

# THE MOST IMPORTANT QUESTIONS TO ASK BEFORE YOU START BUILDING



# Buying or renovating a new home will likely be one of the largest investments you ever make. You may be embarking on a new life purchasing your first home or upgrading to your dream home.

Going through the process of designing your new home, selecting all the fittings and fixtures and then watching it start to rise out of the ground should be an exciting time in anyone's life. Select the right builder and it will be a pleasurable experience, choose the wrong builder and it can be a heartbreaking and often costly lesson. All too often, new homeowners enter into a building contract without checking out the builders' credentials.

When you are building a new home, your builder will be there with you throughout the project. To ensure that you can work together successfully, it's important to find out as much information as you can before entering into any business relationship. The following key questions can help you find a builder with the right fit.

## Is the builder right for the job?

The first things you should determine are:

- Is your builder licensed to build in the state of Georgia?
- Do they have the skills and experience to undertake the proposed project? This is particularly true if you plan on building in a difficult location or your design requires special construction skills.

## Is the builder licensed?

The most important thing to remember when selecting your builder is that they must be licensed in the state of Georgia and carry the appropriate insurance, as this will provide you protection should anything go wrong.

You can check if a builder is registered by contacting your local inspection office, by performing an online check or simply asking to see the contractor's credentials.



**C**ontemporary, Georgian or Mediterranean. No matter what style of home you plan, your builder should be able to work in the style and design of your new home.



## **Types of Building Style and Design**

A builder should be able to work to the style and design of your home. They should also be able to advise you on ways to incorporate various elements into your home so that it matches the existing style.

Many builders specialize in a particular style so it may be worth searching for one that can build exactly what you are looking for. If you are not sure what it is that you are after, a builder should be able to assist you with some options.

Take a look at some of the builder's past projects; this will allow you to see if the builder can work to your style and specification. Ask for references and visit sites in person if possible. Past clients may be willing to share their experience.

## **Check the builder's insurance coverage**

Check the builder holds the correct insurances, including General Liability and Worker's Compensation. Ask to see the certificates of insurance. Should there be a claim against the builder, coverage will ensure your project is not affected.

## **Do you work in the area I plan to build?**

Ask your builder if they do work in your proposed area, if they don't they may have to source alternative, untested supervisors and subcontractors which may lead to substandard work.

## Check your builder's credentials

It is important to remember that building or remodeling a home is not only a huge financial investment, it can also take quite an emotional toll. Spend some time to investigate your potential builder's references and credentials.



### How many properties do you currently have under construction?

This will give you an indication of the size of the company. Whether they are a small builder or a larger project style construction company. A company with a full book of current projects may be viewed as an indication of trust, they are reliable and the work is in high demand. However, ensure they have the capacity to manage your project professionally.

### Have you ever been declared bankrupt?

A builder who has gone bankrupt in the past may end up doing so again in the future. It is important to ensure your project is completed and avoid delays if your builder becomes insolvent while your project is under construction.

### How long have they been in business?

Find out how long the builder you are considering has existed and whether it has always traded under the same name. A builder that has changed names may be a sign of past problems they wish to avoid. A builder who has been trading for more than four years is usually the sign of a company with a good business profile and who has been successful to date.



## How will I communicate?

Equally important as the builder's skills is having someone you can communicate with and can trust. If you don't feel comfortable in the initial discussions then don't hire them for your project.

## How will you communicate with your builder once the job starts?

Building or remodeling a home can be one of the most stressful times in a person's life. It can be a difficult time if the project does not progress as expected. You will be in a business relationship with your builder and you must have a clear line of communication defined before you enter into a contract.

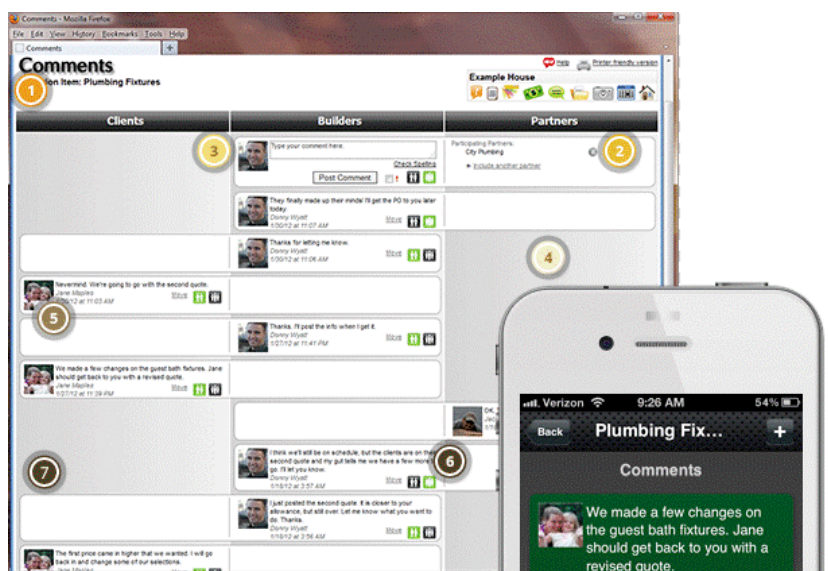
## Does the builder have systems in place to keep you informed?

