



HOMEOWNER'S GUIDE TO BUILDING, REMODELING AND FINANCING



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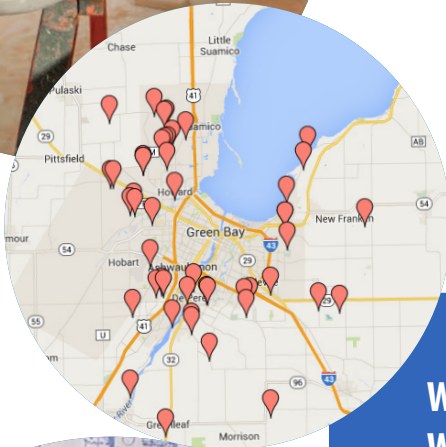
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GUIDE TO...

Building



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Why Build Now?

You have the home of your dreams pictured in your mind. You know the reasons that you want to build new, but the question of when to build is one that you have probably struggled with for the past few years.

Rest assured, now is a great time to jump in and build new! Here are some of the reasons why:

1. **Financial Savings:** Studies show maintenance costs and operating costs are lower for newer homes.
 - Maintenance costs on average were 56 percent lower in new homes; \$547 a year for all single family homes versus \$241 for homes built after 2008.
 - **Energy Efficiency:** Environmentally-friendly features in new homes can help you save money. Even though new homes tend to be larger, energy costs are about 10 percent lower in new homes compared to existing homes.
2. **Low Interest Rates:** Rates remain low; lock in a payment that fits your budget.
3. **Available Loans:** Borrowers with good credit can get loans with attractive rates.
4. **Competitive Prices:** You can afford more home than you could a few years ago.
5. **Modern Features:** Open floor plans, ample storage, outdoor living spaces—new and renovated

homes fit your family's lifestyle needs and offer convenience and comfort. New home buyers enjoy the ability to choose the finishes, fixtures, flooring, paint colors and more that suit their preferences, without the hassle or cost of changing the previous owner's tastes.

6. **Safety:** New homes are safer, with electrical wiring systems that can accommodate modern appliances and components such as high-definition televisions, security systems, fire alarms and complex lighting and audio setups.

Are you still wondering if now is the time to buy or if waiting for lower interest rates or lower prices would be your best bet? Just as no one can accurately predict the peaks and valleys of the stock market, the same holds true for housing and interest rates. If you wait for what you think is the absolute best deal, you could end up waiting for years. All the market fundamentals show that now is a good time to buy – prices are down, interest rates are low, and there are lots of homes to choose from.

It's always better to trade up in a buyer's market. While the value of your house has fallen, the prices of



higher-end homes have

also dropped. Let's say values in your area have dropped 10 percent, so you could get \$270,000 for your home today. You have your eye on a move-up home that previously sold for \$500,000, but now is selling for \$450,000. If you sold your home today for \$270,000 and purchased the larger house for \$450,000, the difference in price would be \$180,000. But if you waited to recoup the 10 percent value on your home and sold it at \$300,000, chances are the move-up home would also increase in price 10 percent to \$500,000. That's a \$200,000 price difference. So by selling today, you would actually save \$20,000.

As the housing industry shows signs of a sustained recovery, today's near-historically low interest rates combined with the benefits of new construction make now an ideal time to achieve the American dream of homeownership in a brand-new home.

So now that you're set on building your dream home, here's how to get started!

Why Choose a BCHBA Member?

Quality workmanship, knowledge and experience matter, especially when you will be investing a significant amount of money with a home builder or remodeler as you build a new home or update your current one to fit your lifestyle.

Choosing a building professional with the Brown County Home Builders Association (BCHBA) can help ensure you are hiring a builder or remodeler who is committed to their craft by learning—and continuing to stay up-to-date on—the latest technology, building methods and business practices.



“Choosing a member of the BCHBA helps take the guesswork out of finding a building professional to work with. Consumers should still do their research before making any final decisions, but the BCHBA is an excellent resource for finding your initial list of potential contractors or subcontractors,” said BCHBA Executive Officer Mari McAllister-Charles.

BCHBA Members have access to continuing education courses that give them an edge in the building industry. In the home building profession, there are new building codes, energy, fire, plumbing, electrical and mechanical codes that are constantly being revised and upgraded. BCHBA Builder Members must have their state credentials up-to-date so they can be sure to take new or updated codes into

consideration when building or remodeling your home.

Membership in the BCHBA also provides building professionals with the networking opportunities they need to learn industry trends and stay ahead of the game on new products that come on the market each year to make your home better and your life easier. They will know what the newest materials and techniques are, where to get them, and how to use them. Their insights and advice will not only bring you savings and satisfaction today, but will help your home’s value far down the road.

Also, in the event of a dispute the BCHBA has a mediation system for resolving complaints without legal action if your builder is a member. The BCHBA will meet with both sides together to find an agreement. It is important to remember though, that the BCHBA does not have the authority to enforce action in a dispute.

Buying a new home or making major renovations to your existing one can be a huge investment into a place your family will make memories and grow in for many years. It only makes sense to select a professional with superior training, real-world experience and in-depth knowledge of your area of need.

McAllister-Charles also has tips on what to watch out for when hiring a professional contractor.



“Professional builders and remodelers will present evidence of their credentials without hesitation,” she said. “Consumers should not hesitate to ask contractors to present their Dwelling Contractor Certification and Dwelling Contractor Qualifier certification cards provided by the WI Dept. of Safety and Professional Services.”

Here are some situations that should raise a red-flag:

- You’re told that on this job, a contract “won’t be necessary.”
- You’re asked to pay for the entire job “up front” — or pay cash to a salesperson instead of a check or money order to a company.
- You are confronted with scare tactics, intimidation or threats.
- You’re told you’ve been “chosen” as a demonstration project at a special, low price.
- You’re told a “special” low price is good only if you sign a contract today.
- The contractor won’t give you references — or the references can’t be located.
- You can’t verify the contractor’s business address.

So now that you know what to watch for, you’re ready to start searching for a BCHBA Member!

Avoid Being Your Own General Contractor

Many people think they will save an enormous amount of money by building their own home. This could be a costly mistake financially, emotionally and physically. Do you really have the time to undertake a project so time consuming? Is it worth the time? How stressful will it be on your family? Do you have the skills to build a home properly? Do you have the expertise to make sure this home will last you a lifetime?

Your home is the biggest investment you will make in your lifetime. There is so much to consider:

Financing: Arranging and applying for a home loan can be quite involved and should be one of the first orders of business. Even if you feel that you have enough cash to do the job, applying for a home loan to allow for inevitable overruns due to increased material and labor costs or upgrades is always advised. Most mortgage companies will not lend money to cover the unanticipated costs on a home on which construction has already begun. As a self-contractor, some lenders will not lend you more than 80% of the projected costs.

House plans, specifications and an itemized list of documented costs and bids must be provided to the lender. In calculating costs, do not allow for "sweat equity" as most lenders do not recognize this as a legitimate cost.

Bookkeeping Duties:

IRS: The IRS requires that you send any sub who earns \$600.00 or more a 1099 form at the end of the year. In the event you are audited, be prepared to prove that the sub is an independent contractor – that is, you did not have to supervise his/her work and you did not dictate what time they reported to the job.

Tracking Materials Purchases: It is very important to be on the site or have someone

you can trust to document delivery slips. Returns must be accounted for since inaccurate billing can run up costs. You will need to check all invoices and account for all materials. Waste can add hundreds, if not thousands, to the cost of your home.

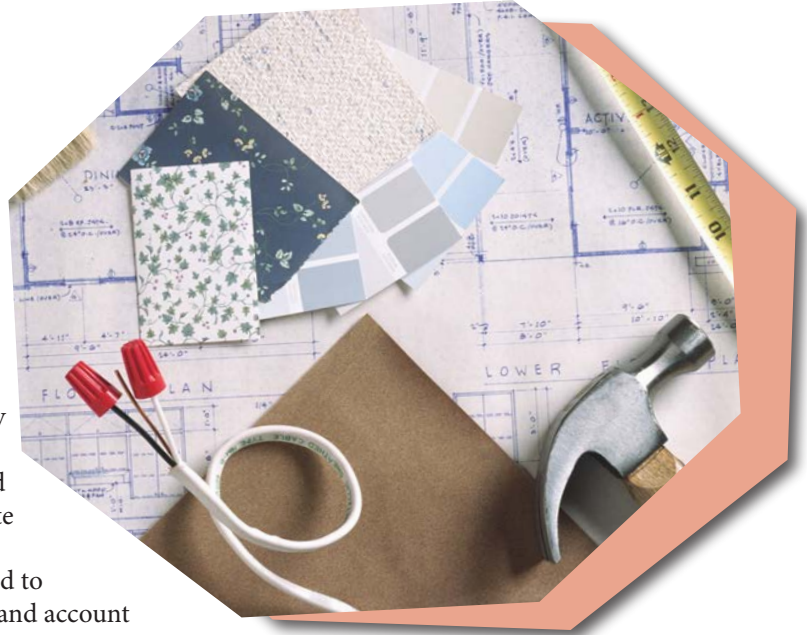
Construction Management:

Be realistic about your level of skill and the time you can spend on the job site. Base your decision to put "sweat equity" into your home on your experience, skills and the amount of stress you can handle. Your ability to handle long-term disruption of schedules is just as important as your ability to swing a hammer.

Deposits: Deposits may be required by all utilities before construction begins. Make deposits early as some may take weeks to get their services connected.

Insurance: Builders carry Builders' Risk, General Liability and Workman's Compensation insurance on all their building projects because they know what their liabilities are and YOU, as a self-contractor, may have to assume the same liabilities.

