LAWTON BUILDING AND LOAN

Ground-Up Construction for Beginners

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A plain-English guide from Lawton Building and Loan

Chapter 1: Introduction

Most people who build their first house or rental start the same way. They find a lot they like, fall in love with a floor plan, and then go looking for money. That order is backwards, and it is the reason a lot of first builds never get off the ground.

This guide flips the order around. You will learn how the land, the plans, the budget, and the financing fit together, in the order a lender actually looks at them. By the end, you will know what you need, what it really costs, and where beginners usually get stopped.

Why build new

Building new puts you in control. You pick the lot, the layout, and the finishes. When the home is done, everything in it is new, which means fewer repairs, easier insurance, and a property that is simple to rent or sell.

New construction also creates equity in a way buying cannot. If you buy the land right and control the build cost, the finished home can be worth more than the total you put into it. That gap between cost and finished value is the whole game.

There is a third reason people overlook. A new build is a clean file. There is no mystery about the roof, the wiring, or what the last owner patched over. Appraisers, buyers, and tenants all like that.

Who this guide is for

This guide is for the first-time builder. Maybe you own a lot already. Maybe you build one house a year on the side. Maybe you are a buy and hold investor who is tired of fighting over the same used houses as everyone else.

You do not need a track record to start. At Lawton Building and Loan, first-time builders are welcome. What you need is a real plan, a real budget, and the reserves to see the project through. This guide explains each of those.

The mistakes we see most

The first mistake is buying land before knowing what can be built on it. Restrictions, utilities, and setbacks can kill a plan after the money is already spent. Chapter 2 covers how to check a lot before you buy it.

The second mistake is a fantasy budget. Builders guess at build cost, forget permits and utility hookups, and leave nothing for the surprises that show up on every job. A budget that only works when everything goes right is not a budget.

The third mistake is underestimating reserves. The loan pays for the build, but it does not

pay on day one, and it does not cover your life while the house goes up. Reserves are where most beginners get stopped, and there is a full chapter on them.

The fourth mistake is hiring on price alone. The cheapest builder who disappears in month two is the most expensive builder you will ever hire. Chapter 7 covers contracts and how to protect yourself.

None of these mistakes are fatal if you catch them early. That is the point of this guide. Catch them on paper, where fixing them is free.

Chapter 2: The Land

Every build starts with dirt. The land decides what you can build, what it will cost to build, and in a lot of cases whether a lender will touch the project at all. Buy the wrong lot and no loan structure will save you.

Buying it right

Start with the end in mind. What will the finished home be worth on that street, in that area? Your total project cost, land plus build, needs to sit comfortably below that finished value. If the numbers only work at the most optimistic value, pass and keep looking.

Look at what actually sold nearby, not what people are asking. Finished new homes are your best comparison. If new construction sells well in the area, your exit is real. If nothing new has sold in years, ask why before you become the test case.

Price is not the only term that matters. A seller who will carry financing, extend a closing, or include a survey can be worth more than a small price cut. Ask what the seller has, such as surveys, soil tests, or utility letters, before you write the offer.

What "unrestricted" means

You will see the word "unrestricted" in land listings all the time. It means there is no homeowners association and no deed restrictions limiting what you can build. No minimum house size handed down by a developer. No rule against the style of home you want.

Unrestricted does not mean unregulated. The county still has setback rules, septic rules, and permit requirements. Flood plain is flood plain whether the deed mentions it or not. Unrestricted is a good start, not a free pass.

Always pull the actual deed restrictions yourself, or have the title company do it. Do not rely on the listing. Restrictions that ban manufactured or modular construction, set a large minimum square footage, or limit the number of homes per lot have stopped many a good plan.

Utilities

Water, power, and sewer decide your real cost. A cheap lot with no utilities can cost more in the end than a higher priced lot that has everything at the road.

