Details of our *Builder-Bonus Rebate Program* & Discounted Listing Program for New-Home Buyers!

1). Offers are open to client's buying New-Construction from a builder only, and do not apply if buying a home on the re-sale market from an individual seller. (However, we will consider matching or beating any verifiable competitor's promotions regarding re-sale homes).

2). You must hire The David Hakimi Team at Berkshire Hathaway HomeServices as your buyer's agent, and we must earn a co-operating broker commission at closing.

3). Each household is eligible for either the Builder-Bonus Rebate or a Discounted listing, but not both. Offers cannot be combined.

4). Builder Commission Rebate shall consist of 20% of the co-op commission earned by the Hakimi Team on the sale of the new home, up to a maximum of $4000.

5). Builder-Bonus Rebate must be fully disclosed on the Settlement Statement at Closing and can be credited as either a principle reduction or applied towards closing costs.

6). Rebate cannot be made in cash, and it must comply with any FNMA, FHLMC, FHA/VA/USDA maximum contribution guidelines, as applicable.

7). Any buyer who also has a home to sell prior to purchasing the new construction home, may opt to accept a discounted home listing rate, in lieu of the commission rebate on their purchase. The discounted listing rate will be a flat fee of $995, plus an additional co-op commission of 2.8% offered out to all other agents bringing buyers. (In the event The Hakimi Team procures the buyer, then both the $995 flat fee and the 2.8% commission shall be earned by The Hakimi Team).

8). If you find one of our competitors making an offer better than this, we will always attempt to match or beat it, with verifiable evidence of the competing offer.

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The Rookie Agent's Guide to Selling New Construction: Part 1

Posted in Establishing Your Business, new homes, Sales & Marketing, by Blog Contributor on November 21, 2017

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David Hakimi

By David Hakimi

This article is part one in a two-part series on how to sell newly-constructed homes. Read part two here.

It's no secret that the housing market has fully rebounded over the past eight years and is now experiencing tremendous growth. In fact, demand in many major metropolitan markets has clearly outpaced supply. In numerous cities, builders have been spurred to start churning out new homes as fast as they can build them.

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David Hakimi is one of the most experienced "New-Construction Specialists" in Denver and the entire country, and one of only 13 agents in the country invited to write blog articles for NAR. When it comes to dealing with builders, there aren't many other agents in the entire U.S., with his level of expertise. David is nationally published on the topic of New-Construction, and his article **"The Rookie Agent's Guide to Selling New Construction"** was recently published by the National Association of Realtors and Realtor Magazine. It was one of NAR's most read articles in 2017 and was shared online by over 18,000 REALTORS nationally!

This guide was adapted from David's article, **"The Rookie Agent's Guide to Selling New Construction"**, originally published by the National Association of Realtors, Dec 12, 2017.
David Hakimi writes regularly for the National Association of Realtors on their YPN Lounge Blog and is nationally recognized as an authority on new construction transactions.

The Ultimate Guide to Buying New-Construction in Colorado!

With housing inventory at an all-time low in Colorado, finding an existing home to purchase can be a major challenge. Fortunately, home-builders have finally begun to ease the inventory shortage with an influx of new-construction. However, the process of buying a new home from a builder can be much riskier than buying an existing home from an individual. Unlike the "buyer friendly" contract agents use for resales; builder contracts are written in a manner that greatly favors the rights of the builder. If you are interested in purchasing new construction, it is wise to hire a Real Estate agent who is well-versed in interpreting builder contracts.

When you visit a new-home community, the builder's salesperson is present to "sell you" on the community and convince you to buy a home there. However much like a car salesman, the builder's salesperson absolutely serves the best-interests of the builder... not you. Their primary goal is to help the builder maximize profits and reduce the builder's risks. Smart buyers understand the importance of having their own real estate agent present, to protect their best interests as well. "***Walking into a builder's sales office without an agent representing you, is a lot like walking into divorce-court without your own attorney and expecting your ex's lawyer to structure a fair deal for you. It simply isn't going to happen!"***

These are the top 12 things to know before buying new construction...

1. **Be careful how you fill out the builder's Registration Form**

The builder's salespeople are tenacious about pressing everyone who enters the model homes to fill out a registration card. Much like an "Open-House" on a resale, the onsite salesperson wants to capture your information for follow-up purposes. However, those registration cards also serve a more insidious purpose. The card always includes the question about "how did you hear about the neighborhood"? It will usually give options like "online," "driving by," "Zillow," or "My Realtor." If you check any box other than "My Realtor" the sales office records this and may use it in the future to avoid paying your agent. Builders only want to pay an agent, if they feel that the agent was the "procuring cause" that helped you discover and visit their development. If they feel that your agent didn't help you initially find them, they may refuse to compensate the agent.

However, if you initially visit the sales office without an agent, you'll still be OK if you specify on their registration card that you are represented by an agent. The other acceptable alternative is to politely decline to fill out their card. They typically won't force the issue, if you don't want to fill it out. Remember they are sales people, so they usually don't want to alienate your or appear too pushy.

2. You are paying for agent representation, whether you utilize it or not
An additional 3% is already allocated for every home they build, to cover the cost of paying agents who bring in buyers. Contrary to popular misconception, you will **not** be able to negotiate a lower price if you choose not to bring an agent. If a buyer chooses not to bring an agent, the 3% simply goes onto the builder's bottom line as additional profit. Almost all the major builders now operate on a **"One-Price Policy,"** that insures that they do not negotiate any differently or offer additional incentives to buyers without an agent. The major builders realize that real estate agents are crucial to their long-term survival during down markets, so they are extremely careful not to alienate them during hot-markets. Builders also realize that most of the best-qualified buyers have already hired agents. Therefore, offering better pricing to unrepresented buyers, would be extremely counter-productive and downright foolish on the part of the builders**. Bottom line, the price you pay a builder entitles you to bring representation, so it's foolish not exercise your right to have a real estate agent in your corner representing your interests.**

2. **Builder contracts are 60-80 pages of "legalese", designed to limit your rights in the transaction.**

In Colorado, most people's issues with builders arise from the builder-slanted verbiage contained in their proprietary purchase contracts. Because the Real Estate laws in Colorado are extremely "Consumer Friendly", all agents buying or selling "re-sale" properties are required to use a standard, state-provided purchase contract which is drafted with terms designed to offer buyers maximum protection of their earnest money. However, Colorado allows builders to circumvent the standard state-provided resale contract and substitute a contract of their own instead. **These proprietary contracts are crafted by the builder's attorneys and contain extensive language that *heavily favor the rights of the builder*.** This language makes it FAR easier for a builder to keep a buyer's deposit money if the deal fails to close, or a buyer chooses to back out. An experienced real estate agent will interpret the builder's contract and carefully explain the buyer's rights (and lack of rights) as stated in the contract. This includes noting any crucial deadlines related to the buyer's right to terminate without forfeiting the deposit.

For example, if completion timelines are delayed by things like bad weather, materials shortages, labor strikes of unionized trades, delays with county permit issuance, project financing issues, etc., the builder's contract makes sure they aren't liable. Most builders typically promise delivery somewhere between 6 and 13 months, but the contract may allow them to delay completion up to a full 24 months without penalty or legal recourse. These kinds of details are why it's critical to bring an agent who understands (and can explain) all the legalese contained in the builder's contracts.

Because a typical builder's contract is 60 to 80 legal sized pages long, an experienced agent will often obtain a copy of the contract in advance, so that they can carefully read it in its entirety and highlight any crucial dates or clauses that a buyer should be particularly aware of. This makes the signing process go smoother because you won't have to interpret a massively long contract on the spot. Or worse yet, not properly understand the details outlined in the contract you are signing. Many experienced agents keep a file in their office containing example contracts from every active builder in their area. This means your agent is prepared to protect your interests from the start.

4. Negotiating the Price, Incentives, and Inclusions can be trickier than most expect.

Just like at a car dealership, new home salespeople often offer extra inclusions or discounts to secure a contract. Many builders may try to insist that their prices are non-negotiable. This may or may not be true depending on the market, the neighborhood, and the builder. If a particularly hot neighborhood is selling faster than a builder can release lots, then odds are they won't offer a deal on the price.

This is often true in Denver and its more popular suburbs, where builders simply can't build homes fast enough to keep up with the present demand. In red-hot neighborhoods, they often have no need to discount their prices for anyone. They realize that if you won't pay full price for it, the next person through their door will. Of course, there are some exceptions to every rule. There are some circumstances were an agent can help you "work" the builder for better pricing, lot placement, landscaping, or incentives. A good agent recognizes these instances and makes sure you're able to capitalize on them if they present themselves.