General Liability Insurance may not be required by your lender, but as the property owner, YOU are responsible for any third party injuries. Builder's Risk Insurance is required and covers the home materials only (no bodily injury, etc.). Workman's Compensation Insurance may not be required; however, it would be prudent to require any subcontractors you hire to provide certification of their workman's compensation coverage. Do not accept a release of injury in lieu of a sub having workman's compensation as the release may not be binding in a court of law.



Time Constraints: Be prepared to spend at least 35 hours per week for probably 5-6 months for a 1,500 square foot home.

Scheduling of Contractors: Remember these subcontractors have other jobs besides yours. Their loyalty may be to builders that give them the most work.

Bidding Expertise: Do you really know how to properly analyze a cost breakdown? Are you able to distinguish high bids, low bids and work quality?

Technical Expertise: Do you have the technical expertise to oversee if the work is done properly? If, after inspection, the work is rejected, who will absorb the cost to redo the work?

OSHA: As the general contractor of your own home, you can be held responsible for all subcontractors who do not adhere to the construction site OSHA safety requirements. If your job site became the target of an OSHA inspection, penalties for any infractions could be very costly.

Warranty Responsibility: If you build your own home and sell it to another party, you may be responsible for any defects that are discovered within a ten-year time frame.

The information above may be overwhelming. That is why we recommend choosing a builder who carries their credentials such as a BCHBA Member.

Choosing Your Builder

To select a builder, begin by thinking about yourself. What kind of customer are you? If you purchased or built other homes, recall which aspects of those experiences you enjoyed most - and least. What would you repeat & avoid?

Production Builders are organized for high-volume construction, usually in subdivisions where they own the lots. If you want one of their homes, you must select a site in the subdivision. Production builders offer a collection of floor plans, usually with a choice of exterior designs, or elevations. You can view the homes offered by touring models. Buyers can personalize the floor plans of their choice with selections of such items as floor coverings, counter tops, and cabinets.

Adding features from a list of popular options can further personalize the home. Options might include air-conditioning, upgraded appliances, or a covered patio. Today most production builders also accept requests for minor custom plan changes, such as enlarging a closet or adding a window. Altering structural elements requires re-engineering and resubmission of plans to the local jurisdiction's building department. Consequently production builders usually permit few structural changes.

Through repetition, the builder has worked any "bugs" out of floor plans. The total time to build is usually shorter because construction personnel are familiar with the plans. Suppliers stock regularly used items, so material delays are less likely and high-volume work offers an advantage in scheduling trade

contractors.

The builder's established floor plans and approved collection of colors and materials may not include the combination you had in mind. Other purchasers' homes will have your floor plan and elevation. Although production builders plan product mix and monitor exterior colors, two similar homes can end up near each other.

Custom Builders specialize in starting with a blank sheet of paper and creating a unique home. They tend to be small companies and design their operations around the customer's active involvement throughout the building process. Their systems and personnel are organized to build on isolated, scattered sites.

Expect a significant initial investment in time and dollars for design development. Meetings can take many hours, followed by more meetings that take more hours. Because alterations are possible throughout the process and choices are virtually unlimited, costs can rise dramatically unless the buyer has the self-discipline to stick to the intended budget. Pricing economies are lost and custom-built homes typically take the longest to complete.

Semi-Custom Builders combine the characteristics of both production and custom builders. They work with pre-existing plans and are flexible regarding changes, including those that require engineering and building department



approval.

Revising existing plans

is normally faster and less costly than creating new plans, yet it still provides an option for extensive changes.

With a Semi-Custom Builder vs. a production builder, you will lose the benefit of large-volume work and the resulting prices. They are more open to plan changes than production builders before construction begins, but less willing than custom builders to accept changes once construction begins.

Who's Available?

Your search begins by discovering who is building in the area where you want to live. Start with a preliminary list of candidates from a variety of sources.

The Brown County Home Builders Association (BCHBA) provides a membership directory at www.bchba.org/membership/member-directory.

Attending BCHBA Events such as The Showcase of New Homes, The Home Expo and The Tour of Remodeled Homes is also a great way to have a one-on-one conversation and get an idea of the different working relationships you might have with a builder.

Choosing Your Builder

Models. Look carefully, then return to those you like and look again. Sit in each room, stand in every corner. Sit on the floor and look up. Listen to sounds that carry through the home. Notice wood trim installation, paint and stain coverage, the home's exterior. The quality you see is what will be delivered.

to review everything before starting construction? Are you invited at routine points to tour your home and have the builder's undivided attention to discuss questions? What is the policy on change orders?

Read The Documents. Review the contract, warranty, and warranty standards. Note the amount of detail provided. This same attention to detail usually flows through the construction of the home. How does the company determine a delivery date? Many factors outside of the builder's control can cause delays. Builders who promise a firm date too early often disappoint their buyers; but every builder can have a system for keeping you informed.

References. Learn about how the company treats its homeowners after closing by talking to customers. Call previous buyers or drive through an area where the builder has been working. Few builders will send you to the customer they failed to satisfy, but random conversations may identify one. A single negative incident may result from an honest misunderstanding.

However, if you hear again and again about quality that disappoints, your search is not over.

Many factors must come together for you to be comfortable with your builder - design, quality, price, scheduling, and of course location. Throughout your exploration, comparing one detail after the next, you keep coming back to the same builder. Phone calls are returned promptly, questions are answered completely, information is forthright and clear. Suggestions about the home you want make sense, and the price is in line with your budget. Your efforts have paid off; you have found your builder!

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Be aware of advertising in newspapers, radio, television and Internet, but keep in mind that some of the best builders rely on referrals and do not advertise. Talk to friends and relatives who have recently built about their builders.

Area real estate agents, familiar with new home construction, can offer builders' names and insights. Drive around. Directional and entry signs will call your attention to communities in which construction is active.

Checking Out Potential

Builders - Now comes the important task of narrowing your list of potential builders. Look closely at each builder's finished work and work in progress. Your home will receive the same attention to detail.

Think about quality. Your definition of quality is unlikely to match anyone else's exactly. Identify characteristics you equate with quality. Consider aesthetics, function, maintenance needs, and environmental impact.

Licensing. The Wisconsin Department of Safety and Professional Services requires builder licensing (specific requirements vary). To learn the requirements to become and stay licensed, visit <http://dsps.wi.gov/Home>.

Consumer Protection. State and local agencies and the Better Business Bureau can report only what's on record. If you hear that numerous complaints are on file, exercise caution.

Occupied Homes. Custom builders are less likely to have model homes. They can often arrange appointments for you to view an occupied home their company built.

Homes Under Construction. Even builders who have model homes seldom offer a sample of each floor plan, but you may be able to tour homes under construction to experience a life-size example. Seeing homes at different stages allows you to see the quality inside the walls.

Finalizing Your Choice - When you think you've narrowed down your builder, ask about things that are important to you. Ask to meet the person who would be in charge. Think of this meeting as interviewing the company. Look at floor plans and talk about the home you want. How well do they listen? Are the builder's suggestions helpful and relevant? Are your questions answered clearly? Your relationship with the builder will continue through the warranty period, so choose someone with whom you will be comfortable for the long term.

Ask For an Overview. Many builders today provide a home-owner manual that guides buyers through the process and serves as a reference after move-in. Does the company schedule a preconstruction conference

Attending BCHBA Events such as The Showcase of New Homes, The Home Expo and The Tour of Remodeled Homes is also a great way to have a one-on-one conversation and get an idea of the different working relationships you might have with a builder.

Location, Location, Location!

Many details about your new home can be remodeled, but changing the location cannot, so choosing a location is one of the most important parts of the process. Does your lifestyle fit best in an urban, suburban, or rural setting?

Individual Sites. Builders refer to an isolated building location as off-site or scattered site. Individual sites are better for custom builders whose systems are organized for this style of work.

Subdivision Sites. A land developer will develop a number of lots in a particular subdivision, adding additions as needed. In our area, more developers will sell to both builders and individuals, however there are some developers that will develop their own subdivisions to be the only builder in that location. In those instances, the land and home purchase is a package.

Finding Your Site

Driving Around: Tour the areas on your map and look for land with “For Sale” signs. Note the location and phone number and take pictures.

Real Estate Agents: Some agents specialize in land sales. An agent can assist you with your search. Agents use the Multiple Listing Service (MLS) which stores dozens of details

about available lots. The agent inputs your criteria and the system prints a list of sites that meet those criteria.

Newspaper Ads: You can discover for-sale-by-owner lots in the classified ads. As with all sites, investigate thoroughly.

Local Government: The county planning commission or public library has information on zoning, the master plan, and maps.

Evaluating Potential Sites

If a site passed your preliminary screening, take a closer look. Find the property pins. Visit the site at several times of the day and in varying weather. How would your home be positioned on the site? What about the sun, view, and drive to and from work? Compare the possibilities for the site to your lifestyle. Use the checklist below to compare sites.

Costs: Double-check all numbers, including property taxes, assessments, and home owners association fees, to confirm the lot cost will fit your budget. A guideline is that cost of the finished lot (with utilities available) should run about 20-25 percent of the total package.

Utilities. When comparing sites, check the status and cost of utility hook-ups or tap fees. What is the lead time for approval and installation?

Impact Fees. An impact fee is a charge for the impact your new home and family will have on infrastructure. Your house built on one site can have impact fees as high as \$6,500.00 depending on which municipality you build in. Check with your local

municipal office prior to building so there are no surprises.

Legal Status: “Covenant Protected” homes, also known as “Restrictive Covenants,” maintain the integrity of each subdivision by assigning requirements in regards to the rules on homes built there. Covenants are typically recorded with the Plat and can be found at the Register of Deeds. There are also Home Owners Associations in some subdivisions that will enforce covenants. You will then be required to pay an annual HOA fee. Review the documents of an HOA carefully because they do enforce covenants and usually win in court.

Survey: Working with your builder, check the site survey. Will the house you want fit on the lot? Is the lot appropriate for your style? Lot slope can significantly affect the cost of the foundation, driveway, and landscaping. Will you be able to add on to the home in the future?

