

No Doubt Homes

FINDING A BUILDER

YOU CAN TRUST

By Ed Flachbarth



How do I find a builder I can trust?

The first thing to do when looking for a builder is to do a little self-reflection and decide what you're looking for first, in concrete terms, before setting out on the journey. Why? If you don't determine your own standards for what you're looking for, you'll fall into the trap of letting the builders you talk to define terms for you.

Here's an example: Every builder has what he or she thinks is his or her competitive advantage. That's what each one will emphasize as the most important thing to evaluate. Let's say the first builder you talk to advertises a low price per square foot, which seems very attractive because that's a simple way to compare houses. (Keep in mind that these houses aren't even defined yet, much less built.) If you talk to that builder first, you'll come away with a new comparison tool, and that tool might be the one you use to compare builders.

So what just happened? You allowed the company you're trying to evaluate to create your buying criteria for you.



Create your own buying criteria

You probably don't need a reminder that this is an important, and risky, process. Your dreams are at stake, and this project can have a huge impact on your family's financials. You need to find a guide (builder) you can work along side. You're buying your dream, and that happens to include buying a building process, a warranty process, the work of many subcontractors, a builder's reputation, and finally, a custom home finished the way you and your family want it finished. The builder you choose needs to be someone you want as a partner in the entire process, not just someone who completes a transaction.

The builder behind the curtain

Before we talk about finding a quality builder, let me give you a little peek behind the curtain of the homebuilding industry. Here are a few things to watch out for:

Chuck in the truck with the taillight guarantee.

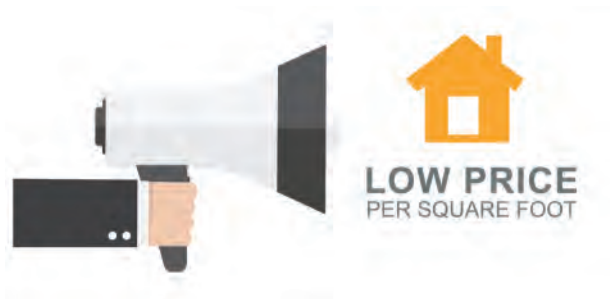
That's the mom-and-pop builder who builds a few a year, works out of his pickup, and looks like a subcontractor. He was probably a really good trim carpenter or other tradesman who built a house on the side and sold it, and now the bank gives him a credit line to build a few houses at a time.



The problem is, he has neither the financial capacity nor the time in his day to come back and fix any warranty issues. Once he's done and you've paid him, you'll see his taillights as he's off to the next job and probably won't ever return another phone call.

The enticing low price per square foot.

Ask yourself this question: How can a builder tell you what the price per square foot will be of a house that isn't even designed yet? A custom home that is created specifically for you, by definition, has never been built.



How could anyone possibly tell you how many dollars per square foot an imaginary house will cost? They can't, unless they're trying to rope you into a commitment so they can change the price later.

The “standard” list of specifications.

There’s nothing “standard” about a custom home. The two words mean opposite things. If a builder hands you a list of “standard features,” he’s telling you this is how he wants to build the house. Shouldn’t you be the one telling him?

