

Writing Your Own Warranty

by Kent and Lewaune Hanson



The last obstacle a builder faces during a construction project is returning to the site to patch nail pops and concrete cracks, and to make minor adjustments and small repairs. Builders new to the business soon realize, however, that without a written warranty, anything and everything ends up on their client's repair list. On the other hand, a good warranty works to everyone's advantage. It instills confidence in clients that their investment will be protected, and it reduces the chances that the builder will be nickel-and-dimed to death by an endless series of callbacks.

There are several national warranty programs, such as Home Owners Warranty (HOW) and HomeBuyers Warranty (HBW), all of which provide both a ready-made written warranty as well as insurance coverage against losses (see *Business Forum*, 2/93). At the time my wife and I started our business, however, some of our clients had heard stories of poor performance by some of these national programs, so we decided to write our own warranty.

Initially, we put together a two-page document that covered for one year everything in the house that wasn't under manufacturer's warranty. It looked good on paper, and it was a pretty good deal for our clients, but it created problems for us. First, our warranty did not provide any way of determining what needed repair and what didn't. If a client noticed a crack in the garage slab, for example, it went on the list as a warranty item, regardless of how large the crack was. Most builders know that it's virtually impossible to construct a slab that won't crack at all. But the first time this issue came up on one of our jobs, we had to argue with our clients to convince them that minor cracking was normal.

Another problem with our first warranty was that it didn't specify what constituted an acceptable repair. With the cracked slab, for example, some clients assumed that the only way to make a repair was to replace the whole thing. It took a lot of talking to convince them that a surface patch would do the job.

We soon realized that our original warranty was inadequate. We had hoped it would improve our company's image; instead, it seemed only to create confusion.

Then we read an article about a builder who had written a warranty that solved most of these problems. We used his warranty as a model to rewrite our own, making revisions to fit our business. Since then, the warranty has grown to more than 20 pages.

Setting Limits

We don't like surprises, and neither do our clients. Our new warranty is very specific about the building components

it covers. Not only does it establish acceptable tolerances for materials and workmanship, it also describes how any repairs will be made.

List of items. For easy reference, the warranty is divided into 11 broad *Categories*:

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|---------------------|---------------------|
| • Sitework | • Electrical |
| • Concrete | • Doors and Windows |
| • Masonry | • Wood and Plastics |
| • Thermal and | • Specialties |
| Moisture Protection | • Equipment |
| • Mechanical | • Finishes |

Within each category is a list of warranty *Items*, followed by a description of one or more *Possible Deficiencies*. The category "Sitework," for example, lists two items — "Excavating and Backfill" and "Site Drainage" — each of which is followed by a brief description of how the work may be judged deficient. Together, the list of items establishes the bare outline of what is and isn't covered by the warranty.

Standards and responsibility. A simple listing of warranted items, however, isn't much better than the blanket warranty we started with, even when possible defects are included. The list still does not provide a basis for agreeing on what needs repair and what doesn't, nor does it help us limit our responsibility for making the repairs.

So we included two other sections under each item heading: *Construction Standard* and *Builder Responsibility*. The construction standard establishes a benchmark against which to measure material performance and workmanship. When we can't agree with our clients about whether an imperfection needs to be fixed, we refer to the standard to see what's acceptable. We are not required to repair a garage slab crack, for example, unless it is $\frac{3}{8}$ inch wide or more (see "Sample Warranty Entries," next page). When a repair is necessary, the section on builder responsibility explains how the repair will be made.

Fortunately, the Metropolitan Builders Association in nearby Milwaukee publishes a pamphlet listing construction standards for our area, which we have incorporated into our warranty. Another reference is *Quality Standards for the Professional Remodeler*, available for \$18 from NAHB's Homebuilder Press (800/223-2665).

