

New Homes Need Inspection Too

By Stephen Ruback, *Professional Inspector* [TREC License #6030]

Just because it's new doesn't mean a house is ready to be a home. In fact, the first year or two of living in a new house is always a time of discovery. It's a time of finding those short term should-have-beens, learning what works, and what doesn't. The problems that take several years or special circumstances before they become obvious are the more adventuresome part.

Can the buyer expect a trouble free purchase? Only the naive would say yes. How long is the home expected to last – 30 years or more? How long is the typical new home warranty? The appliances are replaceable wear items with estimated life expectancies of about five to fifteen years, and most come with multiple-year warranties, yet the new home, with a life expectancy many times longer, has only a one year warranty. Is that a red flag to prospective buyers? It should be.

What kind of general reputation have builders produced over the years for following-up on buyer's complaints? Did you notice the legislation passed in the 2003 Texas legislative session establishing a builder dominated dispute resolution process? Could that be a sign of potential problems for new home buyers? More than ever, the buyers need to know, in detail, what they are buying – before the deal is closed.

An inspection report on a new house is often longer than one for a preowned home. All kinds of problems can be taken care of before they become serious expense for the owner. Stairs without safety rails, windows that don't work, flammable materials too close to heater flue pipes, inadequate attic ventilation, unsafe attic access ladders, unsafe wiring, nonfunctioning appliances, plumbing leaks, open rodent access, faulty structures, inadequate drainage, poorly placed plants and roofing problems lead a long list of typical problems.

Even though the state of Texas has adopted minimum building standards, there is no real enforcement of those standards except for buyer awareness and insistence on compliance in the purchase process. The buyer's practical options for a house that does not comply are refusing to buy, or become entangled in the legal system later. This assumes the buyer knows what the standards are and what they are buying.

Typical new home assumptions

The entire buying process is primarily focused on appearance, and is based on several assumptions.

Assumption 1: What the buyers don't see can't hurt them.

Assumption 2: The builder has the buyer's best interest at heart.

Assumption 3: Everyone building the house knows what they're doing, and always follows proper practices.

Assumption 4: Once the buyer moves in, the builder will quickly and cheerfully come by to fix any problem that appears.

Assumption 5: Any serious flaws will be easily visible, to the untrained eye, in a quick walk through before closing.

Assumption 6: All aspects of the design were examined and approved by a qualified engineer.

Assumption 7: Any significant problem will show up during the warranty period.

It doesn't take a detailed analysis or a lot of experience to figure out that each and every one of these assumptions is wrong. Have you ever heard of the phrase "buyer beware"? With many thousands of dollars on the line with any home purchase, the buyer can't be too careful.

There are several dynamic principles we can use to see what's really going on in any buying process and produce more accurate predictions of the outcome than the above assumptions.

- Performance is based on motivation.
- More immediate motivators produce more immediate results.
- Without motivation nothing happens.

Then there's Murphy's law : "Anything that can go wrong, will go wrong".

Murphy's law has now been replaced by O'Tool's law : "Murphy was an optimist".

Real motivators in the new home process

Many home *builder's* prime objectives:

a. *Maximize the amount of money transferred from the buyer's pocket into the builder's pocket.*

This is called the profit motive and is universal in any business transaction. That means cost cutting is the prime driving force in the building process. The more homes a builder builds, the greater the motivation to nickel and dime every detail. How many shortcuts can lie hidden behind a little paint and pooky?

b. *Avoid any further expenditure of time or effort, once the house is built.*

This translates into service after the sale. Any further action by the builder is money out of his pocket. Once the buyer has closed on the deal, he has little to no leverage on the builder.

Remember O'Tool's law? Its importance is easily verified by the experience of the many buyers who did not have a thorough home inspection before they closed the deal.

Home *buyer's* prime objectives:

a. *Minimize the amount of money transferred from their pocket into the builder's pocket.*

Observe the built-in conflict with the builder's objective "a". How likely is the buyer to catch all the important details before the closing, without help?

b. *Maximize the amount of attention by the builder on any problems with the house, ASAP.*

Notice a bit of conflict with the builder's objective "b"?

Most home buyers are focused on features and appearance. Few know what to look for in terms of red flags, nor do they have the time. Builders are busy with new projects and have limited motivation to make changes once construction is considered complete. Once the deal is closed, the builder's motivation for further action approaches zero. With a thorough home inspection *before* signing on the dotted line, new home buyers can avoid problems up front, and save many times the cost of the inspection.

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