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#### **Step 4: Determine what kind of home and neighborhood you want**

Home buyers naturally gravitate toward attractive, well maintained homes in mature neighborhoods located near necessary residential support services. You don't have to go this route every time. There are different kinds of homes you could consider.

##### ***New Construction***

This home has just been built; everything inside and outside the house is new. Purchasing one of these tends to require the least amount of extra cash or elbow grease after you move in. However, you do have to do your homework to make sure the house comes with everything you expected.

If you opt for new construction, check the solvency and stability of the builder first. You want to ensure that the builder has enough money to finish your house and stand by it for a few years afterward. Observe other homes built by the developer. Inquire of those residents about problems they might have had with their new homes.

You might also want to ensure that zoning is adequate and that the builder has properly addressed the need for easements and rights of way. It may seem obvious, nonetheless, make sure that proper access from your driveway to the street and from street throughout the subdivision has been planned. If applicable, ensure that sewer drainage has been appropriately included in the builder's plans.

If you purchase while construction is underway, generally you get to pick the interior and exterior options from those available:

- carpeting-type and grade
- flooring
- wallcovering
- appliances-brand and model
- bathroom fixtures
- lighting
- countertops and cabinets
- windows and doors
- yard, including landscaping

You may also have the option of choosing a floor plan. Check a "show house" with your requested floor plan to see if it still appeals to you up close. If an undecorated version of your house exists, look at it to get a better idea of what your house will look like. Before signing the purchase contract, make sure that the options you select have been clearly communicated to the builder and are included in the purchase contract at the agreed upon price. The builder should never make substitutions without your knowledge and approval.

You will have to monitor the builder's progress. Schedule phase meetings to talk about progress, revisions, and substitutions that might be required. Make sure that any changes are properly reflected in the purchase contract via a change order, signed and agreed upon in price.

Do not close on the property until the builder is finished. Give the builder time to fix everything before you move in. Do a final walk-through inspection before closing.

If you have to move in before completion, make a "to do" list of unfinished items and communicate it to the builder. It is a good idea to withhold a **retainer** or small portion of the purchase price at closing which is payable to the builder once all items are finished. This motivates the builder to finish outstanding items in a timely fashion.

If yours is one of the first houses in a subdivision, understand that it may be a while before all homes are built and occupied. You will likely see a lot of dirt and dust flying around until the neighborhood is finished. Also recognize that resale in a new subdivision might be tougher until the development is completed. Home buyers might prefer a new house in the neighborhood to yours at the same price.

Builders sometimes sponsor financing plans or pay some closing costs to motivate you to purchase. If you encounter these options, compare them to the lending market to make sure you obtain the most favorable terms.

One other type of new construction is the "pre-fabricated" or "modular" home. Home sections are built in large pieces at a factory, shipped to a site, and attached to a basement or foundation. Plumbing, electric, and heating are attached next.

Traditionally, there has been a stigma attached to modular homes. In the past all pre-fab homes looked the same and suffered from quality problems. Quality and variety have improved dramatically over the years to the point where it is reasonable to consider such a home. A modular home may be advantageous for the following reasons:

- Construction times are shorter. Sections are selected from inventory, shipped, and immediately assembled. This also reduces the builder's floor plan cost (the finance charges s/he incurs on funds borrowed to build a house). This cost reduction is passed on to the consumer.
- Construction is not as weather-dependent. Most of the work takes place in a factory, not on site.
- Material order and receipt is better controlled.
- Vandalism to standing house frames is minimized because the frame is not exposed too long.
- A home can be completed on site within a few weeks rather than a few months.

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