

New Home Warranty Program

Homeowner's Booklet



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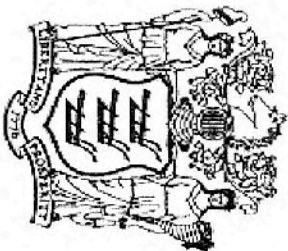
STATE OF NEW JERSEY

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Department of Community Affairs

New Home Warranty Program

Homeowner's Booklet



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G R E E T I N G S F R O M
the Department of Community Affairs

Congratulations on the purchase of your new home! As a new homeowner, you are now enrolled in the New Jersey New Home Warranty Program security plan that is administered through the Department of Community Affairs (DCA). This plan provides you with a limited, 10-year warranty coverage on your home.

This booklet outlines what the New Home Warranty Program covers during the first through tenth years of the life of your home, including specific examples and exclusions. We encourage you to read the enclosed warranty information very carefully and keep it available in the event you need to file a claim. The information provided here can also help you through the dispute resolution process, should you have any problems with your new home.

In New Jersey, we stand committed to protecting and helping residents through programs like DCA's New Home Warranty Program. Our programs – our investments – are building neighborhoods where people want to raise families and build businesses.

Congratulations again on the purchase of your new home!

LIMITED WARRANTY

This is a limited warranty, valid for periods of one, two and ten years, subject to the terms and conditions of the New Home Warranty and Builders' Registration Act, NJSA 46:3B-1 et seq. and regulations NJAC 5:25-1 et seq. This warranty gives you specific legal rights described in this booklet. The claims process described in Part IV of this booklet provides you with dispute settlement procedures.

The information provided in this booklet is derived from the enabling statute and regulations. If there are any discrepancies, the statute and/or regulations supercede this booklet.

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I. INTRODUCTION

Your builder provided this booklet to you at closing, along with the Certificate of Participation, which is the State issued warranty document. Your home now has a limited ten-year warranty protection plan under the New Home Warranty Security Plan, administered by the New Home Warranty Program. Your home's warranty number, commencement date of warranty coverage, and the purchase price of your home are provided on the certificate. The commencement date of the warranty is the first occupation by the owner or settlement date, whichever is sooner.*

This booklet is a legal document and contract. By accepting this booklet and your Certificate of Participation at closing from your builder, you agree to the terms, conditions and exclusions set forth in both documents.

Keep this booklet and your copy of the certificate in a safe place along with your other valuable household documents, such as the title and deed to your home. In the event you need to make a claim against defects in your home, you will need both documents for your reference. Please review all of the information on the certificate and report any disagreement with the information to the New Home Warranty Program in writing within 45 days of receipt of the certificate.

* The headings used here and throughout this booklet are for informational purposes only and are of no effect in construing the contents of this booklet.

* For FHA insured mortgages, please see Part IV of this booklet.

II. Overview of the New Home Warranty Program

■ New Home Warranty and Builders' Registration Act and Regulations

The New Home Warranty and Builders' Registration Act (NJSA 46:3B-1 et seq.) was enacted in 1977 to provide the broad scope for the new home warranty and standards for construction and quality of the structural elements and components of a new home. Regulations (NJAC 5:25-1 et seq.) were adopted to implement the law.

Basically, you are provided with protection in the following areas:

1. The law and regulations provide warranty coverage against defects of materials, workmanship, and systems in your new home.
2. The law requires a builder to register with the State of New Jersey before starting construction of and offering a warranty on any new home bought and sold in the State.
3. The law requires a builder to warrant each new home and to provide warranty followup services: the builder *is* the warrantor of the home. In the event the builder does not make repairs on claims for which the builder has been found responsible, then the State New Home Warranty Security Fund covers the cost of these repairs in accordance with established procedures, as outlined in Part IV of this booklet.
4. The law and regulations provide a process through which you and your builder can resolve disputes over corrections of such defects. If a builder is found negligent and/or does not participate in this dispute settlement process, and after following the hearing process, the builder's registration can be suspended or revoked, thus preventing the builder from building new homes in New Jersey.

III. WARRANTY COVERAGE

Scope and Time Limits

The scope and time limits of warranty coverage are mandated by the law and regulations. Under the law, warranty coverage applies to owner-occupied new homes: single family, townhouse, duplex (two-family), cooperative, condominium, factory-built, and modular residences. It does not include new homes built by an owner for personal use and occupancy and new homes which are to be used solely for rental purposes. The law does not apply to new homes built on preexisting foundations, remodeled or rehabilitated homes, multi-family rental units, mobile homes constructed under the Federal Mobile Home Construction and Safety Standards Act of 1974, any portion of a new home not used for residential purposes, or homes occupied or first transferred prior to July 1, 1979, which was the effective date of the law.

The liability of a builder under the warranty is limited by law to the purchase price of the home in the first good faith sale or the fair market value of the home on its completion date, if there is no good faith sale. This price is specified on the Certificate of Participation. Again, you need to report any error in this price to the New Home Warranty Program within 45 days of receipt of the certificate. If there is a mistake on the purchase price or the commencement date and you fail to notify the New Home Warranty Program within this 45 day period, liability is limited to the amount specified on the Certificate of Participation.

Appendix B at the end of this booklet provides the Performance Standards, as specified in the regulations, listing all items covered under the warranty, during the first year unless otherwise stated.

► First Year Coverage:

- Performance Standards Defects
- Appliance, Fixture, and Equipment Defects
- Mechanical and Electrical System Defects
- Major Structural Defects

From the commencement date of your warranty, which is the date specified as such on your Certificate of Participation, up to one (1) year from that date, your warranty coverage extends to defective systems, workmanship and materials throughout your home. The Performance Standards specified in Appendix B provide a complete listing of the items included in the first year, unless otherwise stated. In addition, all plumbing, electrical, and mechanical (heating, ventilating, and cooling) systems in your home are also covered, as well as appliances, fixtures, and equipment. Appliances are covered for one (1)

year. However, the manufacturer's warranty may extend coverage beyond that time. Please refer to the manufacturer's warranty documents for further details. Carpentry, masonry, stonework, concrete, wood and plastics, thermal and moisture protection, doors and windows, finishes, sanitary floor covering, resilient flooring, painting and specialties are all included in the first year.

Major structural defects are also covered in the first year. These defects are defined by law as "any actual damage to the load-bearing portion of the home including consequential damages, damage due to subsidence, expansion or lateral movement of the soil (excluding movement caused by flood or earthquake) which effects its load-bearing function and which vitally affects or is imminently likely to vitally affect use of the home for residential purposes."

► **Second Year Coverage:**

Mechanical and Electrical Systems Defects

(includes on-site sewage disposal systems)

Major Structural Defects

From the commencement date of your warranty up to two (2) years from that date, the mechanical, electrical and plumbing systems in your home are covered, as well as any major structural defects. The Performance Standards specified in Appendix B of this booklet, such as carpentry, masonry, concrete, and flooring, are *no longer* covered, unless otherwise stated, or if a major structural defect exists.

► **Third through Tenth Year Coverage:**

Major Structural Defects

During these remaining years of your warranty coverage, only major structural defects are covered. There is no coverage on mechanical, electrical or plumbing systems, appliances, fixtures, and equipment, or the Performance Standards specified in Appendix B of this booklet, unless otherwise specified.

If you find any major structural defect in your home during years three (3) through ten (10), you must follow the claims procedure outlined in Part IV of this booklet by writing directly to the New Home Warranty Program, using Appendix E of this booklet. Your builder is no longer responsible for repair or replacement of major structural defects in your home; now the State Plan assumes full financial responsibility for such defects.

Warranty Exclusions

This ten (10) year warranty coverage provided on your home is a limited warranty. It does not replace the need for you to obtain homeowner's insurance and, if necessary, flood insurance. It does not replace the need for you to properly maintain your home, as well as do preventative maintenance on your home. Your home is not covered for defects which are not the direct result of your builder's actions. If you have been negligent in maintenance or in the care of any items in your new home and this resulted in damage to those items, you may not successfully make a claim against the builder or the State Plan. If you failed to notify the builder during the proper warranty period, you may not successfully make a claim against the builder or the State Plan. If you engaged someone other than your builder and/or the builder's subcontractors to perform any work on your home or add any additional or separate items not covered in your contract of sale, you cannot hold either the builder or the State Plan responsible for defects in that work or in those items. Warranty exclusions are fully detailed in Appendix C of this booklet.

Common Elements Warranty Coverage - Condominiums

The terms and conditions of this ten (10) year warranty coverage also apply to the common elements and limited common elements of condominiums, as defined in Appendix A of this booklet. These common elements include, but are not limited to, foundations, structural and load-bearing parts, supports, main walls, roofs, basements, halls, corridors, lofts, stairways, entrances and exits and other elements and facilities designated as common elements in the master deed, as they relate to the warranty coverages described earlier. Limited common elements include, but are not limited to, shared entrances and balconies used by specific condominium units. The commencement date of the warranty for common elements and limited common elements in a structure begins on the date of first occupancy or settlement date for the first unit in that structure. The condominium association is responsible for the maintenance of the common elements and limited common elements. The one (1), two (2), and three (3) to ten (10) year warranty coverages described earlier in this section also apply to common elements and limited common elements. If your home is a condominium, by accepting this booklet and Certificate of Participation, you agree to provide reasonable access to these common elements and/or limited common elements, in the event the condominium association needs to file a claim.