Ask these questions on every lot. Is there public water, or will you need a well? Is there a sewer line, or will you need a septic system? How far is the nearest power pole, and who pays to bring power in? Each answer is a line item in your budget, sometimes a big one.

If the lot needs a septic system, the soil has to pass a perc test before anyone can promise

it works. If it needs a well, find out what wells cost in that area and how deep they usually go. Get quotes, not guesses, before you close.

Surveys and homework

Order a survey early. A survey shows the true boundaries, the easements crossing the land, and where setbacks begin. Building over an easement is an expensive education. The survey prevents it.

Check the flood map. Land in a flood zone means flood insurance, higher build requirements, and a smaller pool of buyers later. Sometimes it is still a fine deal. It should never be a surprise.

Visit the lot after a hard rain if you can. Standing water tells you more about drainage than any document. Talk to a neighbor. Walk the road in and think about whether a concrete truck can make the trip.

Financing the lot

Land can be financed on its own. At Lawton Building and Loan, we can commonly finance up to 50 percent of land value without much fuss, and up to 70 percent on the right deal. The stronger the location, the utilities, and your overall picture, the further that number can go.

If you already know you are going to build, tell us before you buy the land. Structuring the lot purchase and the construction loan together is cleaner than untangling two separate loans later.

Some buyers pay cash for the lot and bring it to the construction loan as part of the project. That works too, and the value you have in the land counts in the project math. Either way, the lot is step one. Get it right and the rest of the build gets easier.

Chapter 3: Plans, Permits, and Budgets

A lender cannot say yes to an idea. A lender says yes to a file. Before any construction loan gets approved, three things have to exist in writing: a set of plans, a permit path, and a budget that adds up.

The plans

You need real plans, not a sketch. A full set of plans shows the floor plan, the elevations, the foundation, and the basic engineering. It tells the appraiser what the finished home will be and tells the builder what to bid.

Plans do not have to be fancy. They do have to match the lot. A plan drawn for a flat city lot may not work on a sloped rural lot without changes, and changes after the loan closes cost time and money.

Pick a plan you can afford to build, not just one you like. Every extra corner, roof break, and custom feature adds cost. A simple, well laid out home usually appraises better per dollar spent than a complicated one.

Specs and the cost breakdown: your underwriting packet

Plans alone do not get a construction loan approved. To move through underwriting and close fast, your file needs three things together: the plans, the specs, and a cost breakdown. When all three are in the file at the start, underwriting has what it needs and the questions stop. When one is missing, the file bounces back and forth and weeks disappear.

The specs are the written list of what the house will be made of and finished with. Foundation type, framing, roofing material, exterior finish, windows, HVAC system, water heater, cabinets, countertops, flooring, fixtures, and appliances. It does not need to be fancy. It does need to be specific, because the appraiser uses the specs to value the finished home, and your builder uses them to bid the job.

The cost breakdown is the budget broken into line items by stage and trade: site work, foundation, framing, roofing, plumbing, electrical, HVAC, insulation, drywall, finishes, and the rest. One lump sum total tells underwriting nothing. A line-item breakdown tells them the numbers were built from something real, and it lines up with how your draws will be paid out later.

Here is the fast-close rule we give every builder client. Before you ever apply, assemble a single packet: full plan set, spec sheet, line-item cost breakdown, your builder's information, and the lot details. Bring us that packet and the loan conversation changes

completely. Instead of chasing paperwork for a month, underwriting is reviewing a complete file, and complete files close.

Where to get plans, free and cheap

You do not need to hire an architect to get a buildable set of plans. Stock plans are the normal route for a first build, and they cost a fraction of custom design work.

For a big catalog and some free options, start with houseplans.com. They carry tens of thousands of plans, offer some free sampler plans, and sell full sets as PDFs, print sets, or CAD files. Their modification service will also adjust a plan for you, which is usually cheaper than starting custom. familyhomeplans.com is another large catalog worth searching, and they rotate free plans through the site.

