

## Buyer Best Practices

A real estate transaction can be complicated. Naturally your sales professional will be there to help you with the process and any questions. We recommend the following best practices to buyers who want to 'buy right'.

Review a blank contract form before you write your contract offer. This will familiarize you with contract details and may prompt questions.

Use Buyer Representation: It is important to have a sales professional who is totally loyal to you. Discuss your representation options with your sales professional. If you are purchasing a listing, make sure you understand what your sales professional can and cannot do for you.

Review the seller's disclosure before you make an offer. Your contract offer should reflect the condition of the property. The seller could disclose a repair or condition that would impact what you would be willing to pay. You should know this before you decide on an offering price.

Ask for a home warranty when you write the offer. This will cover you for items that malfunction during the first year of ownership.

Get the property inspected by a licensed professional inspector. This will let you know the true condition of what you are buying. Follow the inspector's advice if he recommends that you have a particular expert inspect a troublesome item.

Ask your sales professional to prepare a market analysis of the property before you make the offer. You should know what similar properties are selling for so that you don't overbuy. Also, if the seller remains firm on the price, you will be able to tell if the value is really there.

## Finding the Right Home: Efficiency Tools and Tips

Searching for a new home can be daunting. There are so many options to consider: price range, community, proximity to work, school district, etc. The goal is to set your search criteria and let the site do the heavy work for you. The site has some very helpful tools to help you prioritize and focus: My Portfolio, New Listing Alerts, New Photo Alerts, and My Portfolio Alerts.

As you sift through properties from your search, click Add to My Portfolio to place properties worthy of a second look into My Portfolio. This is the first step in prioritizing. At a later time you can go back to My Portfolio and remove your least favorite properties.

Once you review online properties in My Portfolio, the next efficient step is driving by the properties you're interested in so you can eliminate many based on community, exterior condition, or appeal that is not right for you. You should drive by properties before you request a home tour with your sales professional.

You can find a map on the property details. Driving by the property acquaints you with the home's curb appeal and its exterior condition. You can also survey the community and assess the property's proximity to work, schools, shopping, etc. This valuable knowledge will guide you in focusing your search.

Learn more about the smarter way to buy or sell using alerts.

## Home Warranty Equals Peace of Mind

Costly repairs, especially during the first year of homeownership, could be a financial burden to buyers who have recently purchased a home. A home warranty (also known as residential service contract) offers freedom from worry over repairs.

A basic policy provides peace of mind to both buyers and sellers. Add-ons to the policy may cover a pool, spa, or other non-essential equipment. After purchasing the initial policy, there is no additional fee until the one-year renewal.

When a covered item needs repair, the homeowner contacts the warranty company who assigns a vendor to fix the problem. Instead of paying out of pocket or contacting the seller to pay for the repair, the homeowner pays a small fee and the warranty company pays the remaining amount. The warranty provides the buyer with a conflict-free remedy to home repair.

Ask your sales professional to request a home warranty in your offer. If you are selling your home, consider offering the warranty as a buyer incentive.

## New Homes – How Does Your Sales Professional Fit In?

Most builders require some sort of buyer registration. This procedure will vary from builder to builder. It is very important that you let the builder know the name of your sales professional. Some builders may require that your sales professional accompany you on the first trip to the subdivision. If you are tempted to go alone, call your sales professional and ask about the builder's registration policy.

Let the builder or the on-site manager know up front who your sales professional is. Ask the builder representative if the sales professional must accompany you on the first trip. If the answer is yes, withhold giving any personal contact information such as your name and phone numbers until your sales professional can come back with you to the subdivision. Once you and your sales professional are registered, it should be no problem to come back unaccompanied at a later time.

## New Construction – Drywall, Trim and Finish-Out Stages

The drywall or sheetrock stage follows the frame stage. Rooms are cleanly defined once the walls are hung. Drywall material is cut, fitted, and nailed to the frame. The seams between the drywall sheets are taped, floated, and painted. This is done so that the appearance is seamless once the walls are painted. Drywall must also be inspected and approved before the building can proceed.

While the walls are being installed, masonry is added at the specified locations. Exterior painting is completed. The latter stages of construction appear to go faster than the early ones. This is because subcontractors may work on different tasks at the same time.

The trim stage follows drywall. Here various details of the home begin to take shape. Interior doors, baseboards, wood floors, trim work, cabinets, and shelving are installed. On the exterior, underpinning is added to the foundation and additional flat work for the driveway, patio, etc. is performed.

