WARRANTY PLANS PROVE THEIR WORTH

Spontaneity has its place in the world, but really, very few things are done well without first having a plan. An adventurous cook may try baking cookies without a recipe and after a few unsuccessful batches, end up with something the dog will eat. But who can afford to “wing it” when building the next project? Considering the current legal environment in the housing industry, that would be a less than edible exercise.

One area where a very specific plan needs to be in place is the one-year warranty period after the sale. This is where the legal mixing bowl gets turned upside down. The following true story is a perfect example:

**FOR SALE:** Beautiful new home in old neighborhood. $1.5 million.

**SOLD:** Summer of 2006 (Recall that this was a scorcher of a summer.)

Soon after the sale, phone calls begin to warranty management company. "My upstairs air conditioner must be broken. It only cools the upstairs to 86 degrees," says the home owner. The warranty company inspects the home. The outside temperature is 105 degrees; inside is 86 degrees. The air conditioner is actually exceeding ASHRAE handbook guidelines. No problem.

The home owner is not pleased and gets another subcontractor to replace the upstairs furnace because he is convinced it is too small to move enough air to cool the upstairs. The home owner is also convinced there is mold in the four-month-old carpet and hires his own subcontractor to replace the carpet. The home owner sends a bill for $11,000 to the builder for repairs. The builder looks over his “plan” and asks the home owner for the warranty company’s paperwork, knowing that he signed off on the warranty book and plan provided by the company.

There is no paperwork to support the home owner in this claim. In this instance, the builder researched the home owner to find that he had a history of frivolous lawsuits.

This was the last the builder or the warranty company heard from the home owner regarding these matters. But here is what might have happened next: The home owner took the claims and warranty book to his attorney to begin legal proceedings. The attorney looked over what the home owner executed for the builder’s warranty plan, as provided by the third-party warranty management company, and told the home owner he did not follow what he had agreed to, and subsequently had no case.

This is a perfect example of the importance of not only having a plan in place before an incident but following that plan when required. The result was a savings of at least $11,000, not including legal fees, headaches and overall frustration for the builder.

**The lesson:** Implement a plan and follow it!

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