However, if the builder has several unsold "spec" homes in inventory, they're usually more willing to negotiate. The odds for negotiation are even greater at the end of the month, the end of the fiscal fourth quarter, or when the builder is down to the last few homes and they're trying to close out the development. In these instances, a smart agent negotiates hard for you!

5. If you have a house to sell first, most builders have strict policies on contingencies.

Builder policies on contingencies can be an extremely tricky balancing act. In fact, most builders in Colorado won't even entertain a contingent offer on a completed inventory home. The ones that will take a contingent offer on an inventory home, won't allow the contract to remain contingent for long. Therefore, if they do accept an offer that is contingent on the sale of your current home, the timeframe they will allow your home to remain unsold is generally very brief. If you fail to get your home sold quickly, during this timeframe, then most builders retain the right to cancel your contract and sell the home to another buyer. Their contracts also often define this scenario as a reason to retain your deposit money in the process. So, you can potentially be placed into a very ugly situation of losing the new home, along with the deposit you placed down on it.

In situations where the builder is building your new home from a "dirt-start", the policies on contingency are often only slightly looser. We encounter quite a few builder contracts that require the contingent sale to be completed within 6 months, even if the home they are building won't be completed for 10 months. Therefore, the buyer is literally forced to seek temporary housing for a few months and then make a double-move as well. This is where it's important to have an agent in your corner that is well-versed in managing new-construction time-frames. The agent representing you, will be responsible for timing the sale of your home to perfectly coincide with the completion of the new home. Threading that needle can be particularly tricky, due to the need to manage marketing time, days under contract, and possession dates, all while minding the builder's contractual deadlines as well. If an agent mismanages this delicate juggling act… a buyer could end up with their current home sold out from under them, and the contract on the replacement home terminated by the builder. In states with strong laws pertaining to "Specific Performance" a seller can be sued for attempting to back out of a sale, and the court can often force them to complete the transaction. Once again, this is a situation where it is crucial to have an agent experienced with builder transactions, working on your behalf.

6. If you have a house to sell, most builders will try to steer you towards listing it with one of their in-house partner agents.

Almost every major builder in Denver has one or more select agents, that they direct all of their listing opportunities to. These agents often work for a brokerage that is a subsidiary holding of the builder, or they are often trusted former employees of the builder who have graduated from being builder sales people, to licensed agents now working on their own. The builders have a pre-negotiated arrangement with these agents. The agents have agreed to help list the existing home of any new-home buyers for almost free (usually a small fee of $795-$995 vs. 6%). In exchange, the builder pays that agent a full commission on the new-home that the client is buying from the builder. On the surface, this may sound like a fantastic deal for the client, because it can potentially save you $5000-$20,000 in listing commissions. That part is true. However, the factor that most fail to consider is the loyalty of those agents! When its time to negotiate for you with the builder on the new-home purchase, how aggressively do you think that agent will "come to bat" for you? Afterall, the builder is their easy "meal ticket," sending them several real-estate transactions every year. ***You're just another commission check to them. Do you really think that they are going to "bite the hand that feeds" and press that builder hard for you during your negotiations with them? Of course, they won't.*** How long do you think they would last as the preferred agent, if they became a nuisance to the builder and truly negotiated hard for every buyer? Probably, not long. Having a builder's "list-assist agent" in your corner during your negotiations with that builder, is a lot like walking into criminal court with a public defender. Things generally won't go well for you!

*The Hakimi Team at Berkshire Hathaway HomeServices will match any reduced rate offered by a builder's list assist agent, but still NEGOTIATE HARD for you in the builder's office. We have a fiduciary duty to you, our client! We do not accept "list-assist" business from any Denver builders, so we are beholden to none of them! We maintain our 5-Star review averages online, by getting every cent for each of our clients in negotiations!

7. Builders advertised "base prices" are often quite deceptive.

The builder's advertised base price is generally tens of thousands of dollars below the final completed price. The final price is determined after lot premiums, design center options, structural upgrades, low voltage options, appliances, landscaping, and builder incentives are factored in. The model home is packed with every imaginable upgrade. It's extremely crucial to ask what features are included with the basic home and what items are upgrades. Even basic things like lawn grass, sprinklers, and fences are often not included. Refrigerators, garage door openers, window blinds, and central air conditioners aren't always included either.

Also, the builder won't normally allow changes to materials or structural features once construction has started. This is because the builders cannot deviate from the initial building plans they submitted to the county to obtain the building permit. Likewise, materials such as tile, wood flooring, countertops, and appliances cannot easily be changed midstream. Builders place their material orders in bulk to receive wholesale pricing; therefore, it isn't feasible for them to make changes after the materials order has been placed.

8. Interpret the Meaning of Soil Surveys, Engineering Reports, and high water-tables.

A good real estate agent understands how to interpret the meaning of the soil surveys and engineering reports pertaining to the chosen lot including reading blueprints and floor-plans.
The amount of expansive soils found during the soil survey determines the type of foundation the home requires. Slab-on-grade foundations can be used when the expansive soil content is low, but costlier pier-and-beam foundations must be used when high amounts are present.

Special consideration must also be given to lot selection, when dealing with properties such as golf course homes, or homes on hillsides, etc.   Poor drainage, moist basements, and erosion issues that have been known to arise from unique topography and elevated water tables often found along golf courses. An agent with extensive builder experience, will typically know the soil conditions in the various areas they work in, and know how to best advise you on the pros and cons associated with various lots the builder may have available.

9. Strategy is often required when maximizing a limited budget with a builder
A real estate agent advises you to make the best use of your budget. Choices like lot location, structural upgrades, and design center options can all make-or-break a buyer’s budget. Some cosmetic options can be done more affordably after closing, while some structural items cannot easily be done after the house is completed. Most builders also require additional deposit money, once a buyer’s design center choices exceed a set amount. The required deposit can be up to 50% of the cost of the upgrades if the cost of the options goes past a predetermined dollar amount.

Your agent questions the builder about all the inclusions, contingency terms, financing, and incentives to meet your budget. Also, a quality agent advises you not to over improve the home above the norm for the neighborhood. New construction homes almost always appraise for financing unless the buyer goes overboard with design center options. However, most builder contracts state the buyer is still required to close on the home even if the appraisal comes in low.

Aside from the buyer’s loan getting declined due to no fault of the buyer or the builder failing to compete the home in time, builder contracts generally have no other provisions in place for a buyer to terminate without forfeiting their deposit. It’s critical to understand how to manage your budget to protect your investment.

10. Issues with quality and defects can arise during the construction process.
As stated above, the builder’s salesperson protects the interests of the builder. They’re not responsible for protecting the buyer. Because building a home is a complex process, with plenty of room for errors, a second set of experienced eyes looking for potential issues during the stage-inspections is crucial.

Your real estate agent accompanies you at walk-throughs with the foreman at the various stages of construction – pre-drywall, electrical, low voltage, and the final pre-closing walk-through to identify touch-ups. It’s the agent’s job to help to help catch deficiencies and hold the builder's foreman accountable for completing all repairs or necessary corrections prior to closing.

New homes are fully covered by the builder's warranty and a builder's reputation depends on delivering homes that are free of problems. However, you should pay close attention to the verbiage in their contract that deals with defects that are discovered during the routine walk-throughs. Most builders will not allow a buyer to terminate over these items, but rather insist that the buyer allow them to correct the issues before the home is delivered.

11. Protecting your Deposit Money is always a <u>major concern</u> with new-construction.

Builders typically require a larger deposit than with a traditional resale purchase. The deposit amount usually falls between $10,000-$15,000. As we said, some builders may require additional deposits of 50% of the cost of your upgrades. Many buyers end up with $30,000 to $50,000 in the hands of the builder prior to closing.

This is where the builder-slanted language in their proprietary contracts comes into play. Much of the language in their purchase contract revolves around their recourse if the buyer fails to close on the home. Most of this language grants the builder the right to keep all of your deposit money if the deal gets derailed and fails to close.

However, the contract also contains a few clauses that grant the buyer the ability to back out of the deal with a full return of their earnest money. Don't count on the builder's salesperson to point these out. They are incentivized to not lose a sale. Once again, an agent in your corner ensures you understand your rights.

Your real estate agent works to protect your earnest money. There aren’t as many crucial deadlines with a new build. However, the real estate agent works with you to ensure crucial deadlines like the loan application deadline and the contingent sale deadline are met. Also, some builder’s contracts have verbiage that entitles them to keep a percentage of the deposit even if you back out for a legitimate reason defined in the contract. A real estate agent works closely with you to avoid unpleasant surprises.