Additional interior work includes the addition of countertops, tile, lighting, appliances, heat and air conditioning units, lighting, mirrors, sinks, flooring, any electrical and plumbing trim work, and additional amenities not yet in place. All this is followed by the final painting of walls, baseboards, and trim. Carpet is installed last. Once all this is completed, the home is ready for final clean-up, final inspections, and buyer walk through.

Outside the lot has a final grading followed by the sprinkler system, grass, and landscaping. Fencing, window screens, and gutters are installed. Masonry is cleaned and the buyer's electrical, gas, and water meters are set.

Typically you will have one or several walk-throughs in the last phase. The builder will create a check list of items that need correction or completion. Ideally all this should be completed prior to closing.

## New Construction – Frame Stage

Once the slab is poured, construction moves to the frame stage. During this phase the skeleton of the house is erected. Like the slab stage, the frame stage is particularly vulnerable to weather delays. This work usually commences once the lumber, including trusses, cornices, and any wall panels, is delivered to the site. Framing time varies with the size of the home and the complexity of the floor plan.

In the frame stage, lumber to support the exterior and interior walls is secured to the slab. Additional stories are added onto the first and along with any stair cases. Doors and windows are framed in and the trusses, roof supports, and roof deck are added. Window and exterior doors are also installed.

Once the basic frame is up, the structure must be dried in from the elements. This will include the roof and exterior wall insulation. Shingles are usually added to the roof at this time.

As soon as the house is protected from the weather, interior plumbing, electrical, and electronic cabling for telephone and computer are added to the interior frame. Wiring and ducting for the heat and air condition are installed. Any preparation for amenities such as built-in vacuum, intercom, alarm, exhaust fans, and sound systems would be wired at this time. Bath tubs are delivered and set in place in the frame stage and the house is secured from vandalism.

The frame is also subject to builder and inspector scrutiny. The house cannot proceed to the next stage without passing the necessary frame, plumbing, and electrical inspections. If an inspector finds a code violation, the house fails and the builder must correct and resubmit for another inspection. Once the house passes inspection interior insulation is added in preparation for moving to the next stage.

## New Construction or Resale – What is Right for You?

The choice between a new or resale home reflects your individual preference, property availability, and financial considerations. Naturally, new homes have great appeal. Everything is fresh and new. The decorating and architecture are fashionable. In some cases you have the fun of choosing colors and amenities. Some builders allow customizing so the new home reflects your taste and style.

New homes also have the advantage of current energy saving features. Insulation must be up to current codes. Heating and air-conditioning units usually feature enhanced energy efficiency. Other energy saving amenities include ceiling fans, attic fans, double pane windows, etc. These features increase affordability. Utility costs rank second in monthly cash outlay after your mortgage payment. The older the home the more dated the energy amenities. Utility costs for resales tend to be higher.

Greater cash reserves on hand are wise if buying new construction. You will need window coverings, some landscaping, and maybe a fence. These expenses come very soon after your outlay for down payment and closing costs. Resales though may have other amenities that are not typical builder offerings. These could include sprinkler systems, water softeners, decks, pools, hot tubs, etc.

A new home will have warranties. Most repairs will be covered during the first year and some even longer. The risk of repairs is greater for a resale. However, you can purchase a homeowner warranty at closing to lower this risk.

Since resale homes come draped and landscaped, replacement and enhancement can come later. Lack of these expenses up front make resale homes the preferred choice for many. In addition resales tend to have a lower cost per square foot, compared to new homes in the same location. You may find that you get more for your money with a resale home.

## New Construction – Slab Phase

Home building is a sequential project. While there is some variation from builder to builder and area to area, construction basics dictate that each phase must follow a preordained plan with the appropriate inspections along the way.

The first stage is the slab stage. This encompasses all steps before and during the actual pouring of concrete for the slab. The engineering specifications for the slab were written in the contract-to-release phase. An engineer specifies the exact slab construction details including strength and tension of the slab and any support piers based on soil composition, size and design of the home, topography, and expected movement of the soil on which the slab will rest.

During this time, any underground gas and electrical work will be completed. Water and wastewater lines will be installed. Lot drainage will also be addressed.

A survey will mark lot lines and easements so that the structure will not encroach any building set back requirements. The lot must then be scraped by an excavator and the forms set. Forms outline the actual exterior dimensions of the slab. Within the forms, plumbing lines, gas lines, electrical conduit will be laid along with the cable reinforcements. Cables give the slab strength to support the house and the tension to withstand soil movement.

In areas where there is much soil movement, the engineer may require support piers to support the slab during upward and downward shifts. Proper engineering will ensure that slab will not crack with normal soil movement and that the structure will remain sound for years to come.

As these materials are installed, the builder and inspectors come to verify that these critical items are being installed properly and according to plan. Once the inspectors have approved the work, the concrete is poured.

