

Topic No 10: Steps 5 & 6 - Check Builder References and Secure Costs on All Possible Upgrades

Topic objective: To inform home buyers about the importance of checking builder references and securing costs on all possible upgrades, such as tile, carpet, light fixtures, countertops, etc.

Check references on the builder

If your agent has used the builder for several clients in the past, it may not be necessary to check references. In most cases, however, you will want to learn how other buyers feel about their experience with the builder. In addition to asking former buyers about the builder, you may want to ask your agent to check the city or county inspection records on homes the builder completed in the last year. If the records reveal a pattern of excessive rework requirements, you should question the ability of the builder and subcontractors. After completing the reference and inspection checks, and if you have reason to question the trustworthiness of the builder, you should check court records to see if there is a history of court cases by former buyers.

It is a good practice to secure the names and phone numbers of at least 10 former customers of the builder. Ask your agent to call five of the buyers, while you call the other five. The following questions can be used as a guide for your calls.

1. What did you like most about your builder?
2. What did you like least about your builder?
3. What kinds of problems did you have during the development of the contract?
4. After the contract was signed, did the builder return phone calls timely?
5. Was the builder involved in supervising the building?
6. Were any of the vendors or subcontractors difficult to work with?
7. Were there any construction delays?
8. Were materials protected from weather conditions?
9. Did the painter or other contractors do exterior work during weather conditions that could have damaged the materials?
10. Was the home completed by the contract closing date?
11. Was all exterior work completed on schedule?
12. Did the walk-through (final inspection) identify items that needed rework?
13. Was the home professionally cleaned?
14. Was the rework done on a timely schedule?
15. Would you have the builder build another home for you?

It is highly unlikely that you will receive all positive comments from all of the buyers. However, if you encounter two or three unsatisfied buyers, don't ignore the warning signs. If you contract with an un reputable builder, you may experience many problems and unnecessary stress over the seven- to eight-month building period. Good builders will take care of problems to avoid having their reputations ruined, while other builders will deal with problems by ignoring them -- knowing the buyer will eventually drop complaints because of the high cost of litigation.

Secure costs on all possible upgrades

When dealing with a real estate contract, remember these two facts:

1. If it is not in writing, with signatures from both the buyer and builder, it is not enforceable.
2. After the contract is signed and non-refundable earnest money paid, a dishonest builder knows that you will not back out of the contract and may ask exorbitant prices for upgrades.

If you are considering upgrades, ask your agent to document the costs. These upgrades should then be included in the signed contract. You also should receive a list of all vendors and subcontractors that will furnish items such as flooring, tile, cabinets, paint, and appliances.

It is a good practice to visit these vendors and review the types of materials that can be provided by the allowances in the contract prior to signing the contract.

All changes made after the contract is signed should be included in an amendment to the contract. Every time you meet with a builder, and the builder or vendors make a commitment to adding something without a cost to you, get the builder/vendor to sign a form committing to his offer. If it is not in writing, builders will most often never admit to making the offer and will add the cost to the final contract figure.