




NEW HOME EXPERTS
METRO DETROIT

NEW HOMES 101

**your personal guide to
buying a new construction home**

Chapter 1: Why New



Chapter 2: The Basics

ABC's

Chapter 3: Shopping



Chapter 4: Buying



Chapter 5: Building



Chapter 6: Closing



1. Why new?

LEARN: new vs. used, how you'll save \$, advantages

New is just better.

Building a new home is fun! Instead of settling for old choppy designs, poor ventilation, ugly paint on the walls, broken cabinets, low ceilings (and more); get the family involved, make moving fun, and create the home you've always dreamed of!

5 Key Advantages of New Construction

- 1. It's yours** - simply put, you're the first to live in your home. The first to use your shower, your toilet seat, you name it. Design it your way. Design it for your family. Pick the cabinets and countertops you love, tile and hardwood floors, and more!
- 2. Low cost of ownership** - just move in and enjoy. New homes come with multi-year warranties and don't require large costly investments such as a new roof (\$10,000+), new mechanicals (\$3,500+), new windows (\$10,000+) and much more. Over the average lifespan of ownership, new construction homeowners can expect to save up to 20% of the cost of the home on repairs and additions vs. a resale home.
- 3. Energy efficiency** - not only are modern-day appliances, mechanicals, and windows 20% or more efficient than just a decade ago; homes built today have better insulation minimums resulting in lower energy bills and less of an impact on the environment.
- 4. Better construction standards** - building codes and builders alike adhere to more strict standards than they did just 10 years ago. For instance, insulation minimums have been improved resulting in lower energy bills. Also, engineered construction materials require less maintenance and last longer resulting in long term value and less maintenance expenditures for your new home.
- 5. Better designs** - most plans offered by today's builders are more fitting for today's families. Open layouts with higher ceilings and workstations in the kitchen are commonplace compared to the choppy, boxed-in designs of yesteryear.

2. The Basics

LEARN: types of builders & financing, the process

Types of home builders.

We'll simplify this and break homebuilders into 2 different categories; production and custom homebuilders.

1. **Production homebuilders** - are builders you've probably heard of. These are the big guys - Pulte Homes, Lombardo Homes, and Toll Brothers in metro Detroit. They'll purchase acres of land, install streets and utilities, and offer a specific number of floor plans at base prices with options. Production builders streamline the process and work well for most clients, although selections will be relatively limited. Of the two methods, the production route is much less time consuming than the custom route for new construction buyers.

2. **Custom homebuilders** - are the builders you probably *haven't* heard of. These are the smaller guys - from one home built per year to several dozen. Location is very flexible; they'll build on your lot, on a 2nd lot you own, in an existing subdivision, or in the country on 20 acres. If the parcel is buildable, there's no limit. A custom builder will allow more flexibility as far as design and options, but you'll be a lot more involved during the build and financing is often times more difficult to obtain.

Types of Financing - if you've got the cash, this doesn't apply here...obvy.

1. **Builder-financed projects** - common with production builders. In short, you'll sign a purchase agreement and leave an earnest money deposit (anywhere from 5% to 20% of the home) and that's it. The builder finances the land and the contractors. You'll enjoy a one-time close with a conventional loan program at the commencement of construction.

2. **You-financed (or construction loan)** - clients will have to finance the land & construction via a construction draw loan. In short, the client closes on the loan and pays the builder draws at various stages of construction. Once each draw is paid out during construction, the client starts paying interest-only on the draw amount. When construction ends, the financing converts to a traditional loan and that's it.

3. Shopping

LEARN: where to start, narrowing down, talkin' turkey

Where to start.

There are 2 ways you can start your new home search. One, start browsing the Internet on your own, get confused and frustrated, and settle for a resale home you *don't* love. The second way is by reaching out to the New Home Experts. We take the time to educate our buyers, cut the crap, and save our clients time & money.

Three simple steps to start searching for a new home:

- 1. Schedule a quick consultation with the New Home Experts.** We'll teach you about what we do to make your search better, learn about your wants & needs, and figure out the best plan to move forward. **Thirty minutes to one hour.**
- 2. Put together a gameplan.** After our initial meeting, our team will evaluate all available options (both online and through contacts), put together a plan of attack, and share with you our findings. If you like what we've compiled we move on to step 3, get out and start visiting builders. If you don't like what we've compiled, our team will get back to the drawing board and find what makes you happy. **48 hours.**
- 3. Get out and start visiting builders.** This is where things start to get fun and the learning goes into high gear. You'll start to like things you didn't know you liked and dislike things you thought you'd like. Also, you'll learn more about each builder and their process, their designs, their selections, pricing, timeframe, and more. Under no circumstances do we pressure our clients to buy. Proof is in the pudding, we've worked with clients from **2 days to over 2 years** before they purchased!

