

Why New ?



Why New ?

- ❑ Disclaimers
- ❑ Pros & Cons of Existing Homes
- ❑ Pros & Cons of Distressed Property
- ❑ Pros & Cons of New Home Construction
- ❑ Tips from the Inside
- ❑ Financing Options
- ❑ Construction 101
- ❑ Totally *FREE* Resources !



DISCLAIMERS



AD/HO

The logo features the letters 'AD' and 'HO' in a bold, white, outlined, blocky font. A white lightning bolt symbol is positioned between the 'D' and 'H', pointing downwards. The entire logo is set against a black square background with a thin red border.

PROS of existing homes

- ❑ Window coverings.
- ❑ May be fenced.
- ❑ Perhaps larger lots.
- ❑ Perhaps landscaping and trees more mature
- ❑ May be only choice in a specific community....
- ❑or in a specific school system



CONS of existing homes

- ❑ Hard to determine upfront the hassles and expense of fixing up to make it match your tastes.
- ❑ May need some remodeling.
- ❑ An older home may contain anything from lead-based paint to asbestos in the shingles or floor tiles.
- ❑ The utility bills of an older home may be significantly higher than those found in newer homes.

CONS of existing homes

- ❑ The home may not be well insulated, The windows and doors may fit poorly and have air leaks, and the appliances may not be as efficient as today's newer appliances.
- ❑ You may find that you need to do significant remodeling to make the re-sale home to your liking.
- ❑ Negotiating is personal.
- ❑ Current homeowners need what they need based on loan payoffs.

Pros - distressed property

- ❑ Home will be vacant.
- ❑ Title will be clear.
- ❑ **Excellent value if bought correctly AND**
- ❑ *Definitely* a maybe for a certain buyer.....someone a bit more skilled than the average handyman....



Cons - distressed property

- ❑ Investor groups !
- ❑ Multiple offers.
- ❑ Time of getting an offer accepted (or looked at).
- ❑ Banks make it clear that foreclosures are purchased “as is” .
- ❑ Buyers may do an inspection, but banks are under no obligation to do repairs.
- ❑ Foreclosures have a history.
- ❑ *Can you really imagine living in a foreclosure?*

Why New ?

1. **Customization**
2. **Building Envelope**
3. **Going Green & Energy Efficiency**
4. **Fewer Repairs**
5. **Less Maintenance**
6. **Home Automation**
7. **Warranty**
8. **Fire Safety and Health Concerns**
9. **Concessions**
10. **Financing**

Why New Construction ?

1. Customization:

- A new home reflects your personal tastes.
- You choose everything!
- You pick the neighborhood, the community, the home site, the builder, the location.
- Tons of flexibility for you to put your personal signature on the product.

Why New Construction ?

2. Building envelope:

- Building codes have mandated increasingly higher energy efficiency standards since they began to address the issue in the late 1970s.
- Newly constructed homes have a tighter-sealed building envelope that helps prevent conditioned air from escaping.
 - ▣ Features that create this envelope include higher-efficiency insulation, doors, and windows.
- Homes that meet new code are going to be more efficient.

Why New Construction ?

3. Green Components & Energy Efficiency:

- The more energy-efficient mechanics of the house help reduce utility bills.
- Newly-constructed homes often include green systems and appliances—like high efficiency stoves, refrigerators, washing machines, water heaters, furnaces, or air conditioning units.
- Heating and cooling systems in today's new homes do a much better job of eliminating hot or cold spots in the home.
- *Existing homeowners can always retrofit their property or buy higher-efficiency appliances, but doing so requires a potentially significant expense.*

Why New Construction ?

4. Fewer repairs:

- The features of newly constructed homes should also hold up better than those of existing homes
- People may buy previously-owned houses and find:
 - ▣ the carpet needs to be replaced or
 - ▣ The house needs to be repainted, or
 - ▣ it needs new appliances, or the flooring is shot, etc!

Why New Construction ?

5. Less maintenance:

- At the same time, today's new homes are engineered specifically to minimize maintenance requirements.
 - ▣ For example builders may use composite products for a home's exterior trim instead of wood, which could rot or need repainting.
- Most builders are trying to look down the road and make things as easy as possible for the homeowner so they can enjoy living there and not have to be saddled with maintenance.

Why New Construction ?



