

RIP-OFF PREVENTION REPORT: HOME BUILDERS

Home building is probably the most entrepreneurial of American businesses. However, it is also largely unregulated. (Those are not mutually exclusive facts.) If you were making a multi-hundred-thousand dollar purchase, in almost any other industry you could think of, the person with whom you were working would have lots of training (probably including advanced degrees), state licenses and there would be all kinds of legal protections for your money. Well, while this is changing in some states, in the home building industry you are pretty much on your own. What is particularly confusing to many consumers is that the home builder will be "running" a team of licensed workers whose work must conform to certain legal standards such as plumbers, electricians, mortgages brokers and lawyers. He or she will also show you all the zoning approvals and building permits s/he has obtained which will also lend to the impression that s/he exists in a highly regulated environment. In most states, nothing could be farther from the truth.

Here are some suggestions to protect your hard earned money.

- Get a lawyer who works with builders to work with you once you have selected a builder. (Call the lawyer first and ask the secretary to run a conflict check so the lawyer has not worked for the builder in the past.) S/he will probably save you many times the fees due to knowledgeable negotiation on your behalf. The lawyer will also automatically perform all kinds of checks of the builder's credentials.
- If you can't afford a lawyer, some of the checks that the lawyer will do is ask to check the builder's insurance, credit rating, bankruptcy and lawsuit history. If the lawyer is really smart, s/he may check to see if there are reports on the builder at www.RipOffReport.com. You should do these things too if you are representing yourself.
- The most important precaution the lawyer will take will be making sure your money is doled out in distinct percentages (usually something like five 20% payments) ONLY AFTER certain criteria and milestones are met in the building process -- after being certified by a licensed engineer or other knowledgeable professional. Of course, if you have a building loan, the loan company will do this for you so they do not get left holding the bag if the builder leaves town.

The risks detailed above are, of course, reduced somewhat if the builder has already built your unit and s/he is just selling it to you as the first occupant. Our advice in that case is to treat the house as though it were a 100 year old "fixer-upper" -- please refer to our Rip-Off Prevention Report on buying a pre-existing house. To check on things that engineers and home inspectors do not take into consideration (like the closets are too small), go check with the owners of a similar model in the same development. Don't be bashful: Americans LOVE talking about their homes -- most people will be honored that you have selected their home from the many others to conduct your survey. Most people will automatically give you both the good and bad points but, if not, be sure to ask about things they would change. Repeat this process with other owners in the development. Ask about problems with the home and how the builder responded to them. As we always say at Rip-Off Report, all businesses make mistakes and get complaints -- and this is particularly true with building new homes, the real issue is how the business deals with the problem or complaint.