



THE HOME IMPROVEMENT PLANNING GUIDE



Products and services offered by Capital One, N.A., NMLS ID 453156, Equal Housing Lender.
2017 Capital One. Capital One is a federally registered service mark of Capital One Financial Corporation.

Home improvement business is booming. In 2016, homeowners spent more than \$361 billion on home repairs and renovations¹—setting an all-time high. Living spaces were made more comfortable. Heating and cooling systems were upgraded. Electrical and plumbing systems were brought up to code. Every part of the home was open for change.

The average homeowner spent 60% more on home projects year-over-year.²

There's a lot of value in home improvements but there's not always a lot of fun. Chaos, clutter and costs sometimes add up to stress. While this guide won't quiet the saws or sweep up the sawdust, it will make sense of the chaos. It's a handy guide to help plan, budget and manage home improvement projects of almost any size.



¹ "Homeowners Spent a Record Amount on Remodeling—but on What, Exactly?" Realtor.com, 2017.

² "2017 True Cost Report." HomeAdvisor, 2017.

Table of Contents

Lay Out Your Goals	page 4
Goals Worksheet	page 5
Organize the Details	page 6
Planning Pro Tips	page 7
Budget, Budget, Budget	page 8
Find a Contractor	page 10
Figure Out Financing	page 12
Enjoy!	page 14



\$20,000

Average cost of adding
a solar power system
to a roof

To see how much a solar
roof can save you, click
the image below.



Source: "How Much Does it Cost to Install
Solar Panels?" Home Advisor, 2016.

STEP 1.

Lay Out Your Goals

Before you get started, think about why you're working on this particular remodel and what you hope to accomplish. That will make a difference when setting a budget, getting financing and hiring contractors.

On one end of the spectrum are repairs and improvements that are "good enough." For example, you need an extra room but it doesn't have to be fancy, or you're replacing cracked flooring with basic linoleum or laminate. You might make these changes so you can sell the home or bring it to a basic level of safety.

On the other end are improvements that drastically increase the value and aesthetic charm of your home: a spa tub in the bathroom, solar panels on the roof or a new rental apartment in the refinished basement. You're probably planning to stay in your house for a few years to enjoy the upgrades, and you want to put the funds and focus into the high-quality finishes that justify your investment.

Though it's not time to make a budget just yet, this is where you start thinking about the basic size of the project. Are you talking about a few hundred dollars for new paint and fixtures, or are you imagining \$30,000 and a team of contractors making some big changes?

Goals Worksheet

The rooms where I spend the most time are

The rooms I really love in my home are

I wish my home was more

The rooms I'd like to change are

How can I change these rooms to be more like the rooms I love?



30%

of all professional home remodeling projects come from saving failed DIY attempts

STEP 2.

Organize the Details

Once you get an idea of the kinds of home renovations you'd like to make it can be hard to wait. But it's worth it to make a plan rather than dive right in. To craft the smartest approach, take the following into account:



Short-term move vs. staying put.

Do you have another place to stay while the work's being done? It could alleviate stress to pack your bags for a few weeks and come home in time for the "big reveal."



Time of year.

Spring and summer promise long, warm days for sawing, hammering and painting, but they're also the busiest times for contractors. Try to schedule your remodel for a few weeks before or after the popular season – call in March about a new deck, not June.



Hire contractors or DIY.

DIY makes sense for people who are handy, have plenty of time and don't get stressed easily. But for everyone else, it's better to hire contractors. Yes, they cost money, but they save you frustration, time and poorly done work that might be unsafe or unsightly.

After examining your options, you might decide to put your start date on hold for a few months.

Source: "Thinking About Home Remodeling? Start Here." National Association of Home Builders, 2017.

Planning Pro Tips



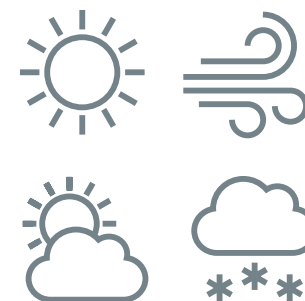
1 Gather Ideas From Everywhere

While you plan, keep your eyes open for inspiration. Take pictures of nice rooms, bold colors, or cool pieces of furniture—wherever you see them. Online tools like Pinterest™ can be really useful for making mood boards and referring to them when you're making decisions.