6. Outlets, Outlets Everywhere!

- New-home builders plan for the increased number and type of electronics and appliances used by today's families.
- Homes built in the 1960's and earlier were wired much differently than houses today. New homes can accommodate advanced technologies like structured wiring, security systems and sophisticated lighting plans, and can be tailored to meet the individual home owner's needs.

Why New Construction ?

7. Warranty:

- Almost everything in most new construction home is under warranty for a minimum of one year.
- Many of the structural components of the home will come with a two-year warranty.
- Beyond that there are number of builders that offer a “10 year structural” warranty.



Why New Construction ?

Warranty (cont.):

- You will want to know in advance what is covered under your builders warranty.
- Get a written copy of the warranty to read and review.
- Take into consideration that a large builder will probably be able to offer more comprehensive coverage than a small local builder.

- **On a re-sale home** you can purchase something known as a "one year home warranty".
 - This is an insurance policy that insures certain components of the home such as the heating, electrical, ventilating, and plumbing systems.
 - Carries deductibles when items fail.

Why New Construction ?

8. Fire safety and health concerns:

- Newly constructed homes often include fire safety features that may not be present in properties built years ago. Examples:
 - ▣ Fire retardant in our carpeting
 - ▣ Insulation and
 - ▣ Hard-wired smoke detectors.

You can't always bring a 1950s house to 2010 requirements,
especially when it comes to electrical issues."

Materials found in older homes can be hazardous to your health. From lead-based paint to asbestos insulation, the materials found in resale houses can be costly replace, many times impossible to replace.

* asbestos and lead have been eliminated in new construction.



Why New Construction ?

9. Concessions:

- Squeeze more incentives!
 - ▣ Individual sellers often have an emotional attachment to their property that can blind them to its true value.
 - ▣ At the same time, builders often have greater financial wherewithal to absorb a loss on a sale than individuals.
- Builders often offer closing-cost assistance or free options or lower interest rates if you work with their preferred lender and settlement company.

Why New Construction ?

10. Financing:

- ❑ Most builders will offer financing perks.
- ❑ Inside lenders with better rates, costs & service.
- ❑ New home builders, in many cases will provide incentives when utilizing their pre-approved lenders.



Why New ?

<u>New Construction</u>	<u>Other</u>
Choice of Builder and Construction Materials	Builder and Construction Materials may be Unknown
10 Year Structural Warranty	Warranty Usually Expired
Builder Warranty	Defects Often go Undetected
Streamlined Mortgage Financing	No “inside” relationships

Why New ?

<u>New Construction</u>	<u>Other</u>
High Insulation Standards	Dated Insulation and Higher Utility Costs
On-Site/ In-House Service Department	Handyman Specials from the penny saver?
Choice of Lot, Location, Financing, Floor Plan, and Exterior Design	Home & lot already determined.
Customer orientations and walk- throughs.	Home is sold <i>as-is</i> .

Why New ?

<u>New Construction</u>	<u>Other</u>
Fully Equipped Modern Kitchen	Outdated Appliances
Choice of Interior Options and Color Selections	No Choice of Interior Color Selections
Latest Architectural Designs	Dated Floor Plans
New Home Owners Decorate According to Taste	Must Accept Decor "as-is"

Why New ?

New Construction

Invest in Home with Accelerated Appreciation Potential.

More Likelihood for Lifestyle-Recreational Amenities with ownership.

Builder May be Willing to Accept Contingent Contracts.

Buyer's Protective Covenants.

Other

Pay Market Price for "already-appreciated" Property.

Less Likelihood for Lifestyle-Recreational Amenities with ownership.

Seller Unlikely to wait for you to Sell your Existing Home.

Protective Covenants may not be Available.

Insider Tips

- ❑ Get qualified before you shop!
- ❑ A \$250,000 home may be a \$300,000 home once you add the options you want.
- ❑ Pricing is NOT necessarily fixed.
- ❑ Better incentives almost always exist on started or nearly completed new homes .



Insider Tips

- ❑ You may consider a professional home inspector .
- ❑ You may consider the use of a realtor.
- ❑ Make certain all verbal agreements are in writing.
- ❑ The value of a new home depends on the builder TODAY!
- ❑ Talk to current homeowners.

FINANCING 101

CHOICES, CHOICES, CHOICES

- ❑ Conventional
- ❑ FHA/VA
- ❑ USDA
- Lottery Winnings



Why VA Loans?