For genuinely free plans, look at the USDA Rural Development house plan catalog, which offers modest, energy efficient home plans at no cost, and 84 Lumber, which posts free plans for tiny homes and small cabins. Those are good starting points for smaller, simpler builds.

Two honest warnings about free plans. First, most free plans are study sets, detailed enough to price and plan around, but not a complete construction set. Second, any plan, free or bought, has to fit your lot and your local building codes. Budget for a local draftsman or engineer to adapt the plan to your soil, your wind loads, and your foundation, and to stamp it if your area requires a stamp. That small bill is what turns a cheap plan into a legal one.

How to choose: pick the plan that fits your lot and your budget first, and your taste second. Buy the CAD version if you know you will make changes, because changing a CAD file is cheap and changing a finished house is not. Then hand the actual plan set to your builder and get the bid priced off those pages, not off a picture of a house you liked online.

The permits

Most areas require a building permit before work starts, and rural areas often require septic and driveway permits as well. Find out early who issues them, what they cost, and how long they take. Permit offices have their own pace, and it is rarely fast.

Some lenders will not fund a draw until the permit is in hand. Some will not close the loan without a clear permit path. Either way, the permit is not paperwork to handle later. It is part of the foundation of the file.

If your lot is in a flood zone or needs a variance, start that process first. Those approvals can take months, and they do not speed up because your builder is ready.

The budget

The budget is where honesty pays. A complete budget includes the lot, the site work, the foundation, the build itself, permits, utility hookups, and a contingency for surprises. If a cost is real, it belongs in the budget, even if you would rather not look at it.

Get the builder's bid in writing, broken into stages. A single lump sum number with no breakdown is hard to fund, because draws are paid by stage. If the bid cannot be broken into stages, it is not ready.

Add a contingency line. Five to ten percent of the build cost is a common planning figure. On your first build, lean toward the high end. A contingency you do not use is a good problem. Running out of money at 80 percent complete is a bad one.

What the lender sees

When your file comes together, a lender sees the plans, the budget, the land value, and the estimated finished value all at once. If those four pieces agree with each other, the file moves. If the budget says one thing and the plans say another, everything stops.

This is why we ask questions early. It is cheaper to fix a budget on paper than to fix a half built house. Bring the plans and the numbers to the conversation at the start, and the approval process gets much smoother.

Chapter 4: How Construction Financing Works

A construction loan is not a regular mortgage. A regular mortgage buys a finished house. A construction loan pays to create one, in stages, and that difference explains everything about how it works.

LTC in plain English

Construction loans are built around LTC, which stands for loan to cost. LTC compares the loan amount to the total cost of the project. Total cost means the land plus the full cost of the build, everything in the budget from Chapter 3.

If a project costs 300,000 dollars total and the loan covers 270,000 dollars, that is 90 percent loan to cost. The loan is sized against what the project costs, not just what it might be worth someday. That keeps the loan grounded in real numbers.

At Lawton Building and Loan, the easy lane for ground-up construction is financing at 85 to 90 percent of total project cost. Solid files, solid budgets, and builders who can show a plan land in that range every day.

One loan, lot plus build

The cleanest structure is one loan that covers the lot and the build together as a single project. If you already own the lot, its value folds into the project math. If you are buying it as part of the deal, the purchase can be part of the same closing.

One loan means one approval, one set of closing costs, and one timeline. It also means the lender sees the whole picture from the start, which is how you avoid surprises in month three.

Your total estimated out of pocket

Here is the number that matters, and most people get it wrong. What you bring to a build is not just a down payment. We call it your total estimated out of pocket, and it includes the part of the project cost the loan does not cover, plus lender fees, broker fees, approximate title costs, and one year of insurance.

We always quote that figure as a range, never an exact number, because final costs settle at closing and small things move. Anyone who gives you an exact out of pocket figure before a file is priced is guessing.