After we've found your dream home together, it's time for the New Home Experts to start negotiating on behalf of our clients.

We know how the builders work, what deadlines mean to their bottom line, and what buttons to press. While we can't guarantee a huge discount, we can guarantee you won't be overpaying for the home you love and you'll be extremely informed and confident moving forward with your purchase!

4. Buying

LEARN: negotiations, contract talk, scheduling considerations

Talkin' turkey.

Ok, so we've settled on a builder, neighborhood, and floor plan. Now it's time to make it work within your budget.

Negotiations: We'll cut to the chase here. Sometimes we'll be able to craft a favorable deal, sometimes you've gotta pay full price. What does this depend on? Many factors, including; time of year, time of month, the builder, the area / specific community, stage of construction, closing timeframe, financing, and much more. Have we saved clients thousands on a home already under construction? Absolutely. Have our clients had to pay full price? Absolutely. Whatever the circumstances we position ourselves to attack every offer from a position of strength and save our clients the most money possible.

Contract-speak: There's a lot to get into here, so we'll keep this short. Virtually every builder requires the use of their own purchase agreement. Obviously the home doesn't exist yet so the agreement is split into two parts - land contract for the lot and construction agreement for the structure. The key aspects to watch out for are the following: earnest money deposit considerations, materials substitution, closing costs (who pays what), financing arrangements, warranty, and timeframe. *Who's paying the transfer tax and how much is it? What about the owners title policy? If my floor is discontinued, will I be able to re-select or will I find out after install when i'm unhappy?* Again, too much to spell out in this quick guide but you get it.

Scheduling: Commitment - the scariest word in the dictionary for the average homebuilder. They won't commit to a "commencement" date until well into the process (often after cabinets are in). There are just too many factors at play - weather, trades, materials delays, etc. Why should you care? You need to plan the sale of your home, your move, closing, and more. We've been through this hundreds of times. Working with The New Home Experts will provide the peace of mind you'll be timing the move as correctly as possible and avoiding a double more and/or storage costs!

5. Building

LEARN: what to expect, selections process, steps/timelines

The fun begins!

Time to build! And wait. And wait some more.

Expectations - few things in life require the checks and balances building a home requires. Plan reviews, engineering studies, plot plans, soil and drainage tests, and city permitting requirements means a lot happens before anything *physically* happens on your lot. Once you sign the Purchase Agreement, you'll wait. Likely 30 days, sometimes more. Once permits and studies are complete it's time to dig!

Here's a quick rundown of building steps from **Purchase Agreement to Closing:**



Purchase Agreement - (see #4) - make structural selections such as type of home, elevation, room extensions, basement depth, etc.



Selections - typically within 14 days, make interior and exterior color and design selections including brick color, cabinets, flooring & more.



Pre-construction meeting - before your basement is dug, meet with your construction manager and verify selections, review the prints & plot plan, discuss any other construction related questions and get to know who's building your home.



Pre-drywall meeting - shortly after insulation is complete, you'll walk your home with the construction manager and learn what's behind the walls before drywall covers everything up.



Pre-closing walk - also called the final walk through, this occurs about a week before closing to specify a final punch list, review warranties, ask final questions, and learn how to use your new home before closing!

6. Closing

LEARN: what to expect, prepare, staying stress-free

Time to close!

Well, it's been a long and emotional journey but you're finally almost there! Time to get your final ducks in a row and make your dream home a reality.

What to expect - we're about 30 days from closing, your final walk through and final appraisal are scheduled, and your lender is preparing final figures for the settlement statement. Any and all latest lender-required documents are requested (recent paychecks, etc.) and your loan enters the final phase of underwriting prior to achieving "clear to close" status.

By law, your final Closing Disclosure is due in your hands 3 days prior to closing from your lender. This document specifies exact costs and fees from your title company, builder, and lender and who is paying what. It also states what amount is due at the closing table. Did we start with a 10% deposit at the purchase agreement and your loan program calls for 20% down? Well, the remaining 10% + closing costs is due and will be outlined in detail on your final Closing Disclosure. This 3 day prior-to-closing rule gives us ample time to review and clear up any discrepancies *before* discovering it at the closing table!

Closing and staying stress-free!



It's here! Get your keys! You've completed your final walk through, walked the house once more before closing to ensure all finishing touches were completed, and you're ready to take title to the property. Be prepared to bring a cashiers check or wire the funds for the balance due at closing and set aside at least an hour for the paperwork.

After moving in, you're going to realize things you didn't notice at the final walk through (nail pops in the drywall, rubbing door jambs, etc.) so in order to stay stress-free simply keep a list handy and itemize all the things you'll request to be repaired at your next post-closing walk through. But most of all - enjoy it. Be sure to make plenty of memories in your new home!