- NO down payment required
- Borrow up to 103.3% of the Purchase Price
- NO Mortgage Insurance Premium = Lower Monthly Payments!
- Loans up to \$417,000 (*With full guaranty)
- Servicing assistance if needed
- Assumable loans

Requirements for Loan Approval

- Must be an Eligible Veteran with available *Entitlement*
- Loan must be for an eligible purpose
- Veteran must occupy the property
- Veteran must be a satisfactory credit risk
- Veteran must have sufficient income
- Property must Appraise for Sales Price

Loan Purposes

- ❑ To buy a New or Existing Home, condo, duplex (2,3,& 4 units)
- ❑ To Build a home
- ❑ To purchase and improve a home
- ❑ To install energy efficient improvements
- ❑ To refinance a VA, FHA or Conventional loans up to 100% LTV not to exceed \$417,000
- ❑ To buy a manufactured home and lot

Income

- Underwriter must determine that income is stable and reliable, is anticipated to continue and is sufficient to meet obligations
- Only verifiable income can be used as qualifying income
- Need two year job history
- Overtime and bonuses may be used if there is a two year history
- Future income may be used in certain circumstances (confirmed job offer)

Income Continued

- Income from self-employment, commission, part part-time / second jobs may be used if there is a 2 year history
- Trailing spouse income allowable if they have a valid job offer
- Active duty members must have at least **12 months** remaining from date of closing. (Must have ability to re re-enlist or offer of civilian employment.)
- VA compensation income may be used
- Alimony and child support; must have history

Monthly Liabilities

- All obligations must be considered; Significant debts *less than 10 months* remaining should still be counted
- Debts assigned to an ex-spouse do not need to be charged to the Veteran with documentation
- Co-signed debts do not have to be counted with documentation
- Allotments/deductions on pay stubs should be documented

Credit

- All obligors must have satisfactory credit history
- Emphasis on past 24 months
- VA looks at a Veteran's overall payment patterns and not on isolated late payments
- Rent and prior mortgage history critical factor
- Absence of credit is not generally an adverse factor
- Use alternative credit if no history on credit report

Credit Continued

- ❑ Judgments and Federal debts do not have to be paid in full but must have a satisfactory repayment plan in place
- ❑ A *judgment lien* MUST be paid in full
- ❑ *Collection accounts* do not necessarily need to be paid in full; However they are considered derogatory.
- ❑ **Chapter 13 / Consumer Credit Counseling Service**
 - ❑ 12 month positive history
 - ❑ Approval from Trustee
- ❑ **Chapter 7**
 - ❑ May be reconsidered 2 years after date of discharge
 - ❑ Must Have Re-established credit

Compensating Factors

- Used to strengthen marginal income and ratio
- Cannot compensate for bad credit
 - Excellent credit, long term employment, low consumer debt, liquid assets, down payment, limited increase in shelter, satisfactory previous homeowner experience
- VA uses a debt/income ratio as well as residual income guidelines
- A ratio of over 41% requires special review by underwriter
- Non-taxable income may be “grossed up” to decrease ratio and may not be used as residual income.

Resources



Why New ?

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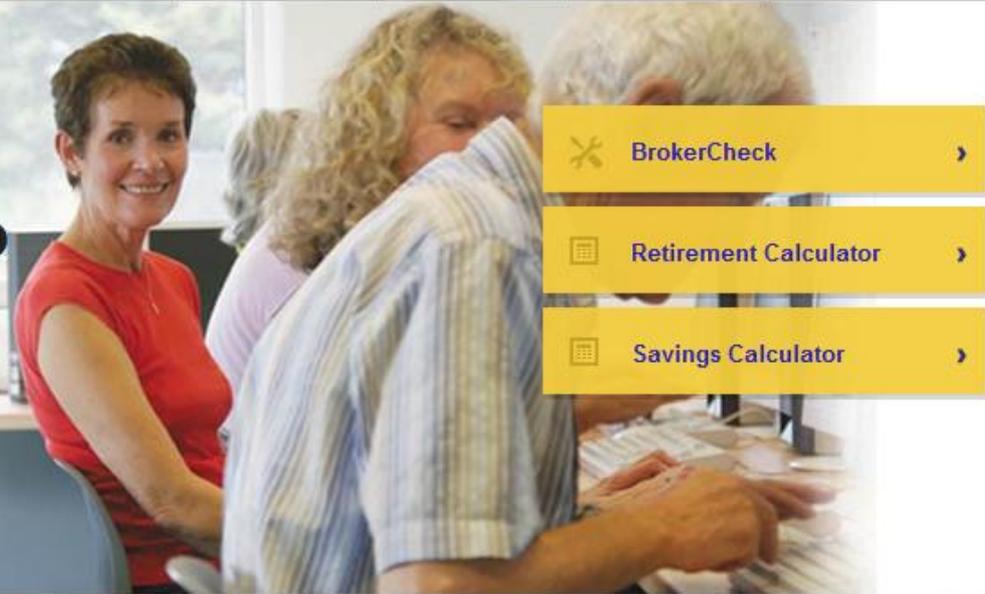
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Why New ?