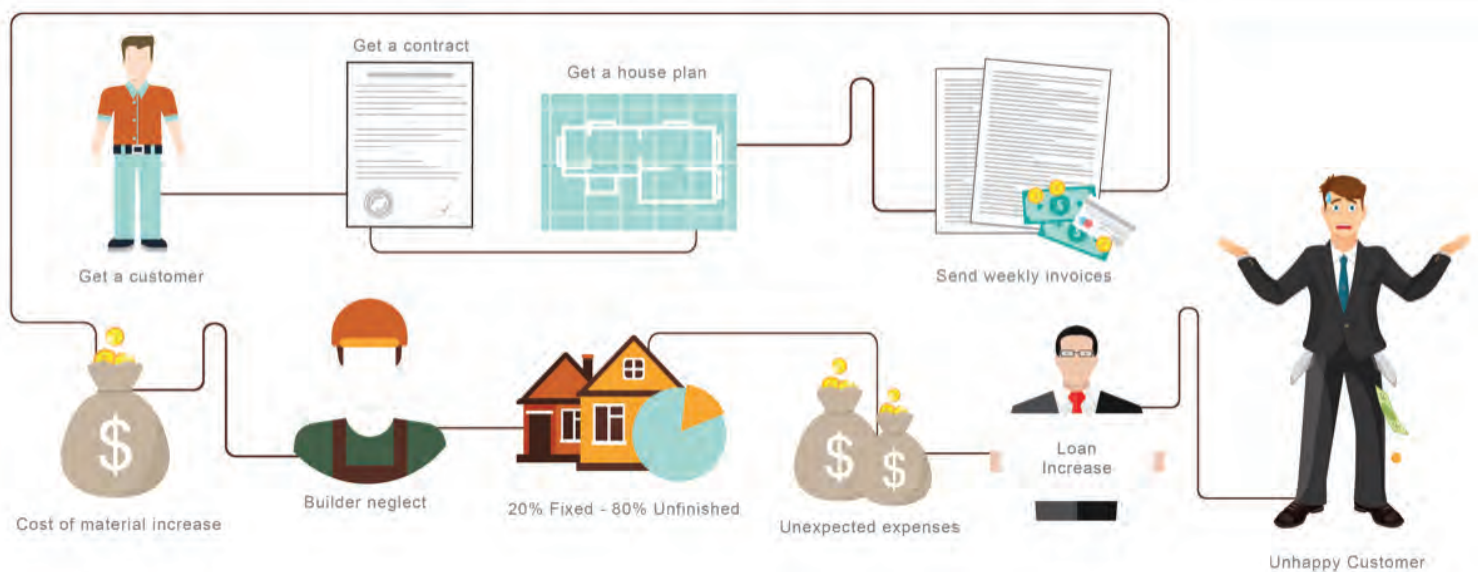


Also watch out for items like “3500 psi concrete” or “anchor bolts.” These items are on the list to make you think they’re special. They aren’t... they’re required.

The typical builder’s process

Unfortunately, there’s a very low barrier to entry into the homebuilding profession. That’s why most of the stories you hear from people about having a new home built are horror stories. Here’s how the typical custom homebuilder’s process works.

THE TYPICAL BUILDER’S PROCESS



The typical builder's process

- 1. Get a customer**, usually someone who has seen a home he's built and liked that floor plan.
- 2. Get a commitment from the customer** in the form of a cost-plus building contract using a cost estimate that is wildly optimistic.
- 3. Get a house plan the customer likes** and start building ASAP. Have the subcontractors estimate material quantities and types and buy whatever they tell him.
- 4. Send invoices to the customer to pay weekly.** The invoices will look like Greek to the customer, who has never built a house, so the customer will probably just pay them.
- 5. When the house starts going over budget** and it becomes evident the estimate was wildly optimistic, the builder will explain it by saying the cost of materials has gone up (inflation, right?), or that the customer made some changes, or some other excuse.
- 6. When the customer makes selections or changes**, the builder never writes anything down. If he does, it's on a legal pad that has about a thousand pages flipped over on it with notes from eons ago. When he gets in his truck, he throws that legal pad up on the dash along with about 20 rolled up house plans that have been there since 1997.
- 7. At closing, the builder does a cursory walk-through** with the customer and fixes about 20% of what's on the list and promises to do the other 80% after the customer moves in.
- 8. At closing, the builder asks for payment** for about \$30,000 worth of undocumented change orders.
- 9. The banker frowns and grudgingly increases the amount** of the construction loan because he doesn't really need or want a house in his inventory.
- 10. The customer grudgingly pays the builder** because what else are they going to do?

That all sounds very jaded, I know. The good news is that's not how every builder works.

How to identify a world-class custom home builder

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1. **There's a clearly defined process for everything up front**—from designing your custom house plan to selecting every feature from door knobs to paint color.
2. **Everything, and I mean everything, gets recorded in our on-line system.**
3. **When you make a change during construction**, we enter a change order in our system. At this point, it needs approval by you and us. If approved, the customer pays for it at that time. This limits any surprises at closing.
4. **The building contract has a detailed list of every material** that's proposed for the customer's home all the way down to the color of the door hinges.
5. **The building contract has a fixed price**, which means the price won't change unless the customer makes changes. (See number three above.)
6. **The builder has a written warranty document** that lists everything that's covered, along with standards of acceptable and unacceptable work.
7. **The owner of the building company doesn't have to babysit the jobs.** The system, the process and the people he employs handle the details better than he can. In other words, he has the right system, the right resources and the right individuals that complete the project with minimum oversight.

