



# NEW CONSTRUCTION

## *Home Buyers* *Guide*

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*Tips and Guide To*  
*Buying a New-Home*

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# Buying a New Construction Home

## Step by Step Overview

Buying a new construction home is a not like buying a resale home, the main difference is that instead of the home seller, you will be dealing mostly with the home builder. As like most people buying a home whether a new construction or a resale, the process can be exciting and yet stressful.



*“Before you start driving through new home construction neighborhoods, you should find out what you can qualify for on a mortgage.”*

Buying a home is one of the most expensive purchases you’ll ever make in your life, thus this decision involves a lot of factors to consider. It is important that you have all the resources to help you decide.

When you choose a new construction home, you usually have two options. One is buying a new home in a development where multiple homes are being built by a builder or developer. The other option is buying a land and designing your own home with the help of an architect and hiring a builder to build the home. In this overview, we will be focusing on the first option.

Generally, buying a new construction home in a new home development involves this process:

## **1. Prequalify for a Loan**

Before you start driving through new home construction neighborhoods, you should find out what you can qualify for on a mortgage. This will save you the heartache of falling in love with a neighborhood that exceeds your budget. Getting pre-qualified gives an overview of your ability to get a loan. Most lenders can run your credit and give you a quick estimate on a monthly payment within 24 hours.

Getting pre-qualified has its benefits: first you’ll know how much house you can afford and be able to plan accordingly and you’ll be taken more seriously because it shows you are a motivated buyer.







Most builders have *preferred lenders* and offer incentives when using their lenders. You do not have to use their lender but if you have a few builders in mind, reach out to your agent and find out if there are preferred lenders.

## 2. Find an Experienced Real Estate Agent

When buying a new home in a new construction community, you will want to consider working with a real estate agent who has experience in new

construction transactions, one who is familiar with the local neighborhoods, and can help guide you through the closing process.

One of the biggest misconceptions by new home buyers is that the builder's sales representative is representing them as a buyer. The on-site salesperson is employed by the builder, therefore he or she represents the home builder and not you. Having a buyer's agent on your side is your best option because he or she can negotiate a better deal on your behalf and help you make the most informed





decisions. If you decide to work with a buyer's agent, do not arrive unescorted on your first visit to a builder's office or showroom. Bring your buyer's agent with you. Some builders will not allow your agent to represent you if you arrive unescorted.

The second misconception of buying new home construction is that a buyer will save money without representation. In most cases, this is also incorrect especially with larger builders. Most builders pay real estate agents from their marketing budget. Also, most ethical

builders have a strict policy of not discounting or offering buyer incentives based on whether the buyer has an agent. In most cases, the on-site agents prefer that you bring an agent because it makes the transaction smoother for everyone.

### **3. Research New Construction Communities and Builders**

When researching for communities you have to use logic first before your emotion. 90% of all buyer decisions are based on emotion and then logic is used as an afterthought. You need to do the reverse.

When searching for a neighborhood, you should ask these questions: Are your kids a consideration in this move? Do schools and school ratings matter? Is the proximity to your job important?

When visiting the neighborhood, you should: get a feel for the neighborhood by walking around and talking to any homeowners you see; see what the neighborhood amenities are; visit model homes and take note what you like and don't like; ask the builder about potential homeowners' association fees and rules (HOA) and see if they fit in with your wants, needs and lifestyle; and ask about potential development and future plans for the area.

When researching the builder make sure there are no complaints on file against the



builder's company. You can check the Better Business Bureau website for any filed complaints against the builder's company or you can search online for any home owners' reviews about the company. That way you can find information about the company's reputation. You can also visit the previously constructed homes by the builder to see the product quality and at the same time ask the homeowners about the quality of the home and if they would recommend the builder.

### 4. Find Out What's Standard and What's Extra

Once you have chosen the right neighborhood and a reputable builder, it's time to get more educated on floor plans, pricing, standard features and available upgrades. Ask the builder's salesperson for a feature sheet that describes what comes with the base price of the home. If you don't understand exactly what the builder is offering, don't hesitate to ask and take notes. Not knowing can cost you real money.

Some things to keep in mind:

- Ask your buyer's agent to negotiate upgrades for free or at a reduced price

- Go for the upgrades that you need first versus those you just want.
- Choose upgrades as early on in the process as every change will cause delay and cost money later on.

### 5. Creative Negotiations

Builders want to keep the price per square foot high so they can continue to support the value of their future homes and yours, so even though most builders are less receptive to negotiating the price of the home, it doesn't mean you won't be able to get a great deal on your new home. You'll just have to approach negotiations from a different angle. Crossing out the price on the negotiation table, the two best things to negotiate are buyer incentives and upgrades.

