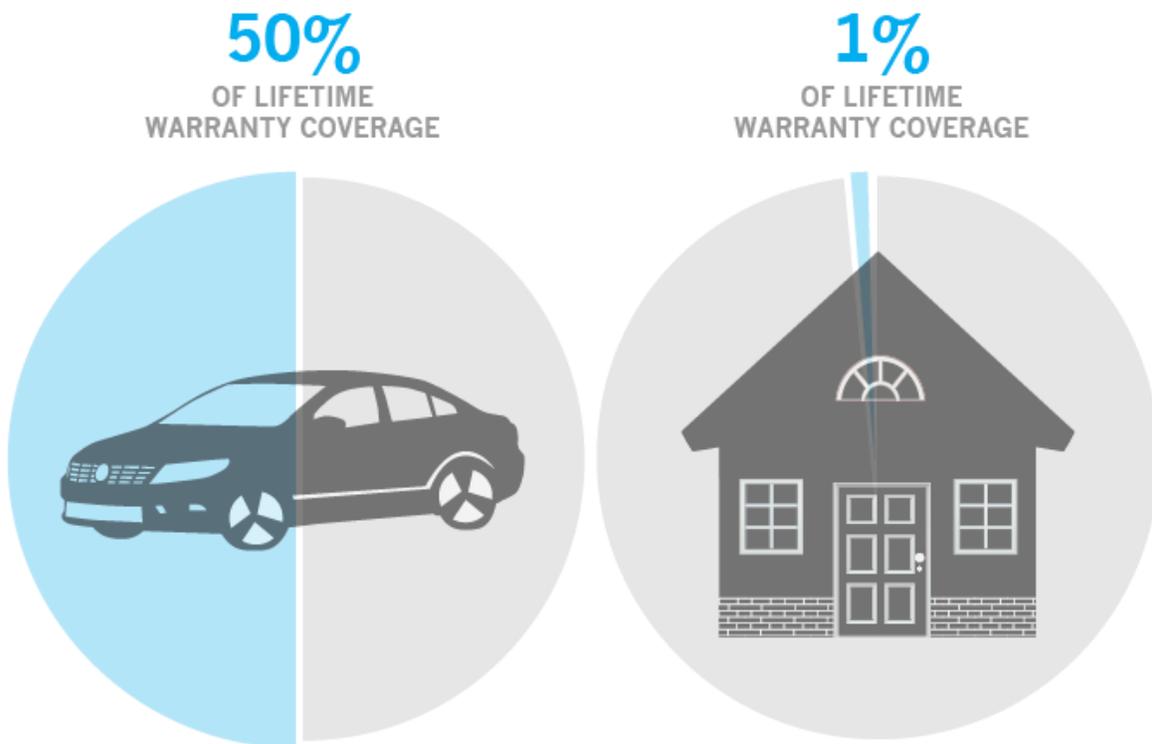


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Performance Anxiety

What if a Car Came with a 2,000 Mile Warranty?

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Source: Sam Rashkin

If it did, you would probably laugh...thus the term the laugh test. But they don't. Car buyers today routinely get 60,000 mile, and in some cases 100,000 mile, warranty coverage. If cars routinely last up to 200,000 miles or longer, this warranty coverage suggests manufacturers are willing to back up their product's performance for 30 to 50% of its life.

But what does this have to do with home builders?

Before answering that question, first another question; how long will a home last? 30 years? Are we tearing down homes built in 1985? 50 years? Are we tearing down homes built in 1965? Homes built today should last well past 100 years and high-performance homes more than 200 years.

Of course in Europe homes last for centuries. So how good is our warranty coverage in the housing industry? The average builder warranty is for 1 year! That's one percent or less a home's useful life. If car manufacturers provided that amount of coverage, the average warranty would be 2,000 miles or less; thus, the title of this column. The housing industry can do better. In fact a lot better now that we're building to much better energy codes and increasingly integrating building science into high-performance homes.

Which begs the question why should builders want to extend homebuyer warranty coverage? The answer is simple. Because they can and their competition can't.

The primary competition for builders is existing homes representing approximately 85 percent of all homes sold each year. And existing homes come with a broad array of liabilities including high utility bills, poor comfort, durability and moisture problems, health concerns, and safety issues. Those performance issues are a great place to start raising the very low bar with current warranty coverage. Moreover, the extended warranty coverage could entail minimal risk for the builder by being tied to third-party programs and manufacturer specified performance.

