



NEW HOME SHOPPING? HASTEN SLOWLY.

SHOP WITH MORE CONFIDENCE AND LESS STRESS



INTRODUCTION

Congratulations on the due diligence you are exercising as you shop for a new home, as demonstrated by your requesting this guide. This is not an end-all, but it is a beginning. We address issues mostly related to your money through contract signing. Your Realtor can take it from that point through closing.

Our learning objectives are designed to help you:

1. Avoid common pitfalls
2. Understand the money related to essential and costly purchases
3. Negotiate what is negotiable
4. Accept what is not negotiable
5. Clearly understand the role of your Realtors®
6. Clearly understand what the onsite sales consultant does
7. Use a simple checklist to make better decisions when interviewing a Realtor

Why do we say “hasten slowly?” Keep moving forward, but keep the power of informed choice on your side.

Understand the Money

It is a shopping imperative that you understand the money. This chart should help. Need help? Contact the Realtor that offered you this Guide.

What:	Application:
Base Sales Price	The base price of the home, not including upgrades
Contract Sales Price is base price plus upgrades	Base price plus upgrades Base price \$300,000 plus \$25,000 in upgrades = \$325,000 sales price
Mortgage	If you are not paying cash, you need a mortgage
Rate Lock	For a preconstruction loan, you may want to lock in your mortgage rate to protect against rising interest rates. It will cost something to do so. Ask your lender about it.
Construction Perm	Submit one application for both the construction loans and the permanent or 'end loan' mortgage. Not all lenders offer this.
Preferred Lender	Homebuilders need preferred lenders to help with all types of financing for the model, spec homes, land purchase and more.
Incentives	Builders use incentives to close sales on specific lots and or floor plans. These include decorating allowance, closing cost contribution, waiving lot premiums and more. Availability varies.
Decorating Allowance	Builders may offer decorating allowances (deductions) on specific inventory. Nothing is guaranteed, but this is always something worth a negotiating discussion.
Closing Costs Contribution	This is cash on cash expense to the builder and is usually not negotiable, but can be a valuable closing tool.
Waive Lot Premium	To make the sale, builders may include waiving the lot premium.
Realtor Fee	Real estate fees are usually paid by the builder
Home Inspector Fee	If you use a licensed home inspector, and we strongly recommend that you do, find out what they will charge to represent you during the construction process.

What is Not Negotiable?

1. Realtors cannot get you a better price for the home

Do not think your Realtor can negotiate a lower sales price. That is not his central service. His primary function is to find the right home with the right builder, for the right price.

There are price exceptions, in slow markets, but in rising demand, be glad you do not have to submit bids, like those purchasing resales or attempting to purchase foreclosures may be required to do.

If he claims he get you a better overall price, he is perhaps referring to his ability to negotiate on your behalf for incentives. That's possible.

2. You cannot get a better price if you shop without a Realtor

It might occur to you to shop on your own and proudly announce that you are not working with a Realtor. The idea, of course, is that by cutting the Realtor out, the builder will cut you in, saving you thousands and in so doing lowering the value of future appraisals and pretty much killing future Realtor sales as soon as the word goes viral within minutes on social media.

There is a reason builders do not advertise to the general public to shop without a Realtor. The reason: it's called 'sales momentum.' Sales commissions are embedded in the price of the home.

Don't believe this? Call a builder or two in your area and ask them what percentage of their sales are sold through Realtors and while you on the phone.



Tip:

*Hasten slowly.
There is a reason that 7 out of 10
new homes are sold by Realtors.*

What is Negotiable - Incentives!

Homebuilders use incentives to help home shoppers make a buying decision based on a benefit they will lose if they do not purchase or a benefit they will gain if they do purchase.

Are incentives always negotiable? No. In fact, they will vary from home to home or lot to lot, and from time to time. In fact, they may be eliminated altogether in 'hot' markets.

In most cases, incentives are tied to the condition that the buyer makes a decision to buy a specific lot or home, before someone else takes it off the market, as in "these incentives are applicable for these five lots. We have sold two. You would be the third." (true story).

in.cen.tive
noun

*A thing that motivates
or encourages one to
do something.*

Sample Incentive

- \$1,000 decorating allowance - applies to upgrades for cabinets, carpet, accessories, etc.
- \$1,000 cash contribution to closing costs if you use the builder's preferred lender for your mortgage financing - applies to mortgage costs.
- \$1,000 lot premium, waived.
- Pending price increase - usually tied to a specific date or an inventory sales pace. i.e. "Lot prices will increase \$2,000 after we sell the next two lots in this phase."

NEW HOME SHOPPING? HASTEN SLOWLY.

SHOP WITH MORE CONFIDENCE AND LESS STRESS

There are other incentives such as vacations and cruises, but let's look at two of the most common.

Q. **Question:** Which one of these two incentives do you think the builder is more likely to authorize and increase?

- *\$5,000 decorating allowance to upgrade cabinets in the kitchen below?*
- *\$5,000 cash contribution to closing*

A. **Answer:** The builder is more likely to give you a larger upgrade allowance than cash contribution to closing costs because he may be giving you \$5,000 in value that may have cost him \$3,000. When he gives a \$5,000 cash contribution to closing, it costs him \$5,000.



NEW HOME SHOPPING? HASTEN SLOWLY.

SHOP WITH MORE CONFIDENCE AND LESS STRESS



If the cash contribution is critical to the sale, let your Realtor know and try to negotiate a benefit for the builder.

Let's suppose you discover that your closing costs were going to total more than anticipated. It happens. You can barely make the down payment. The cash contribution is key to your ability to make the purchase.

If this is the case, your Realtor needs to approach the builder with something you are willing to do for the builder, like close earlier than you planned to close.