Construction Factors: Physical conditions should support the design of the home. Extensive grading may be possible but is expensive. In a subdivision, the effect on nearby lots can limit grade changes. Consider other conditions such as wetlands, wildlife, ground water, and trees.

Hazards: Many desirable areas come with natural hazards such as tornadoes, floods or earthquakes.

Buying the Land

Usually if you are working with a builder in a subdivision, one contract covers purchase of the lot and home. Individual sites will probably use a separate contract. More about financing is included on pages 18-19.

Building Site Checklist:

Cost

Lot price
Property taxes
Utility hook-ups

Legal Status

Zoning (subject to change)
Building department
Homeowners Association
Covenants & Design review
Owner and Owner's agent
Title

Survey

Size
Boundaries, property corners

Survey Cont...

Easements
Setbacks
Square footage requirements
Height restrictions
Orientation

Fees

Permit
Homeowners association deposits or fees
Water tap fee or well cost
Sewer tap fee or septic cost
Electric, gas and phone hook-up
Cable TV or satellite service

Unique Construction Factors

Access
Foundation required
For soil conditions
Site preparation (trees, rocks, groundwater)
Special grading concerns
Seasonal weather impact on schedule
Ecological concerns
Adjacent sites
Drainage
View
Present or future development

Hazards or Negative Concerns

Flood plain
Weather

Hazards or Negative Concerns Cont...

Seismic zones
Crime rate / Pollution

Services

Government
Post office and mail delivery
Police and fire protection
Road maintenance and snow removal
Trash collection
Transportation
Schools or Places of worship
Cultural Amenities
Medical services
Banking, business opportunities
Recreation

The Building Contract

In spite of the confusing contract legalese, it is important to read the documents associated with building your home or ask your attorney to review them before you sign. The contract for the purchase of a new home includes documents such as the purchase agreement, blueprints, specifications, option and color selection sheets, lighting schedule, site drawing, and limited warranty. The purchase agreement may include:

Price & Allowances

The total cost of your home is stated in the contract. This cost is subject to change. You may be ready to get the building process moving but still need more time to finalize choices. To address these items, you agree to an allowance -the estimated cost of each listed item- in the contract. This amount is included in the contract total and your mortgage. If the actual cost of the item exceeds the allowance, you can pay the difference in cash or ask your lender to approve a higher mortgage.

Financing

A standard finance contingency clause protects you in the event you do not qualify for financing. If this occurs, this clause says that the contract is void and the builder must return your deposit.

Construction

The contract lists the plans, specifications, and buyer selections sheet – by name, number of pages, and date – that describe the work to be done. The builder commits to doing this work as defined by general practice in the region.



Commence and Complete Construction. You are anxious for the builder to start your home, but several preliminary tasks need to be completed. Many builders wait for the buyer's loan to be approved. Obtaining a permit can take a few days or a few months. Skilled labor shortages, weather, and change orders can extend

the schedule. Contracts often specify that the home is considered complete when they've been issued a certificate of occupancy. Most contracts describe the liability for extra expenses due to avoidable delays.

Change Orders. Many builders allow buyers to request changes during construction. Wise buyers and builders make all changes in writing.

Conformance with Plans and Specifications. This clause allows the builder to make changes required by code revisions, site conditions, or other events outside his or her control. "The builder has the right to substitute materials or equipment of equal or better value" is in nearly every new home contract.

Plan Ownership. Production and semi-custom builders own the plans from which they build, even if they allow some custom changes. A few builders sell a copy to use with limitations. The cost is usually significant since plans are intellectual property.

Site Visits. Your builder may restrict site visits due to increased safety regulations and insurance liability.

Noninterference.

The builder's routine inspections identify items that need attention. Your input should be given to the builder, not the people on site.

Inspection And Acceptance. Shortly before closing, you will review your home

to confirm that it includes all the items you ordered and that your builder met the promised standards.

Site Clean-Up. Keeping the construction site clean and safe is the builder's and trade contractors' responsibility.

Mandatory Clauses

- **Warranty.** The limited warranty your builder provides defines responsibilities if something goes wrong.
- **Homeowners Association.** The contract will reference applicable homeowners association documents as part of your agreement.
- **Settlement.** This clause explains how the builder transfers ownership of the home.
- **Possession.** When the title or escrow company has recorded transfer of title to the property and after the builder obtains a certificate of occupancy, you can take possession of your new home.
- **Insurance.** Adequate insurance coverage for construction work is essential. The contract designates the coverage.
- **Default or Termination.** A termination clause defines the circumstances under which either party can terminate the contract.
- **Alternative Dispute Resolution (ADR).** Disagreements during construction or warranty sometimes do occur. Some contracts provide for arbitration or mediation. Make sure the contract is clear about whether the result of ADR is binding.
- **Co-op Broker.** If applicable, the name and address of your real estate agent may appear in the contract along with the commission due at closing.

Miscellaneous. Miscellaneous clauses might include information such as:

- Where notices about the contract must be mailed
- That pronouns and gender words do not limit the application of the clauses
- That if one clause is found unenforceable by a court or is waived by either party, the rest of the contract still applies
- That the terms of the contract survive or continue in force after the closing or settlement on the home

The contract is in force only when all named parties have signed it. The meeting to go over all the paperwork and sign everything can take up to several hours. Read everything before you sign it. This paperwork is the official beginning of building your new home.

The Building Process

From the moment you decide to build, a natural question is, “When can we move in?” In the initial stages of the project, the delivery date is a moving target because of factors beyond a builder’s control. The builder also has several important tasks to accomplish that involve outside influences, for example, obtaining a building permit, having the engineer or architect make any plan changes or getting approval from a Homeowner’s Association.

Your builder recognizes that timing is critical and will provide updates. As your home nears completion, the builder can provide a firm delivery date.

Construction Schedule

Once the physical work begins, the builder creates the construction schedule. Depending on construction in the region, trade contractors need notice. Lead times change constantly. Your builder orders materials so that deliveries occur at the correct time. You can help by completing your selections early.

Your builder frequently checks the work at the site, updates the schedule, answers questions from subcontractors, and checks on material deliveries. If the builder asks you to clarify details, respond quickly to prevent delays.

The building department that issues permits also inspects the work as it progresses. Construction cannot continue until it passes inspections at various stages.

Site Visits

Some builders schedule meetings with

you at several points during construction. You meet at the site, discuss questions, and update the target delivery date. Your builder may set guidelines for days and times when other visits are welcome, due to concern for your safety, satisfaction, and the smooth flow of work.

In most contracts with a builder, buyers agree not to interfere with work. Don’t give instructions directly to trade contractors who may only know about one portion of the plan. Before contacting your builder on any issue, consider whether it can wait until the next routine conversation. If you are in doubt about how urgent your concern is, play it safe and contact the builder. Put serious questions or extensive lists in writing and keep a copy.

Safety

Everyone involved in building your home should keep safety in mind. OSHA sets regulations for residential construction and to avoid violations and fines, your builder may require you to be accompanied when you visit your construction site.

At several points during construction nothing appears to be happening. Several factors cause this phenomenon:

- Exterior work is always subject to weather conditions.
- Sometimes a trade completes its work early and the next trade has an assigned time that can’t be changed.
- One late trade can lead the builder to



reschedule several others. Because of rescheduling, your home may lose its place in line.

- At several points, progress stops until the work passes required inspections.
- Materials may not arrive on time or may arrive incomplete or damaged.

Some portions of the work move quickly while more-detailed tasks move slowly. Work may be progressing even though you don’t see much change.

Quality

Builders, building inspectors, warranty insurance companies, FHA, VA, or your lender may inspect the home for quality. However, no matter their commitment, the desire for a high-quality home will be strongest for you. No matter the price, you may reach a point where your standards exceed everyone else’s. Trust and information are vital to your peace of mind. Keep these points in mind:

- Building codes make no distinctions based on price - all homes must meet the same level of safety.
- Codes make no attempt to set standards for aesthetics.

Building a home is part science, art, and hard work and every home has a personality all its own. See the next page for a basic construction schedule.

Sample Construction Schedule

- Stake and clear lot
- Excavate for foundation
- Layout, dig and pour footings
- Pour foundation
- Steel and lumber delivery
- Waterproofing and drain tile
- Backfill foundation
- Set steel
- First floor deck and wall framing
- Second floor deck and wall framing
- Set roof trusses
- Frame roof and install roof plywood
- Install windows and doors
- Concrete slabs in basement and garage
- HVAC
- Plumbing
- Electric
- Specialty rough-ins: central vacuum, alarm, telephone and television systems
- Roofing
- Exterior finishes
- Insulation
- Drywall
- Floor finishes
- Interior painting
- Install interior doors and trim
- Install cabinetry
- Install appliances
- Install grills and registers
- Plumbing fixtures
- Patios, porches, sidewalks and driveway
- Decks
- Install electrical fixtures
- Hardware for doors and bathrooms
- Final paint, trim, plumbing and electrical
- Final building inspection (inspections will happen continually throughout the building process)
- Use and occupancy certificate
- Cleaning
- Final walk through
- Move-in

Colors and Choices

As you begin making selections for your new home, consider the needs and preferences of your household – including work, school, hobbies, and entertaining. As you finalize choices, find the right balance of aesthetics, function, and maintenance.

Budget

Use your budget to prioritize details. The cost of your home is determined when your selections are complete. Statistics show most home buyers spend 10 to 15 percent more than originally intended. By setting priorities, you can build the home you want and enjoy a mortgage payment you can live with.

Standard Features. Be certain you understand which items are included in the base price. Builder models almost

always show optional and upgrade items.

Options. The lists of options evolve as buyers repeatedly ask for specific items. The builder maintains current pricing. Options are items added to the home, for example, a three-car instead of a two-car garage.

