CONSTRUCTION CORNER

Questions to Ask a Builder Before You Sign

Take this list to every builder you're considering. Check each one off as you get a clear answer, in writing where it counts.

Experience and fit

- [ ] How many homes like mine (size, style, price range) have you built in the last few years? Can I see a model, a lived-in home, and one under construction?
- [ ] Do you build on the buyer's own lot? Have you built in my county before (permits, septic, utilities)?
- [ ] Who will run my job day to day, and how many other homes will that person be running at the same time?

License, insurance, and money

- [ ] What licenses do you and your trades hold, and where can I look them up?
- [ ] Will your insurance agent send me a certificate showing general liability and workers' compensation? Who buys builder's risk?
- [ ] Are you registered with my lender? If not, are you willing to complete their registration?
- [ ] How do you pay your subcontractors and suppliers between draws?
- [ ] Have you had any liens, lawsuits, or licensing complaints in the past five years? What happened?

Contract and price

- [ ] Is your contract fixed price and turnkey, covering everything from raw land to a finished, livable home? Is anything priced separately?
- [ ] What site work is included: clearing, dirt work, driveway, culverts, utilities, septic, well?
- [ ] Are permits, impact fees, surveys, and engineering included in the price?
- [ ] Will we make all my selections before I sign, so the contract price is final? If any allowances remain, how did you set them?
- [ ] Does the contract have an escalation clause? What triggers it, and is there a cap?
- [ ] How are change orders priced, approved, and paid? What markup or fee do you add?
- [ ] What deposit do you require when I sign? How is it held, when is it refundable, and how is it credited at closing?
- [ ] Does the contract include a financing contingency, so my deposit comes back if my loan doesn't go through?
- [ ] Can you substitute materials ("equal or better"), and will you tell me before you do?
- [ ] Who owns the plans, and do I have the right to build from them?
- [ ] How are disputes handled: mediation, arbitration, or court?

Schedule and communication

- [ ] Will we have a preconstruction meeting to review the plans, specs, and selections before work starts?
- [ ] How do you set the move-in date, and when does it become firm? What usually causes delays?
- [ ] How often will you update me, and how? Do you use an online system I can log into?
- [ ] Which stages will we walk through together? Can I bring my own inspector?
- [ ] How often do you request draws?

Finish and warranty

- [ ] What does your warranty cover, for how long, and which standards do you measure defects against? Can I read it before I sign?
- [ ] Is there a third-party structural warranty? Who's the provider?
- [ ] Do you provide a homeowner manual? How do warranty requests work after move-in, and how fast do you respond?
- [ ] How long is the homeowner orientation, and how soon are punch-list items finished?
- [ ] Can I talk to two past clients and one client who is building with you now?

Red flags to watch for

- Asks for weekly or bi-weekly draws
- Can't provide two years of financials
- Doesn't know what a balance sheet or profit and loss (P&L) statement is
- Wants a large cash deposit, takes cash only, or wants payment in full before work starts
- Pressures you to sign fast, or offers a "today only" price
- Won't put everything in writing (selections, exclusions, warranty)
- Leaves big decisions as allowances instead of helping you make selections up front
- Can't or won't produce a certificate of insurance
- Won't register with your lender, or asks you to "find a lender who doesn't check"
- Asks you to pull the permits yourself
- Has no past clients you can call and no active job sites you can see
- Has liens or lawsuits from past jobs that they won't explain

Have a builder in mind?

Send us their name and contact information. We'll reach out to them and let you know whether they're already registered with us and what registration takes. Your builder doesn't need construction-loan experience: find one you like and trust, and we'll handle the loan side.

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EQUAL HOUSING OPPORTUNITY

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