What to Warranty, and Why

Some examples for better coverage include warranting specified low energy bills for annual heating and cooling along with maintaining temperatures within plus-or-minus three degrees in every room. This energy and comfort warranty has already been provided on 100,000's of homes by third-party programs (e.g., Masco Environments for Living) with extremely good performance and rare claims.

Then take a freebie; warrant your homes don't include lead and asbestos in any of the construction products. Of course no new homes do by law, but this is a liability for any homebuyer purchasing a pre-1978 home so it's worth making an issue. The Center for Disease Control reports that approximately 24 million housing units have deteriorated leaded paint and elevated levels of lead-contaminated house dust. Millions of more homes will be at risk where lead that is encapsulated becomes disrupted during construction for repairs and additions.

Warranties should also ensure a specified amount of fresh air provided each day for better health protection (e.g., 100,000 cubic feet of fresh air per day) by simply backing up the rated air flow of the whole-house ventilation system that is often tested with energy efficiency and green labeling programs (e.g., ENERGY STAR Certified Homes). Warrant that dangerous formaldehydes and VOC's are not included in board products, cabinets, adhesives, carpet, carpet padding, and paint simply by specifying products without them.

I could go on, but instead refer you to the 30-Year Warranty program concept laid out in the chart below for high-performance homes. The best part of the extended warranty is that it will finally bring the housing industry into the age of customer service. The warranty only stays in force if the owner uses the builder to provide annual service to ensure the home is maintained and operated as specified (e.g., weather parameters, operating conditions, number of occupants, routine maintenance, etc.). This protects the homeowner and the builder, and most importantly sustains an ongoing relationship with each buyer that is normally lost. And you want this relationship when you build a great home. Lastly, don't underestimate the value of this extended warranty in marketing new homes. Consider that many car buyers pay nearly \$2,000 to get extended warranty coverage from 60,000 to 100,000 miles.

BACKING UP PERFORMANCE 30-YR. WARRANTY

Healthy Air Warranty	Affordable Comfort Warranty	Durability Warranty
<ul style="list-style-type: none"> ➤ Lead-Free* ➤ Asbestos-Free* ➤ Particulates Filtered to 1 Micron* ➤ Mold-Free* ➤ Combustion Safety* ➤ 100,000 CF per Day Fresh/Filtered Air* ➤ VOC-Free* ➤ Formaldehyde-Free* ➤ Pest-Free* ➤ Radon-Free* 	<ul style="list-style-type: none"> ➤ \$60/Month Average Heating/Cooling Bill* ➤ Even Room-by-Room Temperatures* ➤ No Outdoor Drafts* ➤ Outside Noise Reduction* ➤ No Excessive Humidity* 	<ul style="list-style-type: none"> ➤ Structural Integrity * ➤ Moisture Damage* ➤ Dry Basements* ➤ No Thermal Defects* ➤ 90% UV Sunlight Blocked ➤ No Window Condensation* ➤ Roofing * ➤ Siding* ➤ Windows * ➤ Termite Damage *

This extended warranty concept is an important topic of discussion during Retooling the U.S. Housing Industry Workshops I do with builder executives. One builder participant, Todd Usher of Addison Homes, LLC, in Greenville, South Carolina, provides a great example how to get your feet wet providing a better warranty. Todd provides 15-year extended warranty that includes special durability coverage for water problems, rot, and termite damage. All three of these issues are significant peace-of-mind concerns for homebuyers. Todd charges \$500 per year for the annual maintenance program that keeps this warranty in force.

The twice-a-year service includes infrared scans to verify the effectiveness of the thermal enclosure and uncover any moisture issues, high-MERV media filter replacement, refrigerant charge testing and replacement where needed, and ongoing protection with a termite bond. He started this service when he was called back on a home he built five years earlier and found out that the key problems were due to poor maintenance by the owners. The key problem was the HVAC filter was not being replaced. Over time this led to constrained air flow across the coil which led to moisture problems, and eventually excessive suction in the air handler that pulled in insulation and further blocked air flow. Todd learned that his reputation is on the line if his homes are not maintained by their owners and quickly developed his extended warranty program. To date he has had no coverage issues and has earned a reputation as a builder who backs up his product. Backing up performance of new homes will pay big dividends and distinguish high-performance builders.

This article is part of a series on housing innovation based on the author's book, 'Retooling the U.S. Housing Industry: How It Got Here, Why It's Broken, and How to Fix It.' This book examines opportunities to transform the homebuyer experience relative to five key components: 1) Sustainable Development, 2) Good Design, 3) High-Performance, 4) Quality Construction, and 5) Effective Sales. Each article features one innovation or business principle covered in workshops with builder executives. Find out more at www.SamRashkin.com.