2 Draw On It

Check out the Houzz app, a home design and drawing tool. Use your smartphone to take pictures of your home, then redraw walls, draw a new kitchen island, or change the color of your walls. Remodeling your home in the app isn't exact, but it could give you a good idea of changes you like and changes that definitely aren't for you.



3 Change Your Season

There's a season for everything—including home renovation! Backyards and pools get a lot of work done during the summer. Spring and fall are popular times to make changes to air conditioning systems. If you can avoid it, don't schedule your renovation during peak times. You'll get better prices and a better choice of contractor if you get work done during off-seasons.

STEP 3.**Budget, Budget, Budget**

No one likes it, but everyone's got to do it. Determine your budget – how much you can spend on a project – before bringing home a rainbow of paint chips.

For projects that are “good enough,” keep a tight cap on the budget. No need to spend top dollar on a new stove if your goal is simply to replace the one with a broken burner. But for that once-in-a-lifetime reno, expect to put your wallet to work.

It's challenging to come up with an exact cost before gathering bids from contractors (see step 4). For now, do a little research to get a ballpark figure — and then add 15%. Surprises always pop up.

Here's a breakdown of costs for a sampling of remodeling jobs nationally in 2016:

Add master suite:
\$115,000



Remodel kitchen:
\$20,000–\$62,000



Replace furnace
(warm air):
\$3,800



Remodel
basement:
\$68,000



Remodel
bathroom:
\$12,000–26,000



Replace air
conditioning
(electric):
\$3,000



Replace roof:
\$5,000–\$10,000



Replace windows
(vinyl): **\$3,000–
\$7,000**



Install a pool:
**\$35,000–
\$100,000**

SOURCES: “2017 Cost vs. Value Report.” Remodeling Magazine, 2017. “Home Improvement Outlook for 2016 and Beyond.” Joint Center for Housing Studies of Harvard University, 2016. “NAHB Reveals the Most Popular Types of Home Remodeling Projects.” National Association of Home Builders, 2015. “Install an Inground Pool Costs.” HomeAdvisor.com, 2017. “Remodel for Disability Accommodation Costs.” HomeAdvisor.com, 2017. “Indoor Cost Guides.” Fixr.com, 2017.

Sample Budget Worksheet

Need a little help getting started? We've included a quick sample worksheet so you can organize bids against your budget.

Description of Work	Contractor Name & Contact	Budget	Labor & Materials Quote	Actual Cost	Estimated Time to Complete	Notes
Replace Kitchen countertops	John Doe's Amazing Kitchen Remodels (555) 555-5555	\$3,500	\$3,500	\$3,700	---	\$500 payment made 05/15

STEP 4.

Find and Manage a Contractor

You know what you want to do, when you want to do it and how you'll pay for it. Time to demo that wall! Um, not so fast.

In their eagerness to get started, homeowners often make the mistake of hiring the first contractor they call. This is a mistake. You want to interview as many as you can, a process that might take longer than the project itself. Ask friends, family and coworkers for referrals. Check out ratings sites for reviews. Once you have a list compiled, don't be afraid to ask a range of questions. If they balk, they weren't the right person for the job.

Here's what to cover...

What kind of experience do you have with this type of renovation? Can I see examples?

Try to find someone who specializes in your type of project and age of house and ask for previous customers who'd be willing to show off the work.

Are you licensed, bonded and insured?

Contractors need a range of insurances, licenses and permits to perform all the potentially dangerous work they do. Ask them which insurance and licenses they hold. They should show you proof of current insurance for personal liability, workers' compensation and property damage coverage. If you have questions about what they need, contact your local branch of the U.S. Department of Labor's Occupational Safety and Health Administration ([find it here](#)).

Will I need a permit?

A knowledgeable contractor will have experience with the local and state permitting requirements for your type of project and be able to get the right permits before they start the job



Get at least 3 separate bids for the project



Keep a paper trail



Don't pay more than 10% deposit, \$1,000 maximum



Pay final installment only when you're satisfied

STEP 4 CONTINUED.