Assignment of Warranty (Selling Your Home)

This booklet and the Certificate of Participation are legal documents that, like the title and deed to your home, are attached to your home and not transferrable to any other residence. Therefore, if you sell your home or give title to any other individual before the expiration of the ten (10) year warranty coverage, you must give the Certificate of Participation and this booklet to the new owner of your home at closing. You must complete the back of the Certificate of Participation to assign (give over) warranty coverage to the new owner. You must then mail a copy of both sides (front and back) of the certificate to the New Home Warranty Program. If any other sales of the home occur before expiration of the ten (10) year warranty coverage, all sellers of the home must also comply with this requirement.

N. THE CLAIMS RESOLUTION PROCESS

The regulations require that you follow certain procedures in order to file a Notice of Claim and Demand for a defect(s) in your home. Failure to follow these procedures could result in your claim not being paid. These step-by-step instructions are detailed in the following sections.

Waiting Period

Before you file any Notice of Claim and Demand with the New Home Warranty Program, you must wait 120 days from the commencement date of your warranty, as noted on your Certificate of Participation, except if an emergency or a major structural defect exists.

During this 120 day period, you should be in contact with your builder, discuss your problems and work with the builder to correct the defects. You must notify the builder *in writing* with a list of defects you have found in your home. Keep a copy of this list because you will need it later in the process, if the builder does not correct the defects. This list will form the entire basis of your request, so be sure it is complete. You should mail this list to the builder's business address provided to you at closing via certified mail, return receipt requested, so that you have proof that the builder received the list. You should also mail a copy via regular first class mail, in case the builder does not sign for the certified mail.

It should be noted here that in some cases an owner may believe there is a defect in the new home, when, in fact, there is not. You should be aware that some items which appear to be defective may be normal occurrences in a new home, such as settlement or normal wear and tear.

You are responsible for making every reasonable effort to make yourself and your home available to the builder to inspect and repair the defects between 9:00 AM and 6:00 PM, Monday through Friday, or other mutually agreed upon times.

Builder Responsibility

The builder has the choice to repair, replace, or pay for the correction of the defect, if this defect is covered by the warranty. The builder is also responsible for actual reasonable shelter expenses during any repair that has rendered the home uninhabitable.

Note that any efforts by the builder to repair defects do not extend warranty coverage beyond the statutory time limits outlined in Part III of this booklet.

► Years 1 and 2: Builder Defects and Major Structural Defects

During the first year for all covered defects and up to the second year for mechanical and electrical system defects and major structural defects, the builder is the warrantor of the home and is responsible for repairing or replacing actual defects in your home, as described in Part III of this booklet. However, if the 120 day waiting period has passed, you notified your builder in writing at his address of the defects, and the defects were not corrected within 30 days of your notice, you should now file a formal Notice of Claim and Demand with the New Home Warranty Program. To do this, you must submit, in writing, the following documents to the New Home Warranty Program:

1. A completed form requesting dispute settlement between you and the builder. This form, the Notice of Claim and Demand (Request for Dispute Settlement), can be found in Appendix D of this booklet. You must complete the entire form and sign it. The warranty number located on the bottom right corner of your Certificate of Participation is needed in order to make a claim.
2. A copy of your notice you sent to the builder listing the defects for which you are filing a claim. The burden of proof whether a defect exists lies with the homeowner. Therefore, you should have as much documentation (i.e., photos, expert reports, etc.) as possible.
3. A copy of any complaints, counter-claims, cross-claims, or third party complaints filed in any court, any escrow agreements with the builder, any written response from the builder concerning the complaints, or any additional disclosure information.

Deadlines to Remember

There are time limits that must be followed when filing a formal Notice of Claim and Demand with the New Home Warranty Program. If you do not comply with these time limits, your claim could be denied. You must notify the builder in writing of a defect no later than seven (7) calendar days after the warranty for that particular defect expires. If within 30 days of your written notice, the builder does not inspect *and* repair the claimed defect, you have 14 days in which to notify the New Home Warranty Program of the defect. This notification is the form provided in Appendix D of this booklet. If you notified the builder in writing for a particular defect during that item's warranty period, and the builder did not inspect *and* repair the claimed defect within 30 days of your notice, you have 14 days to notify the New Home Warranty Program of the claimed defect.

For example, a roof leak in a new home is a performance standard defect which is covered only during the first year of the warranty. If your new home has a roof leak and the commencement date of your warranty was January 1, 1992, you must notify your builder of this defect no later than January 8, 1993 (January 1, 1993 is the expiration date of warranty coverage for the item and January 8, 1993 is seven (7) calendar days from that date). If the repairs are not completed by February 7, 1993, you then must file a Notice of Claim and Demand (Request for Dispute Settlement) form with the New Home Warranty Program no later than February 21, 1993. Using a similar example, if you notified the builder of the roof leak in writing at any time during the first year of warranty coverage, and coverage expires on January 1, 1993, you must file the Request for Dispute Settlement form with the New Home Warranty Program no later than January 15, 1993.

In some instances, repairs are not possible because of weather conditions, such as air conditioning problems or roof repairs during an extremely cold and snowy winter. A builder may say that the repair will be made at a later date. However, be aware that you must still file a Notice of Claim and Demand with the New Home Warranty Program within 30 days of your notice to the builder listing the defects in order to meet the statutory time limits described above. Your claim can always be withdrawn if the defects are corrected. Remember that failure to file with the New Home Warranty Program on time will result in denial of the claim.

State Role

Once you have filed a Notice of Claim and Demand, it now becomes the responsibility of the New Home Warranty Program to provide a means of claims resolution. This claims resolution begins with conciliation, in which a skilled, impartial, neutral third party will meet with both you and the builder at your new home to attempt to resolve the conflicts. This neutral third party is a conciliator/arbitrator appointed by the American Arbitration Association or the Office of Dispute Settlement of the New Jersey Department of the Public Advocate. If successful, the conciliator/arbitrator will make an arbitration award, with the permission of both parties. If there is no agreement reached or if any part of the dispute remains unresolved after the conciliation meeting, the conciliator/arbitrator may then proceed into an arbitration meeting, if you and the builder agree to arbitration. As a result of this meeting, the arbitrator will render judgment in writing within a few weeks. This award is legally binding on both parties. The award is limited to a determination of the existence of an eligible defect under the regulations governing the New Home Warranty Program, whether the builder will repair or replace the defect(s), and

the time within which the builder will perform corrective action. The arbitrator cannot make a monetary award; he can only require repair or replacement, if necessary, except in the case of reimbursement for emergency or temporary repairs. See the section in this booklet on temporary or emergency repairs for more details. There is no cost to the homeowner or builder for conciliation or arbitration under the State Plan.

The arbitration award is not appealable through the New Home Warranty Program. Either party may begin a summary action in Superior Court in the county in which the home is located for confirmation, vacation, modification, or correction of the award. This summary action must begin within three (3) months of the award. However, it should be noted that the court only vacates awards in limited circumstances. The New Home Warranty Program is not involved in this procedure. Therefore, if you choose to begin summary action through the courts, you should contact your own attorney for additional information. You must also notify the New Home Warranty Program of your intention.

If, after the conciliation process, either you or the builder does not agree to arbitration, you will begin the process of requesting a Bureau (of Homeowner Protection, New Home Warranty Program) Decision. Under this procedure, a staff member of the New Home Warranty Program conducts a hearing to review the defects in your home and renders a written decision. This decision is binding on all parties. However, you and the builder have the right to appeal the decision if either party files a notice of appeal of the decision within 15 days of the transmittal (postmarked) date of such decision. The Program will then provide an administrative hearing through the New Jersey Office of Administrative Law.

In addition, during the conciliation meeting, the builder may agree to correct defects not covered under the limited warranty. You should be aware that the New Home Warranty Program is not authorized to pay for any commitments not covered by the limited warranty. If the builder agrees to correct such items, the Program cannot stand in the builder's place, in case the builder defaults.

During the course of conciliation/arbitration, you may note additional defects in your home, that you did not include in the list you mailed to the builder. These additional defects could be incorporated into the arbitration award, but only if the builder agrees. If the builder does not agree, you must follow the procedures for filing a Notice of Claim and Demand, as described earlier.

If the builder refuses to repair or replace defects as directed in the written arbitration award or the Bureau Decision, you are protected by the State Plan, which then assumes financial responsibility for correction of the defects in your new home. You must notify the New Home Warranty Program in writing that

the correction was not made, within 60 days of the time period specified in the written Arbitration Award or Bureau Decision.

After this 60 day period, if you are unsatisfied with the repair or the repair fails, you must submit a Notice of Claim and Demand for the claimed defect to the Program, provided that the claimed defect is still within its warranty period.

Payment Process

Once you have notified the Program, a claims analyst with the New Home Warranty Program will then inspect the home and determine whether the builder fully complied with the written arbitration award or Bureau Decision. If the claims analyst determines that the builder did not comply, and there are no extenuating circumstances, the claims analyst prepares a work list of the items to be corrected. You must provide this work list to contractors to obtain a minimum of two (2) bona fide bids from independent contractors. These bids must be from contractors who are independent of the builder and homeowner. One contractor must not be aware of the dollar amount of the other's bid. Bids must be strictly limited to the repair of the defect. You then submit these bids to the New Home Warranty Program for review. If the work proposed exceeds the scope of the work specified on the work list, or if the cost of the work proposed is excessive, the bids will be rejected. If approved, you are then notified of the amount the State Plan has authorized for the work, which will be the lower or lowest bid. Based on these bids you submitted, the Program sends you a list of these contractors and requires you to return this list with your selection of a contractor. You may choose any of the contractors from this list. However, you will be required to pay the additional expenses, if you do not choose the lowest bidder.