Upgrades. Your taste or lifestyle may make it appropriate to upgrade some items. You spend on the items of greatest importance to you.

Custom Changes. Many builders will consider changes you want to make in your floor plan, especially if they are



non structural (they don't affect load-bearing portions of the home.) Be prepared to describe the result you want. Alternative methods may be available at less cost.

In order to deliver your home close to the targeted date, your builder orders many items well in advance. Changes may involve an adjustment in the delivery date. Work within the change-order boundaries to avoid this. Remember that your new neighbors

Continued on Page 13...

Colors and Choices

Continued from Page 12...

have this same opportunity and may request features you did not consider.

Existing plans that you modify may be copyrighted. Unless you purchase rights to them, the design company retains control and only they can change them. See more on copyright on page 14.

Selection Forms. Your builder will provide you with the selection sheets that list the choices you need to make. Plan to finalize your selections within this time frame. Take note of these reminders during the process:

- Make informed decisions. Understand the maintenance you will provide and the limited warranty for each choice.
- Be thorough. Complete all blanks on your forms.
- Selections that exceed allowances will require cash payment upon finalizing your choice.
- Bring cushions or swatches to coordinate

colors. View color samples in both natural and artificial light.

- Variation between samples and actual material can result.
- In covenant-protected communities, your future homeowners association may limit your exterior choices.
- Drive around to view existing homes to spot exterior color combinations.
- Double check all model, style and color numbers.
- Put each selection in writing.

Preconstruction Conference. Use this opportunity to confirm that everything you ordered is correctly described.

Expect Variations. Differences are usually slight and come from:

- Regulatory Changes: Agencies often update codes or regulations in the interest of health and safety. Your builder must comply.
- Individual Foundation Designs: Because of variations in soil conditions, your foundation type may be different from your neighbors'.
- Changes in Materials, Products, and Methods: Builders, trade contractors, and manufacturers work continually to improve methods. Your purchase agreement requires any substitution be of equal or better quality.
- Natural Variations: Your home is

assembled by dozens of trade contractors. Seldom do the same individuals work on every home.

Change Orders. Though you invested considerable thought making your selections, some refinements may come to mind. The earlier you request changes, the better. Keep these points in mind with change orders:

- The builder communicates with 35 to 50 suppliers. Changes can lead to errors, delays and added costs.
- Changes without written authorization from the builder are prohibited.
- Many suppliers charge a restocking fee.
- Pricing a change can take from a few minutes to a few weeks. Meanwhile, work continues on the home.
- Taking completed work apart adds days and dollars.
- Expect to pay for change orders when you approve them.
- Document any change on a change order form that includes:
 - A detailed description of the change
 - Days added to/deleted from the schedule
 - Loan interest for days added
 - Cost of material and labor
 - Credit for items deleted, if any
 - Restocking fee, if applicable
 - Builder administration fee

Selections Your Builder May Offer

- | | | | |
|--|---|--|--|
| <ul style="list-style-type: none"> • Exterior Style <ul style="list-style-type: none"> • Exterior Elevations • Finish material (siding, stucco, brick) • Colors • Garage door style • Front door style • Patio • Decks • Entry Door <ul style="list-style-type: none"> • Sidelights • Wood, fiberglass, metal • Glass inserts • Stair Rail • Nook Desk • Media Prewire • Fireplace /Wood Burning Stove • Home Office Wiring • Closets <ul style="list-style-type: none"> • Organizers • Double rods • Garage <ul style="list-style-type: none"> • 2- or 3-car • Side entry • Extra storage • Insulation and finish | <ul style="list-style-type: none"> • Basement <ul style="list-style-type: none"> • Plumbing for future bath • Phone and electrical for future use • Ceilings <ul style="list-style-type: none"> • Coffered or tray • Flat • Windows <ul style="list-style-type: none"> • Grids or clear glass • Wood • Vinyl • Single, double, triple glass • Low-e glass • Skylights • Drywall Finish <ul style="list-style-type: none"> • Flat or textured • Square or rounded corners • Interior Trim <ul style="list-style-type: none"> • Paint or stain • Crown mold • Chair rail • Built-ins • Door style | <ul style="list-style-type: none"> • Counter tops <ul style="list-style-type: none"> • Laminate • Tile • Marble or man-made marble • Granite • Edge detail • Tile backsplash • Cabinets <ul style="list-style-type: none"> • Wood or laminate • Knobs and drawer pulls • Glass doors • Roll-out shelves • European hinges • Recycle bins • Floor Coverings <ul style="list-style-type: none"> • Carpet • Hardwood • Tile, slate, brick • Resilient • Light Fixtures <ul style="list-style-type: none"> • Hanging • Ceiling • Recessed cans • Indirect • Under cabinet | <ul style="list-style-type: none"> • Plumbing Fixtures <ul style="list-style-type: none"> • Faucets • Spa • Sinks and tubs • Water heater capacity • Recirculating pump • Appliances <ul style="list-style-type: none"> • Range, cooktop, grill • Oven • Microwave • Dishwasher • Disposal • Compactor • Instant hot water • Water filter • Refrigerator • Freezer • Washer-dryer • Heat Source <ul style="list-style-type: none"> • Gas forced-air furnace • Heat pump • Hot water heat • Radiant heat • Air-Conditioning • Whole-House Fan • Air Cleaner • Humidifier |
|--|---|--|--|

Whose Plan Is It?

Ways to Avoid Copyright Infringement

You have been building your dream home in your mind for years, combining ideas from several places over time. The time has come for you to transform the ideas from dream to reality.

Though you don't have experience as a professional architect or residential designer, over time you have looked at several plans. After drawing your unique idea out on a piece of paper, you're ready to take it to the builder you have carefully chosen.

The builder you have chosen takes that rough drawing and makes it an official blueprint. You've paid for the plan and are ready to start your home-building journey. After your home is complete and you're all moved in, you see a house very similar to yours go up in the same neighborhood by the same builder.

How can the builder use your unique ideas and turn them into a copycat home? You paid for the plan, doesn't that make it yours? Not necessarily... Under the Copyright Act of 1976, payment for plans does not give exclusive rights to the purchaser, unless this was a written term of the original agreement.

Even though the ideas and rough sketches were yours, in the case of home construction documents, the architect, engineer or residential designer who formally draws up the plans are almost always considered the author of the plan and the owner of the copyrights.

So what did you purchase when you paid the builder for the plan? Unless there was an express written agreement to transfer the copyrights to you or to provide you an exclusive license, all you purchased is a non-exclusive license

to use the plans to build your home. This means that you can complete your home without further permission based on the copyrighted designs, but that is the only right you have.

You may be wondering: if I do not even own the plans, am I liable for copyright infringement by constructing this home using ideas from several different plans? The answer is: maybe. The plan does not need to be an exact copy for you to be liable for copyright infringement. The more original and unique your sketches, the more likely you do not violate the copyrights of a third party.

It gets even more confusing considering there have been amendments to the Copyright Act since 1976. Under current law, copyright protection with respect to home construction is found in two different ways:

- The protection of the design plans (blueprints or floor plans); and
- The protection of the completed structure (extending to the overall appearance).

This means that both the drawings/floor plans and the actual constructed home are protected under the Copyright laws. Events such as the Showcase encourage participants to view the homes to get ideas, but the floor plans and front elevations are for informational purposes only. You are not allowed to copy plans from the guide book without the copyright owner's permission, or it is an act of infringement. Even if you don't copy a plan, if you have a builder construct your home using the same features as a third party's home or as was found in the booklet, it is a violation. How much change is required to avoid liability for copyright infringement? Only a judge or jury knows.

Below are some tips for protecting yourself when it comes to infringement.

How to protect your unique ideas:

- Once your plans are formally drawn,

obtain a transfer of copyright ownership or have the architect or residential designer grant you an exclusive license. This must be an agreement in writing.

- Take care when signing agreements. For example, the American Institute of Architects' standard agreement would grant you a mere non-exclusive license while granting additional power to the architect not implied by law. You could end up with fewer rights than if you had no written agreement at all.
- Formally register the copyright once you have obtained ownership. Registration is necessary to pursue a claim. The legal remedies available for infringement are broader for post-registration infringement than pre-registration infringement.

How to protect yourself from potential litigation:

- If you are replicating a plan or even a feature of a plan, ask the builder or homeowner where the plans or ideas originated. Once the owner of copyright is identified, you can attempt to obtain legal permission.
- Never ask a builder to copy the design or finished appearance of another builder.
- Contrary to popular belief, a copyrighted work that is publicly published does not entitle the general public to use it freely.
- Make sure to ask your builder to confirm that it has the right to build the plan or design you are considering, either through ownership of copyrights or by written permission/license.

When dealing with copyrights, it is always better to be safe than sorry. Litigation is expensive. When looking to borrow an idea from an existing house, find the true copyright owner and obtain written permission. This will save you time and expense down the road.

This article is meant to serve merely as a guideline. Copyright Infringement issues are very fact intensive. If you are concerned your plans may infringe the copyrights of another, please consult an attorney to discuss your concerns in more detail.

Homeowner Orientation

Your new home is nearly complete. At this point your builder will contact you to schedule an appointment for your homeowners orientation.

A Homeowner Orientation is a meeting at your new home that provides you with a thorough demonstration of your new home and an opportunity to confirm that the builder installed all of your selections as you ordered them.

Scheduling

- Expect several days notice for the specific appointment. Most builders schedule it for several days before the closing appointment.
- Allow a minimum of 2 hours for the orientation. Avoid scheduling during a lunch or on a busy day.
- Avoid late afternoon when streams of sunlight or harsh shadows make it difficult to see surfaces clearly.