Find and Manage a Contractor

Despite your best efforts, you might end up with an unethical contractor, or simply one who's been stretched too thin. Keep tabs on the work as it goes with agreed-upon evaluation times. Keep a paper trail of contracts signed, work orders, invoices and payments. Don't pay more than 10% for a deposit, or over \$1,000 total, and hold off on the final installment of your bill until you're satisfied with the work.

One way to protect yourself from high bids—or bids so low that the contractor will be more likely to cut corners, is to get at least 3 separate bids for your project. By shopping your project around to several different contractors, you'll be able to get a better idea of what your project really costs and how long it will take.

STEP 5.

Apply for Financing (If You Need It)

For a lot of projects, you'll be able to use cash or charge supplies to your credit card. But substantial home improvements can require big chunks of change. Some people use a windfall, like a bonus or an inheritance, to fund the project. Others save up and only start the work once they've reached their savings goal. Many people choose instead to borrow money to make these changes right away, then pay back that money over time.

If you have money in a high-yield savings or investment account, you might think about cashing out that account to pay for home renovations. Running the numbers, though, it usually makes more sense to take out a loan instead: the average home equity loan carries an interest rate of around 4%, while the average stock market return earns around 10%. This means that your cash grows faster in the stock market than the loan will cost you in the long run.

A personal loan can be one way to borrow money for home renovations. Personal loans give you a lump sum to spend however you wish, and you pay back that money at a set schedule over time. Personal loans typically have lower interest costs than credit cards, but you might have to have pretty good credit to qualify for one.

Sources:

"Best Index Funds for 2016." The Motley Fool, 2016.

"Selected Interest Rates." Board of Governors of the Federal Reserve System, 2017.



In 2016 lenders originated

653,895
new HELOCs with
combined limits of
\$81 billion

Source: Icon Lendershare, 2016.

STEP 5 CONTINUED.

Apply for Financing (If You Need It)

Another option is to borrow from the value of your home to pay for renovations. Equity, or the difference between your home's value and your remaining mortgage balance, can be a powerful asset for making changes to your home. The most common way to borrow from your home's equity for home improvement is a home equity line of credit, which lets you access funds as-needed.

The amount you can borrow depends on the difference between your home's value and what you owe on it—your equity. Usually, you can only borrow up to 80% of your equity.

How does all this work? Let's do that math. For example, your home is now worth \$300,000 and your remaining mortgage balance is \$170,000. Here's how you can find your maximum loan amount—assuming you can only borrow up to 80% of your equity:

Home Value \$300,000		80% of Home Value \$240,000	
Remaining Mortgage	\$170,000	Remaining Mortgage	\$170,000
Total Equity	\$130,000	Useable Equity	\$70,000

Note the difference between your total equity and your usable equity. Even though you have \$130,000 in equity, the 80% loan-to-value limit typically used by lenders means that you can probably only expect to borrow around \$70,000.

After remodeling...



74% of homeowners like being in their home more



64% enjoy home more



75% feel a sense of accomplishment

Source: "2015 Remodeling Impact Report."

STEP 6.

Enjoy!

Now comes the best part: making the most of your home remodel. You might be feeling a little exhausted after your big expenditure, but you'll feel the reward with a neighborhood potluck, hosting your friends or a series of pictures for social media. Invite over extended family for a meal prepared in your new kitchen. Or just sleep better at night knowing your home is safer and meets your needs. However you celebrate, you should feel great about getting to the end of the home improvement journey.



Contact Capital One to see how your home improvement projects can get started. Visit capitalone.com/homeimprovement or give us a call at **877-475-1248**

This site is for educational purposes only. The material provided on this site is not intended to provide legal, investment or financial advice or to indicate the availability or suitability of any Capital One product or service to your unique circumstances. For specific advice about your unique circumstances, you may wish to consult a qualified professional.

Not all loan products or terms are available in all states. Normal credit qualifications and other terms and conditions apply. This does not represent an offer to enter into a loan agreement. Loans subject to credit and property approval. Products, rates and terms subject to change without notice.

Products and services offered by Capital One, N.A., NMLS ID 453156, Equal Housing Lender and Member FDIC.

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) requires all mortgage loan originators to be registered in the Nationwide Mortgage Licensing System and Registry (NMLS). Mortgage loan originators and their NMLS IDs can be looked up at