The Program will also send you a payment invoice and release statements for signature. Once you sign these documents, have the release statements notarized and return them to the Program, the Program will then authorize you, in writing, to have the selected contractor begin repairs. Work may not start without proper written authorization from the Program. You must notify the Program as soon as work is completed so that a final inspection, if necessary, can be made, to determine if the work has been performed in conformance with the work list provided by the Program and the approved estimate. Payment is made in the form of a check payable to both you and the contractor jointly. You may pay the contractor directly and apply for reimbursement, but you must notify the Program prior to paying the contractor directly. You will need proof of payment being made, such as a copy of both sides of the cancelled check you gave to the contractor. If you choose to do the work yourself, you will only receive payment for the costs of materials, upon verification that the defect has been removed and the work has been completed.

The Program cannot reimburse homeowners for repairs they have already made: Program staff must first inspect the home to determine if a defect exists. Therefore, if you make repairs without written authorization from the Program, you will not be reimbursed for your expenses.

► Years 3-10: Major Structural Defects

At this point, your home is only covered for major structural defects, as specified in Part III of this booklet. The builder is no longer responsible under this limited warranty for repair or replacement of major structural defects in your home; now the State Plan assumes full financial responsibility for such defects. There is no conciliation or arbitration. You must submit a completed form, Notice of Claim and Demand, in writing to the Program. This form can be found in Appendix E in the back of this booklet. You must complete the entire form and sign it. You need to describe on this form what you consider to be a major structural defect in your home. Attach any documentation you may have, such as engineering studies or other professional reports to support your request. After review of the Notice of Claim and Demand, a determination will be made whether the possibility of a major structural defect exists. If so, you will be contacted by a claims analyst with the New Home Warranty Program who will then inspect the home to determine if a major structural defect does exist. If it is determined to exist, the payment procedures outlined for years 1 and 2 also apply here. The Program cannot reimburse homeowners for repairs they have made: the Program must inspect the alleged defect first and then authorize the repair. If you make repairs without authorization, you will not be reimbursed for the expenses.

If the New Home Warranty Program determines that a major structural defect does not exist, you have the right to appeal the decision through an administrative hearing with the New Jersey Office of Administrative Law. Please note that the burden of proof that a major structural defect exists lies with the homeowner.

Claims for Condominium Common Elements

Any claims for common elements or limited common elements, as defined in Appendix A of this booklet, for condominiums may be made only by an authorized representative of the condominium association, according to the procedures outlined in the Claims Resolution section of this booklet. However, if the builder retains control of more than 50 percent voting interest in the association, then the claim may be made by unit owners directly to the Program. The common element defect will then be included as part of the unit claim. A common element warranty number is on file with the New Home Warranty Program for each separate building structure in the development.

Emergencies and Temporary Repairs

Since the State Plan is not the warrantor of homes during the first two (2) years, the Program cannot authorize emergency repairs. The Program may be able to provide information on the builder's phone number and address.

The Program can expedite the dispute settlement process. Your request is referred to conciliation/arbitration. You should be aware that you will proceed at your own risk if you choose to make a repair prior to an Arbitration Award or Bureau Decision. However, if you take conservative measures, which may include temporary repairs, if you can provide proof that you contacted the builder in writing, and if the arbitrator concurs that you were forced with an emergency situation, the arbitrator *may* make an award accordingly, but the New Home Warranty Program cannot instruct or authorize him or her to make such an award.

For major structural defects during the third through tenth years of warranty coverage, when the State Plan assumes financial responsibility, you must inform the Program in writing at the address specified in the front of this booklet that you are filing a claim and you feel an emergency exists. However, you may call the Program so that an emergency inspection by a claims analyst from the Program can be scheduled.

FHA Mortgages

This section applies only to those homeowners with FHA insured mortgages, according to requirements of the US Department of Housing and Urban Development (HUD).

In the claims resolution process, if your home has a FHA insured mortgage, you have two appeal processes available to you. If you disagree with a Bureau Decision concerning the State Plan, you have the right to appeal the decision through the State Office of Administrative Law (OAL) at no charge to you. As an alternative to the OAL process, you have the right to request arbitration through a nationally recognized dispute settlement organization under contract with the State Plan at a cost to you of \$430. If the arbitrator agrees with your claim against the State Plan, the State Plan will then reimburse this fee to you. However, you may choose only one of these processes and the decision reached by OAL or the arbitrator will be legally binding and final. This applies for all claims, including those for first and second year warranty coverage, as well as major structural defects in the third through tenth years of coverage.

Remedy Exclusive

According to the law, if you file a claim with the State Plan, you have elected a remedy; that is, you may not take your claim to a court of law or

choose other remedies, such as the filing of a complaint, counter-claim, cross-claim or third-party complaint in any court that alleges matters covered by the limited warranty or unworkmanlike construction in general. If you decide to pursue your claim in a court of law first, you cannot subsequently file a claim with the New Home Warranty Program. The Program is not liable for any claim not filed according to the regulations and this booklet. Nothing in the law or regulations limits your rights to seek a remedy in court, without following the dispute settlement procedures. However, the Program has no liability if you elect a remedy other than the dispute settlement procedures outlined in the regulations and this booklet. If a claim has been filed with the Program and you then decide to go to court, you must inform the Program in writing and your claim with the Program will be closed. If the seller of your home is not the builder who constructed it, such as a bank that took over in bankruptcy or an executor of an estate, the Program will stand in the seller's place for any claims filed according to the regulations and this booklet. However, if you do not file a claim with the Program and choose a remedy other than these claims resolution procedures, the Program will not stand in the seller's place.

Similarly, you cannot seek relief from the manufacturer's warranty and the State Plan at the same time. If the manufacturer provides relief, then neither the builder nor the State Plan can provide additional relief.

Checklist for Claims Resolution (First and Second Year Claims)

Before you decide to file a claim with the State Plan and begin the claims resolution process, you should take the time to review and answer the following checklist of questions to see if you are correctly following the process for first and second year claims.

1. Have you notified the builder, in writing, of the defects you wish to have corrected?
2. Have you and your builder discussed these defects and carefully investigated them on site?
3. Have you given your builder the opportunity to correct these defects by allowing the builder reasonable time for corrections to be made and access to the home? *(Reminder: Failure to do so may result in denial of the claim. However, the builder must correct the defects within 30 days of your written notice to him or her.)*
4. If you and your builder have not been able to reach agreement on correction of the defects, have you waited the required 120 days from the

warranty date stamped on the Certificate of Participation before contacting the State Plan to file a Notice of Claim and Demand *(Request for Dispute Settlement)*? *(Reminder: If the builder does not correct the defects within 30 days of your written notice, you should file a claim with the State Plan in order to protect your rights.)*

5. Have you completed the Notice of Claim and Demand *(Request for Dispute Settlement)* form in Appendix D of this booklet and sent it to the New Home Warranty Program, along with a copy of the list of defects you sent to your builder?

6. Are you filing your claim within the timeframes described in this section of this booklet? *(Reminder: Failure to do so may result in denial of the claim.)*

7. Have you carefully considered the option of taking your claim to an attorney and pursuing civil litigation, rather than submitting your claim to dispute settlement? *(Reminder: Once you have submitted your claim to begin the dispute settlement process, you may not elect litigation.)*

8. Are you aware that an arbitration judgment is legally binding on both you and the builder and that the Bureau Decision, while it may be appealed, is also legally binding?

If you can answer "yes" to these questions, you are ready to submit your claim to the New Home Warranty Program and begin the claims resolution process.

APPENDIX A

DEFINITIONS

Appliances, Fixtures and Equipment - Includes, but is not limited to, furnaces, boilers, heat pumps, humidifiers, air purifiers, air handling equipment, ventilating fans, air conditioning equipment, water heater, pumps, stoves, ranges, ovens, refrigerators, garbage disposals, food waste disposers, compactors, dishwashers, automatic garage door openers, washers and dryers, plumbing fixtures and trim, faucets, fittings, motors, water treating equipment, ejectors, thermostats and controls, including any fitting attachments, electric receptacles, switches, lighting fixtures, and circuit breakers. (Source: NJAC 5:25-1.3.)

Common Elements - Those elements listed in the master deed on file for each such development or unit as required under law for common ownership. (Source: NJAC 5:25-1.3.)

Limited Common Elements - Those common elements which are for the use of one or more specified units (in a condominium development) to the exclusion of other units. (Source: NJSA 46:SB-3 of the Condominium Act.)

Major Structural Defect - Any actual damage to the load-bearing portion of the home including consequential damages, damage due to subsidence, expansion or lateral movement of the soil (excluding movement caused by flood or earthquake) which affects its load-bearing function and which vitally affects or is imminently likely to vitally affect use of the home for residential purposes. (Source: NJAC 5:25-1.3.)

(a) The load-bearing portion of a home is defined as the framing members and structural elements that transmit both dead and live loads of the home to the supporting ground. Examples of load-bearing elements are: roofrafters and trusses, ceiling and floor joists; bearing partitions, supporting beams, columns, basement and foundation walls, and footings.

(b) Such defect does not have to render the home uninhabitable, however, it must be of such a serious nature that it vitally affects the use of the home for residential purposes.

(c) The following are excluded as major structural defects:

1. Changes by the owner to the established grade lines affecting basement and foundation walls;
2. Movement caused by flood or earthquake;
3. Actual or resultant damage caused by lightning, tornado, unnatural high winds or hurricanes;
4. Damage caused by additions or alterations to the home;

APPENDIX B

PERFORMANCE STANDARDS

The performance standards provided are specified in NJAC 5:25-3.5 of the New Home Warranty and Builders' Registration Act regulations. These standards are the minimum standards for the level of materials quality and workmanship performance for the construction of new homes. In general, builders are required to construct new homes in accordance with good industry practice. Similarly, a homeowner claim for a defect not described in the performance standards will be reviewed in accordance with good industry practice which insures quality of materials and workmanship.

