

Lenders Focus on Long-term Success of Builders

by Kerry Gaby

Though home builders are experiencing a slower sales environment for now, prospects for long-term growth in demand for new homes remains bright. Projection for household formation growth and other demographic drivers foretell a robust need for housing well into the next decade.

Builders need relationships that help them weather the current market environment and position themselves to compete, win and achieve growth in the long-term. You look for relationships with lenders who are eager to demonstrate their commitment to meeting builders needs—today and well into the future. It is essential to find lenders who are dedicated to the new home builder industry and who are determined to do their part to make builders' deals happen consistently and reliably.

Products and Programs Designed to Meet Builder Needs

Among the variety of construction loan programs within the industry that may help builders protect their investment in inventory are:

- **Rate Cap Programs.** Your home buyer can get pre-approved, select a loan program and receive a ceiling on the interest rate of their loan. Qualified homebuyers can have a wide array of loan products and application documentation types to select from for this type of program, and lock-in period options that can range as long as 24 months. As an added feature offered by lenders, if interest rates drop before the loan closes, a roll-down feature can enable buyers to contact the lender and request the lower rate.

- **Forward Commitments Agreement.** Builders can lock in financing programs, interest rates and discount points for terms that may vary as long as 24 months, with agreements possible in amounts of up to \$1 million or more to cover potential new home inventory. Custom-tailored programs can be available with terms to provide builders with a hedge when inventories need to sell fast.

- **Construction-to-Permanent Financing.** By giving builders an off-balance sheet method for financing custom built homes, this type of combined loan offers attractive advantages to builders' bottom line. The consumer takes out a construction loan and permanent loan combined in one transaction, removing interest-rate risk and credit-risk concerns from builders.

Strong relationships must be based on much more than attractive, competitive products and programs. Builders benefit from working with lenders that offer marketing and sales tools, resources and information that appeal to home buyers, training of on-site agents, and much more. Last, but most important, builders should seek relationships with lenders who deliver on their service level commitments, inspiring confidence in on-time closing of transactions.

Kerry Gaby is the branch manager of the Tallahassee office of Countrywide Home Loans, Inc., a national leader in residential finance. The office is located at 1425 Village Square Blvd Suite 4, Tallahassee, FL 32312.