



CONSTRUCTION INSPECTOR REVIEW

VOLUME 13, 2ND QUARTER 2009

Foreclosures Gaining Buyer Interest: Inspect Before You Buy

by Phoebe Chongchua¹



It's no surprise that buyers are looking for a bargain but now even more people are gaining interest in the growing foreclosure market. According to Trulia.com and RealtyTrac, a recent survey shows that 55 percent of U.S. adults are at least somewhat likely to consider a foreclosed home when buying real estate. That's a nearly 10 percent increase from November 2008.

However, many buyers are a bit leery of foreclosures because approximately 85 percent said they can't identify negative aspects of the properties. That figure also rose by 5 percent from the last quarter of 2008. Among the top concerns are hidden costs, a risky process, and further de-valuing of the foreclosed property. Buying a foreclosure doesn't have to be a scary and unknown process if you take the

right precautions. Inspect before you buy is a good motto for any real estate transaction but even more so with a home that has been foreclosed and possibly sitting vacant for long periods of time.

"A lot of the foreclosures that I have inspected have had fires, usually due to the heating equipment. And it's predominantly because somebody just wasn't taking care of the equipment—not because they were trying to set the house on fire because they were upset—it's just poor maintenance," says Frank Schulte-Ladbeck, a home inspector based in Houston, Texas.

He says the trouble with foreclosures is what happens to the homes during the foreclosure process. "People who are getting into the point where they're going toward foreclosure usually don't have money for maintenance," says Schulte-Ladbeck. Consequently, sometimes important housing needs are let go or, potentially worse, the former homeowners unsuccessfully attempt to do their own repairs.

"You see weird plumbing or wiring set-ups that can sometimes really cause a problem down the road, like with the electrical [system] causing fires or the plumbing causing leaks," says Schulte-Ladbeck.

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CALLING ALL FHA INSPECTORS!

GCI is recruiting FHA HUD - Roster Fee Inspectors for this fast growing segment of residential home improvements. Contact GCI at 800.919.8903 or at inspectorinfo@gcinspects.com to learn more!

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Phoebe Chongchua is an award-winning journalist, an author, customer service trainer/speaker, and founder of Setting the Service Standard, a customer service training and consulting program offered by Live Fit Enterprises (LFE) based in San Diego, California. She is the publisher of Live Fit Magazine, an online publication that features information on real estate/finance, physical fitness, travel, and philanthropy. Her company, LFE, specializes in media services including marketing, PR, writing, commercials, corporate videos, customer service training, and keynotes & seminars. Visit her magazine website: www.LiveFitMagazine.com.

Phoebe's articles, feature stories, and columns appear in various publications including The Coast News, Del Mar Village Voice, Rancho Santa Fe Review, and Today's Local News in San Diego, as well as numerous Internet sites. She holds a California real estate license. Phoebe worked for KGTV/10News in San Diego as a Newscaster, Reporter and Community Affairs Specialist for more than a decade. Phoebe's writing is also featured in Donald Trump's book: The Best Real Estate Advice I Ever Received and The Complete Idiot's Guide to Buying Foreclosures. She is the author of If the Trash Stinks, TAKE IT OUT! 14 Worryless Principles for Your Success.

Contact Phoebe at 858.259.3646 or phoebe@livefitmagazine.com. Visit PhoebeChongchua.com for more information.

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Foreclosures Gaining Buyer Interest

(cont'd)

Another big concern is when the previous homeowners used various items in the home as replacement for something that had broken. Schulte-Ladbeck says because homeowners who are facing foreclosure frequently cannot afford to fix something in the home, they go without it but that can cause more problems. "I saw one [foreclosure] home, that didn't have any heating so they were using their fireplace but they weren't using the fireplace correctly—they had closed the damper and it was allowing the smoke to get into the room. So there was all this smoke damage inside." How about that terrible smell? Many buyers think it's only due to mold. But Schulte-Ladbeck says it could be a different cause as was the case with a townhouse he recently inspected. "The water out of the bathrooms had drained out the P-Traps [the pipe that is under sinks and contains water] so you started getting a really awful sewage smell in the house. A lot of people associate that with mold but it's actually the P-Trap which prevents the [noxious sewer gas] from backing up into your house. When a foreclosed home is sitting for six months or a year, that water will dry up. So then you need to pour water back into that drain to clear away the smell," says Schulte-Ladbeck.