The format for these standards first describes the possible deficiency, then the performance standard for that deficiency is stated, followed by the corrective action to be taken by the builder/warrantor and/or owner of the home and/or the exclusion.

I. SITE WORK

A. GRADING

1. Possible Deficiency: Settling of ground around foundation, utility trenches or other areas on the property where excavation and back fill have taken place that affect drainage away from the house.

Performance Standard: Settling of ground around foundation walls, utility trenches or other filled areas which exceeds a maximum of 6 inches from finished grade established by the Builder/Warrantor.

Builder/Warrantor Responsibility: If Builder/Warrantor has provided final grading, Builder shall fill settled areas affecting proper drainage, one time only, during the first year Warranty period. Builder/Warrantor is then responsible for removal and replacement of shrubs and other landscaping installed by the Builder/Warrantor affected by placement of the fill.

B. DRAINAGE

1. Possible Deficiency: Improper grades and swales which cause standing water and affect the drainage in the immediate area surrounding the home.

Performance Standard: Necessary grades and swales shall be established to provide proper drainage away from the house. Site drainage under this warranty is limited to those immediate grades and swales surrounding the home. Standing or ponding water within the immediate surrounding area of the home shall not remain for a period longer than 24 hours after a rain. Where swales are draining from adjoining properties or where a sump pump dis

5. Improper loading over and above the design criteria for which that portion of the house was intended;
6. Resultant structural damage due to fire;
7. Changes in the water level which is caused by new development in the immediate area or can be directly traced to an act of nature;
8. Water seepage in basement or crawlspace after the first year of coverage.

(d) In the case where a major structural defect exists and the home is rendered uninhabitable, the Builder/Warrantor shall be responsible to pay for reasonable shelter expenses of the Owner until the home is made habitable should the condition occur during the first two years of the warranty. The State Plan or private plan will assume such responsibility during the third through tenth year coverage. (Source: NJAC 5:25-3.7.)

Mechanical and Electrical Systems - Includes the following:

1. Plumbing system: Gas supply lines and fittings, and water supply, waste and vent pipes and their fittings; septic tanks and their drains; water, gas, and sewer service piping, and their extensions to the property line which tie-in to a public utility connection or on-site well and/or sewage disposal system.

2. Electrical system: All wiring, electrical boxes, and connections up to the public utility meter connection, excluding appliances, fixtures, and equipment.

3. Heating, Ventilating, Cooling and Mechanical systems: All ductwork, steam, water and refrigerant lines, registers, convectors, radiation elements and dampers. (Source: NJAC 5:25-1.3.)

The structural and mechanical systems standards to be used in determining the adequacy of design, materials, and workmanship for the structural components of the home and for the mechanical systems of the home including plumbing, electrical, and heating and cooling systems shall be the provisions of the State Uniform Construction Code in effect on the date that the construction permit under which the new home was constructed was issued. The standards of adequacy for plumbing systems shall be as specified in NJAC 5:25-3.5(k)(2); for Heating and Air Conditioning systems shall be specified in NJAC 5:25-3.5(k)(4) and for Electrical systems shall be specified in NJAC 5:25-3.5(1). (NOTE: See Appendix B, Performance Standards, parts X and XI.) (Source: NJAC 5:25-3.6.)

Warranty Date - The date of the first occupation by the owner or settlement date, whichever is sooner. (Source: NJAC 5:25-1.3.)

charges, an extended period of 48 hours is to be allowed for the water to dissipate. The possibility of standing water after an unusually heavy rainfall should be anticipated and is not to be considered a deficiency. No grading determination is to be made while there is frost or snow or when the ground is saturated.

Exclusion: Standing or ponding water on the property which does not directly affect the immediate area surrounding the foundation of the home, caused by unusual grade conditions, retention of tree areas, or sodding done by the homeowner is not considered a defect.

Builder/Warrantor Responsibility: Responsible for initially establishing the proper grades, swales and drainage away from the home.

Owner Responsibility: The owner is responsible for maintaining such grades and swales once properly established by the Builder/Warrantor to prevent runoffs and erosion of the soil.

Exclusion: Soil erosion and runoff caused by failure of the owner to maintain the properly established grades, drainage structures and swales, stabilized soil, sodded, seeded and landscaped areas; are excluded from the Warranty.

2. Possible Deficiency: Grassed or landscaped areas which are disturbed or damaged due to work on the property in correcting a deficiency.

Performance Standard: Landscaped areas which are disturbed during repair work constitute a defect.

Builder/Warrantor Responsibility: Restore grades, seed and landscape to meet original condition.

Exclusion: Replacement of trees and large bushes which existed at the time the house was constructed, or those added by the owner after occupancy, or those which subsequently die are excluded from Warranty Coverage.

II. CONCRETE

A. CAST-IN PLACE CONCRETE

1. Possible Deficiency: Basement or foundation wall cracks, other than expansion or control joints.

Performance Standard: Non-structural cracks are not unusual in concrete foundation walls. Cracks one-eighth inch in width or greater are considered excessive.

Builder/Warrantor Responsibility: Repair non-structural cracks in excess of one-eighth inch by surface patching. These repairs should be made toward the end of the first year of ownership to permit normal stabilizing of the home by settling.

2. Possible Deficiency: Cracking of basement floor.

Performance Standard: Minor cracks in concrete basement floors are common. Cracks exceeding one-quarter inch width or one-quarter inch in vertical displacement constitute a deficiency.

Builder/Warrantor Responsibility: Repair cracks exceeding maximum tolerance by surface patching or other methods, as required.

3. Possible Deficiency: Cracking of attached garage floor slab.

Performance Standard: Cracks in garage floor slabs in excess of one-quarter inch in width or one-quarter inch in vertical displacement constitute a deficiency.

Builder/Warrantor Responsibility: Repair excessive cracks by chipping out and surface patching or other methods, as may be required.

4. Possible Deficiency: Cracks in attached patio slab.

Performance Standard: Cracks in excess of one-quarter inch in width or one-quarter inch in vertical displacement are defects. An "attached patio" is defined as a concrete patio slab on grade which is an integral part of the home; being structurally supported by footings, block walls, or reinforced concrete, and connected to the foundation.

Builder/Warrantor Responsibility: The Builder/Warrantor shall make repairs as required. Where cracks are caused by settlement or improper installation, Builder/Warrantor shall replace that portion which has settled and finish as close as possible to match the existing surface. Where a major portion of the patio has cracked, the entire slab shall be replaced.

Exclusion: Patio slabs which are poured separately, and about the house are excluded from warranty coverage.

5. Possible Deficiency: Cracks in concrete slab-on grade floors, with finish flooring.

Performance Standard: Cracks which rupture or significantly impair the appearance or performance of the finish flooring material, constitute a deficiency.

Builder/Warrantor Responsibility: Determine the cause for the cracking, and correct (remove and replace if required). Repair cracks as required, so as not to be apparent when the finish flooring material is in place. Repair or replace finish flooring. (See "G. FINISHES.")

6. Possible Deficiency: Uneven concrete floor slabs.

Performance Standard: Except for basement floors or where a floor or portion of floor has been designed for specific drainage purposes, concrete floors in rooms designed for habitation shall not have pits, depressions or

areas of unevenness exceeding one-quarter inch in 32 inches, or slopes in excess of 1/240 of room width or length (i.e., 10.0 ft. wide room - not to exceed one-half inch out of level).

Builder/Warrantor Responsibility: Determine cause and repair/replace to meet the Standard. Where applicable, surface patching is an accepted method of repair. Reinstall or replace any finish flooring material as necessary.

7. Possible Deficiency: Pitting, scaling or spalling of concrete work.

Performance Standard: Concrete surfaces that disintegrate to the extent that the aggregate is exposed and loosened under normal conditions of weathering and use, constitute a deficiency.

Builder/Warrantor Responsibility: Take whatever corrective action is necessary to repair or replace defective concrete surfaces.

Exclusion: Deterioration caused by salt, chemicals, implements used and other factors beyond Builder/Warrantor control.

8. Possible Deficiency: Excessive powdering or chalking of concrete surfaces.

Performance Standard: Excessive powdering or chalking of concrete surfaces is a deficiency, but should not be confused with normal surface dust that may accumulate for a short period after the home is occupied.

Builder/Warrantor Responsibility: Take whatever corrective action is necessary to treat, repair or resurface defective areas.

9. Possible Deficiency: Separation of brick or masonry edging from concrete slab and step.

Performance Standard: It is common for the joint to crack between concrete and masonry due to the dissimilarity of the materials. Cracks in excess of one-quarter inch constitute a deficiency.

Builder/Warrantor Responsibility: Grout crack fully and reset loose masonry where required. Replacement of masonry material, if required, shall match the existing as close as possible.

B. CONSTRUCTION AND CONTROL JOINTS:

1. Possible Deficiency: Separation or movement of concrete slabs within the structure at construction and control joints.

Performance Standard: None.

Builder/Warrantor Responsibility: None.

Homeowner Responsibility: Maintenance of joint material.

Exclusion: Concrete slabs within the structure are designed to move at construction and control joints. Such movement is not a deficiency.

III. MASONRY

A. UNIT MASONRY (brick, block and stone):

1. Possible Deficiency: Cracks in non-bearing or non-supporting walls. **Performance Standard:** Small shrinkage cracks running through masonry and mortar joints are not unusual. Cracks in excess of one-eighth inch in width constitute a deficiency.