12. If interest rates rise too much during construction, there can be major repercussions

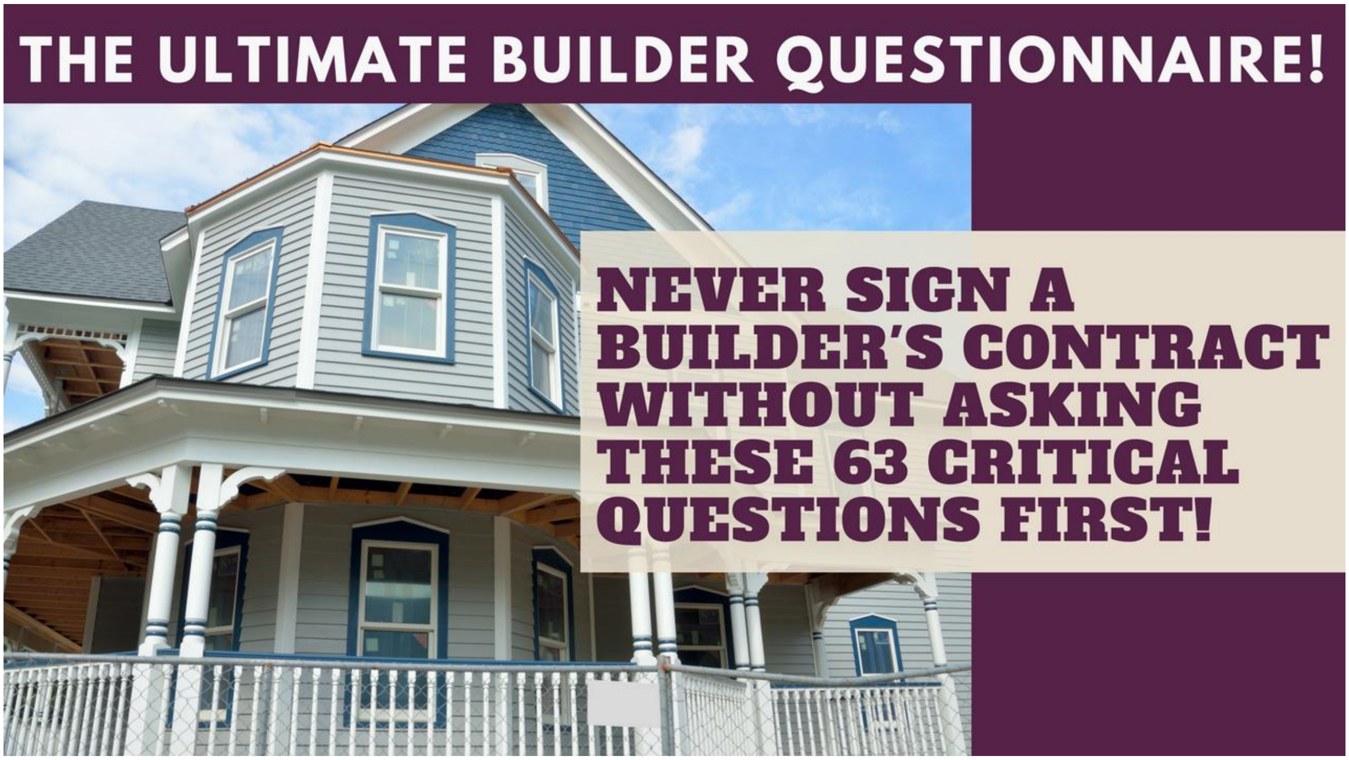
Most mortgage lenders typically won’t lock-in interest rates more than 90 days in advance of a closing. Therefore, when dealing with new construction that likely won’t be completed for 4 to 18 months, this can pose a substantial risk. If your debt-to-income ratios barely qualify you to purchase the home at the time it’s contracted, there’s a risk that you may no longer qualify to buy if mortgage rates increase before you’re eligible to lock-in the rate.

Interest rates are unpredictable. It’s always prudent to make sure you’ll still qualify even if the rates increase. A good rule of thumb is to know whether you’ll still qualify if the rates climb by one percent. If not, then you’re taking a major gamble buying new-construction. You may find that buying an existing home where you can lock in your rate is a better choice.

Most builders also have an ownership stake or affiliated business arrangement with a lender and title company. Additionally, most builders require buyers to use their lender and title company to qualify for incentives and discounts. While they cannot force you to utilize these service providers, they will routinely withhold discounts and incentives if you insist on using an outside lender or title company. (*The good news is that the builder's lender usually has competitive rates and wants buyers to qualify).

13. Hire a Real Estate Agent that has experience dealing with builders (Hint...most don't)

The Pareto Principle (also called the 90/10 rule) describes the real estate industry very accurately.   It states that 90% of homes in the market are sold by only the top 10% of agents.   This also means that the remaining 90% of agents "fight over scraps", for the remaining 10% of transactions.   In other words, if you lined up 10 real estate agents, one of them sells far more homes than the other 9 combined! To make matters worse, out of the 10% who are doing most of the business, a substantial percentage of those agents have rarely dealt with builders. This means that finding an agent that is extremely well versed at new-construction transactions, is like finding a needle in a haystack!



Lot Selection:

1). ASK TO SEE THE SOIL SURVEY and/or THE ENGINEERING REPORT for the lot!

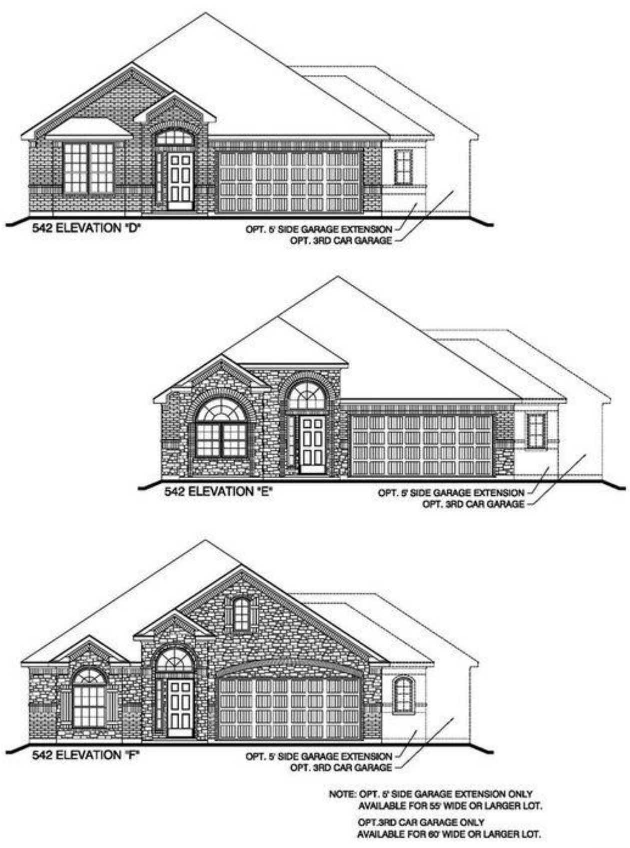
- This is a test that the builders are required to conduct, to determine to what extent expansive soils (bentonite clay) are present on the lot. The engineering report with rate the content of expansive soils on a scale ranging from: Minimal, Moderate, to Severe.
- Any lot rated as minimal, is suitable for a slab-on-grade foundation.
- However, any lot rated as "moderate" should have a raised/elevated slab system at the minimum, or preferably pier and beam.
- Any lot rated as "severe" should have a pier and beam foundation, without exception.
- If the builder is pouring a "slab on grade" foundation on a lot with moderate expansive soil content, the home could be at a greater risk of basement heaving and/or settling in the future.
- Because new homes can potentially settle for up to the first 10 years after completion, they buying one can be slightly riskier than purchasing an existing home that has already done its settling. Knowing that the results of the soil survey can help you choose the most stable lot available, mitigating some of that risk.

2). How much is the lot premium, on the lot selected? Large lots, lots that can accommodate a walk-out/garden-level basement, and lots with a premium view, will always be the most expensive. However, these lots will tend to appreciate the most rapidly, hold their value best in economic down-turns, and be the easiest to re-sell in the future.

3). Is the lot slated to have a basement? If so:

- Is the topography of the lot suitable for a premium basement style such as a walk-out or garden level?
- Or will it only accommodate a standard, below-grade basement?

4). Which floorplans, elevations, and exterior paint colors are available for this lot? *If an adjacent neighboring home has already chosen the same model, elevation, or color choice as yours, many builders will not allow another identical one to be built next to it.