## New Construction – Timing and Early Stages

The time spent building a new construction home varies greatly. It will depend upon the size and complexity of the home, permitting time line, lot topography, degree of customization, availability of materials and subcontractors, and the weather. The builder will be able to give you an estimate based upon past experience with other similar homes.

Building stages in new construction are grouped into definite categories. Your involvement at each stage depends on where the home falls in the New Home Spectrum and at what stage the home is in when you enter into a contract.

The preliminary stage focuses on lot choice, lot reservation, financing, choosing a floor plan (or designing custom plans), selecting upgrades (or deciding on custom specifications), negotiating a price, and signing a final contract. No actual construction can begin before these items are completed. If the home is close to spec on the spectrum, this stage can be very short. If the home is to the custom end of the spectrum, this stage takes more time.

The contract-to-release stage is next. During this time, the builder will secure building permits, gather bids for septic and well if necessary, and pay utility tap fees. This period can be prolonged depending on the bureaucratic process in place within each municipality that issues a building permit. If the builder is not using a standard plan, an architect will draw up a final set of plans and specifications. These will be used by subcontractors during construction.

The last stage before construction will be final buyer approval of the project. You will sign off on the final plans and specifications and decide on lot placement for the home. If this is a spec home, these decisions may already be made. If this is a custom, then your input will be needed.

## Property Inspections

Sellers are obligated to disclose the condition of their property up front. Still there could be things about the property that the sellers may not know. Buyers order property inspections from knowledgeable and/or licensed inspectors once the property goes under contract.

Initially, your knowledge about a property comes from what the sellers have disclosed and what you have observed. A deeper look by a professional can offer you peace of mind. The property inspector's job is to tell you about the property. By telling you the scope of the inspection, you will know what the inspector will and will not inspect and how deeply the inspector will inspect the home.

The purpose of the inspection is four-fold:

Educate you about on-going maintenance issues.

Familiarize you with items that might need repair in the future.

Teach you about the operation of any equipment. This helps you in the future upkeep of the home.

Inform you of major problems that might not have been known or readily apparent when you first looked at the property. Major undisclosed items can become items for negotiation.

Cosmetic repairs are superficial and readily apparent to you when you viewed the property. You should take these into account when making the initial offer. Maintenance issues also do not enter into negotiation. These are normal concerns of property ownership.

Inspectors will generally inspect the foundation and other structural items such as walls and roof. They will look at mechanical systems such as heating, air-conditioning, electrical, plumbing, doors and windows, and appliances.

Special inspections may be needed after the general provides you with a report. These could include separate septic, pool or hot tub, security, sprinkler, or structural inspections. Your inspector may suggest additional inspections by experts if there are concerns on those items.

## *Questions to Ask Your Custom Builder*

When choosing the builder for your custom home, you should interview potential builder candidates. It is important that there is a good relationship between you and the builder. Focusing on key questions will help you make the right choice.

### Pricing

In what price range does the builder specialize?

How does the builder arrive at a final price?

What earnest money will be required?

What funds will be required for changes and upgrades after approval of the initial construction documents and when will these be paid?

### Staff

Who will supervise the subcontractors?

How many persons are on staff and what are their responsibilities?

How many homes per year will they build?

How many homes has the builder built? What is the builder's background?

### Procedures

How will the builder communicate with you during the project?

How will change orders be implemented?

How does the builder handle problems that arise during building?

How long will it take to build a home your size and price range?

Can the builder provide you with a general schedule with the different stages and a timetable?

What are the builder's procedures for drawing funds from the construction financing?

In the event that there is dispute, what funds are refundable and under what circumstances?

What are the details of the builder's warranty?

What is the procedure for items that will need attention during the first year?

What contract form does the builder use and may you take it for review?

### Inventory

What lots does the builder now own or have access to?

Is the builder restricted to certain subdivisions or areas?

Will the builder build on a lot you currently own?

### Track Record

What homes has the builder built in the area in your price range?

Will the builder provide you with references and their contact information?

## Sales Professional's Role in New Construction Sales

You may wonder why you need a sales professional when you're buying a new construction home. After all, no one has deeper product knowledge of the homes and specifications than the builder or the builder representative. However, the sales professional working with you provides a very necessary and valuable contribution to the sale. By facilitating builder-buyer communication, the sales professional provides perspective and distance for you to process builder input. The sales professional becomes a go-between.

The sales professional's heaviest involvement comes early in the process when price, terms, amenities, specifications, floor plan, building site, and financing are being decided. Once building actually starts, the sales professional remains involved to solve problems as they arise. The sales professional becomes a buffer between you and the builder while issues get sorted through.

