



# A GUIDE TO HIRING A CUSTOM HOME BUILDER



**A Guide to Hiring a Custom Home Builder**

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**Published by Christian Gladu Design & The Bungalow Company**

920 SW Bond Street, Suite 203

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# A Guide to Hiring a Custom Home Builder

By Christian Gladu

Building a new home is the largest investment most people will make in their lifetime, so it is important to get it right the first time. Choosing the best custom home builder for you and your project is essential to its success. Remember, you will likely be working together for 6-12 months; so as in any relationship, there needs to be trust and clear, honest communication.

## What is the role of a custom home builder?

A good custom home builder is an advocate for the homeowner as well as an integral and collaborative member of the design team. They work with the homeowner and design team to help establish a realistic budget for the project and then monitor the cost and scope through the design and construction process.

### Custom Home Builder Responsibilities:

- The home builder will involve and manage subcontractors during the design process so the design team can coordinate key building systems into the design of the home. A qualified custom home builder has advanced knowledge of all building systems and is responsible for making sure the subcontractors execute the work as outlined in the designer's plan specifications and to building code.
- The builder will contract with the owner for the construction price on the home and track all cost, submit pay request to the bank and designer for approval, provide lien release waivers for all completed work, and prepare estimates and collect money for approved change orders and owner initiated changes as outlined in the contract.
- Once the designer has filed for and obtained the building permit the builder will be the liaison between the building inspectors, governing jurisdictions, and the design team.
- The builder will be responsible for managing and obtaining all approvals, inspections, and the certificate of occupancy.
- The builder will order, check, and accept all building material and component's prior to installation.
- Upon completion, the designer will review the project for any deficiencies. The builder will work with the subcontractors to resolve any issues and once this is done, and the city has completed final inspections and issued the certificate of occupancy, the builder will deliver the project to the owner.
- The builder will educate the owner on the operation and maintenance of the house and service the warranty as required by local jurisdiction.



# When should I hire a custom home builder?

Our recommendation is that you hire your builder early in the design process so that they can help monitor and control the cost of the project. Negotiate how the builder will be compensated up front and rely on the builder's expertise to solicit multiple bids from suppliers and subcontractors rather than bidding the project to multiple builders. A custom home requires that you work to a budget to get the full value out of it. Custom homes are one of a kind, so it is wise to have the builder and designer work on the project together as a team and leverage their collective knowledge and experience.

## How do I find quality custom home builders?

If you have already hired a designer, they are the best resource for your search. Your design professional likely has existing relationships with builders and first hand experience with their construction quality, communication skills, and business practices. Other resources include:

- **Local lenders** can provide valuable insight into builders and their history of finishing projects on time and on budget.
- **Reputable realtors** have experience in the local custom home market and are an excellent source for home builder referrals.
- **Internet searches** can identify builders in your area and their websites can give you an overview of the style and quality of projects they are accustomed to building.
- **Your Local chapter of the National Association of Home Builders** can also provide a list of qualified local builders. Last but not least; friends, family, or colleagues who have recently completed custom home projects are reliable resources.

## What do I look for?

A well-qualified home builder does not need to be a large flashy organization with fifty trucks on the road and a \$100,000 marketing budget. The right builder needs to have the time, financial resources, interest, communication skills, organization skills, and experience to build your new home. A custom home builder's primary focus should be on building custom homes not speculative homes, so that their services are tailored to your needs.

**Reviewing the following 8 items when choosing a builder, will help you create a solid shortlist of candidates:**

1. A current resume of projects.
2. Track record with projects of similar scale and detail.
3. Communication abilities.
4. Organizational skills.
5. Client references.
6. Time management skills.
7. Understanding and description of the work flow.
8. Whether they specialize in custom or speculative homes.



After performing this initial review and research, I recommend that you reduce your list to a maximum of three builders and set up interviews.

During the interview remember you are the customer and it is important to not only listen to the achievements, but also ask questions and observe whether the builder listens and clearly and completely answers your questions. Ask yourself: Is this someone I can work with? Does the process make sense?

Make sure you are prepared to talk about your project. A good builder will definitely ask questions like: What stage

of the process you are in? Do you have a design? Have you established a budget? Do you have financing in place?

My recommendation is that you answer these questions as honestly and openly as possible. The more viable your project is the more interest and expert advice you will receive from the builder.