What you need to find out:

- What are the available incentives offered to buyers?
- What's the deadline for the incentive?
- Are there any free upgrades?

The buyer incentive may come in the form of money to help buyers cover closing costs. This amount credited to you at closing is still negotiable; you may be able to get more especially if your buyer's agent is really good at negotiating. Also, more often than not, the incentive can only







be availed if you use the builder's preferred lender and/or attorney. Aside from closing cost assistance, you'll have more room for negotiations when it comes to upgrades. Builders are more flexible in this, you may be able to get one or two free upgrades or items added to the price agreed upon. You also need to negotiate wisely because you might find some upgrades are priced competitively while others are not. Sometimes a \$3000 credit to closing costs is worth \$5,000 of upgrades at their

prices. If there is any room for them to negotiate you'll want to do it before you sign the contract.

Here are just a few of the things you can negotiate that could significantly lower your total costs:

- Closing costs
- Upgrades on finishes
- Homeowner's insurance





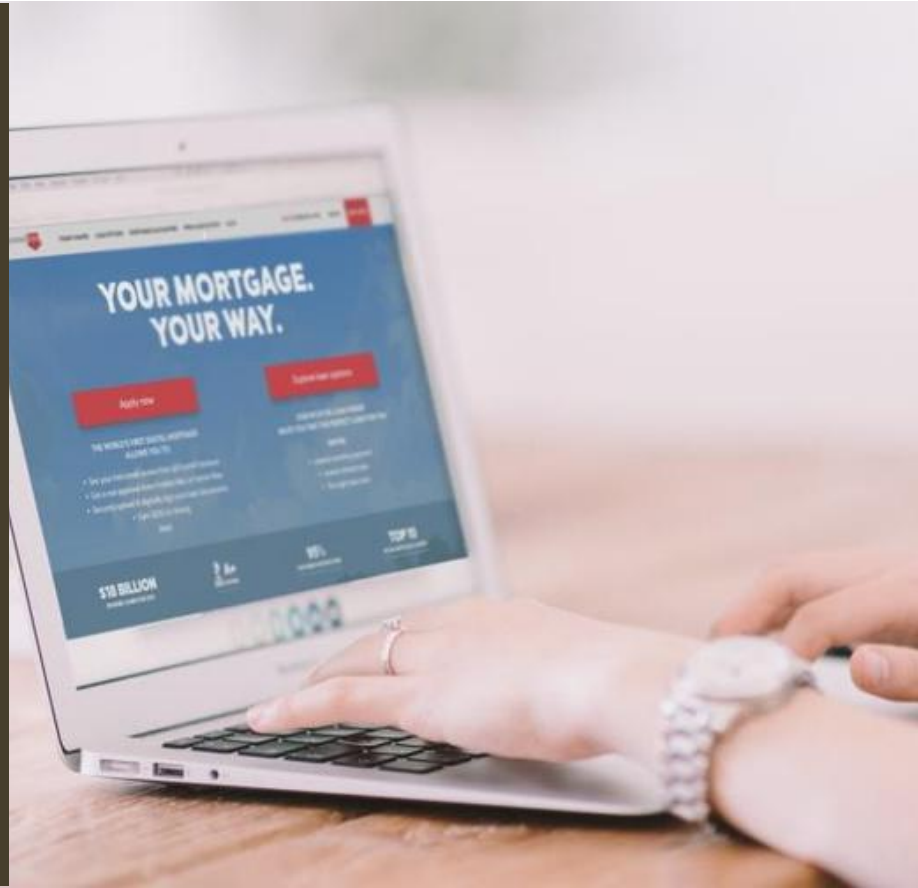
## 6. Understanding the Sales Contract

Before you get caught up with the idea of living in a new construction home, you have to sign on a number of documents, one of which is the new-home sales contract. A new-home sales contract has basically the same requirements as a resale contract. Some of the things you should pay attention to are the refundability and the dates listed in your contract. Generally there will be several dates such as the date you need to finalize your choices at the design center, dates you need to have financing approved by, your proposed closing date, etc. Most new home sale contracts require the buyer to pay for deed stamps which is typically a seller closing cost.





Make sure everything you have agreed upon is in writing. The contract is designed to put all aspects of the home sale into a written agreement that both sides of the parties agree to. If it is not in writing it is not guaranteed. Once the contract is signed, it can be very difficult to change anything in the contract. This is why it should be read carefully up front and reviewed by your buyer's agent or attorney before signing it.



## 7. Secure Your Financing

Once you have a pending agreement, it's time to secure your financing. Builders often prefer their own lender but you are not required to use them. It is best to find a lender that offers the best loan and interest rate. If you are a first time home buyer, ask your buyer's agent for information about special programs available for first-time buyers.