Preparation

To take full advantage of your orientation, consider these hints:

- A day or two prior to orientation, dozens of small details need attention. Last-minute rush is common.
- If you haven't already done so, read the limited warranty, warranty standards, and home maintenance literature.
- Review the forms the builder uses for the orientation.
- Bring your contract, selection sheets, and change orders.
- If you have questions, write them room by room, so you can bring them up when you get to that part of your home.
- Arrange for friends and young children to see the home at a different time.
- Take a hands-on approach. Push buttons, lock locks, and flip breakers.

Procedures

Most builders meet the buyers at their

new home. Most follow pre-planned agendas and a set route so nothing is missed. Stay with the builder to avoid missing useful information.

The builder will list any items the two of you agree need further attention. The overall quality of your home should equal what you saw in the builder's other homes. At some point, quality ceases to be scientific and becomes a matter of personal taste. Confirm that your new home achieves the quality shown in your builder's other work or described in the documents of the sale.

The builder notes each item and arranges appropriate work. Items listed usually fall into several categories – Incomplete or missing, incorrect, dysfunctional, below company standard, damaged or uncleaned. Items you did not discuss may arise. The purchase documents, the models, and standard practices in the region are the tools for resolving these questions.

Materials Delivered

Besides the orientation forms, builders deliver some additional items:

- Emergency numbers for contacting subcontractors outside normal hours
- Manufacturer warranties and booklets for appliances, furnace, air conditioner, and so on. If any are missing, the builder will note that and obtain copies for you
- A touch-up kit
- Signed copies of the orientation forms completed during this meeting



Finishing Touches

Unless your orientation occurs the same day as your closing, expect your builder to make noticeable progress prior to move-in. Builders may set a second appointment the day of closing to confirm which orientation items are complete and update you on other items.

If your home needs a part or a particular subcontractor must be called back, extra time may be needed to complete the work. The builder should keep you informed of the expected schedule -the typical time frame is 10 to 30 days.

Gaining access to occupied homes to complete orientation items is a concern to homeowners and builders. Builders today are more likely to ask that an adult be present while any work is performed. Making appointments around your schedule may result in service taking longer. Your cooperation is essential.

What's Next?

While the builder is attending to these last details on the home, you are handling the last details for your move. See the next page for your moving day checklist. All the thinking, planning, deciding, paying and waiting are about to give way to carrying, unpacking, arranging, and yes, more paying. But some paperwork called closing is next and is discussed on page 23.

Moving Day

The activities of moving day are different from typical daily living. You may hear yourself asking questions such as “Where’d we get all this stuff?” or “Did you remember to bring the toilet paper?” The following checklists can make moving a bit less chaotic.

Before carrying in the first box or piece of furniture, inspect your home again for damage that may have occurred during work on last-minute items. Though not a common event, such damage can occur without your builder’s knowledge. If it has, notify the builder immediately and follow-up in writing.

Take precautions to protect vulnerable surfaces such as hardwood or resilient floors. Cover rails with moving pads or blankets. Remove doors where furniture might be a tight fit. You can protect carpet with ribbed, plastic runners.

Professional movers should have insurance for any damage they might accidentally cause. Friends and relatives will not. They are also unlikely to have the training and practiced skills of professional movers. If you are moving yourself, organize the schedule to avoid rushing and include rest breaks. People who are tired or in a hurry are more likely to hurt themselves or your belongings.

Whatever else is going on, at dinner time assemble the family for your first meal together in the new home. Sit across the card table from each other, smile, and say “We made it.”



Moving Day Checklist

Moving Preparation

- Compare proposals of professional movers
- Donate unwanted items.
- Return borrowed items.
- Properly discard flammable materials.
- Empty refrigerator.
- Store documents about your home and manufacturers’ literature.
- Retain receipts for tax purposes. Moving costs may be deductible.
- Send change of address cards to magazines 6 weeks prior to your move. Also notify relatives, friends, and your newspaper delivery person.
- Give forwarding order to the post office a month prior to your move.
- Transfer or start utility services.
 - Water and sewer
 - Gas
 - Electric
 - Telephone
 - Cable television
 - Trash collection
- Register children in their new schools.
- Transfer medical and dental records, if necessary.
- Arrange for homeowner insurance and obtain certificate for closing.
- Order checks with your new address and update financial records.
- Update your driver’s license and your vehicle and voter registrations.

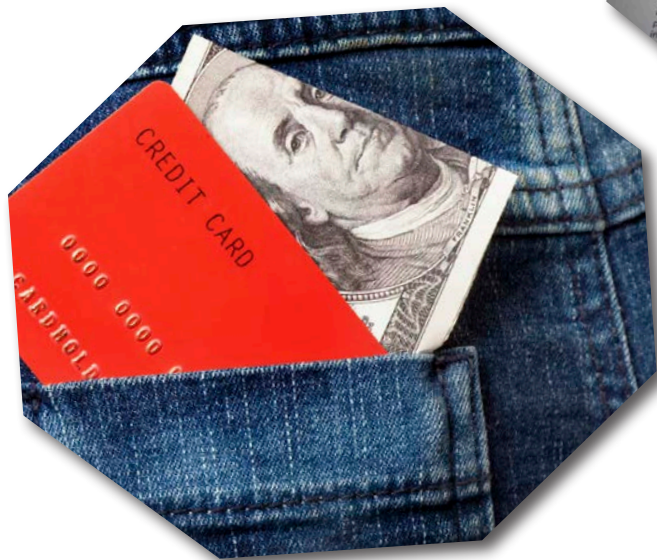
Packing Materials

- Boxes of various sizes, cartons for mattresses
- Packing tape and heavy cord
- Packing paper, newspaper, bubble wrap
- Labels to identify boxes (include a number, room/name); “Fragile” labels for special items
- Markers
- Master packing list (List each box by number with name/room and a brief description of contents.)
- Scissors
- Furniture pads, blankets, rugs

Moving Day Necessities

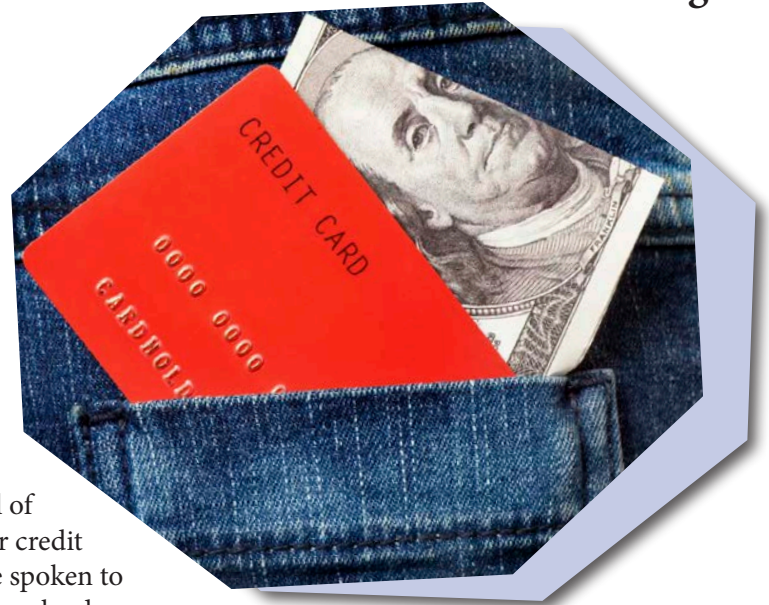
- Children’s toys and games
- Toilet paper / Paper towels
- Beverages and snacks
- Soap and hand towels
- Trash bags
- First-aid kit
- Prescription medication
- Medical supplies for special needs
- Paper pad and pen
- Shelf liners
- Small tools (tape measure, screw drivers, hammer)
- Dryer vent flex hose
- New hoses for washing machine
- Scratch cover stick or liquid
- Phone and phone book

Guide to Home Financing



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Paying for Your New Home



A home may be the biggest financial purchase you ever make. Predicting the cost is a guess until all choices are finalized. Begin by determining how much cash you have (liquidity) and how much you can borrow.

Your Assets

List available cash such as checking and savings accounts or certificates of deposit near maturity. Will additional cash accumulate during building? Buyers typically need cash for loan application fees, the down payment, closing fees, and move-in expenses. Consider assets you can turn into cash, such as equity in a home you already own.

Amount You Can Borrow

Mortgages come in many shapes and sizes. Your goal is to match a loan program to your circumstances. Here is the basic terminology:

Pre-qualifying – Smart buyers request an informal review of their financial positions to determine how much money they can borrow. Pre-approval requires formal application and partial processing of your mortgage application.

Many lenders use computer programs to match your financial and credit data to the requirements of various loan programs and identify those that fit your circumstances. If you fail to qualify for the amount you want, find out what changes might qualify you for a larger loan. Consider omitting some items now (a deck or finished basement) and adding them to your home later. And finally, talk to other lenders; programs and requirements vary. Some mortgage programs may penalize those who shop for the best deal because of the number

of recent requests for their credit information, so be ready to explain all of the activity on your credit report. If you have spoken to more than one or two lenders, ask each lender how this situation might affect your ability to get a loan at the lowest rate.

Loan Application – Assemble the required financial documents and information prior to your application. Read any documents and ask any questions before you sign them. Expect to pay for a credit report and an appraisal.

Downpayment – The downpayment is the difference between the price of the home and the amount of the loan you obtain. The deposit for the builder and items you pay for during construction may count toward the down-payment. If you own the lot upon which your home will be built, its appraised value will be considered part of the downpayment. Be certain you understand the builder's contract regarding potential refund of your downpayment.

Closing Costs – Charges associated with the transfer of ownership make up your closing costs. They are often estimated at 2 to 3 percent of the loan amount but can vary from state to state.

Fixed-Rate Mortgage – The interest rate stays the same through the term of the loan. The 30-year, fixed-rate mortgage is popular because of its stability. A 15-year, fixed-rate mortgage pays off the loan in the shorter time and accumulates equity faster because you make a higher monthly payment.