Builder/Warrantor Responsibility: Repair non-structural shrinkage cracks in excess of one-eighth inch by pointing or patching. Repairs shall be made near the end of the first year warranty period.

2. Possible Deficiency: Cracks in bearing or supporting masonry walls.

Performance Standard: Vertical or diagonal cracks, which do not affect the structural ability of masonry bearing walls, are not unusual. Cracks in excess of one-eighth inch in width constitute a deficiency.

Builder/Warrantor Responsibility: Repair shrinkage cracks in excess of one-eighth inch by pointing or patching. Where the structural integrity of the wall is affected, suitable repair or replacement shall be done to eliminate the condition.

3. Possible Deficiency: Horizontal cracks in basement and foundation walls.

Performance Standard: Horizontal cracks in the joints of masonry walls are not common, but may occur. Cracks one-eighth inch or more in width are deficiencies.

Builder/Warrantor Responsibility: Repair cracks between one-eighth and three-sixteenths inch in width by pointing and patching. Cracks exceeding three-sixteenths inch shall be investigated by the builder to determine the cause. Builder shall take the necessary steps to remove the cause and make repairs by pointing and patching, reinforcement or replacement of the defective courses.

4. Possible Deficiency: Cracks in masonry walls or veneer above grade.

Performance Standard: Small cracks are common in mortar joints of masonry construction. Cracks one-eighth inch or greater in width are deficiencies.

Builder/Warrantor Responsibility: Repair cracks and voids in excess of one-eighth inch by surface pointing. These repairs should be made toward the end of the first year warranty period to permit the home to stabilize and normal settlement to occur. Builder/Warrantor is not responsible for color variations between existing and new mortar, however, it shall be made to match as close as possible.

5. Possible Deficiency: Cracking, settling, or heaving of stoops and steps. Performance Standard: Stoops and steps are not to settle or heave in excess of one inch in relation to the house structure. Cracks, except hairline cracks less than one-eighth inch, are not acceptable in concrete stoops. A separation of up to one-half inch is permitted where the stoop or steps abut the house or where an expansion strip has been installed.

Builder/Warrantor Responsibility: Take whatever corrective action is required to meet acceptable standards. In a case where repair is made to the concrete surface, it is required that such repair match the adjoining surfaces as closely as possible or the entire area be resurfaced or replaced.

6. Possible Deficiency: Standing water on stoops, steps, porches and attached concrete patios.

Performance Standard: Standing water is a deficiency if it is a hazard to individuals and/or causes damage to the home, or in cases where standing water exists due to settlement or heaving as defined under paragraph III.A.5. above.

Builder/Warrantor Responsibility: Take whatever corrective action is necessary to eliminate standing water.

B. STUCCO AND CEMENT PLASTER

1. Possible Deficiency: Cracking or spalling of stucco and cement plaster. Performance Standard: Hairline cracks in stucco or cement plaster are common especially if applied directly to masonry back-up. Cracks greater than one-eighth inch in width or spalling of the finish surface is a deficiency.

Builder/Warrantor Responsibility: Scrape out cracks and spalled areas. Fill with cement plaster or stucco to match finish and color as close as possible.

NOTE: Builder is not responsible for failure to match color or texture, due to nature of the material.

IV. CARPENTRY

A. ROUGH CARPENTRY

1. Possible Deficiency: Floors squeak, due to improper installation or loose subfloors.

Performance Standard: A large area of floor squeak which is noticeable, loud and objectionable is a defect.

Builder/Warrantor Responsibility: Correct the problem within reasonable repair capability if caused by faulty construction. Where a finished ceiling exists under the floor, the corrective work may be attempted from the floor side. Where necessary, remove the finish floor material to make the repair and reinstall or replace if damaged.

Exclusion: Squeak proof floors cannot be guaranteed; an isolated floor squeak is not a defect.

2. Possible Deficiency: Uneven wood framed floors.

Performance Standard: Floors which are more than one-quarter inch out of level within any 32 inch measurement constitute a deficiency. Floor slope within any room which exceeds 1/240 of the room width or length is a deficiency (i.e., 10'-0" wide room - not to exceed one-half inch out of level).

Builder/Warrantor Responsibility: Correct or repair to meet the allowances at the above standard.

3. Possible Deficiency: Bowed stud walls or ceilings.

Performance Standard: All interior and exterior frame walls or ceilings have slight variations on the finish surfaces. Bowing should not be visible so as to detract from the finished surface. Walls or ceilings which are bowed more than one-quarter inch within a 32 inch horizontal or vertical measurement constitute a deficiency.

Builder/Warrantor Responsibility: Exterior and interior frame walls or ceilings bowed in excess of the allowable standard shall be corrected to meet the allowances of the above standard.

4. Possible Deficiency: Wood frame walls out of plumb.

Performance Standard: Wood frame walls which are out of plumb more than three-quarters inch in an eight-foot vertical measurement constitute a deficiency.

Builder/Warrantor Responsibility: Make necessary repairs to meet the allowable Standard.

5. Possible Deficiency: Minor warping, checking or splitting of wood framing is common as the wood dries out, and is not considered a deficiency. A condition which affects the integrity of the member or any applied surface material is a deficiency.

Builder/Warrantor Responsibility: Where a problem exists and the surface material is affected, builder shall repair, replace or stiffen the frame member as required.

6. Possible Deficiency: Exterior sheathing and subflooring which delaminates or swells.

Performance Standard: Sheathing and sub flooring, when properly installed for their intended use, that delaminates or swells on the side a finish material has been applied constitutes a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace plywood subflooring or sheathing as required. Replacement of the finish materials when necessary shall be done to match the existing as closely as possible.

B. FINISH CARPENTRY

1. Possible Deficiency: Unsatisfactory quality of finished exterior trim and workmanship.

Performance Standard: Joints between exterior trim elements, and siding or masonry which are in excess of three-eighths inch constitute a deficiency. In all cases, the exterior trim abutting masonry and siding shall be capable of performing its function to exclude the elements.

Builder/Warrantor Responsibility: Repair open joints and touch up finish coating where required to match existing as close as possible. Caulk open joints between dissimilar materials.

2. Possible Deficiency: Unsatisfactory quality of finished interior trim and workmanship.

Performance Standard: Joints between moldings and adjacent surfaces which exceed one-eighth inch width constitute a defect.

Builder/Warrantor Responsibility: Repair defective joints and touch up finish coating where required to match as close as possible.

3. Possible Deficiency: Surface defects in finished woodwork and millwork such as checks, splits, and hammer marks.

Performance Standard: Finished woodwork and millwork is to be smooth and without surface marks. Finished surfaces which fall beyond the limits of the Quality Standards of the Architectural Woodwork Institute constitute a deficiency.

Builder/Warrantor Responsibility: Correct repairable defects; sanding, filling, or puttying is acceptable to return the surface to its original condition. Replace material not repairable, refinish and restore to match surrounding surfaces as closely as possible.

4. Possible Deficiency: Exposed nail heads in woodwork.

Performance Standard: Material used to fill nail holes has a tendency to shrink and dry up after a period of time and is not considered a deficiency. Nail holes which have not been filled on finished painted wood work constitute a deficiency.

Builder/Warrantor Responsibility: Fill nail holes where required and, if necessary, touch up paint to match as close as possible.

Exclusion: Nail holes do not have to be filled where the surface finish is not conducive to filling or where the surface product is not designed to be filled.

V. THERMAL AND MOISTURE PROTECTION

A. WATERPROOFING

1. Possible Deficiency: Leaks in basement or in foundation/crawl space.

Performance Standard: Leaks resulting in actual trickling of water through the walls or seeping through the floor are deficiencies.

Builder/Warrantor Responsibility: Take such action as is necessary to correct basement and crawlspace leaks, except where the cause is determined to be the result of owner negligence. Where a sump pit has been installed by the Builder/Warrantor in the affected area but the sump pump was not contracted for or installed by the Builder/Warrantor, no action is required until a properly sized pump is installed by the owner in an attempt to correct the condition. Should the condition continue to exist, then the Builder/Warrantor shall take necessary action to correct the problem.

Exclusion: Leaks caused by landscaping improperly installed by owner, or failure by owner to maintain proper grades are excluded from the warranty. Dampness in basement and foundation walls or in concrete basement and crawlspace floors is often common to new construction and is not a deficiency.

B. INSULATION

1. Possible Deficiency: Insufficient insulation.

Performance Standard: Insulation which is not installed around all habitable areas in accordance with established codes is a deficiency.

Builder/Warrantor Responsibility: Install insulation of sufficient thickness and characteristics to meet the codes. In the case of dispute, cost for investigating the sufficiency of insulation and restoring areas to prior condition is to be borne by the homeowner if it is found that the standard has been met by the builder.

C. LOUVERS AND VENTS

1. Possible Deficiency: Insufficient attic or crawlspace ventilation.

Performance Standard: Attics and crawlspace which are not properly vented, causing moisture to accumulate and resulting in damage to supporting members or insulation, constitute a deficiency.

Builder/Warrantor Responsibility: Install properly sized louvers or vents to correct deficiency.

2. Possible Deficiency: Leaks through louvers and vents due to snow or driven rain.

Performance Standard: Improperly installed louvers and vents that permit penetration of the elements under normal conditions constitute a deficiency.

Builder/Warrantor Responsibility: Take necessary steps to eliminate penetration of rain or snow under normal conditions if it is determined the installation was improper.

Exclusion: Properly installed louvers or vents may at times allow penetration of rain or snow under strong wind conditions and do not constitute a deficiency.

