

10 Secrets Every Home Buyer Should Know About New Homes

1. First, visit with your real estate agent.

Before you step into a model home, know how much house you can afford. If you currently own a home, you will probably need to know the net proceeds from its sale to calculate how much cash you'll have available. Your real estate agent can analyze this to narrow down what that net proceed figure is likely to be. If you are a first-time buyer, you should seriously consider becoming pre-approved for a mortgage loan to nail down how much of a home you can afford and improve your bargaining position with any seller.

2. Put experience on your side.

Remember that the sales agent in a model home represents the builder, not you. If you don't have a professional real estate agent working on your side, you are not being represented. Your real estate agent can help you to understand new home construction, warranties, financing, and differences in price, quality, and lot selection to help you obtain the best value.

3. Not all builders are created equal.

Some builders are known for their craftsmanship, while others are known for innovative use of space, below-market financing, or exceptional customer service during construction and after move-in. Your real estate agent, who makes a profession of real estate, can help you find the best home for your needs.

4. Get the whole story.

Investigate the reputation and financial strength of the builder. Be sure to obtain "spec sheets" that cover the home features, which can cover everything from floor plans to energy efficient ratings, and from immediate-delivery inventory to lot availability.

5. Look "under the hood".

Learn all you can about the community. Review the common amenities. Find out from local land use officials what else is planned or could be built in the area, especially where there's vacant land. Read the rules of the homeowner's association - or determine whether one will be set up - and investigate whether it has adequate reserves set aside to build or replace major amenities such as pools or major roads. Consider commuting routes and times.

6. Choose your options carefully.

The higher the base price of the house, the more options and upgrades you can add without overpricing for the neighborhood. Make the most of builder incentives, typically free upgrades or credit off the purchase price. Upgrading means selecting quality above "builder standard" for carpet, floor coverings, detailing, appliances, and kitchen fixtures. Options are items that the builder installs while constructing the house. Options that add usable space, such as a sunroom or a computer room, add most to resale value. Remember that some improvements can be added later and sometimes for less money, such as a deck, finished basement, or landscaping.

7. Negotiate with the builder.

Many buyers don't realize that there may be room for negotiating price, upgrades, or options. You may have the most possible room for negotiation if the builder has a completed but unsold home. Unless you are buying in a "seller's market", builders may offer discounts or special financing to help close a sale.

8. Make sure the contract works for you.

Be certain that the agreement with the builder includes some safeguards for you, such as putting your deposit in escrow, itemizing your upgrades by description and cost, allowing you access to the site to check on construction progress, a weekly schedule of appointments to meet with the builder, and a 30-day advance notice of the closing date.

Also be aware that in many states, new home construction contracts are NOT regulated by your state Real Estate Commission. The contract is typically written to favor the builder.

9. Financing can make or break you.

Some builders, especially those in high-volume communities that place many mortgage loans, offer special financing packages. It is customary for the builder to tie upgrade incentives to an in-house mortgage company, so the builder may not offer those incentives unless the buyer is willing to use the in-house mortgage company. But using the builder's financing is not the only option in the highly competitive world of mortgage lending. You should shop everything, including interest rates, points, and lender fees.

10. New doesn't mean perfect.

New homebuilders typically use modern materials that are durable, low maintenance, stronger, quieter, safer, and even wired for the next century. But new doesn't mean perfect. Your contract should provide for the option of hiring a home inspector. You and your real estate professional should prepare a list of items for the inspector to pay particular attention to, and you should accompany the inspector during the inspection. Use what you learn from the inspection to create a builder "punch list" to fix major problems before closing.

Those who brave it alone may not realize that there is usually no out of pocket cost to the buyer for this necessary representation!