5). Is the lot on a street that serves as a main entrance or exit to the subdivision? If so, there could be excessive traffic around the home, making it noisier and less suitable for children.

6). Which direction is the lot oriented? *In colder climates, north facing driveways are less desirable because snow and ice may be extremely slow to melt, due to less direct sun exposure. West facing rear patios and master bedrooms may have mountain and sunset views, but homes oriented with large windows on the west side of the home may be far costlier to cool in the Summer. The sunlight entering the home is at its most intense in the late afternoon as setting, and beaming into the home's west-facing windows.

7). Will the lot back to another house? Or is it a premium lot that backs to open space, a green belt, park, golf course, mountain view, or waterfront?

8). How will the proposed homes around the lot, be positioned in relation to the lot?

- Will they block or affect any views the lot may have before the surrounding homes are built?
- If it backs up to another house, will that house sit on higher ground, looking down and jeopardizing the privacy of the back yard?

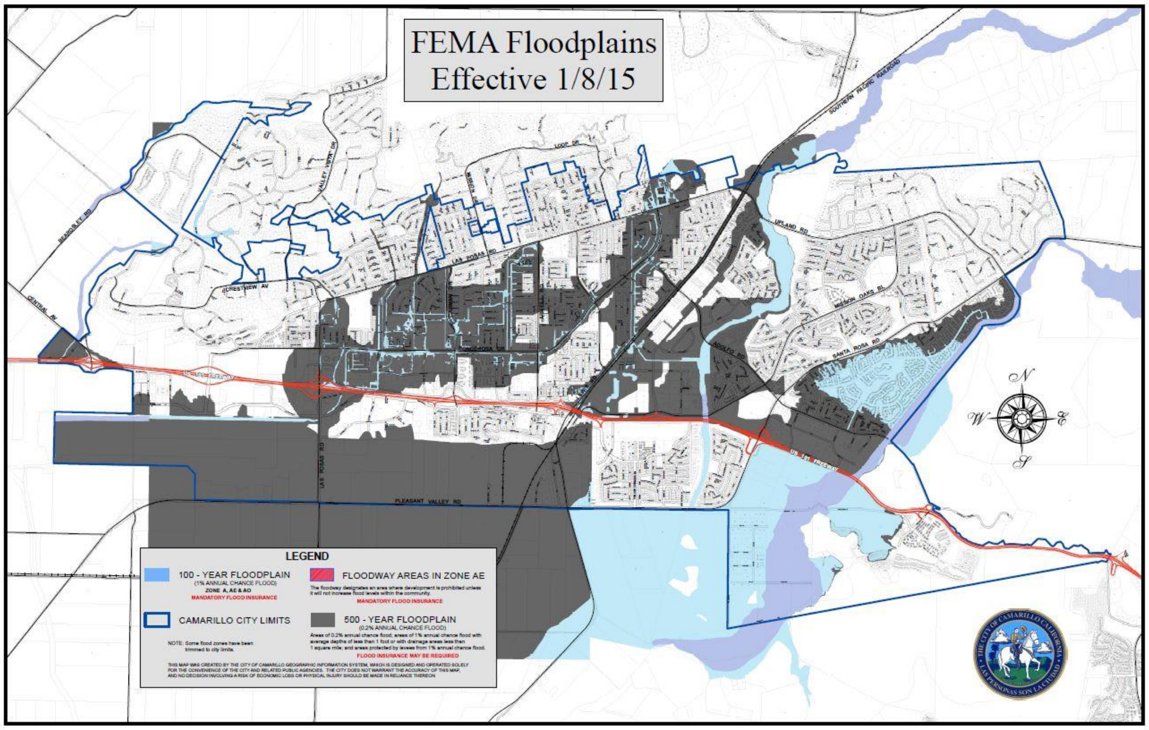
9). Where is the lot located in the neighborhood? Is it in the interior of the neighborhood, or on the perimeter of the neighborhood where it backs to potentially loud, busy streets? (Homes backing to noisy main roads are less desirable, appreciate slower, and can be harder to sell)

10). Is the lot near a railroad track? (Homes backing to noisy train tracks are less desirable, appreciate slower, and can be harder to sell)

11). Will the lot have any oil derricks, fracking rigs, or Oil/Gas storage tanks near, or within its view? (The can be an obvious detriment to resale value, and health and safety, due to the possible emission of volatile organic compounds into the soil, air, and water).

12). Does the lot back to a stream, creek, river, drainage culvert, lake, or pond? If so:

- Does the FEMA map show the lot in a flood plain?
- If so, how does the FEMA map categorize the flood plain?
- Does the builder have a written estimate on the required flood insurance to get a mortgage there?



13). How is this lot's topography, with regard to proper drainage? Is there a hill, high ground, or a retaining wall behind it, that could cause water to drain towards the home's foundation? *Any of these could potentially create a situation that channels water towards the home's foundation, causing settling, heaving, cracking, or wash-out of the home's backfill dirt.

14). If the lot is on a golf course, where is it in relation to the tee box? Homes backing to a golf course can potentially be pelted by golf balls, which damages roofs, siding and windows. This is always worst for lots that are approximately 150 yards from the tee box, and located to the right of the fairway, because statistically this is where most golfers tend to "slice". The left side of the course at 150 yards from the tee box is almost as bad, because it will catch the drives that "hook". However, strong golfers can drive up to 300 yards or more, so no course lot along a fairway is completely immune to this. Lots just behind the tee box are the safest.

15). If the lot is on a golf course, where is it in relation to any man-made ponds? There have been lawsuits against developers of golf-course communities, because the water table in those communities had been raised to a problematic level, by the constant watering of the course. There are also similar cases where the water also table rises, because the man-made ponds on the courses were inadequately lined. Both issues can cause water intrusion issues in basements and crawlspaces, in these lots. If you must live on a golf course, its best to choose a lot that sits on the highest ground possible.

Structural Upgrades:

16). What optional structural features are shown in the model home, that will not be included in the base version of the home? Model homes commonly showcase every structural option the builder offers. ***Make sure to clarify exactly what structural features the base version of the home comes with, and what is optional! Your finished home will most likely look FAR different from the model!**

Model homes are generally packed with every imaginable option, such as:

- Kick-outs or Sun-rooms (room expansions on exterior walls, that increase room size)
- Coffered ceilings or other ornate drywall features

- Vaulted ceilings, that peak upwards following the angle of the roof trusses

- Raised ceilings (9ft-13ft high vs. the standard 8ft ceilings)

- Art niches, or In-wall recesses for televisions and A/V gear

- Floor to ceiling fireplaces or upgraded fireplace mantles

- Built-in shelving or additional cabinets

- Covered exterior patios

- Decks

- Oversized concrete patios

- Oversized garage bays, tandem garages, or 3-car and 4-Car garages

17). Which elevation is included in the base price, and what are the cost increases for the premium elevations?

- Each model the builder offers, will usually be offered in 3-4 different exterior variations, referred to as “elevations”.
- Each elevation may be offered with a different siding material such as brick, stone, tile, stucco, or a lap-sided exterior.
- The different options often offer versions with or without a covered front porch.
- Variations can also include architectural touches like dormers, shutters, or additional decorative windows, etc.

18). Clarify which elevation can still built on the lot you are interested in. Do the available elevations for the lot you’ve chosen come at a premium cost, above the price of the standard elevation?

19) What material is the home to be sided with? Modern homes are typically sided with one (or a combination of) the following:

- **Brick or Brick facade**

- **Stucco** (concrete based texture that is either sprayed, or hand-troweled over a wire mesh base onto the home’s exterior)

- **Synthetic EIFS stucco** (a Styrofoam sheet and moisture barriers, sprayed with thinner layer concrete based texture. Looks great, but requires more maintenance than real stucco and diligent upkeep of the caulked perimeters, to prevent water from intruding behind it and causing mold growth)

- **Concrete lap siding** (Often referred to as James Hardy siding, or Hardy Board).

- **Vinyl Siding** (often used by entry-level builders, but less common in recent years. Low maintenance and no painting required, but it becomes brittle and starts cracking and/or chipping apart usually around the 10yr mark)

- **Aluminum Siding** (Also used by entry-level builders, but less common recently as well. Tends to bend and dent as it ages, so it ages poorly. However, it doesn't require painting)

- **Masonite lap siding** (steam-pressed wood fiber. **Any builder still using Masonite siding should be avoided, as it decays rapidly if not painted regularly**).

- **T-111 Concrete fiber sheet siding** (used most commonly on modular homes and storage sheds. A tough and affordable material, but far less visually appealing than other options)

- **Quarter round log siding** (typically only on mountain homes)

20) What roofing materials does the builder use?

