

A FREE GUIDE FOR HOMEOWNERS — FROM MYREMODELQUOTE

Financing Your Remodel or Custom Build

A plain-English look at bank loans, construction loans, credit cards, HELOCs, hard money, and bridge loans—so you walk into the conversation with your lender already understanding the landscape.

Why This Matters

There's no single “right” way to finance a remodel or custom build. The best option depends on your available equity, your timeline, your credit, and how predictable your project costs are.

This guide explains six common financing options in plain language, so you can go into conversations with lenders and your accountant already understanding the landscape—not hearing these terms for the first time in a loan officer's office.

A short list of questions to ask any lender is included near the end of this guide.

Six Common Ways to Finance a Project

1. Bank / Personal Loan

WHAT IT IS

An unsecured loan from a bank or credit union, based on your credit and income rather than your home's equity.

TYPICALLY BEST FOR

Smaller projects where you don't want to put your home up as collateral, or don't have enough equity built up yet.

WORTH KNOWING

Approval can be faster than home-equity products, but rates and borrowing limits are usually less favorable since the lender isn't securing the loan against your property.

2. Construction Loan

WHAT IT IS

A short-term loan built specifically for new construction or major renovation, where funds are released in stages ("draws") as work is completed and inspected, rather than as one lump sum.

TYPICALLY BEST FOR

Ground-up builds, major additions, or projects where the lender wants to verify progress before releasing more money.

WORTH KNOWING

These often convert into a standard mortgage once construction is finished ("construction-to-permanent"). Expect more paperwork upfront—detailed plans, a licensed contractor, and an appraisal based on the home's projected value.

3. Credit Card

WHAT IT IS

Revolving, unsecured credit with no collateral required.

TYPICALLY BEST FOR

Small purchases, deposits, or bridging a short gap—not typically the primary way to fund a full remodel.

WORTH KNOWING

Usually the highest-cost financing option on this list if carried as a balance. Some cards offer promotional 0% introductory periods, which can work for short-term needs if paid off before the promotional rate ends.

4. HELOC (Home Equity Line of Credit)

WHAT IT IS

A revolving credit line secured by the equity in your home—you draw what you need, when you need it, up to a set limit, and generally only pay interest on what you've drawn.

TYPICALLY BEST FOR

Projects with costs that unfold over time, or where you're not sure of the exact final number yet.

WORTH KNOWING

Because it's secured by your home, rates are typically lower than unsecured options—but your home is the collateral, so it's at risk if payments aren't made. Rates are commonly variable, so payments can change over time.

5. Hard Money Loan

WHAT IT IS

A short-term loan from private lenders or investor groups, approved primarily on the value of the property rather than your personal credit.

TYPICALLY BEST FOR

Situations where speed matters more than cost—fix-and-flip projects, or when conventional financing isn't a fit or won't close in time.

WORTH KNOWING

Approval and funding can happen fast, but interest rates and fees are typically well above conventional financing, and repayment terms are usually short (months, not years).

6. Bridge Loan

WHAT IT IS

A short-term loan designed to “bridge” a timing gap—for example, covering renovation costs while you wait on the sale of another property or the closing of permanent financing.

TYPICALLY BEST FOR

Timing-sensitive situations where you need funds now but have a clear, near-term source of repayment coming.

WORTH KNOWING

Convenience comes at a cost—rates are usually higher than standard financing, and these are meant to be short-term by design, not a long-term solution.

At a Glance

A rough comparison to orient the conversation—actual rates, fees, and terms vary by lender and by your personal financial picture.

Option	Typically Secured By	Speed	Relative Cost	Best Fit
Bank / Personal Loan	Credit & income	Moderate	Moderate	Smaller projects, no equity needed
Construction Loan	Property (staged draws)	Slower (more docs)	Moderate	Ground-up builds, major projects
Credit Card	Unsecured	Fastest	Highest	Small or short-term needs only
HELOC	Home equity	Moderate	Lower	Ongoing or uncertain costs
Hard Money Loan	Property value	Fastest	Highest	Speed-critical, investor situations
Bridge Loan	Property / pending sale	Fast	Higher	Timing gaps between transactions

Questions to Ask Your Lender

- Which of your loan products actually fit a project like mine, and how do the rates, fees, and terms compare?
- How much can I borrow based on my current equity versus my home's value after the project is complete?
- What's the draw and inspection process for releasing construction funds, and who handles the inspections?
- Is the rate fixed or variable? Are there prepayment penalties?
- What's the realistic timeline from application to closing or first draw?
- What closing costs and appraisal steps should I expect, and what happens if the appraisal comes in lower than planned?

General Information Only

This guide is general educational information, not financial or legal advice. Financing terms, interest rates, fees, and qualification requirements vary by lender, by loan product, and by your individual financial situation—and they change over time.

Before choosing how to finance your project, talk with your accountant and a licensed lender or financial advisor about what's actually right for your situation.

This guide is provided free by MyRemodelQuote as a resource for homeowners planning a remodel or custom build.