Once you have chosen the best lender, it's time to finalize your mortgage details so you can close the deal. This means finalizing your down payment, interest rate, regular payment schedule and any other financial conditions associated with the closing.





## 8. Handling the Pre-Closing Inspection

Before the closing, the builder will conduct a home inspection tour pointing out the home's features. The local building department will usually come out to inspect the home before issuing a Certificate of Occupancy. It is best to hire an independent inspector, in fact you should have your new home inspected at various points during the construction. This would help avoid delays if problems are spotted early on.

During the inspection, any issues found will be included on a punch list. The 'punch list' is the list of problems that have to be completed at the end of the project. A reliable builder should provide you a punch list. Never close on a new-construction house without ensuring that all of the punch-list items have been completed.



## 9. Close The Deal

The time frame for closing on the construction of a new house has a lot of variables that will change depending on the situation. There are many things that can happen both within and outside of the builder's ability to control and this can be sometimes stressful. Once everything's done and passed to your satisfaction, then it's time to close the deal.

At closing, you will sign the loan documents, provide a homeowners insurance policy and deliver the necessary funds to the settlement agent. If you have efficiently taken care of everything, the experience of taking ownership will be a positive joy and smooth sailing.





# Advantages of Buying New Construction Home

Buying a new home offers many benefits. Here's a quick list of advantages of buying a new construction home and why many homebuyers prefer new homes to used houses:

## 1. Customization

When you buy an older home, you get what's already there; the layout, the exterior and interior design. With a new home, you can choose the floor plan and you have the chance to customize the design of interior spaces with the home builder. Customization gives home buyers the flexibility to build a living space that is tailored to their needs.

## 2. All brand new

With an older home, you may have to replace some tired products that would cost you additional money. With a new home, all of it is brand new and most of all – under warranty. You will have a peace of mind knowing that the components of your new home features the latest design and new materials that wouldn't need replacement in the near future.





### 3. Fewer repairs

With an older home that already have experienced years of use, you will have lesser problems about repairs because your home is brand new. There could be few or minor repairs but it will not cost substantial money.

### 4. Warranty

You will not have to worry if ever something goes wrong, the components of your home come with a warranty. The builder is there to resolve any warranty issues. Typically, they provide a walk through within 30-60 days to take care of any issues and then another walk through at 11-12 months. Then you will carry up to a 10 year structural warranty.





## 5. Energy efficient

Compared to older homes, today's new homes are far more energy efficient. All new construction homes meet far tougher national code standards for energy efficiency than homes built a few years ago. It helps reduce utility bills for new-home buyers.

## 6. Safety

You'll feel safer with a new home because your home has fire safety-measures like hard-wired smoke detectors. Most builders also use state-of-the-art circuit breakers, cabinet and paints that use fewer volatile organic compounds, and high efficiency furnaces and air conditioners that are environmentally friendly.

## 7. Financing

Some builders are offering financing help that home buyers can take advantage of. Some even offer zero closing cost and incentives.





# FINANCING

If you're buying a new home from a builder who owns the lot and is building multiple homes in a neighborhood, your financing will be similar to buyers purchasing a resale home. The main difference is that you won't lock in your loan terms until the house is almost complete. If you are building a custom home on your own lot, your financing options will be different.

## The Builder's Lender

Your builder may offer financing packages, either directly through its own mortgage subsidiary or its affiliate. One of the biggest reasons to work with the builder's lender is that the builder will likely offer you incentives like credit towards closing costs or free upgrades. You are not required to use the builder's lender but you can weigh the pros and cons of using their service. It is still best to shop around and compare rates.

## Construction Loan

Construction loan is another option for you if you have your own piece of land and building a custom home. Most new home construction loans are short-term loans. The funds are dispersed periodically (6 to 12 months) to get you

through the building stage of your project then followed by a conversion into a permanent long-term loan of 30 or 15 years once the home is built.

Construction loan can also be difficult to obtain because it is considered riskier than standard home loans. You will require a great deal of paperwork before being approved and you usually need to make a down payment of at least 20-25 percent. There are only a select few lenders that offer construction loans.

## Why Get Pre-Approved

Pre-approval is the first step and one of the most important in the new home construction process. The reason why it's important is because you're going to be giving non-refundable earnest



money or construction deposits to a builder and throughout the course of the home's construction, you may be asked to give more money as you select additional upgrades. You want to make sure that you have a loan in place at the end so that you are 100 percent protected and you don't ever get into a situation where you started building a home, uneventful things happen and you can't close.

### **Getting Ready**

Try to talk to a few lenders and look out for loans that offer the best rates. Complete a mortgage application of

your preferred lender. You will need to provide your name, addresses for two years, birth date, social security number and work history for the last two years.