As a rough picture, if the loan covers 85 to 90 percent of the project cost, your share of the cost is the remaining 10 to 15 percent, plus the fees, title, and insurance above. On a 300,000 dollar project, that often lands somewhere in the range of 40,000 to 65,000 dollars

all in. Your project will differ, and we will run your real numbers before you commit.

Interest only during the build

During construction, payments are interest only, and you pay interest only on the money that has actually been drawn, not on the full loan amount. Early payments are small. They grow as the build progresses and more money goes out. Chapter 5 explains draws, and Chapter 6 explains the reserves that cover these payments.

When the home is finished, the construction loan ends. You either sell the home and the loan is paid off, or you refinance into a long-term loan. For a rental, that long-term loan is often a DSCR loan, which is covered in Chapter 9.

Non-traditional builds

Not every build is a standard stick built house. Shipping container homes and other non-traditional builds come to us often. We consider those case by case. The land, the plans, and the finished value matter even more on a non-traditional build, because the appraisal has to make sense when the work is done. If that is your plan, talk to us before you buy anything.

Chapter 5: Draws

A construction loan does not hand you a check for the full amount at closing. The money comes out in stages, called draws, as work is completed. Every beginner should understand draws before closing, because draws control the pace of the whole build.

How a draw works

Each stage of the budget has an amount attached to it. Foundation, framing, roof, mechanicals, finishes, and so on. When a stage is complete, the builder requests a draw for that stage.

Before the money moves, the work gets inspected. An inspector confirms the stage is actually done, and done to the level the draw requests. Then the funds are released for that stage.

This protects everyone. The builder gets paid for finished work. You are not paying for work that does not exist yet. The lender knows the loan balance matches a house that is really taking shape.

What this means for you

Your builder has to be able to start each stage before being paid for it. That is normal in construction lending, but it surprises people. A builder who needs the full stage paid up front, before any work happens, is a warning sign.

Talk about the draw schedule with your builder before you sign anything. The builder should know the stages, the amounts, and roughly how long inspection and funding take. A builder who has worked with construction loans before will find all of this routine.

Keep your own records. Photograph each stage. Save invoices and lien releases. If there is ever a question about what was done and what was paid, your file answers it.

Interest only, on what is drawn

You pay interest only during construction, and only on the balance that has been drawn so far. If 40,000 dollars is out, you pay interest on 40,000 dollars, not on the full loan.

That is good news early and a growing cost later. By the last stage, most of the loan is drawn and the monthly interest is at its highest. Your budget and your reserves need to plan for the highest months, not the first ones.

Keeping draws moving

Draws stall for simple reasons. The work is not fully done. The inspection cannot be

scheduled. Paperwork is missing. Each stall slows the builder, and a slowed builder slows everything after it.

The fix is boring and effective. Finish stages completely, request draws promptly, and keep paperwork ready. A build where draws move on time is usually a build that finishes on time.

Chapter 6: Reserves

If there is one chapter in this guide to read twice, it is this one. Reserves are the real gate on a first build. Most beginners who get stopped are not stopped by credit or by the plan. They are stopped because the money set aside to carry the project is too thin.

What reserves are

Reserves are cash you hold, unspent, while the build happens. They prove you can carry the project through delays, cover the interest payments, and handle the cost that nobody saw coming.

Reserves are not a fee. Nobody takes them. They sit in your account, verified as part of the file, and they are still yours when the build is done. Think of them as the project's safety net and your own peace of mind.

The number to plan on

Here is the planning figure we give every first-time builder. Plan on holding the amount of the first draw, plus about six months of interest-only payments, in reserves.

The first draw amount matters because the build starts before loan money flows freely. Having that first stage covered in cash keeps the project moving from day one instead of waiting and stalling at the start.

The six months of payments matters because construction loans are interest only, and interest is a real monthly cost. Six months of payments in reserve means a slow permit office, a rainy month, or a back ordered material cannot squeeze you dry.