The best thing you can do if you're considering a foreclosure is to have it inspected. Just make sure that the property is ready to be inspected or you could be doing yourself a huge

disservice. "The one thing that I really suggest to buyers is that a lot of times they have me go in and inspect the foreclosure when it's still winterized which means that all the power is off, the gas has been turned off, and the water has been turned off. But there's just no real way to properly check the home to see if something has gone wrong without those things being on." "Have everything turned on

because that's when you might start seeing things that are wrong like leaks and electrical problems. You could see problems with the heater or the water heater, ovens or cook tops that use natural gas," says Schulte-Ladbeck. Seeing is believing and, with inspections, the only way to know for sure is to have everything operating in order to gain the most knowledge about what things will need repairing.



GCI's TOP 5

Top 5 reasons why Inspector adherence to requirements is critical to the GCI process

- 1. "Special Instructions" are critical** as they provide important information for the particular order. Please scrutinize each and every one!
- 2. Inspector comments in the site review** are crucial to the Quality Control Analyst processing the data. Please note specifics that are relevant to the inspection order in "Inspector Comments."
- 3. Calling GCI Customer Service with issues** regarding contacts, access, or any other problems within 24 hours is paramount. We cannot assist you if we are not aware of the problem at hand.
- 4. Allowing GCI to accept orders for you** if you are out in the field or cannot accept the order in a timely manner will prevent an inspector reassignment!
- 5. Notifying GCI of vacations or time away** will allow us to reassign to an available inspector.

INSPECTOR CENTRAL

JOIN OUR NETWORK!

GCI is constantly recruiting qualified individuals for our nationwide Inspector Network.

If you are qualified to perform either residential or commercial construction inspections and are interested in applying, please email us at:

inspectorinfo@gcinspects.com

to learn more about what GCI can offer you!



Granite is a member of:

THE INTERNATIONAL ASSOCIATION OF
CERTIFIED HOME INSPECTORS

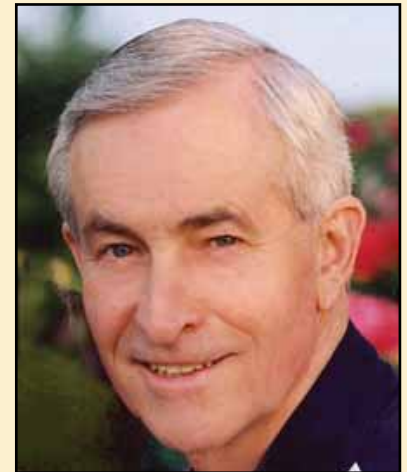


For more information about NACHI, visit them at www.nachi.org or explore their resources at www.inspectormall.com.

"OUTSTANDING... IN THE FIELD"

Steve Kellar

Steve Kellar became a GCI inspector in 2006 and has consistently provided excellent reports and photographs as well as detailed notation on all of his inspection reports. The quality of his notes and commentary on his reports and photos have allowed GCI to process the information with minimal or no adjustments which enables us to increase our turn-around time to the lender. Steve's Turn Time is 10.93 hours, which identifies him as one of our fastest inspectors in our network!



Steven Kellar
12341 Long St
Overland, KS 66213
913.706.2146
sskellar@kc.rr.com

Steve Kellar has conducted draw inspections for more than six years and has been inspecting for GCI since 2006. Most of his inspections have been residential construction, but he has occasionally conducted a commercial inspection. "I have enjoyed working with the employees of Granite and look forward to the day when the housing market rebounds so that we will all have more inspections." Steve also likes to meet the project managers and owners of the properties that he inspects to learn something from each one of them.

