



The Secrets
Builders Don't Want You to Know About
New Home Construction

UNLOCK INSIDER KNOWLEDGE



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TIP # 01

THE SALES PERSON INSIDE THE MODEL HOME REPRESENTS THE BUILDER

One of the biggest things to understand when you are considering having a new home built is representation.

When you go into a model home that the builder has provided to showcase what they build, there will be a sales person inside. This sales person has been hired by the builder to represent them in showcasing and selling houses.

This is important for YOU to know, because when you deal directly with the builder's representative, you ARE NOT represented. That means YOUR interests are not protected.

How can this hurt your position, when buying a home? When you have no representative on your side, you are at the mercy and the whim of the builder and construction company. You need someone to assist you in making sure that the contract is written to include dates and items that protect your financial interest, not to mention your peace of mind.

The construction process is a long one, and many things can change while the house is being built. Having someone on your side, keeping an eye on details and deadlines, assures that you get what you thought you were getting, in the time you thought you would get it.

Having a Certified New Construction Specialist representing YOU doesn't cost you anything more. The builder has already included a real estate commission in the pricing of the house, whether you use an agent or not.

TIP # 02

THE PRICE ADVERTISED IS THE BASE PRICE, WHICH DOESN'T INCLUDE WHAT YOU SEE IN THE MODEL.

When a builder builds a model home, they put every bell and whistle they can into that home to highlight all of the things they can do. That way, you will fall in love with what they have to offer.

Be aware, though, that the pricing they give you on the different floor plans is going to be the base price, which will include the bottom of the line (contractor grade) appliances, light fixtures, flooring, kitchen cabinets, counter tops, etc.



Once you find a floor plan that you like, and the lot you want it on, your contract is written up to secure the lot and get the process rolling.

Keep in mind that the price written into the contract is going to be the BASE price. This, ultimately, will not be the total purchase price.

The next stage of the process will be to go to the builder's design center to make the color selections, and to choose any upgrades you want in the home.

This is where you need a representative helping you stay within your budget, and making the right decisions.

It's important to have what you want in a home, but there are some upgrades that will NOT be beneficial financially when you go to sell the home in the future. The amount of time you will be in your home should be a factor in what you choose as upgrades. You can get very carried away when making upgrade choices, and run your bill up very quickly. This is where a real estate consultant can help you be realistic to make sure your choices are going to be a good investment.

Also, be aware that if you go overboard on upgrades, it is possible that the appraisal will come in lower than what you are paying for the home. The lender will require you to bring that additional money to closing, which may not work for your pocketbook. Your real estate professional can give you guidance to make smart choices that won't break the bank.

TIP # 03

IT TAKES AN AVERAGE OF 6 TO 9 MONTHS TO HAVE A NEW HOUSE BUILT.

The process of building a home is very time consuming, and many people don't realize how long the process can be.

The first factor that affects your construction is the amount of time it takes for the City and/or County to approve the plans and provide a permit to build.

Secondly, on top of a normal construction schedule, there are a lot of outside factors that can also affect the time frame for construction. Weather can delay the ability for sub-contractors to show up. Extreme cold, rain, wind and snow can slow things down.



The third factor can be the demand of construction in the area. Builders have a certain set of subcontractors that they work with, and if there is a lot of construction happening, then your home will have to wait its turn. Large building companies have their own construction teams, but a smaller builder may be using sub-contractors that are also working with other builders, so this could also slow down the timing of the process.

These factors can set you back, if you aren't prepared. If you are renting a home while waiting for your new home to be built, you will need to keep an eye on the construction process to make sure things are on track.

Keep these things in mind when your house is being built, because delays in completion can cost you additional fees in interest on a construction loan, or additional days in rent if you are renting a home during the process.

TIP # 04

CONSTRUCTION OF A NEW HOME IS A 3-STAGE PROCESS

Due Diligence

The first thing a builder will require is a pre-approval letter from a reputable lender. Getting pre-approved for a loan should be the FIRST step, before you go shopping. That way you know exactly how much you are going to be able to spend. Keep in mind that, as we stated before, your upgrades and changes will be additional costs, so don't go under contract for a home that is at your maximum loan amount, unless you are planning to bring cash to closing. Most builders require a non-refundable deposit when upgrading or changing the original plans.

The due diligence time frame is also for the builder to get the plans approved by the City/County in order to receive a building permit.

Pre Construction

During the pre-construction phase, you will be meeting with the builder's design center to make color selections and pick out the appliances and fixtures you want in your home. This is the time where you will be able to make upgrades, but keep in mind that a deposit will be required for any upgrade selections made at that time. Builders want to make sure that if they purchase the more expensive items, and the buyer backs out of the contract, they won't lose any money.

Construction/Completion

During this time frame will be the Excavation Stage, Foundation and Footing Stage, Roof Installation Stage, and then the Final Completion. These are points in construction during which the City/County will do inspections to be certain that the builder is building to the State Building Code.

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Do's & Don'ts of New Construction

DON'T Go Unrepresented

As we talked about in previous tips, you need to have someone on your side of the transaction, who will be watching out for your best interests. Make sure your agent is with you the FIRST time you go to see a home.

Keep in mind that not all real estate agents are knowledgeable about new construction. In fact, there is actually a small percentage of agents that are certified in new construction, that understand the construction process, and that know what to look for. Having the wrong person representing you can be as dangerous as going at it on your own.

DO get pre-approved before looking

BEFORE you step foot inside of a model home, you need to talk to a lender about getting pre-approved for a loan (unless, of course, you are paying cash).

The worst thing in the world is to fall in love with a home, and then find out that you aren't able to have it. Getting pre-approved lets you know exactly where you stand, and what you can spend. This will be the limit for the completed home, so you need to make sure that you are approved for enough to get the upgrades you want.

DO get all agreements in writing

Never let a builder's rep tell you that they will take care of the changes, and not get them in writing and signed by the company. Any upgrades, appliance changes, and especially any changes in walls, flooring, etc, need to be in writing. This keeps everyone on the same page, and assures you that you are getting what you agreed to. Someone's word on something will not hold up for you in a court of law.

DON'T close until everything in the home is completed, to your satisfaction

Many times, the builder is running behind on getting the house ready for closing. When you have a representative on your side, they will be pushing the builder to honor deadlines in the contract, and completing the home on schedule.

It's common for a builder to try to reassure you that they will complete everything, so you should just go ahead and close on the loan. *DON'T*.

The only leverage that a buyer has during construction is the contract. If you close on the loan before the house is finished, and the builder gets paid for the house, they have no reason to hurry to finish and you no longer have any leverage. They may also never come back to do what wasn't completed.

Before you close, you have the right to do a walk-through of the home (as long as it's written into the contract) and create a "punch list" of items that are not right, or need to be completed. This is the most important time frame of the entire construction process. This is the time that you assure that everything is exactly as you expected it to be. If something hasn't been completed, or if any details are not right, this is the time you can notify the builder. The only way you can assure that it will be done is to stand firm on completion before closing.

Be aware that this will be the most stressful time for you, because you will want to get moved in to the home.

Don't let your emotions get the best of you, and surrender if the builder doesn't have the house ready.



ARE YOU READY?

If you're ready to start the process,
let's sit down and create a plan for
Your perfect home!

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