During the planning and construction of a home there will be many questions to be answered and decisions made. A regular steady flow of information between you and the builder will help ease the process.

Does the builder schedule regular onsite meetings, allowing you to view the work progress and to discuss any construction issues that may arise from time to time?

Does the builder have reporting systems in place to keep you informed, advise you of any issues as they arise or to seek your input on building decisions?

Does the builder have a document process to ensure all correspondence is recorded and acknowledged to eliminate disputes over misunderstandings or incorrect instructions?



## *Has everything been specified?*

**B**uilding or remodeling a home is a complete process, requiring interaction with the city or county zoning/inspection departments, financial institutions, and suppliers along with the Client and Builder. A fully compliant contract will detail all the interactions and responsibilities of both the Client and Builder. Expect a detailed contract and comprehensive price proposal to be 10-20 pages, if they are any less than that you should check to see what has been left out.

### **What should the Building Contract Include?**

A building contract must thoroughly specify the work to be completed, along with the following:

- ✓ The start and completion date of the project should be clearly stated or easily able to be worked out
- ✓ Your name as the home buyer and the contractor's license number should be included
- ✓ A description of all the work to be carried out during the building process, including plans, specifications, and any particular requirements that you may have
- ✓ The necessary insurances
- ✓ The contract price
- ✓ The NAHB Residential Construction Performance Guidelines which you must read and acknowledge
- ✓ A place for the buyer to acknowledge that they have read and understood everything in relation to the contract
- ✓ Progress payments are outlined
- ✓ A clause that states that all work will comply with the IRC Building Code as well as the other standards required by law
- ✓ That the contract begins on the day when the last party signs the contract and the other party is made aware of this signing – this is the contract date and should not be confused with the starting date for the project.



# Is the contract correct?

## Selections and Schedules

The initial quote you received was most likely for a specific home design built with basic materials and fittings. If you are building a custom home you will have the opportunity to specify some of the materials, fittings and fixtures. However, you should be aware that the initial quote you received may have been for a basic package and that any materials or fixtures that you specify above the basic package may add to the contract price.

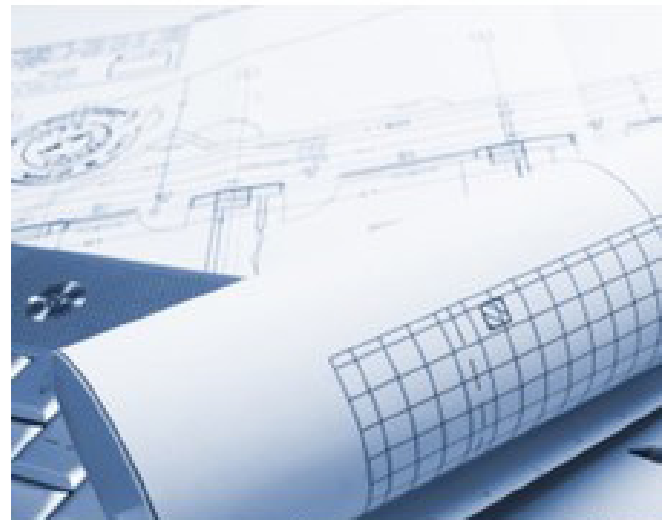
Whether you are building a custom home or renovating an existing home wherever possible have all your selections (cabinets, fixtures, tile etc.) detailed in the contract price before you sign. This will provide certainty of price and availability of selected items.

## Drawings and specifications

The Drawings are the builder's instructions about the measurements and features of the property being constructed.

The Specifications are the agreed instructions about the materials and building methods to be used to construct the house.

If you have any concerns about this part of the contract, you may need to consider employing an Architect to provide you some advice. Important – The Order of precedence is: Contract – Specifications – Plans.



## Have you read, checked and understood all of the contract documents thoroughly?

If you don't understand any part of the contract documents, ask questions and seek your own expert or legal advice. Make sure that you understand what your contractual obligations are, as well as your builder's. If you are not happy, don't sign. If you want anything changed, this is the time to do it.



## Progress Payments

- Does the contract require the release of progress payments at various stages of construction?
- Is the work to be completed for each stage specified?
- Are the terms satisfactory to you and to your financial provider? (if applicable)

When a builder issues a progress invoice, make sure the specified work has been completed and verified.

## How long is the warranty period?

This is the warranty period after your property is handed over, that the builder will perform any necessary building maintenance. For residential properties this is typically six months.

## Paying deposits

For home building contracts with work to be covered by a home building insurance scheme, the builder can ask you to pay a deposit of around 10% of the total contract price.





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