Steve has been married for almost 41 years, has two children and two precious grandchildren. Steve and his wife reside in Overland Park, a suburb of Kansas City, Kansas. Steve said, "I love to attend grandchildren events, garden, conduct genealogy research and watch soccer, particularly the Kansas City Wizards and USA National Team games."

"In my previous work life, I worked in the auto industry for 33 years," recalls Steve. "Now that I am in the twilight of my working career, I like the flexibility that Granite affords so that I can enjoy the opportunities to attend grandchildren games and events. Those kids love to fish and I am dedicating this year to teaching them to bait their own hooks."

Thank you, Steve, for doing the work that you do!
Keep up the great job!



Inspector Compliance Corner



You want me to inspect what?

As we continue to work with our clients and acquire new ones, each of them will submit their own line item format. We import the client's information into our formatted report which you see on our website. Some of these items are clearly definable and easy to report on, however, there are items that come under question.

The following list contains some of the line items that are considered "soft-cost" or "non-inspectable" line items. These items cannot be inspected and can be confusing. The percentage entered for these line items should reflect the overall percentage of the project based on your observations; if the "overall" percent is 75; enter 75% for these line items.

- Rental/Equipment
- Tax/Deposit
- Temp facilities/Sanitation
- Supervision/Superintendent
- Misc. Items
- Architect Fee
- Clean-up/Dumpster/Trash Hauling

- Engineering/Survey
- Contingency
- Contractor Fee/Contractors P&O
- Profit/Overhead/Commissions
- Appraisal
- Insurance/Contractor Process
- Soil Testing/Soil Engineer
- Warranty, Fees, Builder's Risk, General Liability
- Permits/Mobilization
- Cost Outside of Contract (COC)

Remember: The percentage to enter for these items is the "Overall" percentage for the project.

GCI recommends that you review the GCI Inspection Checklist prior to taking it to the construction site to record your percentages and notes. Call us if you have any questions on any line item. Do this before you go to the site and you will have a more efficient inspection!

What about these items?

The following list of line items has posed many questions from our

inspector network. Some of these items may be familiar to you, while others may not. For clarification purposes, the following list provides the line item and its definition.

Dewatering

Removing or draining water from a construction site by pumping or evaporation. This is often done during the site development phase of a major construction project due to a high water table. Usually involves the use of "dewatering" pumps.

Approaches

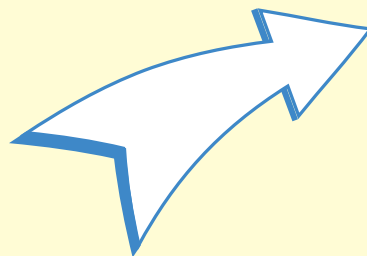
An area, between the curb or pavement edge of a public street and the private property line intended to provide access for vehicles from a roadway or a public street to a driveway on private property.

Underpinning

Is the process of strengthening and stabilizing the foundation of an existing building or other structure. Underpinning is accomplished by extending the foundation in depth or in breadth so it either rests on more supportive soil stratum or distributes its load across a greater area.

(cont'd on page 5)

GCI unveils the **new look** of www.gcinspects.com with more updates to come soon!





Inspector Compliance Corner

(cont'd)

Porte Cochere

An open-walled roof over a driveway next to the entrance of a building, to shield embarking and disembarking vehicle passengers from the weather.

GCI recommends you contact them after reviewing the checklist to get clarification on any confusing items before going to the property. There may be other line items similar to these and each one will have to be addressed individually.

What are Stage Line Items or Stage Budget Breakdowns?

Stage line items or Stage Budget Breakdowns are budgets that group several associated line items together. The line items are associated to each other in the critical path of construction. For example, "Stage 100s" usually pertain to Foundation items such as Footings, Foundation Walls, Rough Plumbing, Slab, etc. Each of these individual line items will have a "100" number such as 101 – Footings, 102 – Foundation, and so on. While the only line item highlighted is the 1st line item of the Stage ("Stage 100s"), we still need the completion percentage for each individual line item. After obtaining each percentage for these individual line items, we ask that you combine the percentage for the Stage line item and give an approximate overall percentage for the Stage.