Using the Warranty

Our warranty is included as an addendum to the construction contract. The contract contains a clause stating

Set clear quality standards
and be specific about how
repairs will be made

that if no objections are raised before signing, then we can assume our clients understand the entire document, including the warranty. Our clients have plenty of time to review both the contract and the warranty before signing, and we make ourselves available to answer any questions they have.

The warranty period is one year from the date of occupancy. We explain at the outset that we prefer to make all warranty repairs at the same time, rather than make several return visits to the site. (The exception is an emergency repair, such as a burst water line.) We ask our clients to keep a list of items they believe are covered by the warranty. A few weeks before the warranty period expires, we meet with the client to discuss the list and schedule the repair work. Since we started using the new warranty, we have never had a disagreement about how to make a repair: The warranty spells it all out.

Underpromise, overdeliver. The standards described in the warranty, of course, are minimum standards. We make an extra effort to go beyond the standards described in the

warranty, both in the original construction, and also by making repairs that, according to the warranty, are not our responsibility. When our clients know that we have gone beyond the standards, they are more likely to recommend our company to someone else. This is important to a small operation like ours that relies on referrals for most of its work.

Revising the warranty. Over the years, we've added items to the warranty based on problems that have come up on specific jobs. The section on air conditioning systems, for example, was added after several clients called us back to repair clogged condensation lines. Since condensation lines clog under normal use, our warranty now states that we will provide unobstructed lines at the time of occupancy, but that keeping the lines open is a homeowner maintenance item. ■

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Sample Warranty Entries

Our warranty is more than a bare listing of what's covered and what's not. For each item in our list, we include a quality standard that describes acceptable tolerances, as well as a section that spells out how we will make the repair. The following excerpts are typical of the entries in our warranty, which has grown to more than 20 pages.

Category: Concrete

Item: Cast-in-Place Concrete

Possible Deficiency: Cracking of attached garage slab, sidewalks, drives, patios, and porches.

Construction Standard: Cracks in excess of $\frac{3}{8}$ inch in width to $\frac{3}{8}$ inch in vertical displacement are considered excessive.

Builder Responsibility: Builder shall repair cracks exceeding maximum tolerances by surface patching.

Category: Thermal and Moisture Protection

Item: Louvers and Vents

Possible Deficiency: Leaks from snow or rain driven into the attic through louvers or vents.

Construction Standard: Attic vents and louvers must be provided to properly ventilate your house. Infiltration of rain and snow depends on the force and direction of the wind.

Builder Responsibility: Builder not responsible.

Category: Mechanical

Item: Plumbing fixtures

Possible Deficiency: Cracking or chipping of porcelain or fiberglass surfaces.

Construction Standard: Surfaces of bathtubs and kitchen sinks shall not be chipped or scratched.

Builder Responsibility: Builder to repair any chips or scratches noted at time of walk-through inspection.

Item: Plumbing drains

Possible Deficiency: Stopped-up sewers, fixtures, and drains.

Construction Standard: Sewers, fixtures, and drains should operate properly.

Builder Responsibility: The builder is not responsible for sewers, fixtures, and drains that are clogged through the owner's negligence or through vandalism. If a problem occurs, the owner should consult the builder for a proper course of action. Where defective construction is shown to be the cause, the builder shall assume the cost of the repair; in all other cases, the owner shall assume all repair costs.

Category: Electrical

Item: Switches and Receptacles

Possible Deficiency: Malfunction of electrical outlets, switches, or fixtures.

Construction Standard: All switches, fixtures, and outlets should operate as intended.

Builder Responsibility: Repair or replace defective switches, fixtures, and outlets.

Item: Service and Distribution

Possible Deficiency: Ground Fault Circuit Interrupter (GFCI) trips frequently.

Construction Standard: GFCIs are sensitive safety devices installed in the electrical system to provide protection against electrical shock. These sensitive devices can be tripped very easily.

Builder Responsibility: Builder to install GFCIs in accordance with approved electrical code. Tripping is to be expected and is not covered, unless it is shown to be due to a construction defect.