A sales professional's clear head and focus on the right outcome is invaluable. By using the sales professional as mediator, the relationship between you and the builder is preserved.

The sales professional's responsibilities are summed up as:

- Your advocate when interacting with the builder or builder representative
- Negotiate with the builder on your behalf
- Facilitate communication between you and the builder
- Help solve problems that arise during the project
- Convey necessary change orders between you and the builder
- Facilitate timely completion of the home when possible
- Provide you perspective to judge what are reasonable developments based on the sales professional's construction experience
- Accompany you on the final walk-through(s)
- Review the final HUD-1 statement
- Coordinate and attend the closing

## The New Home Spectrum

New construction options fall within a very wide range. Your place within that range will depend on your price range, builder selection, subdivision, desired customization, lot availability, and your preferences.

At one end of the spectrum is the spec house (nicknamed for speculation). The builder, who speculates that the right buyer will come along, plans and starts construction before there is a real buyer. Almost all decisions are made by the builder: what floor plan is built on the lot, how the home is decorated, and what amenities are included. The builder begins construction and sometimes completes the home before there is a buyer. If you buy a spec home before the builder completes it, you sometimes may choose a few items not yet in the home. This home is usually built relatively quickly.

At the other end is the custom home. Here most of the decisions are made by you: what lot to buy, which builder to hire, floor plan, specifications, decorating and amenities. Once these decisions are made, the builder will bid the project based upon cost and availability of materials, subcontractor fees, and the fees to oversee the project. This type of home usually takes longer to build because you are involved in every phase of the project.

In between are many variations. Typically, a builder will have numerous lots in a subdivision and a wide variety of floor plans. You select a floor plan and then view lot inventory. Your choices are made from a builder list of available upgrades, decorations, and amenities. Add-ons or changes in construction details will move this project closer to either one end of the customization spectrum or the other. The more you change the builder's existing plans, the more customized the house becomes and the longer it will take to build.

## The Rent vs. Buy Decision

The decision to rent vs. buy is a very personal one. There are many sound reasons to purchase a home: equity build-up, tax savings, capital gain when you sell, and the enjoyment of ownership. The purchase of a home requires a cash investment and taking on debt. Naturally you must have saved enough cash, be able to make future payments, and also have enough time and resources to maintain your home.

The cash investment is applied toward your down payment, closing costs, and prepaid items. Some of these items are not easily recouped if you should sell the home you buy in the short term. Buyers need to consider how long they will own the property before selling. If you intend to occupy the property for a short period of time, then the financial benefits of owning the property are diluted.

In financially analyzing the rent vs. buy decision, you should compare your current rent, future increases, and the renters insurance that you are now paying to the monthly house payment, future appreciation, maintenance and capital gain when you sell. The house payment normally includes your principal repayment of the mortgage, the interest owed on the mortgage, the property taxes, and property insurance. (This is called your PITI, which stands for principal, interest, taxes and insurance.) With time, your property should appreciate or increase in value.\*

The rent you pay a landlord is never recouped and none of the rent is tax deductible. When you buy a home, the yearly property taxes, interest, and some of the closing costs are tax deductible.

To learn more about calculating the advantages of buying vs. renting, go to [www.FinanCenter.com](http://www.FinanCenter.com) and click on Home Center.

\*Property appreciation is dependent on many market factors. It cannot be accurately predicted because it is a future event. Your sales professional can give you past sales prices of properties in a given area but cannot promise you any specific increase in value.

## Your Property Search - Your Basic Search

The website is a powerful tool in the home search. It allows you to focus on properties with the closest match to your criteria and helps you prioritize properties. It also minimizes time wasted on properties that are not real contenders.

The first step in harnessing the power of the site is to set your criteria for the home search. The best way to find out what's available in an area is to start with a broad search and then narrow in. You may be looking for a home in a specific area in a certain price range. You should resist getting too specific in this first phase of setting your criteria, so you don't prematurely eliminate any properties.

If the basic search (area and price) returns an excess number of properties, then it is time to limit the search. You can do this by changing either the price or limiting the area. This then should return a more manageable number of homes to consider. If the search returns too few properties, then broaden the area, price range, or change your optional criteria.

By starting broad and then narrowing, you minimize the risk of missing a home that might be perfect. The properties on the site are downloaded directly from the local Multiple Listing Service(s) (MLS). Many different sales professionals input data into the MLS(s). Thus there can be a lot of interpretation about how to input amenities. For example, one sales professional might consider a home to have four bedrooms while another might consider it to have three bedrooms plus a study. Perhaps for your family either interpretation could work. By starting broad you would not risk ruling out one over another.