Add those two pieces together and you have your reserve target. We will calculate the real figures for your project, but no first-time builder should start shopping land without a rough version of that number in mind.

Why beginners underestimate this

Optimism is the enemy. Beginners plan for the build they hope for: six months, no delays, no surprises. Experienced builders plan for the build that actually happens, which is the same build plus weather, inspections, and life.

There is also a simple timing problem. Your regular bills do not pause while you build. Rent or your own mortgage, insurance, and everything else keeps coming. Reserves make sure the project never competes with your household money.

Building your reserves up

If your reserves are short today, that is information, not a verdict. Many builders do a smaller project first, or wait a season and save, or bring the lot purchase and the build together in a way that improves the math.

What does not work is starting thin and hoping. A project that runs out of cash at 70 percent complete is the worst outcome in this business, for the builder and for everyone else involved. Start with the reserves the project deserves, and the build becomes a much calmer experience.

Chapter 7: Working With a Builder or GC

Some beginners act as their own general contractor. Most hire one. Either way, the relationship between you and the person swinging the hammers will make or break the project. Choose carefully, and put the deal in writing.

Picking the right builder

Experience with financed builds matters more than a low bid. Ask whether the builder has completed homes under a construction loan with a draw schedule. Ask for recent addresses you can drive by. Ask who their main subcontractors are.

References are not a formality. Call them. Ask whether the job finished on time, whether the final cost matched the contract, and whether the owner would hire the builder again. One honest reference conversation is worth a dozen glossy photos.

Watch for the classic warning signs. A bid far below every other bid usually means something is missing. A builder who wants most of the money up front does not understand, or does not intend to follow, the draw process. A builder who will not put the price in writing is telling you something.

The contract

Get a real contract. It should state the total price, what is included, what is not included, the start date, and the expected completion date. It should describe the draw stages and tie payments to completed, inspected work.

The contract should also say how disputes get handled and what happens if either side walks away. Nobody plans for a breakup. The contract is how a breakup stays business instead of becoming a lawsuit with a half built house in the middle.

Allowances deserve special attention. If the contract includes an allowance for fixtures, flooring, or appliances, know the exact amount. Going over an allowance comes straight out of your pocket, usually at the worst time.

Change orders

Every build has changes. You will want a different window, a moved wall, a better finish. A change order is how a change gets priced and approved in writing before the work happens.

The rule is simple. No signed change order, no changed work. Verbal changes are where budgets go to die. Each approved change order should state the added cost and any added time, so the budget you and your lender are working from stays true.

A small number of change orders is normal. A constant stream of them means the plan was not finished when the build started. Do your changing on paper, in Chapter 3, where it is cheap.

Acting as your own GC

Owner builders save the contractor's margin and take on the contractor's job. Scheduling trades, ordering materials, supervising quality, and solving daily problems is real work, often daily work, for the whole build.

If you have construction experience and the time, it can work well, and we see it done successfully. If you have neither, the savings usually evaporate into delays and rework. Be honest with yourself here. Your lender will be.

Chapter 8: Timelines and Holding Costs

A construction project is a clock that charges rent. Every month the build takes, it costs money, whether work is happening or not. Understanding holding costs is what separates a profitable build from a frustrating one.

What holding costs are

Holding costs are everything you pay while the project is underway. The biggest one on a financed build is interest on the drawn loan balance. It starts small and grows with every draw, exactly as Chapter 5 described.

Insurance runs the whole time too. So do property taxes on the land, any utility minimums, and the cost of keeping the site secure and maintained. None of these are large alone. Together, month after month, they add up to real money.

A realistic timeline

A straightforward single family build commonly runs six to nine months from breaking ground to a finished, inspected home. Permits can add weeks or months before that. Weather adds days nobody schedules.