That way, your Realtor has a builder benefit to use on your behalf to increase the cash contribution.

This action is an example of your Realtor making a difference in what you paid for closing costs. At the same time, the builder is not discounting the base sales price of his homes.



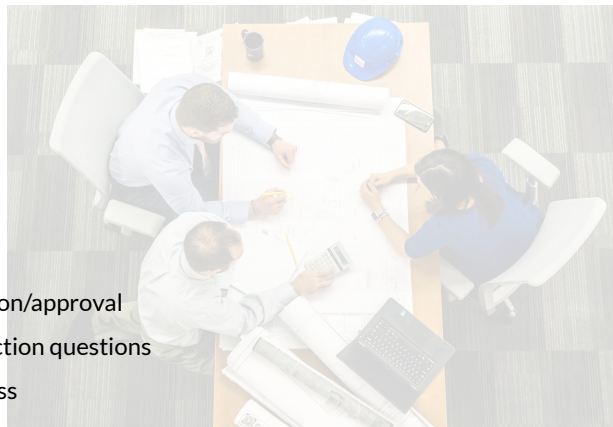
NEW HOME SHOPPING?
HASTEN SLOWLY.

SHOP WITH MORE CONFIDENCE AND LESS STRESS

What the Onsite Agent Does

Whether you are working with a Realtor or not, the onsite sales consult does what they do with each buyer, such as:

- Sell the benefits of the home's features
- Sell the value
- Sell the urgency (incentives)
- Sell the location
- Sell the builder's reputation
- Sell the amenities
- Sell the construction quality
- Sell the design features
- Explain financing
- Coordinate mortgage application/approval
- Provide answers to all construction questions
- Explain the construction process
- Write the contract
- Provide all transaction management
- Close escrow



As you can see, the builder's onsite agent does it all, usually with full-time, highly trained staffs.



NEW HOME SHOPPING?
HASTEN SLOWLY.

SHOP WITH MORE CONFIDENCE AND LESS STRESS

Tight Inventory Increases Value of Realtor's Role

"The role of the real estate agent becomes increasingly important to the buyer as market conditions change in local areas of the country, especially where buyers saw tightened inventory. With limited inventory on the market for many home buyers, the most difficult part of the search process for recent home buyers is finding the right property. The search process has been squeezed with a limited number of homes to view, in a shorter time frame."

- National Association of Realtors

As a result, Realtors need saleable inventory.

Homebuilders need more qualified buyers.

And who controls these buyers? Realtors.

Should You Work with a Realtor? If so, How?

It is not our intent to sell you on working with a Realtor. But because you are reading this Guide from a Realtors blog, we will assume that there is an interest in doing so. If you are considering using a Realtor to help you find a new construction home you are not alone.

According to the National Association of Realtors, nine out of ten home buyers use a Realtor to help them with their real estate purchase, be it a used home or a new one!

This fact alone helped homebuilders come to the realization that 'the builder's competition is not the builder down the street. Their rivalry is the Realtor because Realtors control nine out of ten Qualified BUYERS in the market. And qualified buyers are what homebuilders are competing for each and every day.

Homebuilders throughout the country started reaching out to Realtors like never before, and even in tight inventory markets, where they could reduce incentives or commissions, they continue to offer marketing programs to attract Realtors.

Realtors are responding because builders are building the most needed home for sale today-, saleable inventory. What does 'saleable inventory mean? It means homes that are ready to move into without much work, renovation, or unforeseen expense.

From all indications, the saleable housing market is going to remain tight for months to come, maybe years.

That is why Realtors like the one who provided this Guide are not only reaching out to new Home prospects but earning the New Home Co-Broker (NHCB).

If you have any questions as a result of reading this guide, please contact the Realtor who provided this guide.

New Home Realtor Interview Checklist

Name _____

Office Name _____

Email _____

Cell Phone _____

Referred By _____

Price range of home desired \$ _____

Monthly Payment You Can Afford \$ _____

Deposit Required \$ _____

Before you contact a Realtor:

Know what you are looking for an where you want to purchase. If you have a home to sell, be sure to cover this need in your interview. Have an idea from your lender of what you can afford, before hitting your credit. At this point:

1. Visit www.newhomesource.com to look at new homes and get some ideas about what you would like to purchase. Subscribe free if you are not a subscriber.
2. Contact a Realtor in your desired market using the form above.
3. Ask your Realtor to recommend a lender and how the mortgage process works for new homes for both inventory and pre-construction homes.
4. If you have a home to sell, ask how the Realtor would recommend you proceed. This is one of the great services your Realtor can negotiate for pre-construction sales.
5. Some Realtors will tell you about their construction experience. This is not a qualification for selecting a Realtor. Onsite agents are your safest and best resource to answer construction questions.

Google NHCBS designation. See if any Realtors with this designation are in your market.



**NEW HOME SHOPPING?
HASTEN SLOWLY.**

SHOP WITH MORE CONFIDENCE AND LESS STRESS

Conclusion

Congratulations on making an effort to download and read this booklet. It shows that you are serious and understand the seriousness of a home purchase.

As you start your home search, you will find yourself making adjustments to what works for you. You thought you needed a four-bedroom, three-bath home, but you are learning that you can only afford one if it is much further from work than you want to be.

Understand that it is a process. Don't be afraid to ask any questions you of your Realtor.

While you might change your mind about the type of home, or location, or something else, remember to be open with your Realtor.

We know that what we discussed here raised questions that need answers. Keep this guide handy when interviewing Realtors, and ask any and all questions you can think of. Your Realtor will appreciate it.

We wish you an enjoyable experience with your new home purchase, but hasten slowly.

Questions?

*Please feel free to contact
me so I can assist you on
your home-buying
journey.*