Adjustable Rate Mortgages

– If the interest rate on a mortgage can be changed, it is an adjustable rate mortgage (ARM). ARMs are easier to qualify for because their initial low rate results in a lower payment. Based on the terms of the loan, the rate can be adjusted up (or down) over the term of the loan. Rate caps limit how much the rate can change at one time and over the life of the loan.

Balloon Mortgage – Some lenders offer loans that mature before the loan is fully amortized. For instance a 7-23 loan comes due after 7 years, but it may have an option to renew for 23 additional years at a predetermined rate if the borrower meets certain requirements.

Origination Fee – Lenders typically charge an origination fee for the services of the loan officer and staff who process your loan application.

Discount Points – These points are a one-time charge sometimes levied by the lender. You may use points to achieve a lower permanent interest rate because you pay some of the interest in a lump sum up-front at the closing.

Principal, Interest, Taxes, and Insurance (PITI) – Mortgage payments are made up of principal, interest, taxes, and insurance. The principal and interest are calculated based on loan amount, interest rate, and term of the loan. In

Continued on Page 19...

Paying for Your New Home

Continued from Page 18...

the early years most of your monthly payment applies to interest, and it reduces the loan principal only slightly. A portion of your mortgage payment may be set aside in an escrow account to pay your local property taxes and your homeowner's hazard insurance. This insurance usually covers theft, fire, wind, hail, and other catastrophic damage.

Ratios – Lenders consider three ratios in mortgage processing:

1. The housing expense or front-end ratio. (Divide your proposed monthly mortgage payment by your gross (before tax) monthly income. If your monthly income is \$4,000 and the proposed monthly mortgage payment is \$1,000, you have a front-end or housing expense ratio of 25 percent. A typical limit for this ratio ranges from 28 to 33 percent.)
2. The debt or back-end ratio (Add your total debts and obligations including mortgage, car, furniture, student loans, child support, charge card debt, and so on. Divide this total by your gross monthly income. Lenders typically use a limit of 36 percent. FHA-insured loans use 41 percent. Compensating factors, such as a large savings, can affect these guidelines.)
3. The loan-to-value ratio (If a home appraises for \$100,000 and the loan program permits an 80 percent loan-to-value ratio, a borrower can obtain an \$80,000 mortgage. 20 percent comes from the downpayment.)

FHA Insured Loans – The Federal Housing Administration does not lend money; it insures mortgage loans. Some FHA programs require as little as 3 percent down, although maximum loan amounts limit the amount available by

area. The cost or premium for FHA insurance is normally added to the loan and paid over the life of the mortgage.

VA Guaranteed Loans – Veteran Administration loans are available to qualifying veterans of military service. VA loans are guaranteed rather than insured. The VA guarantees 25 to 50 percent of the loan and protects the lender from loss. Veterans can sometimes qualify without a down-payment, but still must pay a funding fee.

Conventional – Most conventional lenders prefer a 10 to 20 percent or greater downpayment, but some require as little as 3 percent down. Lenders typically require borrowers with downpayments of less than 20 percent to purchase private mortgage insurance.

Good-Faith Estimate – The Good-Faith Estimate lists the costs you are likely to incur at the closing of your new home. The key word here is estimate. Some figures change based on which day of the month the closing occurs.

Truth-In-Lending Disclosure – Shows the cost of your financing as a percentage and as a dollar amount. This form also tells you if prepayment penalties apply and shows the charge for a late payment.

Credit Report and Verification – Your lender obtains your credit report at the time of application and may update the report prior to closing if more than 30 days have passed. The lender also verifies information on the application. You will be asked to sign verification forms covering employment, deposits, and your current mortgage company or landlord.

Appraisal – Costs vary for appraisals, but \$250 to \$500 is common. The appraiser determines the fair market value your completed home will have. If the appraised value and the sales price are different, the lender bases the loan amount on the lower figure.

Loan Lock – The lender promises to provide a loan to you at a quoted (locked) rate. Until you lock your loan rate, the interest rate for your mortgage can increase or decrease. To obtain the locked rate, approval of the application and the closing must occur before the expiration of the lock. Therefore you need to time your decision to lock your loan rate carefully. Locking too soon may result in the lock expiring before your home is completed. When you are ready to lock your loan, notify the lender in writing and request written confirmation. Be sure you understand all conditions that apply to your lock.

Loan Approval – At the time of application, your lender estimates the time needed to obtain approval. Add a week to this estimate and expect that some last-minute details will need your attention. The loan approval should be in writing and state clearly (a) that your loan has been approved; (b) the loan amount, type, and rate; (c) the time period for which the loan offered is valid; and (d) any conditions of approval or contingencies, such as closing on the sale of a previous home. Contingencies are common and if one or more apply to your loan approval, be certain you understand exactly what must occur to obtain final approval.

While applying for a mortgage can seem overwhelming, in the long run, it is worth the time. Qualifying for a mortgage enables you to buy more house than you might afford with cash on hand.

Now that you know the basics, it's time to find your lender! There are many BCHBA Member lenders which can be found in our directory at www.bchba.org. You can get more tips on paying for your home at www.bchba.org/resource-center/financing-your-new-home.

Finding Your Lender

Many people find applying for a mortgage intimidating or frustrating – or both. Completing all the forms involved can take time. The feeling that your privacy is being invaded is common. You will feel less invaded if you consider the lender’s point of view: what would you want to know about someone to who you were lending this amount of money?

That is why it is so important to research your lender. The

lender you choose can have a big impact on your financing process. Most people just look at the rate and choose the best offer based on that. However, you should determine whether or not your lender will also service your loan, or if it’ll be sold to a third party.

Additionally, it’s very important to deal with a lender that can manage your expectations appropriately. To get final approval, the financing process will likely take you all the way to a couple days before closing. At this point, you technically have a contract on a house and have passed all of your contingency windows but have not been fully “approved” for your mortgage. This can be scary. A lender who can walk you through this ahead of time and provide

check-ins along the way will give you more peace of mind.

Be sure to do your research and ask for referrals or references. Online resources can be helpful to get an overall feel for a bank’s reputation and if they’re easy or difficult to work with. Just make sure to take anonymous online comments with a grain of salt since every bank will have some people that just can’t stand them!

Taking the time to research a lender may seem like a hassle, but getting a mortgage has its advantages. Besides just being able to afford more house, mortgage interest costs are usually tax deductible. Review the IRS latest “simplified paperwork” or talk to your tax accountant.

Once you’ve found your lender, they will work with you to find the loan amount you qualify for. The next few pages include samples of mortgage calculators and affordability and downpayment worksheets.

There are many BCHBA Member lenders which can be found in our directory at www.bchba.org. You can get more tips on paying for your home at www.bchba.org/resource-center/financing-your-new-home.

	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
\$200,000	\$898	\$955	\$1,013	\$1,073	\$1,135	\$1,199	\$1,264	\$1,331
\$250,000	\$1,123	\$1,194	\$1,267	\$1,342	\$1,419	\$1,499	\$1,580	\$1,663
\$300,000	\$1,347	\$1,432	\$1,520	\$1,610	\$1,703	\$1,799	\$1,896	\$1,996
\$400,000	\$1,796	\$1,910	\$2,027	\$2,147	\$2,271	\$2,398	\$2,528	\$2,661
\$500,000	\$2,245	\$2,387	\$2,533	\$2,684	\$2,839	\$2,998	\$3,160	\$3,327

30 Year Mortgage Calculator

30-Year Fixed Rate
Monthly Payments

15 Year Mortgage Calculator

15-Year Fixed Rate
Monthly Payments

	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
\$200,000	\$1,430	\$1,479	\$1,530	\$1,582	\$1,634	\$1,688	\$1,742	\$1,798
\$250,000	\$1,787	\$1,849	\$1,912	\$1,977	\$2,043	\$2,110	\$2,178	\$2,247
\$300,000	\$2,145	\$2,219	\$2,295	\$2,372	\$2,451	\$2,532	\$2,613	\$2,696
\$400,000	\$2,860	\$2,959	\$3,060	\$3,163	\$3,268	\$3,375	\$3,484	\$3,595
\$500,000	\$3,574	\$3,698	\$3,825	\$3,954	\$4,085	\$4,219	\$4,356	\$4,494

How Much House Can You Afford?

Worksheet 1

1. Household Income

Take Home Pay _____

Any other income _____

TOTAL (1) _____

2. Average Monthly Non-Housing Expenses

Automobile Costs and Insurance _____

Clothing - purchase and cleaning _____

Commuting Expenses _____

Credit Card Payments _____

Groceries and Household Supplies _____

Medical Costs and Insurance _____

Personal Spending Money _____

Savings/Investment Programs _____

Telephone - including cellular _____

Miscellaneous Expenses _____

TOTAL (2) _____

3. Monthly Income Available For Housing

Total Monthly Income (1) _____

Minus (-) Total Non-Housing Expenses (2) _____

TOTAL (3) _____

The dollar figure (TOTAL 3) represents the money you have available for monthly housing expenses. The best price range for your budget is also dependent upon how much cash you have available for a down payment. Calculate Worksheet #2 to see how much down payment you have available right now.

Available Downpayment

Worksheet 2

Down payments usually range from 5-25 percent of the total cost of the home. While a large down payment can lower your overall loan, you may not want to use all of your investments for this purpose. There are many mortgage options from lenders that have varying down payment requirements. For starters, calculate a down payment estimate using this worksheet.

1. Available Funds

Equity in present home	_____
Savings	_____
Investments/Mutual Funds (current value)	_____
Insurance (cash surrender value)	_____
Other available funds	_____
TOTAL (4)	_____

2. Expected Expenses

Closing Costs (about 5%)	_____
Furniture/Furnishings	_____
Alterations or Landscaping (if needed)	_____
Moving Costs	_____
Utility Connection Fees	_____
TOTAL (5)	_____

3. Available Down Payment Funds

Available Funds (4)	_____
Minus (-) Expected Expenses (5)	_____
AVAILABLE FOR DOWN PAYMENT	_____

Preparing for Closing

Closing or settlement is a process that transfers ownership of your new home from the builder to you. The technical steps include finalizing your loan (one set of papers and checks) and the builder selling you the home (another set of papers and checks).