Below I have provided twelve questions that you should ask potential builders during an interview. The answers to these questions should illustrate their communication style, understanding of the project, and desire to be involved.

## 12 Interview Questions:

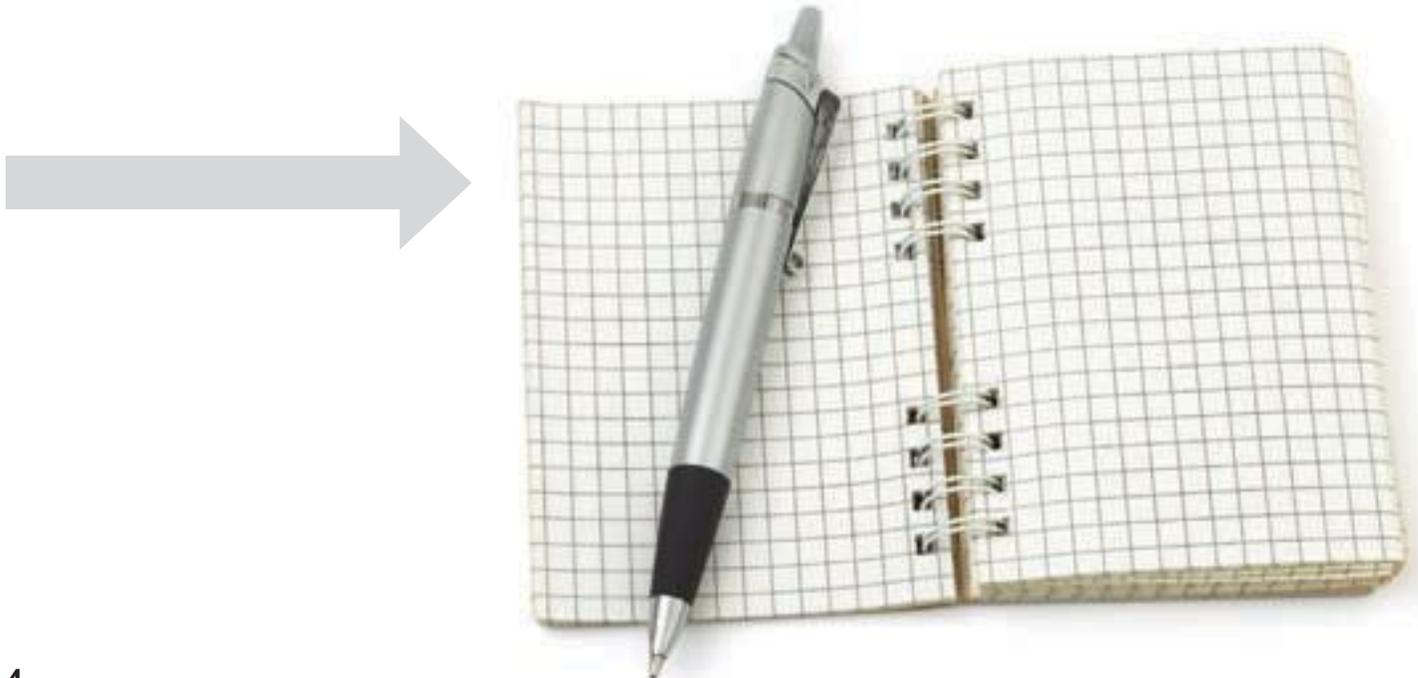
1. Are you willing to work with my designer during the design process to ensure we are creating a home that meets our budget?
2. What means and methods will you use to determine the exact cost of my home?
3. How are you compensated for your pre-construction services?
4. Are you comfortable building the style and quality of home that we expect?
5. Who will supervise the construction of my home and how often will my project be under direct supervision?
6. May I meet the project manager or project superintendent who will be supervising my project on a daily basis?
7. How will questions and concerns be addressed during construction?
8. How do you qualify the competency of the subcontractors who will work on my project?
9. In the event that there are changes to the design or unforeseen conditions that result in extra cost, what process do you use to communicate these changes to the owner and designer?
10. How long do you anticipate the construction of this project will take?
11. How are you compensated for your work?
12. How do you service your warranty once the construction is complete?