- **Spanish Tiles**- Extremely durable, extremely attractive, but also very expensive to install and/or replace.   This style roof is normally found on only on custom homes and very upscale tract homes. They are duty-rated for a 50yr-100yr life expectancy and are very resistant to hail and high winds.   However, great care must be exercised when walking on the roof to perform repairs, maintenance, etc., because they can be easily cracked if improperly walked on. *Homeowners with tiled roofs, should only hire bonded and insured contractors for any repairs requiring roof access, to make sure the contractor can (and will) pay to repair any damage they may do while walking on the tiled roof!

- **Steel Pro-Panel**- Most common on mountain homes, barns, beach homes, and steel out-buildings. Very resistant to high snow-load, and high winds. Relatively inexpensive, easy to install, and durable. However, they are considered by some to be "utilitarian." Meaning, they are very practical, but not as attractive to some people. They are also noisy when hit with rain, sleet, etc.   Therefore, it is rarely used by tract home builders in suburban neighborhoods.

- **Composition shingles**- The most common type of roofing shingle used by tract builders. The most affordable type of roof to install, and can be easily spot-repaired if needed. However, they are the most susceptible to wind and hail damage.

21). How many years of warranty coverage are on the composition roofing shingles or tiles? Standard asphalt shingles come in 3 main categories:

- **3-Tab Composition** (20yr, 25yr, or 30yr Warranty),
- **Laminate/Dimensional Shingles** (30yr, 40yr. or 50yr Warranty),
- **Premium Laminate** (50yr to Lifetime warranty).

- *Worth noting, it has been our personal observation that most of these shingles have an actual useful life-span of only 1/2 to 2/3 of the manufacturers claimed service life. Their warranty coverage are usually pro-rated, and only cover materials, but not the labor required to remove and re-install them.

22). If the builder includes solar energy panels, are those panels sold outright with the home, or are they leased to you?

- If leased, are they at a flat monthly rate, or charged by kilowatt hour of energy utilized?
- If the system produces more energy than the home uses, does the overage sold back to the grid go to the homeowner, or the company leasing you the panels?
- If leased, how many years is the lease?
- If you sell the home, what is required to transfer the lease to the new owner?
- Whose responsibility is it to remove and re-install the solar panels, in the event the roof needs a repair?

23). To what extent will the garage interior be finished?

- Will it be fully insulated and dry-walled?
- Will in only be insulated and dry-walled on the interior walls that adjoin the inside of the home?
- If the it will be completely dry-walled, will it also be textured… or simply "taped and bedded"?

24). Will there be an access door on the side of the garage, to easily wheel out a lawn mower or trash cans?

- If so, will the builder provide a sidewalk leading from that side door, around to the front of the home?
- Or, will it be left as landscaping rock or grass?

25). **Will the kitchen feature a "Gourmet Kitchen" with a wall oven and cooktop set-up, or a more basic freestanding (or slide-in) stove?** The base price of most tract homes revolves around the standard kitchen with a stove. Make sure you are very clear on all the itemized charges required to upgrade to the "gourmet kitchen". Because wall ovens require a different cabinet configuration, and cooktops will require additional wiring and/or gas plumbing, there are often as many as 3 separate charges to upgrade to a kitchen with wall ovens. A separate charge for the wiring and plumbing, a charge for the change to the cabinets, and a charge for the upgraded appliances themselves. It is typical that the Gourmet Kitchen package can easily total $15,000 in additional charges, over the standard stove-based kitchen.

Basements:

26). Does the home come standard with a full basement, a ¾ basement, or a ½ Basement? (A full basement is excavated to mirror the shape and 100% of the square footage of the home's ground floor. A ¾ Basement has only 75% of the ground floor's square footage, and a ½ Basement has 50% of the ground floor's square footage). *Homes with less than a full basement are less functional if finished, and can be harder to sell in the future, with lower resale value.

27). If the home will not come with a full basement, what is the builder's upcharge for excavating a ¾, or full basement?

28). How deep will the basement be excavated? Standard 8ft ceilings, or taller 9ft-12ft ceilings? Basements with standard 8-foot ceilings are sufficient when finished, but they will only be 7ft tall in places where the HVAC ducting is routed. Paying extra for the 9ft-12ft basement excavation, is money well-spent, if you intend to eventually finish the basement. The deeper excavation will give the rooms in the finished basement higher ceilings, making it feel far more spacious, and more like the upstairs.

29). What is the builder's upcharge to excavate the basement deeper to 9ft-12ft, if the standard basement is only an 8ft excavation?

30). Which of the following 3 types of basement will the home be built with?

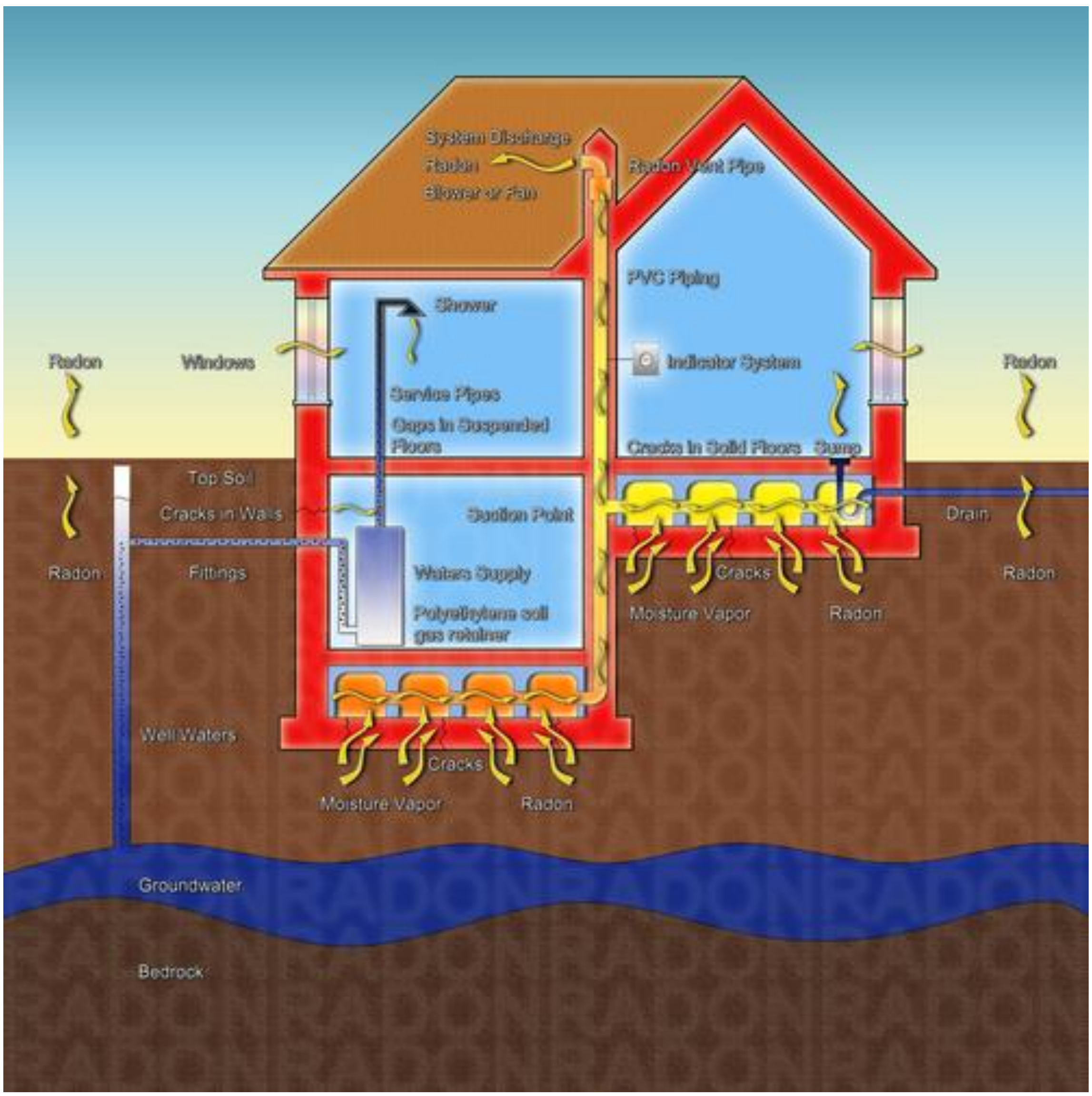
- **Standard basement:** 100% below-grade (below ground), with window wells that keep water and soil from entering the basement windows. Egress ladders must be placed in these window wells, so that the basement is escapable in a fire. *Once finished, below grade basements add value to a home, but typically only about ¼ the value of the price per square foot of the home's above grade main living floors.