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Why New ?



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Housing and Community Assistance

Housing and Community Facilities Programs

As a part of USDA Rural Development, our mission is to improve the quality of life in rural areas. Housing and Community Facilities Programs helps rural communities and individuals by providing loans and grants for housing and community facilities. We provide funding for single family homes, apartments for low-income persons or the elderly, housing for farm laborers, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, and much more.

In partnership with non-profits, Indian tribes, state and federal government agencies, and local communities, HCFP creates packages of technical assistance and loan and grant funds to assist more rural communities and individuals. In the years to come, we hope to strengthen these partnerships as well as our relationships with our borrowers and grantees. Together, we can make rural America a better place to live.

We hope you will become through this site and find the

Programs

- [To Buy or Repair My Home](#)
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Why New ?



Quality Builders Warranty
Corporation

COLBOROUGH

QUALITY BUILDERS WARRANTY CORPORATION

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Homebuyer

- › Builders of Integrity
- Discounts
- Benefits
- Maintenance Tips
- Complaint Handling
- Coverages / Green Warranty

» Builders of Integrity

Choose a Builder of Integrity

When looking for a new home, it's important to choose a builder of integrity. When you see a homebuilder that displays the QBW logo, you can look no further. This builder provides the QBW 10-year warranty on his homes and has been carefully screened for technical knowledge, craftsmanship, and financial stability.

The 10-year new home warranty industry began in the United States in 1975 as a method to restore integrity to the homebuilding industry. The federal legislature's pending regulations were avoided with the creation of a warranty industry that would do business with only the best builders. Although several companies in this industry have strayed from those principles since that time, QBW has maintained the original intent of the industry by continuing to do business with only those builders who hold the highest standards of quality construction and customer service.

QBW screens builders for integrity so you don't have to. **Select a builder that displays the**

Save Money



Liberty
Mutual.

Insurance Discounts
[click here](#)

Why New ?

The screenshot shows the homepage of the Home Builders Association of Greater Columbia. The browser address bar displays 'www.columbiabuilders.com'. The page features a navigation menu with links for 'About the HBA', 'Councils, Clubs & Committees', 'Events & Education', and 'Join the HBA'. A main banner image shows a couple embracing, with the text 'Building a better community one home at a time'. Below the banner are three buttons: 'RESOURCES FOR Current Members', 'RESOURCES FOR Home Owners and Buyers', and 'CLICK HERE TO Become a Member'. A sidebar on the left includes a 'Calendar' section with dates and event titles like 'NAHB International Builders Show' and 'Kershaw County Board of Realtors Quarterly Meeting'. A 'New and Upcoming Events' section highlights 'Clyde Nettles Roofing presents the Carolina Classic Home & Garden Show' with a logo for 'BOARING TWENTIES' and 'The Sales & Marketing Council'.

HBA of Greater Columbia | Home

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HOME BUILDERS ASSOCIATION OF GREATER COLUMBIA

Building a better community
one home at a time

RESOURCES FOR **Current Members**

RESOURCES FOR **Home Owners and Buyers**

CLICK HERE TO **Become a Member**

Calendar

2/8/2012 - 2/11/2012:
[NAHB International Builders Show](#)

2/8/2012:
[Kershaw County Board of Realtors Quarterly Meeting](#)

2/8/2012

New and Upcoming Events

Clyde Nettles Roofing presents the Carolina Classic Home & Garden Show

BOARING TWENTIES

The Sales & Marketing Council

Resources

- ▣ www.saveandinvest.org
- ▣ www.homeloans.va.gov
- ▣ www.money.usnews.com/money/personal-finance
- ▣ www.qbwc.com
- ▣ http://www.rurdev.usda.gov/LP_Subject_HousingAndCommunityAssistance.html