There is a lot of information to track in the construction of a custom home, so it is important that the builder has a clear and organized system to track all aspects of the project.

### **The builder should be able to provide you with the following documents in order to illustrate in detail their processes and methods:**

1. A sample contract and proposed method(s) of compensation.
2. A sample budget and explanation of how monthly billings are tracked, invoiced, and paid.
3. A sample draw request to a lending institution and description of process.
4. A sample lien release and description of your rights under state and county law.
5. A sample construction schedule illustrating construction timeline, projected cash flow, milestones, and key decisions to be made on a project.
6. A sample change order request and description of process.
7. A sample warranty.
8. A sample operation and maintenance manual.

Upon completion of the initial interview ask the builder to provide you with a referral list of three past clients and two current clients. Contact the clients and set a time to meet, hear their stories, and get answers to your applicable questions. If possible visit past clients' houses or at least observe them from the outside.



### 13 Questions for References:

1. Were your original estimates accurate?
2. Was the project on time?
3. Was the project on budget?
4. Did the builder ask for decisions in a timely manner?
5. Were the finances clear and transparent?
6. How did the builder react in stressful situations?
7. Did the builder communicate the schedule clearly?
8. What role did the builder take once the project began?
9. Were there other key individuals that worked for the builder that you would request if you were building again?
10. How has the builder responded to callbacks?
11. Was the project clean and organized?
12. Were there subcontractors on the project that you would strongly recommend or avoid?



### Further research

References do not stop with customers; it is imperative to research the builders credentials and standing with the State Contractors Board and the Better Business Bureau. I recommend clients ask the builder if they hold or have held contractor licenses in any other states in the last ten years and if so I recommend clients research their standing in those states.

All builders are required to carry insurance and bonds so research the requirements set forth by the State Contractors Board and ask the contractor to provide a proof of insurance and bond prior to signing a contract. If there has been a claim or incident this does not mean this is a bad contractor but you do need to evaluate the nature of the claim and decide if you are willing to move forward.

Trade and supplier references also offer a good way to find out about your builders standing in the profession. Call key suppliers and sub-contractors and ask about their payment history and what it is like to work with the builder.

Your lending institution will require your contractor's financial information before approving him as an approved builder. Make sure your builder is financially solvent and check the credit rating agencies. Make sure you understand the lien laws in your state and verify that your lender is collecting the lien releases from the subcontractor as funds are being released.

Have an attorney versed in construction law and contracts review the proposed agreement and edit the contract to meet your needs and protect your investment. Make sure you understand the contract and are comfortable with all sections. Contracts are a two way street, so don't sign anything you are not a 100% clear on or amenable to.

If you are building your house from cash or without a conventional construction loan, hire a private inspector to verify that the labor and materials being billed each month have been completed and are on site.

During the course of construction there are products that are custom built specially for your project and may require a substantial deposit. In this event make sure that the check is issued from the bank directly to the supplier or manufacture and references your project.

**The following are some red flags to keep your eye out for when hiring a custom home builder. If any of these situations arise, they are worth looking into immediately:**

**13 Red Flags:**

1. The builder requires a large initial down payments or deposits prior to the commencement of work.
2. There is no written contract or a poorly written contract.
3. The stated price is too good to be true and is significantly lower than other received bids.
4. There is an unclear work history.
5. The builder will not provide a complete estimate.
6. There is a heavy reliance on allowances for final bid.
7. High-pressure sales tactics are employed.
8. Multiple unresolved claims from the Contractor's Board exist.
9. Lack of insurance.
10. The builder says your home will be used for marketing purposes so you will be given a special low rate.
11. No references are furnished or are unable to be verified.
12. The builder is unwilling to provide evidence of certificates of Insurance for General Liability or Workers Compensation.
13. The builder offers a lump sum or very general estimate lacking detail.

Finding and choosing the right custom home builder for your project may be difficult and possibly awkward at times but you are embarking on the biggest purchase of your life so you need to be confident in your decision. Do your homework and understand the process and you will reap the rewards with a beautiful home built to your specifications.



Bungalow Company was founded in 1996 and has completed hundreds of projects across the United States and Canada. The vast majority of the designs have been built multiple times, allowing the designs to be tested and perfected. If questions do arise during construction, the Bungalow Company staff is available and the builder may speak directly to a project designer with intimate knowledge of the design.

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