D. EXTERIOR SIDING

1. Possible Deficiency: Delamination, splitting, joint separation or deterioration of exterior siding.

Performance Standard: Exterior siding with joint separations or which delaminates, splits or deteriorates is a deficiency.

Builder/Warrantor Responsibility: Repair/replace only the damaged siding. Siding to match the original as close as possible, however, the owner shall be aware that the new finish may not exactly match the original surface texture or color.

2. Possible Deficiency: Damaged siding or broken shingles.

Performance Standard: Damaged siding or broken shingles constitute a deficiency if documented on a pre-closing walk through inspection form.

Builder/Warrantor Responsibility: Replace or repair damaged siding if noted on a pre-closing walk through inspection form. If Builder/Warrantor does not perform a pre closing walk through, then the Builder/Warrantor will be responsible for the deficiency if reported by the owner.

Owner Responsibility: If a pre-closing walk through inspection is performed the deficiency should be reported on such report. If no walk through report exists the deficiency shall be reported in writing within 30 days of occupancy.

3. Possible Deficiency: Loose or fallen siding.

Performance Standard: All siding which is not installed properly so as to come loose or fall off is a deficiency.

Builder/Warrantor Responsibility: Reinstall or replace siding and make it secure.

E. ROOFING

1. Possible Deficiency: Roof or flashing leaks.

Performance Standard: Roof or flashing leaks that occur under normal weather conditions constitute a deficiency.

Builder/Warrantor Responsibility: Correct any roof or flashing leaks which are verified to have occurred under normal weather conditions.

Exclusion: Where cause is determined to be severe weather conditions such as ice and snow build-up, high winds and driven rains.

2. Possible Deficiency: Lifted, curled or torn roof shingles.

Performance Standard: Roof shingles which lift or curl during the first year of warranty coverage or tear loose during normal weather conditions constitute a deficiency.

Builder/Warrantor Responsibility: Repair or replace lifted, curled or torn shingles.

NOTE: See NIAC 5:25-3.4(a)7. Warranty exclusions for exceptions to Builder/Warrantor Responsibility.

3. Possible Deficiency: Standing water on built-up roofs.

Performance Standard: A properly pitched built-up roof is to drain water except for minor ponding. Dead flat roofs will retain a certain amount of water. Excessive ponding of water which causes leaking in/through the built-up roofing is a deficiency.

Builder/Warrantor Responsibility: Builder/Warrantor: Repair all leaks due to or caused by standing water.

Exclusion: Standing or ponding water is not considered a deficiency.

F. SEALANTS

1. Possible Deficiency: Water or air leaks in exterior walls due to inadequate caulking.

Performance Standard: Joints and cracks in exterior wall surfaces and around openings which are not properly caulked to exclude the entry of water or excessive drafts constitute a deficiency.

Builder/Warrantor Responsibility: Repair and/or caulk joints or cracks in exterior wall surfaces as required to correct deficiency one time during the first year of the warranty period.

Owner Responsibility: Maintain caulking once the condition is corrected.

G. SHEET METAL

1. Possible Deficiency: Gutters and downspouts leak.

Performance Standard: Gutters and downspouts which leak constitute a deficiency. Gutters which are improperly pitched to drain water constitute a deficiency.

Builder/Warrantor Responsibility: Repair leaks and pitch gutters to drain properly to meet Standard.

Owner Responsibility: Responsible to keep gutters and downspouts free from leaves and debris to prevent overflow.

Exclusion: Standing water in gutters is acceptable if it does not exceed one inch in depth.

VI. DOORS AND WINDOWS

A. DOORS: INTERIOR AND EXTERIOR

1. Possible Deficiency: Warpage of interior or exterior doors.

Performance Standard: Interior and exterior doors that warp so as to prevent normal closing and fit constitute a deficiency. The maximum allowable warpage of an interior door is one-quarter inch when measured from top to bottom vertically or diagonally.

Builder/Warrantor Responsibility: Repair or replace as may be required. New doors to be refinished to match the original as close as possible.

2. Possible Deficiency: Door binds against jamb or head of door frame. Does not lock.

Performance Standard: Passage doors that do not open and close freely without binding against the door frame constitute a deficiency. Lock bolt is to fit the keeper to maintain a closed position.

Builder/Warrantor Responsibility: Adjust door and keeper to operate freely.

3. Possible Deficiency: Door panels shrink and expose bare wood.

Performance Standard: None.

Exclusion: Door panels will shrink due to the nature of the material exposing bare wood at the edges. This is not a deficiency.

Builder/Warrantor Responsibility: None.

4. Possible Deficiency: Door panels split.

Performance Standard: Door panels that have split to allow light to be visible through the door constitute a deficiency.

Builder/Warrantor Responsibility: If lights visible, fill crack and finish panel to match as close as possible. Correct one time during first year of warranty. If panel cannot be repaired to hide crack, the panel or the door itself shall be replaced and finished to match original.

5. Possible Deficiency: Bottom of doors rub on carpet surface.

Performance Standard: Where it is understood by Builder/Warrantor and Homeowner that carpet is planned to be installed as a floor finish, whether by the Builder/Warrantor or Homeowner, the bottom of the doors which rub or disturb the carpet constitutes a deficiency.

Builder/Warrantor Responsibility: Undercut doors as required.

Exclusion: Where carpet is selected by the Homeowner having excessive high pile, the Homeowner is responsible for any additional door undercutting.

6. Possible Deficiency: Excessive opening at the bottom of interior doors.

Performance Standard: Passage doors from room to room that have an opening between the bottom of the door and the floor finish material in excess of one and one-half inches constitute a deficiency. Closet doors having an opening in excess of two inches constitute a deficiency.

Builder/Warrantor Responsibility: Make necessary adjustment or replace door to meet the required tolerance.

B. GARAGE DOORS (attached garage)

1. Possible Deficiency: Garage door fails to operate or fit properly.

Performance Standard: Garage doors that do not operate and fit the door opening within the manufacturer's installation tolerances constitute a deficiency. Some entrance of the elements can be expected under heavy weather conditions and is not considered a deficiency.

Builder/Warrantor Responsibility: Make necessary adjustments to meet the manufacturer's installation tolerances.

Exclusion: No adjustment is required when cause is determined to result from the owner's installation of an electric door opener.

C. WOOD, PLASTIC AND METAL WINDOWS

1. Possible Deficiency: Malfunction of windows.

Performance Standard: Windows which do not operate in conformance with manufacturer's design standards constitute a deficiency.

Builder/Warrantor Responsibility: Consult with manufacturer when necessary and make necessary adjustments for windows to operate and meet the Standard.

2. Possible Deficiency: Double hung windows do not stay in place when open.

Performance Standard: Double hung windows are permitted to move within a two inch tolerance, up or down when put in an open position. Any excessive movement exceeding the tolerance is a deficiency.

Builder/Warrantor Responsibility: Adjust sash balances one time only during the first year warranty period. Where possible, instruct the owner on the method of adjustment for future repair.

3. Possible Deficiency: Condensation or frost on window frames and glass.
Performance standard: None.

Builder/Warrantor Responsibility: None.

Exclusion: Window glass and frames will collect condensation on the frame and glass surface when humidity and temperature differences are present. Condensation is usually the result of temperature/humidity conditions in the home.

D. HARDWARE

1. Possible Deficiency: Hardware does not work properly, fails to lock or perform its intended purpose.

Performance Standard: All hardware installed on doors and windows which does not operate properly constitutes a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall adjust, repair or replace hardware as required.

E. STORM DOORS, WINDOWS AND SCREENS

1. Possible Deficiency: Storm doors and windows do not operate or fit properly.

Performance Standard: Storm doors and windows that, when installed, do not operate or fit properly to provide the protection for which they are intended, constitute a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall make necessary adjustments for proper fit and operation. Replace when adjustment can not be made.

2. Possible Deficiency: Screen panels do not fit properly. Screen mesh is torn or damaged.

Performance Standard: Rips or gouges in the screen mesh reported on a pre-closing walk through inspection report, or openings between the screen panel and frame are defects.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace rips and gouges in the screen mesh if reported on the pre-closing walk through inspection. Adjust screen panels to fit properly in frame one time only during the first year of warranty. If there was no pre-closing walk through inspection the Builder/Warrantor is responsible to repair deficiency when reported by owner.

Owner Responsibility: Notify Builder/Warrantor within 30 days from the

warranty date or the date on which the screens are furnished if there was no pre-closing walk through inspection.

F. WEATHERSTRIPPING AND SEALS

1. Possible Deficiency: Drafts around doors and windows.

Performance Standard: Weatherstripping is required on all doors leading directly to the outside from a habitable area. Some infiltration is normally noticeable around doors and windows, especially during high winds. Excessive infiltration resulting from opening in poorly fitted doors or windows, or poorly fitted weatherstripping is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall adjust or correct poorly fitted windows or doors, or poorly fitted weatherstripping.

G. GLASS AND GLAZING

1. Possible Deficiency: Broken glass.

Performance Standard: Broken glass is a deficiency if it is reported on a pre-closing walk through inspection report.

Builder/Warrantor Responsibility: Builder/Warrantor shall replace if reported on a pre-closing walk through inspection report. If no report exists, the Builder/Warrantor shall replace if deficiency is reported by owner.

Owner Responsibility: Owner shall notify Builder/Warrantor within 30 days from warranty date if no pre-closing walk through inspection report exists.

2. Possible Deficiency: Clouding and condensation on inside surfaces of insulated glass.

Performance Standard: Insulated glass which clouds up or has condensation on the inside surfaces of the glass is deficient.

Builder/Warrantor Responsibility: The Builder/Warrantor shall replace glass in accordance with window and glass manufacturer's requirements.