Remember: you will still need to enter a percentage for each of the Stage line items even though they are not highlighted. ■

“ GCI’s mission is to deliver a high quality, cost-effective inspection, utilizing a professional and highly trained nationwide network of inspectors, and specialized in-house representatives. ”

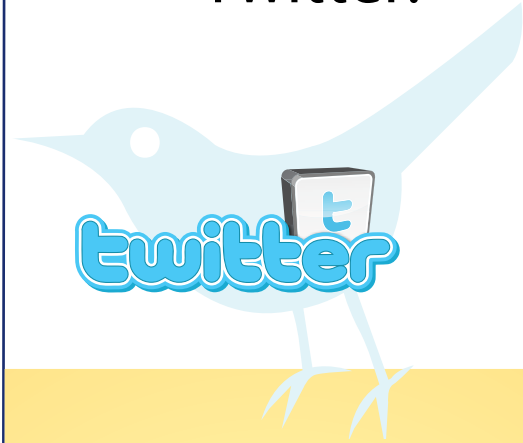


MISSING A PAYMENT?

GCI pays weekly via electronic funds transfer and bi-weekly via mailed check. GCI requires the following forms to be completed prior to payment:

- ✓ **New Inspection Company (Form GCI-A1 or A2)**
- ✓ **Signed W-9**
- ✓ **EFT Form**

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DID YOU KNOW?

GCI’s Inspection Platform

Residential and Commercial Inspection Types Include:

- Construction Draw
- Damage Assessment
- Aquisition and Development
- Clear-Lot
- Easement/ALTA
- Forensic
- Status/Audit
- Tenant Improvement
- MOD Drop
- Title Datedown
- Pre-Start Analysis
- Tenant Improvement

To find out how you can be a commercial inspector, contact us at inspectorinfo@gcinspects.com.



Introducing the New GCI Commercial Website Process

Granite Construction Inspections (GCI) is proud to announce it's newly designed commercial website. Some of you have had an opportunity to work in the new environment over the last year and have provided us with considerable feedback. This new process is in place to provide you with all of the information necessary to approach the worksite with confidence.

As you know, communication on all projects is always very important to us. By providing the inspector with all the information available from the client, the inspector has a better understanding of the conditions of the project and is able to provide a more accurate and informative report. That report, in turn, provides GCI and the client with not only the inspection details but also a general overview and the condition of the project. Communication is key for our commercial inspections to be successful and more importantly to provide all of our clients with accurate and concise information.

The following are some new elements in our commercial process:

- Enhanced Budget Reporting – on our re-designed industry standardized AIA-format budget page that shows critical pending and previously disbursed amounts along with associated completion percentages.
- Project Documentation - allows all parties to view vital plan components from change orders to plan sets for consistent project construction information throughout the construction cycle of the project.
- Field Report Additions
 - o Cover page with commercial inspection requirements and comprehensive instructions.
 - o Expanded site review report questionnaire for detailed reporting and commentary regarding project's progress and other key information.
 - o Individual line item notation for recording exact detail in regard to progress of singular construction budget items.
- Update/Upload Process Additions
 - o Faster photo upload – upload and edit **ALL** of your photos at the same time versus selecting only four singular photos per upload!



Our updated commercial tools will offer you more flexibility and us more information about the progress, conditions, changes, and overview of the project. The new site enhancements have also streamlined the upload process with faster input on your side resulting in a more efficient delivery time to the Lender.

In the weeks to come, GCI will be providing a tutorial in order to walk you through the system and answer any additional questions. Thank you as always for your continued dedication and commitment to providing us with the communication and quality reporting that our clients have come to appreciate.

Construction Inspector Review
10770 Briarwood Avenue, Suite 280
Centennial, CO 80112
800.919.8903

Customer Service
800.919.8903
inspectorinfo@gcinspects.com

Sales & Marketing
866.380.9504
sales@gcinspects.com