- **Garden Level basement:** Partially below above-grade (above ground). Excavated in such a manner that the basement windows are positioned to look out above ground level, but not quite enough to place a door in the basement that can be walked out of. This type of basement typically places the home's back door 2-3 feet above ground, therefore necessitating an elevated deck off the back door, and a short staircase leading down from the deck. *Once finished, Garden level basements add greater value per square foot to the home, than a standard below-grade basement, but are still less valuable per square foot, than the above grade portion of the home.

- **Walk-Out Basement:** Fully above-grade (above ground). The home's lot is typically dug into a hillside, so that the back of the home is completely above ground, and only the sides of the home are underground. Therefore, the basement can have a rear door, that can be walked out of. This type of basement typically places the home's back door 8-10 feet above ground, therefore necessitating an elevated deck off the back door, and a full staircase leading down from the deck. *Once finished, a walkout will add additional value to the home, that is almost on-par with the price per square foot of the home's main living floors.

31). If the basement has window wells, are they corrugated steel, or concrete? Window wells made of corrugated and steel, can eventually develop rust and require replacement. Therefore, concrete window wells are considered far superior. However, only high-end tract builders typically opt for concrete window wells. *While concrete wells are certainly preferable, corrugated steel wells should not disqualify a home from consideration for purchase. The going rate in 2017 to remove and replace a rusted steel window well is around $1,500, in the Denver market.

33). **Does the builder automatically install an active or passive Radon mitigation system?** If not, will they reimburse you after closing for the installation of a radon mitigation system if the home tests above 4.0pCi/L? *Most builders will reimburse 50%-100%of the cost of a system, if a radon test detects levels present above 4.0pCi/L. The average 2017 cost to install a radon mitigation system in Denver is currently averaging around $950. Places like Denver have high Uranium content in the soil and rocks, so high radon levels are found in approximately 50% of homes. Fortunately, it is easy to mitigate it to 100% safe levels. ***If the builder will not install a mitigation system, (and the home tests high), this should be done IMMEDIATELY after closing by the homeowner! (Radon gas in homes is the 2nd leading cause of lung cancer, in the U.S., behind tobacco.)**



34). Does the builder automatically install a sump-pump, into the home's sump pit? *If not, this should be done IMMEDIATELY after closing by the homeowner! Failure to install a sump pump, leads to almost all the severe cases of basement floor/foundation damage, and basement flooding we see. The sump pit and sump pump, function to evacuate ground water away from the home's foundation and to minimize the swelling of expansive soils under the foundation. It is typically no more than $600-$1000 to have a pump installed and properly plumbed. This is the best $600-$1000 you will ever spend on the home! We see countless homes yearly, with $50,000-$100,000 worth of foundation damage, that most likely could have been prevented with a properly installed sump pump.

35). Does the builder automatically finish the basement, or leave it unfinished?

- If it isn't standard, is it an option to have the builder finish it?
- If the builder does have the ability to finish it, what is their charge to do so?
- *The going rate to have a basement finished after closing, is around $45-$50 per square foot, with basic builder-grade materials. The

builders can often offer it at a cost far below this, due to their economies of scale. If the builder finishes it, you can also roll the cost into your mortgage payment for less money per month, that taking out a home equity loan to do it later. Opting for the builder to finish the basement often makes good financial sense, if you can afford it.

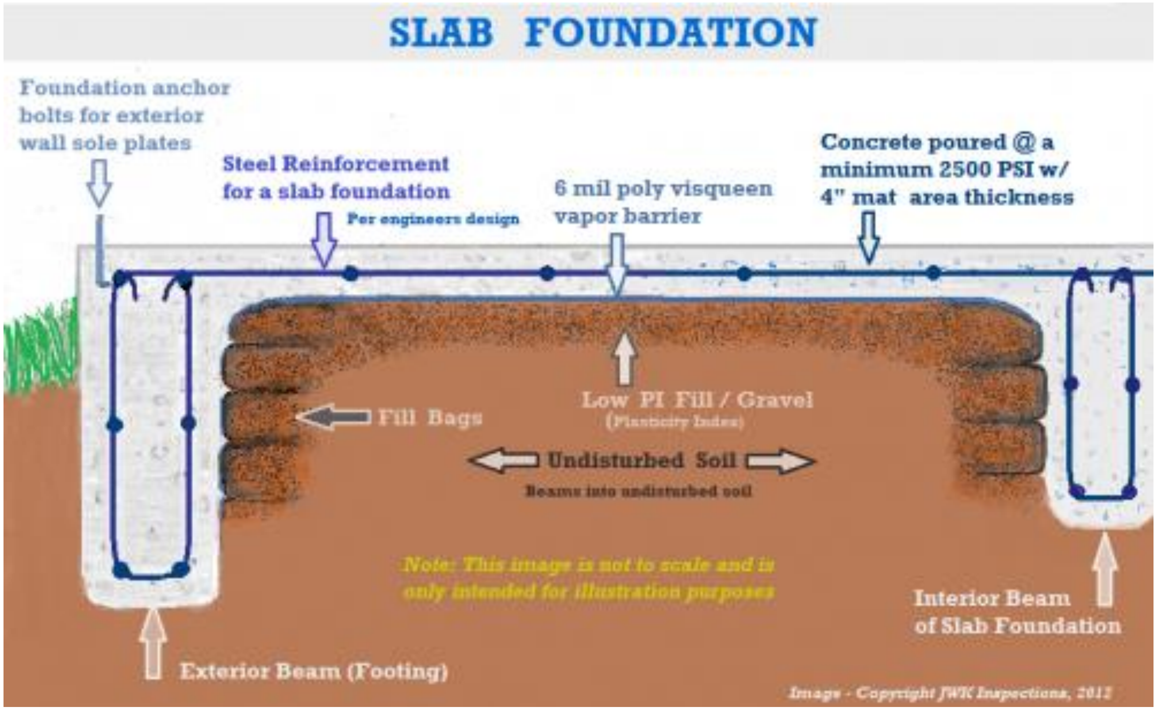
36). If the builder leaves the basement unfinished, do they provide the following infrastructure to make it practical to finish it in the future:

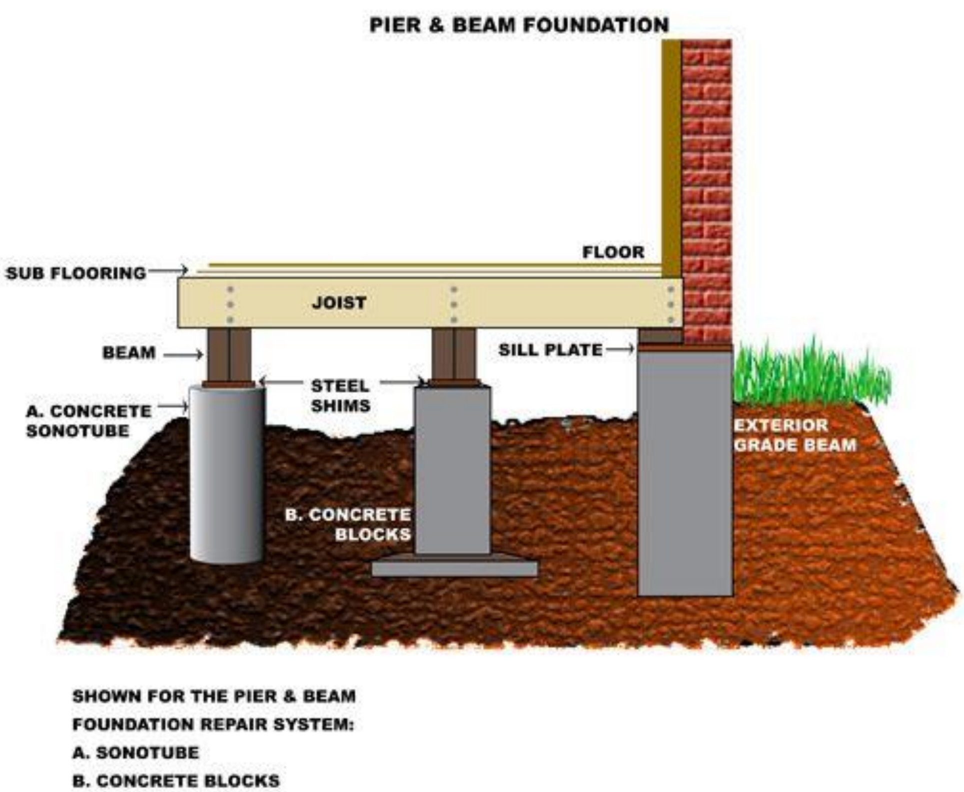
- Adequate electrical service, or ideally a sub-panel in the basement with enough open breakers in the panel to wire the basement?
- Rough-in plumbing drains for a bathroom, with a toilet and shower?
- Rough-in plumbing drains for a wet-bar and/or a Mother-in-Law kitchen?
- Are the water heater and furnace ("mechanicals") placed intelligently in a corner, or by a side wall? Or does the builder plan to cut corners, and place them directly in the center of the basement? ***If the builder indicates that the mechanicals will be placed in the center of the basement, contest this fiercely! Basements with mechanicals in the center of the room, can never be finished with the desirable "open floor-plan" that most buyers want. This will diminish the usefulness, and re-sale value of the home's basement!**

37). Is the HVAC ducting sufficient to finish the basement, or will it need to be expanded on later to comply with building code?

