support the contract price and the loan shrinks or dies. What I do: I look for recent land sales in the area before you go under contract and get whatever I can find to the appraiser with the order. On truly comp-less parcels I'll tell you the risk honestly rather than letting the appraisal be a surprise. Access or easement problems. No deeded road frontage, a right-of-way across a neighbor's land that isn't recorded, or a seasonal-only road. Lenders won't lend on a parcel you can't legally reach year-round. What I do: Title and access get reviewed early. If the access is by unrecorded easement, we address it with your attorney before closing rather than discovering it in title review. The parcel turns out not to be buildable. A failed perc test, wetlands delineation, zoning that prohibits residential use, or no feasible well location. It affects both value and your actual plan. What I do: I tell you which due diligence to complete before you commit, perc, zoning, wetlands, well feasibility, and I'd rather you spend a few hundred dollars on tests than a down payment on land you can't use. Reserves or down payment source problems. The borrower has the 20% but not the reserves, or the down payment includes a family gift most land programs won't accept. What I do: I size the full requirement, down payment from your own funds, closing costs, and six to twelve months of reserves, in the first conversation. Subdivision or survey issues. The parcel was split off and never properly subdivided, the legal description doesn't match the survey, or the tax map shows something different from the deed. What I do: A current survey and a clean legal description get sorted before closing. In New York these take weeks, so we start early, not after the title report raises it. Title in an entity without documentation. Buying in an LLC without the operating agreement, formation certificate, EIN, or good-standing certificate ready. The file stalls at the closing table. What I do: If you're closing in an entity, we collect the full package at the start and confirm the LLC is in good standing with the state before we schedule a closing.

Call or text me. I answer my own phone, and I'll tell you straight whether it works and what it costs, before anyone pulls your credit.

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