

Topic No. 9: Step 4 - Meeting With The Builder

Topic objective: To inform buyers of what to expect, and questions to ask, when meeting with a builder.

If you find a floor plan you like by touring new home developments, be aware that the builder is the only one who can build that specific plan in the development. However, it may be possible for other builders to build a similar plan in other developments.

When you meet with a builder, you and your agent will have several questions the builder will respond to with answers he thinks you want to hear. Keep in mind, what he tells you is not necessarily what he will do. For that reason, it is wise to have a list of questions prepared that will make it easier to take good notes. Most buyers will want to focus on cost-related questions.

Sample list of questions buyers should ask builders:

1. What would it cost to have granite counters in the kitchen?
2. What is the allowance for appliances?
3. Is the vent above the cook top an external vent? If not, what would it cost to install an external vent?
4. Is there an additional charge for a different stain on the cabinets?
5. What would it cost to install a hardwood floor in the great room?
6. Will you replace the sliding door with a French door?
7. Does the price include wiring the home for our entertainment center and sound system?
8. Is the cost of all the recessed lighting included in the price of the home?
9. Can the cost of fixtures in the model home be bought with the fixture allowance?
10. Are all bedrooms wired for ceiling fans?
11. What is the cost of installing ceramic floor tile in the bathrooms?
12. What would the cost of a custom-made, walk-in shower be?
13. Would that include two shower heads?
14. Does the price include stub in plumbing for a future bathroom in the basement?
15. Is a deck included in the price?
16. What options do we have for the materials that will be used on the front elevation, such as: brick, stone, or stucco
17. How long will it take you to build the home?

Sample list of questions your agent should ask builders:

1. Are there lots in this development that will accommodate this plan?
2. Who pays for extra excavation costs if you hit rock or find soil that will not support the foundation?
3. How long do you let the foundation cure before you backfill?
4. How long have your subcontractors been working for you?
5. What kind of scheduling problems have you had in the past?
6. Will you provide us with a set of building material specifications?
7. Do you install a gravel bed under all flat concrete work?
8. Do you use vinyl on any of the exterior walls?
9. Does the price include a foam and caulk application?
10. How might the home be made more energy efficient?
11. What is the warranty on the windows?
12. Tell us about the warranty provided on the home.
13. What kind of insurance and financial information will you provide us to ensure the nonrefundable earnest deposit will not be a risk?
14. What will the cost of the home be if the buyers do a construction-perm loan and finance the building costs?

15. What is your policy on allowing us to observe construction?
16. Do you supervise the work yourself, or do you have a job superintendent do that work?
17. Will the home be professionally cleaned and all windows washed prior to a final walk-through?
18. Will you finish all punch list items prior to the closing?

It is important to let the builder know that you will want prices on all upgrade costs prior to signing any contract. You will want to know if there are any administrative charges for making changes after construction has started.

Secure costs on all possible upgrades

Many model homes will include several upgrades that are not included in the price of the home as advertised. When touring these homes, you will want to look for the small notes that will identify the upgrades. Often, the development office will provide a detailed allowance document which will identify the funds provided for the selection of appliances, fixtures, tile, flooring, etc. These funds will generally only cover the costs of the cheapest products. Buyers will frequently choose to select more costly items to get the quality they want in the home. Other upgrades may include minor construction changes such as adding brick or stone to the front elevation, a more efficient furnace and air conditioning, additional insulation etc.

To control the cost of the home, it is important to make all of your decisions before finalizing the contract. If you do not identify the costs before you sign the contract, you may be subject to paying more for the upgrades because the builder is holding your nonrefundable earnest deposit and you will lose negotiation leverage. If you want the upgrade, you will pay his costs plus a hefty markup. The seller's agents will try to persuade you to sign the contract as soon as it is drafted. A wise buyer will take the contract and hold it until he has met with all vendors to determine what upgrade costs will be on all necessary changes. You will want all of these costs documented on vendor letters or purchase order statements. When all costs have been documented, you can then safely set an allowance in the contract for the upgrades.