



BUILDER'S INSURANCE, WARRANTIES & INSPECTIONS

The Builder must have active insurance policies to include both General Liability and Builder's Risk Insurance. General Liability insures the Builder against claims for bodily injury and property damage, medical payments and personal and advertising injury. The Builder's Risk protects the home itself, including materials, fixtures and/or equipment being used in the construction or renovation should those items sustain physical loss or damage. Construction Financial Solutions must be listed as an additional insured on the Builder's Risk Insurance.

When a homeowner will be refinancing their construction loan into either a VA or FHA mortgage, the mortgage lender will require the builder provide certain information and documentation on the home.

INSIDE CITY LIMITS

If the home is INSIDE city limits, the builder is required to get permits and inspections done by the city. When complete, the city will provide a Certificate of Occupancy [CofO]. Additional information required by the builder at the time of completion include:

- Builder's Certification of Plans, Specifications and Site [Form HUD-92541]: Form provided by mortgage lender
- Builder's One Year Warranty [Form HUD-92544] : Form provided by mortgage lender
- Building Permit and Certificate of Occupancy: Provided by the City
- Wood Infestation Report, NPCA 99a and 99b
- Local Health Authority Well Water Analysis or Septic Report, where applicable

OUTSIDE CITY LIMITS

If the home IS NOT INSIDE city limits, then there are no permit or inspection requirements by the county. FHA and VA will require the items listed above, but in lieu of the Certificate of Occupancy, the builder must supply a 10 Year Builder's Warranty... and the only way for the builder to get the warranty is to in fact [1] apply and obtain membership in a Warranty Group, [2] obtain a engineered slab and [3] hire a 3rd party real estate inspector to provide inspection reports for the [1] initial pre-pour, [2] framing and [3] final. If the homeowner is refinancing into a VA mortgage, the real estate inspector must be a licensed VA inspector.

The builder needs to ensure the contract price of the home covers the cost of the inspector, as well as the cost of the warranty which includes an annual membership fee as well as the home itself [around \$3 per \$1,000 cost of home].

When getting the warranty, the builder must apply for membership. It is extremely rare for the warranty group not to approve membership but in rare cases it has happened. The builder will need to complete an application which may include:

- Contact, tax ID number, entity type
- Experience [residential, commercial, condo, etc.]
- Number of homes completed within past year
- License information
- Insurance Information
- Background [association, bankruptcy, judgments, etc]
- References to include banks, construction financing, subcontractors
- Financials – assets and liabilities

You can find Builder Warranty groups on file, but the most commonly used are:

- 2-10 Home Buyer Warranty [<http://www.2-10.com/>]
- Aces Builders Warranty [<http://www.acesbuilderswarranty.com/>]
- Bonded Builders Warranty Group [<http://bondedbuilders.com/>]
- RWC [<https://www.rwcwarranty.com/>]