VII. FINISHES

A. LATH AND PLASTER

1. Possible Deficiency: Cracks in plaster wall and ceiling surfaces.

Performance Standard: Noticeable cracks in plaster wall and ceiling surfaces constitute a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair cracks and touch up paint to match as close as possible, one time only. Such conditions should be reported near the end of the first year warranty date to allow for normal movement in the home.

B. GYPSUM WALLBOARD:

1. Possible Deficiency: Defects caused by poor workmanship such as cracks over door and window frames, over archways, blisters in tape, excess compound in joints, exposed corner beads, nail pops, or trowel marks.

Performance Standard: Slight defects such as occasional nail pops, seam lines and cracks are common in gypsum wallboard installations. Blisters in tape, cracks over door and window frames and over archways, excess compound in joints, trowel marks, nail popping and exposed corner beads are deficiencies. Nail pops are a defect only when there are signs of spackle compound cracking or falling away.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct such defects to acceptable tolerance and repaint affected areas one time only to match as close as possible. Where excessive repair has been made the entire area shall be painted. Such conditions shall be reported near the end of the first year warranty date to allow for normal settlement of the home.

Exclusion: Depressions or slight mounds at nail heads are not considered deficiencies.

C. HARD SURFACE FLOORING (flagstone, marble, quarry tile, slate, ceramic tile, etc.)

1. Possible Deficiency: Flooring cracks or becomes loose.

Performance Standard: Ceramic tile, flagstone or similar hard surfaced sanitary flooring which crack or become loose constitute a defect. Subfloor and wallboard are required to be structurally sound, rigid and suitable to receive finish.

Builder/Warrantor Responsibility: The Builder/Warrantor shall determine and correct the cause for the cracking or loosening of the finish material. Replace cracked material and reset loose flooring.

The Builder/Warrantor is not responsible for slight color and pattern variations or discontinued patterns of the manufacturer. It shall not be required to replace the entire finish when the new material consists of less than 25 percent of the finish area.

Exclusion: Cracking and loosening of flooring caused by the Owner's negligence is not a deficiency.

2. Possible Deficiency: Cracks appear in grouting of ceramic tile joints or at junctions with other material such as a bathtub or shower.

Performance Standard: Cracks in grouting of ceramic tile joints are deficiencies. Regrouting of these cracks is a maintenance responsibility of the homeowner within the life of the home after the first year of warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair grouting as necessary one time only within the first year of warranty.

Exclusion: Open cracks or loose grouting, where the wall surface about the flashing lip at a tub or shower basin, are considered Owner's maintenance and any resultant damage to other finish surfaces due to leaks, etc. is not considered a deficiency.

D. RESILIENT FLOORING:

1. Possible Deficiency: Nail pops appear on the surface of resilient flooring.

Performance Standard: Readily apparent nail pops are a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct nail pops that have caused damage to the floor material and repair or replace damaged floor covering in the affected area.

Builder/Warrantor is not responsible for discontinued patterns or color variations.

Exclusion: Any defect caused to a finished surface material or any work supplied by anyone other than the Builder/Warrantor, or his employees, agents, or subcontractors where it is determined that the installer has accepted the Builder/Warrantor's surface in applying a finish material.

2. Possible Deficiency: Depressions or ridges appear in the resilient flooring due to subfloor irregularities.

Performance Standard: Readily apparent depressions or ridges exceeding one-eighth inch constitute a deficiency. The ridge or depression measurement is taken as the gap created at one end of a six-inch straight edge placed over the depression or ridge with three inches on one side of the defect held tightly to the floor.

Builder/Warrantor Responsibility: The Builder/Warrantor shall take required corrective action to bring deficiency within acceptable tolerances so as to be not readily visible. Builder is not responsible for discontinued patterns or color variations in floor covering, owner neglect or abuse, nor installations performed by others.

Exclusion: Any defect caused to a finished surface material or any work supplied by anyone other than the Builder/Warrantor, or his employees, agents, or subcontractors where it is determined that the installer has accepted the Builder/Warrantor's surface in applying a finish material.

3. Possible Deficiency: Resilient flooring or base loses adhesion.

Performance Standard: Resilient flooring or base that lifts, bubbles, or becomes unglued is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace resilient flooring or base as required. Builder is not responsible for discontinued patterns or color variation.

Exclusion: Any defect caused to a finished surface material or any work supplied by anyone other than the Builder/Warrantor, or his employees, agents, or subcontractors where it is determined that the installer has accepted the Builder/Warrantor's surface in applying a finish material.

4. Possible Deficiency: Seams or shrinkage gaps show at resilient flooring joints.

Performance Standard: Gaps in excess of one-eighth inch in width in resilient floor covering joints constitute a deficiency. Where dissimilar materials about a gap in excess of three-sixteenths inch is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall take required action to correct the cause of the deficiency. The Builder/Warrantor is not responsible for discontinued patterns or color variations of floor covering.

E. PLYWOOD WALL COVERING:

1. Possible Deficiency: Variations in paneling color; scratches or checks on the finished surface.

Performance Standard: Plywood paneling pattern and color will often vary; this is not a deficiency. Scratches on the paneling surface are deficiencies if reported on a pre-closing walk through inspection report.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace damaged paneling when the deficiency has been reported on the pre-closing walk through inspection report. Builder is not responsible for discontinued panel or color variations. If no pre-closing walk through was done, the Builder/Warrantor is responsible to repair damage if notified by owner. If damaged paneling cannot be replaced with new paneling to owner's satisfaction, the deficiency may be repaired within reasonable standard of good materials and workmanship.

The owner shall notify the Builder/Warrantor within 30 days of the warranty date if no pre-closing walk through inspection report exists.

F. FINISHED WOOD FLOORING:

1. Possible Deficiency: Dents, chips, knot pops, open joints or cracks in wood flooring. Dents and chips are deficiencies if reported on a pre-closing walk through inspection report.

Performance Standard: Dents, chips, knot pops, open joints, or cracks in floor boards of finished wood flooring which exceed the manufacturer's quality

standards of the wood flooring grade are considered deficiencies. Manufacturer's grade quality standards shall be as defined by: Wood and Synthetic Flooring Institute, National Oak Flooring Association and Maple Flooring Manufacturer's Association.

Builder/Warrantor Responsibility: The Builder/Warrantor shall determine cause for deficiencies and correct. Dents and chips are to be corrected if reported on a pre-closing walk through inspection report. If the inspection was not conducted then the Builder/Warrantor shall correct if notified by owner. For repairable deficiency, repair cracks, chips or dents by filling and refinishing to match the wood surface as close as possible. For non-repairable deficiencies, replace and finish affected area to match remaining flooring as closely as possible.

The owner shall report such deficiencies to Builder/Warrantor within 30 days of the warranty date if there was no pre-closing walk through inspection.

G. PAINTING:

1. Possible Deficiency: Knot and wood stains appear through paint on exterior.

Performance Standard: Excessive knot and wood stains which bleed through the paint are considered deficiencies.

Builder/Warrantor Responsibility: The Builder/Warrantor shall seal affected areas where excessive bleeding of knots and stains appear and touch up paint to match.

2. Possible Deficiency: Exterior paint or stain peels, deteriorates or fades.

Performance Standard: Exterior paints or stains that peel or deteriorate during the first year of ownership constitute a deficiency.

Builder/Warrantor Responsibility: Shall properly prepare and refinish affected areas, matching color as closely as possible. Where finish repairs affect the majority of the surface area, the whole area should be refinished. The warranty on the newly repainted surfaces will not extend beyond the original warranty period.

Exclusion: Fading, however, is normal and subject to the orientation of painted surfaces to the climatic conditions which may prevail in the area. Fading is not a deficiency.

3. Possible Deficiency: Painting required as corollary repair because of other work.

Performance Standard: Necessary repair of a painted surface required under this warranty is to be refinished to match surrounding areas as closely as possible.

Builder/Warrantor Responsibility: The Builder/Warrantor shall refinish repaired areas to meet the standard as required.

4. Possible Deficiency: Mildew or fungus forms on painted or factory finished surfaces.

Performance Standard: None.

Builder/Warrantor Responsibility: None.

Exclusion: Mildew or fungus that forms on a painted or factory finished surface when the structure is subject to various exposures (i.e., ocean, lake, riverfront, heavily wooded areas or mountains) is not a deficiency.

5. Possible Deficiency: Deterioration of varnish or lacquer finishes.

Performance Standard: Natural finishes on interior woodwork which deteriorate during the first year of ownership constitute a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall refinish affected areas of natural finished interior woodwork, matching the color as closely as possible.

Exclusion: Varnish-type finishes used on the exterior will deteriorate rapidly and are not covered by the warranty.

6. Possible Deficiency: Interior paint coverage.

Performance Standard: Interior paint not applied in a manner sufficient to visually cover wall, ceiling and trim surfaces is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repaint wall, ceiling or trim surfaces where inadequate paint has been applied. Where a large area is affected the entire surface shall be repainted.

7. Possible Deficiency: Paint splatters and smears on finish surfaces.

Performance Standard: Paint stains on porous surfaces which are so excessive as to detract from the finish; and which cannot be removed by normal cleaning methods; and which are reported on a pre-closing walk through inspection report, are considered deficiencies.

Exclusion: Minor paint splatter and smears on impervious surfaces which can be easily removed are considered homeowner maintenance and do not constitute a deficiency.

Builder/Warrantor Responsibility: If reported on a pre-closing walk through inspection report, the Builder/Warrantor shall remove paint stains without affecting the finish of the material, or replace the damaged surface

if stain cannot be removed. If no such inspection was done, the Builder/Warrantor shall correct if notified by the owner.

