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Great ideas and resources for your home and garden

Hiring a Contractor

Choose the right pro for the job

Building Your Budget

Set realistic spending goals

Plus 100s More Resources and Tips

For a successful remodeling project

Remodeling Guide | 2007

Your ultimate step-by-step guide

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Building Your Budget

Set a realistic spending goal before you start

by Gwen Biasi

Few things cause more quarrels and tension than money. Fortunately, developing a budget for your remodeling project doesn't have to be nerve-wracking if you follow some basic guidelines.

Determine what you can afford

This suggestion alone can strike fear into a remodeling homeowner's heart. "Some homeowners prefer to call in a remodeling contractor and expect him or her to create the budget for them, which is not the best way to begin," says Thomas J. Hagner, CRS, president of National Association of the Remodeling Industry (NARI). How do you start off on the right foot? You can begin by taking these three easy steps:

Keep a reserve

Once you decide how much you can afford to spend on a remodeling job, decrease that amount by 10 to 20 percent. This reserve should be saved to cover any change orders or incidental charges accrued along the way, which will help prevent a frantic scramble for additional funds at the end of the project.

Say "no" to unnecessary change orders

It's easy for a homeowner to say, "A little more on this fixture doesn't matter. It's very little money," but having that attitude makes it easy to overextend a prepared budget. While it's rare any remodeling project proceeds without a single change order, homeowners can keep them to a minimum by sticking to their original plans.

"While you're at it..." adds cost

A phrase like "while you're at it..." can annihilate a budget. While it's tempting for a homeowner to have a remodeling contractor complete basic handywork, it's important to remember that any work not specified in the original contract will have an additional cost attached to it.

Financing

Some homeowners obtain financing for a remodel, especially for larger projects. There are various financing plans readily available to homeowners, including a home equity loan, which bases the loan amount on the equity in the home.

Federal Housing Administration (FHA) loans specifically for home improvements are available through many banks and lending institutions. The FHA requires that the contractor be approved by the lender, but proceed with caution—FHA



Photo courtesy of Masterworks Construction

Tips from the Experts

1. Hire a licensed contractor.
2. Consider using a design-build contractor who can help control costs by designing to your budget.
3. Be leery of paying large deposits up front.
4. Get a schedule from the contractor with the scope of work itemized and make these part of the contract.
5. Only pay for work completed—either entirely completed or percent complete.
6. Note from the beginning if the contractor shows up on time and returns phone calls in a timely manner.
7. Go by potential contractor jobsites—Is the job clean and orderly? Do the workers look professional?
8. Ask for lien releases before paying invoices.
9. Find out how are change orders handled.

Source: Bill Leisy, Masterworks Construction, Signal Hill

approval in itself does not guarantee the contractor's work. Other financing options include personal or credit card loans. For more information about financing a remodeling project, go to NARI's Homeowner's Guide online at www remodeltoday.com.

Whichever financing a homeowner obtains, it's recommended to stick with it. If the budget is "x" and reserve fund is "y," don't be afraid to tell the contractor that these are the budgetary parameters. Many times, a professional remodeling contractor will be familiar with available financing options and can make recommendations, but homeowners should do their own homework on the available options as well.