Your first build will probably not be your fastest. Trades get booked out, materials get delayed, and inspections get rescheduled. Build your plan around the honest timeline, not the best case one. If it finishes early, that is a bonus, not a plan.

What delays really cost

Say your drawn balance late in the build is 200,000 dollars. One extra month is a month of interest on that balance, plus insurance, plus taxes, plus another month before rent or sale money arrives. On many projects that is well over a thousand dollars, gone, with nothing to show for it.

Delays also have a second cost. If you plan to sell, the market you priced for may move. If you plan to rent, an empty month is rent you never recover. Time is not neutral in a build. It is a line item.

Staying on schedule

The builds that finish on time share habits. Decisions are made before they are needed. Materials are ordered early. The draw paperwork is ready the day a stage completes. The builder and the owner talk every week, briefly, about what is done and what is next.

Do your part. Pick finishes early. Answer your builder's questions the same day. Visit the

site regularly, and bring problems to the builder quickly and calmly. A build is a team project, and the owner sets more of the pace than most owners realize.

Chapter 9: The Finish Line

A construction loan is temporary by design. When the last inspection passes and the home is complete, the loan has to end one of two ways. You sell the home, or you refinance it into a long-term loan. Decide which exit you are aiming for before you start, because the two exits reward different choices along the way.

Selling the build

Selling is the clean exit. The home sells, the construction loan is paid off at closing, and the difference between the sale price and your total cost is your profit. Simple, final, and the money is free for the next project.

If selling is the plan, build what the neighborhood buys. Watch finishes that cost more than buyers will pay for. The appraisal and the eventual buyer both compare your home to what sold nearby, so build the best version of what the area supports.

List smart and price to the market. A new home that sits because it is priced on hope pays holding costs the whole time it sits. Chapter 8's lesson applies after the build too.

Refinancing and holding it as a rental

The second exit is to keep the home as a rental. You refinance out of the construction loan into a long-term loan, put a tenant in place, and hold an appreciating asset that someone else pays for.

For rentals, the refinance is often a DSCR loan. DSCR stands for debt service coverage ratio. In plain English, the loan looks mainly at whether the rent covers the payment with room to spare, instead of revolving around your personal income and tax returns.

This exit is how many small investors build a portfolio. Build one, refinance, hold it, and repeat with the next lot. The construction loan creates the asset. The long-term loan lets you keep it.

Planning the exit early

Underwriting for the refinance looks at the finished home, its appraised value, and, for a rental, the rent it can command. Choices you make in the plans and finishes affect both numbers.

Talk through the exit while the file is being set up, not after the roof is on. At Lawton Building and Loan we look at the whole arc, land, build, and exit, as one plan. A build that starts with the finish line in view rarely ends in a scramble.

Chapter 10: A Worked Example

Numbers make this real, so here is a complete example. Every figure below is an example only, chosen to be round and easy to follow. Your project will have its own numbers, and we will run them with you before anything is final.

The project

A first-time builder buys a lot for 40,000 dollars in a growing area outside a Texas metro. The builder has plans for a three bedroom, two bath home of about 1,500 square feet. The builder's written bid to build it, including site work, permits, and utility hookups, is 210,000 dollars.

Total project cost is 250,000 dollars. That is the land plus the full build budget, with a contingency line already in the bid. The estimated finished value, based on recent new home sales nearby, is 300,000 dollars.

The loan

The file fits the easy lane, so the loan covers 90 percent of total project cost. That is 225,000 dollars. The loan covers the lot purchase and the build draws in one loan, as described in Chapter 4.

The builder's share of the project cost is 25,000 dollars. On top of that come lender fees, broker fees, approximate title costs, and one year of insurance. Put together, the builder's total estimated out of pocket lands in a range of roughly 36,000 to 44,000 dollars. That range is the number the builder plans around, not any single figure.