38). Will the basement floor be constructed with an elevated wooden Sub-floor and crawl-space (pier and beam foundation), or a concrete slab (slab on grade foundation)? A slab on grade foundation should only be utilized if the lot's engineering soil-survey had results in the excellent to good range. If the soil survey shows moderate to high content of expansive soils, then the builder should ideally be utilizing either a pier and beam foundation, or an elevated slab design such as the one shown at: https://www.youtube.com/watch?time_continue=1&v=oPPSUm-PWX0

*Most builders will typically construct homes with a slab-on-grade foundation, even when the soil survey shows "Moderate" levels of expansive soils. This is allowable per building code in most areas. Great care should be taken to always make sure the sump pump in these homes is functioning properly, and that the soil around the homes perimeter has a sufficient slope, channeling water away from the home's foundation!





39). What is the builder's warranty coverage on the concrete basement floor, and/or the garage floor, if heaving or settling occurs? How many years is the coverage, and how many inches (or centimeters) of movement must occur before they will remedy it under warranty?

Electrical:

40). Do the bedrooms come standard with wiring for a ceiling fixture with a wall switch, or is this an option?

- If it is included, is it rated to mount a ceiling fan?
- Or is a fan-rated fixture mounting an additional cost?
- *Nothing in a home is more annoying than a bedroom without a light fixture on the ceiling. Many builders will "nickel and dime you" for even the most basic wiring. If code doesn't require it, they usually don't include it as a standard option.

41). Do the bedrooms include switched outlets, for conveniently switching off nightstand lamps, and oscillating fans, etc?

42). Will the laundry room be wired with a 30amp, 220v outlet to power an electric dryer?

- Or, is it only wired with a 120v outlet and a gas line for a gas dryer?
- Does the builder include a Ground Fault Circuit Interrupt (GFCI) outlet in the laundry room? (*Code requires it, but we see many builders get away with leaving one out.)

43). Will the garage have a 220v outlet, for running large tools such as welders?

44). Does the home have the proper 220v exterior wiring in place for a central A/C compressor?

- Or, is the home only wired for a central A/C if you have the builder install central air?
- If you do not have the builder install central air, what is the charge to have them pre-wire for it, if you choose to install it at a later date?
- *Homes without central air-conditioning are at a serious disadvantage from a re-sale perspective.

45). Which recessed can lights shown in the ceiling of the model home are standard, and which ones shown are optional?

46). Will the kitchen have a 50-Amp 220v outlet for a stove? Or is it set up for a gas stove only, with a 120v outlet and a gas line instead?

- If it only has a 120v outlet, what it the up-charge to install a 220v outlet, in case a future owner prefers an electric stove?
- If the home is upgraded to a "Gourmet kitchen" with a wall oven and cook-top, what are the additional wiring charges?
- Is the vent-hood, or microwave hood over the stove actually vented to the exterior, or simply set up to recirculate the heat and cooking odors back into the home?

Low Voltage:

47). Does the builder pre-wire the home for internet access, in all of the rooms where you will want to place a wireless router, or have a computer plugged directly into a wired signal?

- If so, do they wire the home with Cat5e, Cat6, or Cat6a Ethernet cable?
- While Cat5e cable will be sufficient for basic internet access, the advent of new streaming technologies means that Cat5 is rapidly becoming obsolete. Therefore, we always advise clients to opt for the highest capacity Cat6a cable available, to future-proof the home as much as possible.
- Read a technical article on the exact differences in Ethernet cables here.

48). Does the builder wire the home for landline telephones, in all of the locations you will want a land-line?

- If not, what is the charge per location to add additional phone jacks?

49). Does the builder wire the home with coaxial cable for Satellite and Cable TV service, in all of the locations you will want a television?

- If not, what is the charge per location to add additional cable outlets?

50). Do the home-security providers in the area still require pre-wiring for their current security systems?

- *Many builders will encourage you to pay for the "Security Pre-wire" on their homes, even though most of the major home-security providers (such as ADP) have now gone to completely wireless systems. Many of their latest systems no longer require pre-wiring of the home!

51). Does the builder automatically install in-wall, or in-ceiling speakers for whole house music, or home-theater surround sound?

- If the home will be wired for home theater surround sound, is it arranged in a 5-channel, 7-channel, 9-channel, or 11-channel configuration?
- Many of the newest AV Receivers are designed for surround sound formats such as 9 or 11-Channel Dolby Atmos, etc.

Flooring Materials:

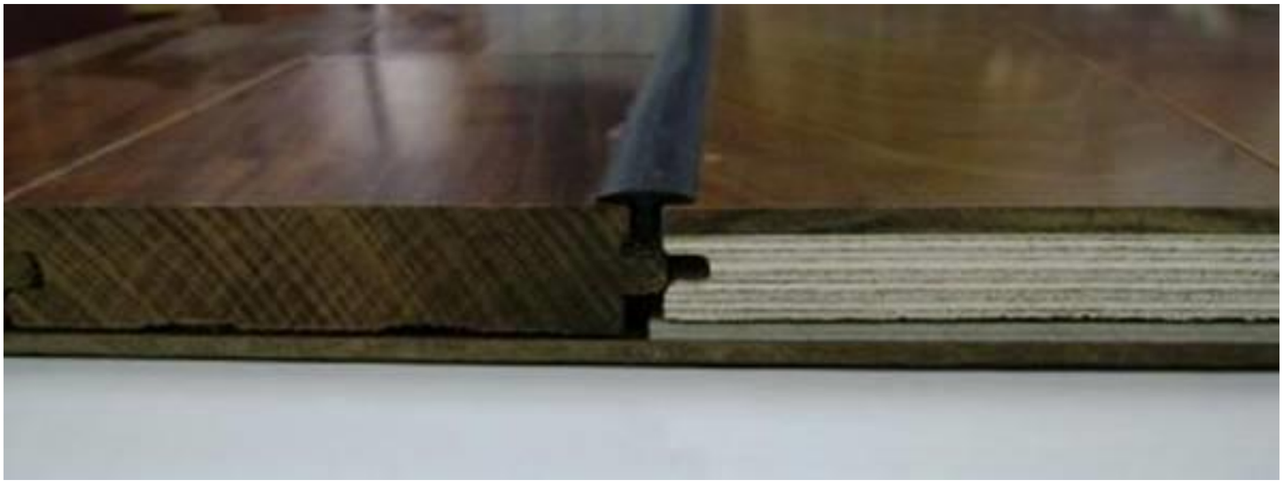
52). If the home includes wood flooring, is it solid ¾ inch solid hardwood flooring, engineered wood flooring, or a synthetic laminate flooring product?

- If engineered or laminate is the base material, how much of an up-charge is it to upgrade to genuine ¾ Hardwood?

