

Topic No. 13: Step 9 – Understanding the Contract, Earnest Money, and Scheduling

Topic objective: To educate buyers about the importance of understanding the contract, the schedule for earnest payments, and deadlines for selecting materials.

Before signing the contract, you will want to ensure you have secured costs for all upgrades that you may want to add after construction has begun. It is important that you read and understand all the language used in the contract. If you do not feel secure with your ability to interrupt the contract, you should have a real estate attorney review the contract.

The contract will specify that earnest money shall be paid at certain dates. Be aware that, after you sign the contract, you are legally bound to the contract. However, a builder may not be as apt to try to enforce the contract unless he has your non-refundable earnest payments. Be sure you want to carry out the contract before you deliver the earnest payments.

Once the contract is final, you will be given a schedule for when the builder will need your decisions on items such as carpets, paints, cabinets, etc. It is important that you make these selections early so that you do not cause late delivery of these items and delay the completion of your home. When you meet with these vendors, be sure that you know what your contract allowance is for these items. If it is necessary to add to the cost of these items, secure written invoices identifying the additional costs.