Now that you know a little bit about the inner workings of the homebuilding industry, let's talk about how to find that builder who is the combination of a capable professional and a good fit for your needs.

Evaluating builders

When evaluating prospective builders, there are two main areas to consider:

Quality of construction,
and
The builder's process.

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There are a couple of ways to evaluate quality, both of which are based on history. You could become an expert on residential construction methods and building codes then go out and inspect a builder's homes under construction to assess their standards. Chances are, however, that you have an occupation of your own and don't really have the excess bandwidth to go out and learn a new profession.

The second option is to determine the builder's quality of construction through reputation, which won't require you to become an expert on residential construction. Before we talk about how to effectively and reliably research a builder's reputation, I want to make a key point about quality as it pertains to building a new home and the way the industry works.

There are more builders than there are subcontractors, like trim carpenters, painters, framers, plumbers, etc. That means builders share these subcontractors, and many of the builders you will be comparing for quality will be using the same subcontractors. If many builders use the same contractors, is the quality level among those builders the same? The answer is no. Why? Because different builders have different internal processes and tolerate different levels of workmanship.

As human beings, most contractors will take the path of least resistance. If they make a minor mistake, they'll ask themselves whether it really matters. If the answer is "no," they'll leave it and move on. If the answer is, "The builder isn't going to pay me if I leave it like this," they'll fix the mistake. Some builders have processes that ensure they catch all the little stuff and some don't. The contractors know which builders are which.

Back to determining the builder's quality through reputation. What you really want to know is whether the house you're having built will serve your needs over time without lots of expensive repairs or hassle. How will you know? Here are a few methods.

1. Check His On-line Reputation
2. Check His Referrals
3. Check with Lenders/Bankers
4. Check with His Real Estate Brokers

How to choose the right builder for you

1. Check the builder's online reputation. This isn't about glancing at the number of stars on a Google review. Read the comments people have left, both the legitimate complaints and legitimate praises. Look for yourself in the comments, which means note the positive or negative reviews that touch on your personal hot buttons.

2. Ask some of their previous customers. Request a list of past customers from the builder. If they're smart, they'll only give you a list of happy customers, so keep that in mind. Ask those customers about the details of the builder's process, how well they communicated during the process, how responsive they were to concerns or mistakes, and how they responded to repair requests after closing.

3. Ask local bankers that provide construction loans. This might require a little extra research to identify the banks, but when you do, ask them which builders have the best reputation for staying on budget. Bankers who do lots of construction loans will know.

4. Ask local real estate brokers for their opinion. The typical real estate agent has a family, career and their own reputation. You can gather good information from taking the time to talk to a few.

A word of caution: Don't be tempted to skip all of this research because you know a guy from church who builds houses. See the above "Chuck in the truck..." example. You and your family deserve better.

Review

To recap, when you're checking reputation, remember there are two major aspects of building that you're evaluating: the process and the quality of the final product. An awesome final product doesn't matter if the building process makes you crazy.

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Contact Information

I hope the information in this ebook will be helpful to you. Without a conversation, of course, I can't know if this information or any of our knowledge or experience would be helpful to you in your journey toward your forever home.

I've lived through this experience alongside my clients more times than I can count. Each time I learn something new, but the most critical lesson is this: there is an enormous number of details and moving parts. That's not just in the actual construction, but in the whole process from buying land, to financing, to building, to warranty service.

Where I see the most strife, stress, and anguish in my clients is when they choose to take the route of "lowest price," "best deal," or "lowest rate." Without fail, those options end up being the most expensive in the end.

Don't fall into that trap. Whatever lender, builder, and home designer you choose, make sure each one is someone you can trust. Don't be fooled by the "best deal," because there are so many details and so many ways that "deal" can come back and bite you, you'll never see it coming.

Please read through this guide, and call us with any questions you have—I'll be happy to guide you through this journey in any way I can.

Office Number

404-456-9629

Email Address

KDaigle@nodoubtsystems.com
JHazard@nodoubtsystems.com

Address

1455 South Richland Creek
Rd. Sugar Hill, GA. 30518

Website

www.nodoubtsystems.com