

## **Topic No. 2: Problems You Will Be Faced With**

**Topic objective:** To make buyers aware of the various new home options and the problems that accompany each of them.

Consumers who want a new home will most often have the option to buy a new home that is completed; buy a spec home that is under construction; purchase a lot and hire a model home builder make some floor plan changes and build the home; or select a builder to custom build a plan of your choice.

### **Buying a completed home**

When buying a completed home, you will be faced with fewer problems than any of the other aforementioned buying options. Your major concerns with this type of purchase will be the quality of work and materials that cannot be seen after the home is completed. These include:

- Soil conditions supporting the footings
- Dimensions of the footings
- Rebar installed in the foundation
- Materials and workmanship of all wall framing
- Application of all vinyl for vapor barriers or wind protection
- Installation of exterior wall insulation
- Caulk and foam application
- Plumbing enclosed in walls

While all homes built where city and/or county building codes exist are inspected at the various construction phases, it is no guarantee that the work meets the code and building standards.

### **Buying a spec home under construction**

The scope of problems when buying a new home under construction depends on the phase the construction is in. Often, buyers will have an opportunity to modify the floor plan or move interior walls; select upgraded materials and equipment; and select the floorings, cabinets and paint colors. The biggest problems are likely to result when there is a breakdown of communications, lack of written agreements on additional costs and delayed construction schedules. Most builders will want larger nonrefundable earnest deposits when the buyer makes significant upgrades and changes. These deposits put the buyer at a financial risk.

### **Purchasing a lot and making modifications to model home plans and building**

With this plan, you can eliminate many of the unknowns by personally observing construction as the home is being built and/or hiring an inspector to inspect the home at various building phases. Major problems you could face include:

- Unknown soil conditions and rock removal
- Costs of upgrades
- Large deposit of nonrefundable earnest money
- Communications
- Completion schedule
- Completion of punch list items after home closing.

### **Hiring a builder to custom build your home**

When hiring a builder to custom build a home, you most likely will need to pay an architect to design the home and create the building plans. This service will normally cost a minimum of \$3,000 for the development of the plans. A major problem you may encounter is not knowing if the final contract cost to build the home will exceed the estimate by so much that you will not be able to afford to build the home.

Other problems you may face could include:

- Unknown soil and rock removal conditions
- Large nonrefundable earnest money deposits
- Higher building costs
- The completion schedule