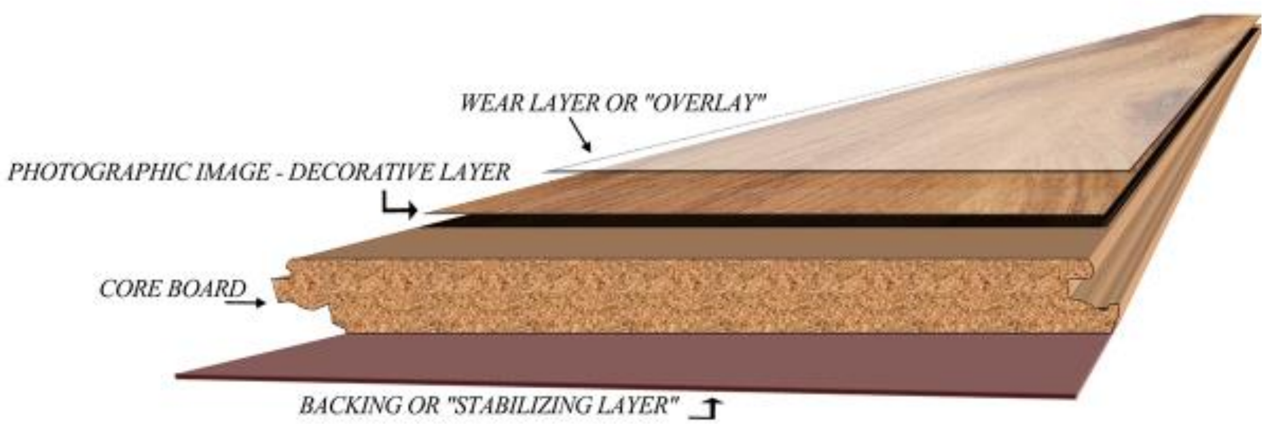
Definitions of available commonly used wood flooring materials:

- **¾ Inch Solid Hardwood Flooring-** This is the most expensive, and the most desirable version of hardwood flooring. Because it is solid hardwood all the way through, it can easily be sanded and re-finished in the future. Solid hardwood can be re-finished several times, and should last the lifetime of the home. * ¾ Hardwood is sold in two primary types. "Finish in place" that is installed rough, then sanded and coated with a polyurethane or oil based finish after it is installed. Finish in place is preferred by most tract builders, because it is less expensive than factory finished hardwoods.
- Factory Finished hardwoods are the most modern, and desirable material available today. They have an aluminum oxide coating that is baked on at the factory. The factory applied aluminum oxide finish is far tougher, thicker, and more durable than the "applied in place" poly or oil finishes. Expensive, high-end brands such as Bella, Bruce, and Armstrong, typically utilize a factory applied aluminum oxide finish. All ¾ hardwood is typically nailed down during installation, providing the most "solid" feeling floor under-foot.

- **Engineered Hardwood Flooring-** Engineered wood flooring is a mid-grade product, that has a thin 1/8th inch veneer of genuine wood that is factory adhered to a particle board (MDF) or plywood, tongue and groove backing. It is designed to be quickly (and cheaply) installed, by "clicking" the planks together on top of a thin foam sheet applied between the planks, and the sub-floor. It is typically referred to as a "floating floor," and tends to feel slightly thin and hollow under-foot, compared to a solid hardwood floor. Once installed, it looks like a genuine hardwood floor, and it is finished with a tough aluminum oxide finish, just like high-end hardwood. ***Some new-home sales people try to convince buyers that this type of floor is superior to genuine ¾ inch hardwood. This couldn't be farther from the truth! Because engineered hardwood only has a thin 1/8th - 1/4-inch veneer of wood, it can never be sanded and re-finished! Unlike a genuine ¾ inch hardwood floor, engineered flooring must be removed and completely replaced, once it becomes scratched up and/or worn. Replacement is approximately 6x-10x the cost of refinishing!**



- **Laminate flooring-** Constructed and installed just like engineered flooring, except that it has a fully synthetic (plastic or vinyl) surface material that is designed with faux wood grain texture and markings on its surface, instead of a real wood veneer. The high-end versions of it (name-brand Pergo, etc.) are generally very tough, and often carry a long warranty from 15yrs up to Limited Lifetime. This option is popular with owners of large-breed dogs, because it is less susceptible to scratching by their claws. However, it is generally considered by most to be an inferior material to genuine hardwood, and will not provide the re-sale value of real ¾ inch hardwood floors.



53). If the home includes tiled flooring, is it ceramic, porcelain, natural stone, or linoleum?

- **Porcelain-** Porcelain tile is a manmade tile, and is the highest grade of ceramic. The kaolin clay it is fired from contains fewer impurities than the clay used to make less expensive ceramic tiles. It is formed of quartz, clay, and feldspar that is fired at temperatures ranging from 2350°-2500° degrees F. The primary difference is that porcelain has that 0.5% or less water absorption rate. It is also denser, and harder, which make it the most durable of all tiles.

- **Ceramic-** Also a man-made tile, ceramic tiles fired from slightly less refined clays than porcelain tiles. The are also fired at a slightly lower temperature range, averaging between 1832° - 2282° F. They are very durable in general, but their slightly lower density means they may be somewhat easier to crack or chip than the costlier porcelain tiles

- **Natural Stone-** As the name implies, natural stone tiles are natural material that is quarried, and machined into tiles. Natural stone is the most expensive material, and it is prized for its beauty and naturally occurring patterns. However, it tends to be softer and more porous than manmade materials. Therefore, it is much easier to crack and chip. The porous nature also means that it must be chemically sealed periodically, or it can begin to appear "grungy" as foot traffic grinds dirt, etc., into the pores.

- **Linoleum-** A synthetic man-made flooring material made of vinyl on a canvas backing. It is either sold in rolls like carpet, or individual cut tiles that have an adhesive backing. If is the least expensive form of tile, but also the least attractive and least durable due to its soft consistency.

Builder Incentives/Mortgage Lending:

54). Are the builder's incentives contingent upon using their lender and/or title company?

- Many builders will require you to use their "preferred lender" and/or title company in order to qualify for their advertised incentives. *With a re-sale transaction this would violate "steering laws," but the laws in states such as Colorado, allow builders to tie incentives to the use of a particular lender or title company.

55). If the builder's lender cannot get you approved, will they still honor the incentives if another lender of your choosing can get you approved?

56). If interest rates increase to a point that you no longer qualify to close, does the builder's contract define this as a situation were you would forfeit your deposit? Or does this situation qualify as a valid reason to have them refund it?

- The Builder's contract should specify the latest date that you can terminate due to loan disqualification, without penalty.
- Interest rates on mortgage loans, typically cannot be cost-effectively "locked-in" more than 60-90 days in advance of the closing date. Therefore, if the interest rates start to make substantial hikes during the year it takes them to build your home, the payment may end up being substantially higher than what you initially planned for. In worst cases, a large enough rate-hike may alter your debt-to-income ratio to the point that you no longer qualify for the payment on the loan. Imagine waiting 11 months for the home, only to have the lender tell you that you no longer qualify to close on the home

loan. Fortunately, this isn't a common occurrence, but nevertheless it is a very real possibility.

Property Taxes:

57). What is the mil-rate that property taxes will be calculated with, once the county re-assesses the property taxes to include the actual home structure?

- Are there any similar completed homes in the neighborhood that have already had an assessment for the structure yet?
- This is a crucial question, because the initial assessed rate for property taxes typically only factors in the value of the vacant lot prior to the home being built. The county will always re-assess the property taxes after the first year you live in the home, to include the newly completed home/structure.
- Understanding the amount, the taxes will increase after the first year, will prevent any nasty surprises when the final assessment increases your property taxes!

Contractual Deadlines:

58). What dates are all of the major contractual deadlines, outlining your opportunities to cancel the purchase contract without forfeiting your deposit money?

- While the builder's sales rep may know these dates and be able to recite them, its always best to thoroughly read the contract in advance of the day you sit down to sign it. Builder reps will often "gloss over" or "downplay" the importance of these deadlines.
- Don't take the salespersons word for anything that they cannot point out in writing!!!
- If any of the contractual verbiage is unclear, or confusing, consult an attorney (or a Realtor experienced in builder contracts) to explain it to you!

Warranty Coverage:

59). How long is the entire home covered with a full, comprehensive warranty of all mechanical, structural, electrical, low-voltage, and exterior components ?

60). How long is the home's structural warranty that covers against settling or heaving in the foundation?

- How many inches or centimeters of foundation movement does the builder consider normal and within tolerance? How bad does the movement need to be, to justify a warranty claim?
- Does the structural warranty also cover the flat-work such as concrete driveways, sidewalks, patios, porches, and garage floors? Or are these excluded, or covered under separate terms?
- Does the warranty cover poorly installed or diseased landscaping, trees, shrubs, lawns, and sprinklers?

61). If a mechanical component such as a furnace, water heater, or appliance fails, does the builder replace it themselves, or do they expect you to pursue the manufacturer's warranty?

Earnest Money/Deposit Policies:

62). Does the builder's contract provide an initial rescission period, allowing the buyer to cancel the contract without penalty or loss of the deposit?

63). If there is no rescission period, what circumstances does the contract outline that do qualify you to terminate without forfeiture of the deposit? The following items are common, but still vary from contract to contract:

- The lender cannot get you approved for financing, or the underwriter declines your loan due to circumstances outside of your control.
- The builder fails to complete your home during the allowed time-frame.
- The home is destroyed by fire or natural disaster, etc, before it is delivered.