Next the money is disbursed to the appropriate people and companies. Title is transferred and the loan is recorded. The process involves about 75 documents. Some of the documents are duplicates, but you need to sign nearly all of them. Depending on how many questions you have, closing should take from 45 to 90 minutes. Let's review the process:

Settlement Agent

Depending on where you are building, your lender, a title company, an attorney, a real estate broker, or an escrow company can serve as the settlement agent. Services provided by the settlement agent include ordering the title work and property survey and organizing all the paperwork for the closing itself.

Closing Appointment

Expect several days notice for the closing appointment. Whoever sets the time should confirm the location with you. Closings can take place at a title company, the lender's, attorney's, or real estate agent's office.

Preparation

The key to settlement is preparation. Address the following details during the weeks before closing.

Insurance. You need to obtain and present proof of a homeowner's policy from your insurance company. Arrange for proof of insurance no later than 3

weeks before the expected closing date. Your insurance agent will need the name and phone number of your lender.

Utilities. Your goal is to have service provided in your name as close to the date of the closing as possible. The utility companies may shut service off if the builder's name is removed from the account without your taking its place.

Unresolved Issues. Your builder and lender may attend the closing but are not required to do so. Closing agents are not authorized to negotiate or make representations on behalf of any party. Finalize all agreements before closing.

Lender Conditions or Contingencies. Your loan approval may have included contingencies. You must satisfy all loan conditions in order to close.

The Final Number. The amount of money you must bring to closing includes items such as property tax and interest on your new loan which are subject to change depending on the date of closing. The closing agent cannot calculate the total until the closing date is set. The Real Estate Settlement Procedures Act provides you with the right to see final figures 24 hours before closing.

Form of Payment. Depending on the requirements of your lender, you may need to bring cash or certified funds to closing. Allow time to obtain these funds.

Closing Documents

At closing, you sign and receive the following standard documents:

- **Deed.** The deed conveys the home and lot to you, subject only to permitted exceptions such as a recorded easement.
- **Promissory Note.** This note is from you, payable to the lender in the principal amount of the loan plus interest.
- **Mortgage or Deed of Trust.** This encumbers your home as security for repayment of the promissory note.
- **Title Insurance Commitment.** The title company will mail the actual policy several weeks following the closing.
- **Builder's Limited Warranty or Insurance-Backed Limited Warranty.** Unless you move into your home early under a rental agreement, the limited warranty begins with closing.
- **Homeowner Association Documents.** If your new home is in a covenant-protected community, you will also see covenants, conditions, and restrictions, the association by-laws, and articles of incorporation at closing.

Closing Expenses

The closing agent itemizes the charges and credits for closing on a standardized form called a Settlement Statement. If you already owned your lot, the process for closing is simpler. Some custom home construction loans, which go by names such as one-time close, combination loan, or express loan, convert to a permanent mortgage without a second closing.

Although closings vary from region to region and with the type of financing, ultimately the goal is the same: the transfer of ownership of your new home from the builder to you. Ultimately, you have house keys, and the time has come to move in and begin to enjoy your new home.



Guide to Remodeling



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Living Amongst Your Remodel Project

Remodeling your home is uniquely different from building a new one. With remodeling, your home becomes the work site. You live side by side with the project from start to finish. Once construction begins, you'll probably long for simple pleasures like a dust-free home or a fully functioning kitchen or bath. But the end result will be well worth these inconveniences.

Communication

Consistent and open communication between you and your remodeler will enhance your understanding of the project, provide an opportunity to exchange ideas, and ultimately help to make the experience a positive one. To facilitate this process, you need to:

- Determine who you and your remodeler should contact for daily decisions or an after-hours emergency.
- Designate a backup for each contact person in anyone's absence.
- Create a place in your house where the contact persons can leave messages for each other.
- Speak up. If you are uncertain about any aspect of the project, be sure to let the contact person know.

The Pre-Construction Meeting

One way to ensure the success of your project is to participate in a pre-construction meeting. Your remodeler will clarify procedures and explain how the job will progress. It offers you and your remodeler an opportunity to prepare for those issues that may arise later. Think of this meeting as a forum for all participants to define their expectations and agree on the anticipated outcome. Some of the issues you may wish to

cover at this meeting include:

- Will you allow your remodeler to place a company sign on your property? Signs help contractors and suppliers locate your home.
- What areas of your home will be off limits to workers?
- Does your house have an alarm system? Will workers need a key or will someone always be there?
- How will you ensure that children and pets stay out of the work space?
- How will trash removal be handled?
- Does the remodeler anticipate any interruptions of utilities? If so, when and for how long? Will you need to vacate the house at any time?
- What are your expectations regarding clean up? Will sweeping be sufficient for a daily cleaning, or will you need a more thorough cleaning?

You should also use the pre-construction meeting to establish guidelines for the remodeling crew working on the project:

- What times will workers begin and end work? Be sure to consider neighbors and household members.
- Where can workers park?
- Will bathroom facilities in your home be available to workers?
- What is the policy on smoking?
- What is the policy on profanity? If you are especially sensitive to this issue, let your remodeler know.
- Will you allow workers to play their radios at a reasonable volume?

Preventing Remodeling Fever

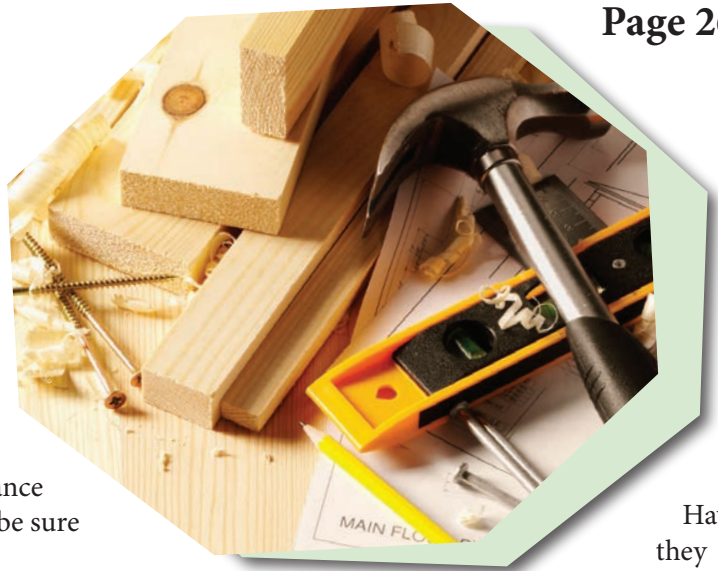
The train-station atmosphere of a remodeling project can lead to remodeling fever. The main symptom of this temporary affliction is feeling a loss



of control that results from disrupted routines and the impact on your personal space. The best way to prevent this is to prepare well, remember that "this too shall pass," and focus on the progress. A few other tips:

- Prepare for inconvenience. A remodeling project can turn your home and your life upside down. A kitchen remodel will, of course, affect meal planning. But a little ingenuity and some culinary shortcuts can lessen the impact.
- Designate a safe haven in your home where you can escape the chaos.
- Guard against dust. During a remodeling project, dust has the unfortunate tendency to appear everywhere. To keep out as much dust as possible:
 1. Seal off doorways and stairs
 2. Turn off central air or heat when workers are sanding and change filters often
 3. Have deliveries made through a designated entrance
 4. Use doormats and temporary floor coverings
 5. Remove anything that might get damaged by the dust
- Maintain a sense of humor - remember that certain things are out of your control
- See the remodeling process as an adventure. Tell the kids that you are "camping in" and transform inconvenience into fun. Along the way, celebrate as different stages of the project are completed.

Choosing a Remodeler



The hardest part in evaluating a remodeler is knowing exactly what to look for and ask. This detailed list will help you decide who is the best remodeling professional for your home.

Before you Start your Research

View the work first-hand. The BCHBA sponsors events like The Home Expo and the Tour of Remodeled Homes that will help you get an idea of the craftsmanship of a remodeler. At these events, you will have a chance to meet several remodelers and establish an idea of the kind of working relationship you might have. You'll want someone with whom you communicate well and whom you trust. After all, this relationship is a partnership that involves one of your most important assets – your home.

Once you have determined a few remodelers that you feel comfortable with, it's time to do your homework.

Attending BCHBA Events such as The Tour of Remodeled Homes and The Home Expo and is a great way to have a one-on-one conversation and get an idea of the different working relationships you might have with a remodeler.

Business Experience and Management

Does the home remodeler maintain a permanent mailing address, e-mail address, published personal phone number, fax number, and a cell phone, pager, or voice-messaging system? You will want to be able to reach the remodeler quickly at critical times.

Does the home remodeler carry insurance that protects you from

property damage or job site injuries? Ask for a copy of the insurance certificates so you can be sure you will not be liable. Ask the remodeler how much the project will add to the value and obtain the necessary additional insurance.

Do they have an established presence in the community? How long has the company been in business under this name? Longevity suggests stability.

Does the home remodeler maintain solid relationships with experienced independent trade contractors?

Do they possess a trustworthy reputation among customers, peers, local officials, and people involved in all aspects of the industry?

Does the home remodeler have a track record of successful projects similar to one you are planning?

Ask for a list of building suppliers and call them to see if the remodeler has an account or pays for materials on delivery. Most suppliers are willing to extend credit to financially-sound companies.

Does the remodeler actively participate in a trade organization such as the BCHBA? These organizations help to keep their members informed about new products, techniques, business practices, and industry issues. Membership demonstrates their commitment to professionalism and the industry. How long have they been a member of these associations?