The loan officer will look into your income, your employment situation, any debts you may have and if you have funds for your down payment. You will be asked to provide your tax returns, income documents, and bank statements. The lender will thoroughly investigate your finances. Well in advance of your home shopping, you need to get your finances in order to make the process simple and efficient.

# **Delays to Expect When Buying New Construction Home**

When buying new construction home which is being built for you, you have to be prepared for possible delays and obstacles. This can happen as a result of several conditions such as shortage of labor or materials, weather, or the builder's inability to meet the original delivery date.

The good thing, delays as a product of human nature can be prevented. Knowing all upgrades and options available to you from the start will lessen the hurdles during the construction process. Changing items that needed to be ordered in the middle of the construction may take some days or even weeks; this could slow down or even stop the project. Any news especially one that concerns about the delay of the







construction will have to be informed and addressed. Communication along the way between the builder, you, and your agent if you are working with one will do the trick. It is better to be honest and up front about the process so whenever there's a cause for delay, things wouldn't get worse for all parties. Construction delays in home construction are often the result of miscommunication between builders and property owners. This is why it is so important to hire a great Realtor.

In a nutshell, weather related issues, acts of God, supplier unable to deliver in a timely fashion, shortage of man power etc. can cause delay and may also cause a chain of reaction resulting to losing your rate lock or not finishing some items right up to the closing. Again, having a real estate agent working on your side will give you leverage.

Buying new construction can be stressful, often a long, drawn out process for new buyers. But don't let this deter you from buying, if you do your research, you're good at negotiating, you're patient and you have an experienced buyer agent working on your side, the process will be less taxing and your buying experiencing will be rewarding.





# TIPS for buying new construction home

Here are a few things you should keep in mind if you are considering to buy a new construction or something that's currently under construction.

## Stay within your budget.

It's very easy to forget your budget especially if you see all the many upgrades available to improve your home. Remember that even the basic trims and finishes cost money. In considering whether to upgrade or not, look at your budget range and your pre-approved mortgage amount. Based on the total price you will pay with home upgrades, your lender can calculate what your total monthly payment will be. If adding upgrades ends up raising your mortgage beyond what you can afford, it is time to step back. Some builders offer more upgrades as part of their included features, so do your homework and know what builders will offer you the most bang for your buck.

## Get a home inspection.

Oftentimes, buyers think that because it's

construction they don't need an inspection. Just because a new house is new, it doesn't mean that it's flawless. Often, new homes are built and have structural or other types of flaws. This is a great chance to take care of few small things that the builder may have missed or few mistakes that may have taken place during construction. It is better if repairs are made before you move in than having to deal with it through warranty.

## Research the potential for nearby construction.

You may love a property because of its great views but all those things can change if a building goes up right across the street. On the flip side, look at the nearby commercial space and see if there are future developments that could open up like new restaurants





or new grocery stores. Those things could add value to your property and really be an exciting contribution to the neighborhood.

### **Reputation matters.**

The reality is when you buy a new construction you're not going to be able to see everything that the builder/developer has done so you need to look back at what he's done in the past. Try to get some testimonials, look at previous projects, and if possible talk to owners who have purchased from that developer. This way you'll know the reputation of the builder. If a builder has a long history of satisfied customers and homes that have stood the test of time, there is a strong likelihood they will provide you the home that you'll enjoy. Keep in mind, when searching for reviews, most people only write them when they've had a bad experience. There

are always two sides to every story.

### **Communication is important.**

Constant communication is key to successful buyer/builder relationship. The communication lines must be open between the parties involved during the construction process. Everything from dates, estimates to change orders, all parties must be in the loop to ensure a good relationship.

### **Find out which is which.**

Know exactly what you'll be getting, what's available, and what it will cost in the beginning of the process. Changing something in the middle of the construction process often result to delays and extra fees. Ask your agent to help you get a list of standard features and list of common upgrades and their costs.





## New Construction Homes for Sale in the Greenville area

The Greenville area is a hot bed for new construction homes. There are plenty of new home communities available for buyers looking to buy a new home. The downtown area alone is bursting with residential developments and there are more to choose from in the surrounding areas. Whether you're looking for a single-family home or condo and townhome, you are sure to find your new home in the Greenville area in a neighborhood that suits your unique style. Below you will find all the new construction homes for sale in the Greenville area. By clicking the link, you'll be able to view homes that fit your price range.

### New Construction Homes

[100,000 – 200,000](#)

[300,000 – 400,000](#)

[500,000 – 600,000](#)

[200,000 – 300,000](#)

[400,000 – 500,000](#)

[700,000+](#)







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## We'd Love to Help!

The Livian Estates Team has worked closely with a number of the local builders and we'd be happy to help you in your new construction home search. Don't hesitate to reach us if you have any questions. We'd love to help you through the buying process and answer any questions you may have.

### Livian Estates Team

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