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BUSINESS

TUESDAY, NOVEMBER 13, 2007

SECTION
B

ASK A LAWYER

Builder required to get warranty for new dwelling

State, private plans can fit bill

Q. As a new home builder, do I have to warranty my work?

The short answer is yes. The New Jersey New Home Warranty and Builders' Registration Act requires all builders who construct new homes to register with the New Jersey Department of Consumer Affairs and provide the purchasers with a warranty. Builders must participate in the New Home Warranty program offered through the Division of Consumer Affairs or enroll in a private warranty program through a state-approved warranty company. Although the costs of the plans vary, a builder can expect to pay anywhere from 0.2 percent to 0.6 percent of the home's fair market value or purchase price.

Whether the builder elects to use the state or a private warranty plan, the terms of the warranties are substantially similar and typically provide coverage for 10 years. Although the warranty generally covers most defects that may arise in the home for the first two years, only major defects affecting the home's structural integrity are covered thereafter. Also, if the warranty organization determines that a particular defect is covered under the warranty, it is the builder and not a different

contractor who likely will be obligated to perform the necessary repairs.

It is important to note that the Warranty Act does not apply to individuals who are constructing a home for their own use. However, no individual can build a home for their own use more than once every five years without registering with the state as a builder. Also, the act does not apply to home-improvement or renovation work, but contractors practicing in these areas should be aware of other laws governing that industry. If you believe this act may apply to you or your organization, it is important that you contact an attorney to further discuss the law's requirements and ensure your company remains in compliance with its terms.

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Ask a Lawyer appears Tuesdays. This column is not intended to be legal advice, which can only be given after the attorney understands the facts of a particular matter and the goals of a client.

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