Have they earned any professional

designations? Examples include Certified Graduate Remodeler (CGR), Graduate Master Remodeler (GMR), Certified Aging in Place Specialist (CAPS), Certified Green Professional (CGP), Certified Bath Designer (CBD), or Certified Kitchen Designer (CKD).

Construction and Technical Expertise

Does the home remodeler have a working knowledge of the many types and ages of homes in the area? Knowing what is likely to be behind a wall or under a floor helps the remodeler to provide reliable estimates. An extremely low bid may indicate lack of experience and an inability to later cover the actual costs involved in the job and create unnecessary change orders.

What products and materials would the home remodeler be likely to use? Does the home remodeler offer an array of options and demonstrate knowledge of and experience with a variety of products, materials, and techniques?

Do they specialize in particular types of projects?

Does the home remodeler arrange for the building permit? (The person who obtains the permit is the contractor of record and therefore liable for the work).

Do they offer a warranty? If so, what kind

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Choosing a Remodeler

Continued from Page 26...

and for how long? What is covered under the warranty and what is not?

Do they agree to begin and complete your job within a reasonable timetable?

Customer Service and Communication

Does the home remodeler respond promptly to your inquiries and schedule meetings and attend them on time? Do they emphasize service and developing a trusting relationship with you?

Does the home remodeler listen to and understand your needs and wants and work with you to ensure that the plans reflect your expectations?

When discussing your written priorities, does the home remodeler show enthusiasm for your ideas and suggest ways to make them work in your budget? Ask the home remodeler for examples of how the company has solved similar space problems for other customers.

Does the remodeler facilitate communication among all parties?

Will the remodeler provide you with schedule updates so you can make appropriate decisions and prepare for any unavoidable inconveniences? Ask how communication is handled during the construction phase.

References

Before you sign a contract, ask the remodeler to share names and contacts for some customers and take the time to see the home remodeler's work. Ask to see jobs similar to yours. Does the quality of the work meet your standards?

Once you have references, there are a few key questions to ask:

- Would you hire this company again?
- Did the remodeler maintain a neat job site, provide regular broom clean-up, and haul away debris?
- Did the home remodeler keep labor and materials delays to a minimum so that your job could be started and completed on time and within budget?
- Did you find the home remodeler easy to work with? Did the home remodeler keep you informed as the job progressed?
- Did the home remodeler supply you with paperwork in a timely fashion?
- How well did the home remodeler deal with the problems that arose?

Final Considerations

There are a few final steps before taking the plunge.

Ask yourself if you feel comfortable with the home remodeler and confident that this company will do the work according to your plans, budget, and specifications.

If you are satisfied with the answers to your questions, ask for a written estimate based on a set of plans and specifications. Be prepared to pay for this package. If the estimated cost of the project is more than you can afford, see if you can trim something or postpone part of it so you can still work with a professional home remodeler.

Ask the remodeler to explain the plans and specifications and company procedures to you. If you compare your estimate with

another, be sure each one is based upon the same set of plans, specifications, and scope of work. If they suggest any deviations, ask them to present those as options separate from the main proposal.

Find out whether the home remodeler uses a detailed, written contract that protects both of you and that complies with local, state, and federal laws. The contract must spell out the work that will and will not be performed and provide a fair payment schedule.

Select the remodeler with a record of a variety of excellent projects and plenty of experience with your type of project. Beware of an exceptionally low price.

You can now choose with confidence the best remodeler for your home.

10 Tips for a Smooth Remodel:

1. **Establish effective two-way communication** with the home remodeler. Does the remodeler listen and answer questions clearly? Can you reach him?
2. **Make sure you are compatible.** It's important to have a good rapport and trust.
3. **Set a clear and mutual understanding about the schedule.** You should agree on this up front.
4. **Request a written proposal.** Often, two people remember the same conversation differently.
5. **Get a clear and mutual understanding on miscellaneous details up front.**
6. **Remember to be flexible.** Remodeling is an interruption of your normal life. Remember to be flexible and go with the flow.
7. **Discuss and agree on how change orders will be handled.** Changes could affect the schedule and the budget, so have all changes in writing.
8. **Agree on a well-written contract that covers all the bases.** The contract should include a timetable, price and payment schedule, detailed specifications, insurance information, permit information, procedures for handling change orders, lien releases, provisions for conflict resolution, notice of your right under the Federal Trade Commission's Cooling Off Rule, and details on the important issues.
9. **Ask for a written lien waiver from the home remodeler** upon completion of the work to protect yourself. This document will verify everyone has been paid.
10. **Establish a project plan, covering all phases and dependencies in the work.** Hire a remodeler who will plan with you, listen to concerns and answer questions.

Beware of Contractor Fraud

Don't let your excitement about the remodeling process keep you from doing your homework. Your enthusiasm may be tempered when you hear stories about unscrupulous contractors who take your money then skip town. Or, you've heard about jobs begun but never completed. It's enough to make anybody wary.

But you can protect yourself by watching for these warning signs:

- The contractor solicits business door-to-door. This approach is often accompanied by high pressure sales tactics, intimidation and threats.
- You can't verify name, address, phone or credentials.
- The contractor claims to be endorsed by the Federal Housing Administration for the Title I home improvement loan program. More information on this type of deceptive advertising is available at www.hud.gov.
- The contractor will not offer references or the references provided weren't happy.
- You are asked to pay for the entire job in advance or asked to pay only in cash.

If you do sign a contract and then have second thoughts, remember that the Federal Trade Commission's "Cooling Off Rule" may apply if the contract was signed somewhere other than the contractor's place of business (in your home, for example). Under this law, you have up to 72 hours to cancel the agreement.

To find a professional remodeler, check out the BCHBA's member directory at www.bchba.org/membership/member-directory.

You can also check the Better Business Bureau Web site at www.bbb.org.

What You Need to Know About Lead Paint

The U.S. Environmental Protection Agency (EPA) enacted a rule for contractors in April 2010 to help protect children from lead dust exposure. If you live in a home built before 1978 and you're contemplating any work that will disturb more than six square feet of painted surfaces inside the home or 20 square feet on the exterior of the home, for example, replacing a window, installing cabinets, or adding on to your home, the contractor you hire is required to be trained and certified by the EPA.

Keep your family safe from lead exposure by hiring an EPA Lead-Safe Certified Renovator. You can ask to see this certification when you hire a remodeler or use the tool at www.leadfreekids.org.

Tips for Home Owners

1. Hiring an EPA Lead-Safe Certified Renovator ensures your remodeler

is trained and prepared to work in pre-1978 homes for minimizing dust and potential lead paint exposures.

Do not attempt remodeling yourself or hire an uncertified remodeler, as this puts you or a family member at risk of lead poisoning.

2. The BCHBA can provide you a copy of the "Renovate Right" brochure produced by the EPA. This brochure describes the dangers of lead poisoning and how the remodeler will be employed to contain dust, clean, and minimize dangers.
3. The certified renovator will post warning signs and set up areas of containment using plastic to keep dust under control. Pay attention to these notices and stay away from these areas.
4. You may ask the certified renovator to use Lead Check or D-Lead test kits for testing certain surfaces for lead.



Any pre-1978 home can be tested for lead and if the results are negative, the EPA lead rule does not apply.

5. Maintain records about your home remodel. After the remodeling job is complete, the EPA certified renovator will share records with you, such as a checklist describing the work practices used and any results from lead testing. Be sure to keep these records and share them with the next home owner if you should sell your home.

Learn more about EPA's lead paint rule by visiting www.leadfreekids.org or request the "Renovate Right" brochure from the BCHBA.

Notes

Notes

Acknowledgements & About Us

The articles included in this booklet were compiled from the Brown County Home Builders Association, the National Association of Home Builders, the Wisconsin Builders Association, stlhba.com and www.thesimpledollar.com/guide-to-buying-a-new-home/. The image on Pages 17 and 18 is courtesy of pallspira.com. Please visit nahb.org for more information on building or buying a new home or remodeling your home.

The article on Page 14 was drafted with assistance from Attorney Tori Lynne Kluess and the Intellectual Property Team at the Law Firm of Conway, Olejniczak & Jerry, S.C.

For a list of BCHBA builders, remodelers or associate members please go to BCHBA.org, click on the “Membership” drop-down menu and select “Member Directory”. The Member Directory includes a drop-down menu of categories to choose from including “Builders” for general contractors, “Home Improvement” for remodelers and “Banking” or “Mortgages” for financial institutions.

The Brown County Home Builders Association (BCHBA) is a member-

based, non-profit organization established in 1956.

Members are an integral part of a vibrant and progressive organization that has one fundamental goal in mind: To make the housing industry the best that it can be in the communities we serve; Brown, Kewaunee, Marinette and eastern Oconto Counties. Our dedication to the industry and quality of elevated leadership have made us one of the most influential trade associations in the state. Currently our local Association membership is nearly 700 members strong.

Membership

Membership is divided into two categories: Builder and Associate.

Associate Member - Any person, firm or corporation engaged in a trade, industry or profession related to shelter construction, remodeling or land development, and is of good character and business reputation, shall be eligible.

Builder Member - Any person, firm or corporation currently in the business of shelter construction, land

development or remodeling; and is of good character and business reputation; and has successfully completed and passed all education programs as described in the Policy and Procedure Manual for Builder members shall be eligible.

BCHBA Events

The Home Expo is the only area home show where consumers can experience “one-stop-shopping” for all their building, remodeling and decorating needs. Our exhibitors are exclusively businesses related to the building industry.

The Spring & Fall Showcase of Homes are tours of beautiful spec and custom homes throughout the Brown County area. We also now have a variety of quality remodeling projects to tour at the Showcase of Homes.

Our Mission

Dedicated professionals providing excellence in housing through education and innovation for the betterment of members and our community.





BROWN COUNTY HOME BUILDERS ASSOCIATION

Think BCHBA First.
Do Business with a Member

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