

REAL ESTATE

HOUSING SCENE

Home structural defects are rare but can be costly

Having the right kind of insured new-home warranty is key. An expert offers advice.

BY LEW SICHELMAN

New homes are rarely perfect.

Houses are giant puzzles with hundreds of parts, manufactured at different locations and carried to the building site. And try as they might to put together a flawless product, builders and their numerous subcontractors don't always get things right.

Luckily, buyers are more likely to have to deal with cosmetic defects than out-and-out structural failures. Scratched refrigerators, broken bathroom tiles and faulty electrical outlets are far more prevalent than badly cracked foundations or sagging roofs.

But structural defects do occur. According to recently released data from 2-10 Home Buyers Warranty, owners of new homes are as likely to experience major structural damage — big cracks in the walls, windows and doors jammed shut, or buckled floors — as they are a major fire.

This isn't to warn buyers

off new construction. Previous research has found that just 1 in 20 houses will sustain a major structural hit over its lifetime. But 1 in every 4 will experience "some" structural distress.

Based on his review of more than 10,000 structural claims over a 32-year period, Walt Keaveny, chief risk manager of the Denver warranty company, says structural problems can occur from Day One. But most claims are reported four to seven years after initial occupancy.

Total losses are not common, but claims can be expensive. According to Keaveny's analysis, it costs \$42,000 on average to investigate and repair a structural claim.

With this in mind, here's how this warranty company's chief management expert says home buyers can best protect themselves from such catastrophes:

- Deal only with builders who offer an insurance-backed new-home warranty from a reputable company. That may sound self-serving. After all, 2-10 HBW is the country's oldest and largest new-home warranty company. But it is wise advice. A 10-year warranty against structural defects is a must especially in areas of expansive soil — roughly in half the

country.

Most warranty companies underwrite builders to make sure they are qualified, which is another reason over and above the homeowners insurance protection to have a warranty. And with an insured warranty, if your builder refuses to repair your house or goes out of business, you will be covered.

- Coverage should start from the day you close on the house, and it should not exclude damage caused by soil movement. Researchers have found that active soils cause more property damage than floods, earthquakes, tornadoes and hurricanes combined.

The two main causes of structural damage are active soils that settle, heave or move laterally, and fill material that is not compacted to code requirements. Only 20% of structural claims have to do with framing; the rest concern foundations.

- Ask whether geotechnical engineers have been involved in your home's design. If so, says Keaveny, you are about half as likely to have a structural issue.

In a geotechnical investigation, subsurface conditions and geologic hazards are explored by drilling holes and pulling samples. These tests determine whether the soil is expansive and whether fill dirt has been properly compacted. Findings are given to the structural engineer so he is not working blindly when designing foundations to fit the conditions.

- Consider hiring your own independent home inspector. Government inspectors might inspect the home, but they are making sure only that construction

meets minimum code requirements.

An independent inspector should examine the house as it is constructed — once just before concrete for the foundation is poured, again when the walls go up but before the drywall and insulation are installed, and finally when the place is completed.

Keaveny says his company requires its builders to have at least these three inspections. "If you wait," he says, "it's too late."

- Check the grade around the house. It should fall at least 6 inches in the first 10 feet from the foundation. If it does not, water will flow back toward the foundation instead of away from it.

In areas with expansive soils, or if your house has a basement, it's best to use gutters and downspouts to carry rainwater at least 5 feet from the foundation.

If your property is graded properly, don't change it. One of the biggest mistakes owners make is to change the grade with flower beds and shrubs.

- Make sure you receive a copy of the warranty company's performance standards booklet. Controversies have arisen over the years about home warranty coverage. The booklet will spell out what is considered a structural defect under your policy, so you will know exactly where you stand.

Absent this, buy a copy of the National Assn. of Home Builders' "Residential Construction Performance Guidelines."

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