The reserves and the build

Following Chapter 6, the builder holds reserves equal to the first draw amount, estimated at 20,000 dollars, plus about six months of interest-only payments. At the start, with little drawn, those payments are small. By late in the build, on a mostly drawn balance, the monthly interest example runs about 1,100 to 1,300 dollars. Six months of cushion is planned at about 6,000 to 7,000 dollars.

Total reserve target: roughly 26,000 to 27,000 dollars, sitting in the bank, untouched, while the build runs about seven months. Draws come out in stages as the foundation, framing, roof, mechanicals, and finishes pass inspection.

The exit

The home appraises at completion for 305,000 dollars, close to the estimate. The builder refinances into a long-term DSCR loan as a rental. The expected rent is 2,100 dollars a

month, which covers the new payment with room to spare.

The builder now holds a new rental worth about 305,000 dollars, with a long-term loan in place and the construction loan paid off. The cash the builder put in is still in the deal, working, and the plan is to find the next lot.

That is the full arc. Land, plan, loan, draws, reserves, exit. None of the steps are exotic. The builders who succeed are simply the ones who do all of them on purpose.

Chapter 11: First-Build Checklist and Glossary

The checklist

Use this list in order. Each step makes the next one easier.

Before you buy land

- Confirm what new homes actually sell for in the area.
- Pull the deed restrictions and confirm you can build what you want.
- Verify water, sewer or septic, and power, with real quotes.
- Check the flood map and order a survey.
- Walk the lot, ideally after rain, and check access for trucks.
- Talk to Lawton Building and Loan about the lot and the plan before you close.

Before you apply

- Have a full set of plans that fit the lot.
- Get a written builder bid, broken into stages.
- Build a complete budget with a contingency line.
- Confirm the permit path, costs, and timing.
- Calculate your total estimated out of pocket as a range.
- Set aside reserves: the first draw plus about six months of payments.

During the build

- Keep a signed contract and written change orders only.
- Request draws as stages complete and pass inspection.
- Photograph every stage and save every invoice.
- Talk with your builder weekly about progress and what is next.

At the finish

- Decide early: sell, or refinance and hold as a rental.
- If holding, line up the long-term refinance before the build ends.
- Close out the construction loan and put the next lot on your list.

Glossary

LTC (loan to cost): The loan amount compared to the total cost of the project, land plus build. The main sizing number on a construction loan.

Total estimated out of pocket: Everything you bring to the deal. Your share of the project

cost, plus lender fees, broker fees, approximate title costs, and one year of insurance. Always quoted as a range.

Draw: A release of loan funds for a completed stage of the build, after inspection.

Interest only: Payments that cover only the interest on the drawn balance, with no principal paid down. Construction loans work this way during the build.

Reserves: Cash you hold unspent during the build to cover the first draw and about six months of payments, and to handle surprises.

Contingency: A budget line, usually five to ten percent of build cost, set aside for the unexpected.

Change order: A written, signed agreement pricing a change to the plans or finishes before the work is done.

DSCR loan: A long-term rental loan sized mainly by whether the rent covers the payment. DSCR stands for debt service coverage ratio. It is the common refinance exit for a build you keep as a rental.

Perc test: A soil test that shows whether land can support a septic system.

Setback: The required distance between a structure and the property line or road.

Unrestricted land: Land with no homeowners association or deed restrictions limiting what you can build. County rules, permits, and flood plain still apply.

A plain disclaimer

The figures and examples in this guide are illustrations, not quotes. Loan terms depend on the deal, the property, and approval, and they can change. Nothing in this guide is a promise or a guarantee of financing. The only way to know what your project qualifies for is to have it reviewed in full.

Ready to Talk About Your First Build?

Lawton Building and Loan helps first-time builders across Texas finance the lot, the build, and the plan to exit, all as one project. Bring us a lot you own, a lot you are looking at, or just the idea. We will run the real numbers with you and tell you plainly where you stand.

Call or text (817) 862-6922, and please check us out at lawtonbuildingandloan.com.