The owner shall notify the builder within 30 days of the warranty date if a pre-closing walk through inspection report was not completed.

H. WALL COVERING

1. Possible Deficiency: Peeling of wallcovering installed by builder

Performance Standard: Peeling of wallcovering is a deficiency, unless it is due to owner's abuse or negligence.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace defective wallcovering.

Exclusion: Any defect caused to a finished surface material or any work supplied by anyone other than the Builder/Warrantor, or his employees, agents, or subcontractors where it is determined that the installer has accepted the Builder/Warrantor's surface in applying the finish material.

2. Possible Deficiency: Mismatching in wallcovering pattern.

Performance Standard: Mismatched wall covering pattern over a large area, which severely detracts from its intended purpose due to poor workmanship is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall remove mismatched wall covering and replace. Builder/Warrantor is not responsible for discontinued patterns or variations in color.

3. Possible Deficiency: Lumps and ridges and nail pops in wallboard which appear after owner has wallcovering installed by others.

Performance Standard: None.

Builder/Warrantor Responsibility: None.

Exclusion: Owner shall insure that the surface to receive wallcovering is suitable and assumes full responsibility should lumps, ridges and nail pops occur at a later date.

I. CARPETTING:

1. Possible Deficiency: Seams in carpet.

Performance Standard: Seams in carpeting that separate due to improper installation constitute a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct to eliminate the separation.

Exclusion: Carpeting material is not covered under the warranty.

2. Possible Deficiency: Carpeting comes loose or excessive stretching occurs.

Performance Standard: Wall to wall carpeting that comes loose is a deficiency.

Exclusion: Stretching that may occur in the carpeting is subject to the quality and surface over which it is laid and is not a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall resecure loose carpeting one time during the first year of warranty coverage.

3. Possible Deficiency: Spots on carpet, minor fading.

Performance Standard: Spots or stains on the carpeting constitute a deficiency if reported on a pre-closing walk through inspection report.

Builder/Warrantor Responsibility: The Builder/Warrantor shall remove spots and stains on a one time basis if reported on a pre-closing walk through inspection report. Replace when excessive spots and stains cannot be removed. If no pre-closing inspection report exists, the Builder/Warrantor shall correct when notified by owner.

The owner shall notify the Builder/Warrantor within 30 days from the warranty date if no pre-closing walk through inspection report exists.

Exclusion: Fading is not a deficiency; and builder has no responsibility.

VIII. SPECIALTIES

A. FIREPLACES:

1. Possible Deficiency: Fireplace or chimney does not draw properly causing smoke to enter the house.

Performance Standard: A properly designed and constructed fireplace and chimney is to function as intended. It is normal to expect that high winds can cause temporary negative draft situations. Similarly, negative draft situations can also be caused by obstructions such as large branches of trees too close to the chimney. In addition, the geographic location of the fireplace or its relationship to adjoining walls and roof may be the cause of negative draft conditions. In some cases, it may be necessary to open a window slightly to create an effective draft. Since negative draft conditions could be temporary, it is necessary that the owner substantiate the problem to the Builder/Warrantor by building a fire so the condition can be observed.

Builder/Warrantor Responsibility: When determined that the malfunction is based upon improper construction of the fireplace, the Builder/Warrantor must take the necessary steps to correct the problem.

Exclusion: Where it is determined that the fireplace is properly designed and constructed, but still malfunctions due to natural causes beyond the builder's control, builder is not responsible.

2. Possible Deficiency: Chimney separation from structure to which it is attached.

Performance Standard: Newly built fireplaces will often separate slightly from the structure. Separation which exceeds one-half inch from the main structure in any 10 foot vertical measurement is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall determine the cause of separation and correct. Caulking or grouting is acceptable up to one-half inch displacement.

B. BUILT-IN SAUNA AND STEAM BATH UNITS:

1. Possible Deficiency: Refer to the pertinent section of these Standards for deficiencies that may exist in construction, materials, finish and equipment of a steam bath or sauna unit constructed on-site.

Performance Standard: Built-in equipment such as sauna and steam bath units are to be constructed and must operate properly under the same applicable standard for finishes and mechanical and electrical equipment involved. Any deficiencies in finish materials or equipment referred to in these standards are considered deficiencies.

Builder/Warrantor Responsibility: The Builder/Warrantor shall make all necessary repairs or replacements including equipment covered under a manufacturer's warranty.

IX. KITCHEN CABINETS AND VANITIES

1. Possible Deficiency: Kitchen or vanity cabinet doors and drawers malfunction.

Performance Standard: Cabinet doors, drawers and other operating parts that do not function as designed are deficiencies if they are reported on a pre-closing walk through inspection report.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace operating parts if a pre-closing report exists. If no report exists, the Builder/Warrantor shall correct if notified by the owner.

The owner shall notify the Builder/Warrantor within 30 days of the warranty date if a pre-closing walk through inspection was not conducted.

2. Possible Deficiency: Surface cracks, delaminations and chips in high pressure laminates of vanity and kitchen cabinet countertops.

Performance Standard: Countertops fabricated with high pressure laminate coverings that delaminate, have chips, scratches, or surface cracks or joints between sheets exceeding one-sixteenth inch are considered deficiencies if reported on a pre-closing walk through inspection report.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace laminated surface covering having chips, cracks, scratches or joints

exceeding the allowable width if reported on a pre-closing inspection report. If a pre-closing inspection was not performed, the Builder/Warrantor shall correct when notified by owner.

The owner shall notify the Builder/Warrantor within 30 days at the warranty date if a pre-closing walk through inspection report does not exist.

3. Possible Deficiency: Warping of kitchen and vanity cabinet doors and drawer fronts.

Performance Standard: Warpage that exceeds one-quarter inch as measured from the face of the cabinet frame to the furthest point of warpage on the drawer or door front in a closed position is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct or replace door or drawer front as required.

4. Possible Deficiency: Gaps between cabinets, ceiling and walls.

Performance Standard: Counter top, splash, base and wall cabinets are to be securely mounted. Gaps in excess of one-quarter inch between wall and ceiling surfaces constitute a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall make necessary adjustment of cabinets and top or close gap by means of moudling suitable to match the cabinet or counter top finish; or other acceptable means.

X. MECHANICAL SYSTEMS

A. SEPTIC TANK SYSTEMS

1. Possible Deficiency: Septic system fails to operate properly.

Performance Standard: Septic system is to be capable of properly handling normal flow of household effluent. It is, however, possible that due to freezing, soil saturation, changes in the ground water table or excessive use of plumbing or appliances, an overflow can occur. Periodic pumping of the septic tank is considered homeowner maintenance, and a normal need for pumping is not a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall take corrective action as required, if it is determined that malfunction is due to improper design or construction. Builder is not responsible for malfunctions which occur through owner negligence or abuse. Builder is also not responsible for malfunctions which occur due to acts of nature such as freezing and changes in the ground water table.

Exclusion: The following are considered owner negligence or abuse as an exclusion under the warranty:

(1) Excessive use of water such as overuse of washing machine and dishwasher, including their simultaneous use.

(2) Connection of sump pump, roof drains or backwash from water conditioner, to the system.

(3) Placement of non-biodegradable items in the system.

(4) Addition of any harsh chemicals, greases or cleaning agents, and excessive amounts of bleaches or drain cleaners.

(5) Use of a food waste disposer not supplied by builder.

(6) Placement of impervious surfaces over the disposal area.

(7) Allowing vehicles to drive or park over the disposal area.

(8) Failure to periodically pump out the septic tank, when required.

NOTE: Coverage is for first two years of warranty.

B. PLUMBING

1. Possible Deficiency: Plumbing pipes freeze.

Performance Standard: Drain, waste and water pipes are to be adequately protected to prevent freezing during normally anticipated cold weather. Freezing of pipes is a deficiency and covered only during the first year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct the condition responsible for pipes freezing, and repair piping damaged by freezing.

The owner is responsible for maintaining suitable temperatures in the home to prevent pipes from freezing. Homes which are periodically occupied, such as summer homes, or where there will be no occupancy for an extended period of time, must be properly winterized or periodically checked to insure a reasonable temperature is maintained. Leaks occurring due to owner's neglect, and resultant damage are not the builder's responsibility.

2. Possible Deficiency: Leakage from any piping.

Performance Standard: Leaks in any sanitary soil, waste vent and water piping are deficiencies and are covered during the first and second year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall make necessary repairs to eliminate leakage.

Exclusion: Condensation on piping does not constitute leakage, and is not a deficiency, except where pipe insulation is required.

3. Possible Deficiency: Faucet or valve leak.

Performance Standard: A valve or faucet leak due to material or workmanship is a deficiency and covered only during the first year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace the leaking faucet or valve.

Exclusion: Leakage caused by worn or defective washers or seal are a homeowner maintenance item.

4. **Possible Deficiency:** Defective plumbing fixtures, appliances or trim fittings.

Performance Standard: Fixtures, appliances or fittings are to be judged according to the manufacturer's standards as to use and operation and are covered only during the first year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall replace or repair any fixture or fitting which is outside of acceptable standards as defined by the manufacturer.

5. **Possible Deficiency:** Stopped up sanitary sewers, fixtures and sanitary drains are deficiencies.

Performance Standard: Sanitary sewer, fixtures and sanitary drains should operate and drain properly and are covered during the first and second year of the warranty.

Builder/Warrantor Responsibility: Where defective construction is shown to be the cause, the builder shall make necessary repairs.

Exclusion: Sewers, fixtures, and drains which are clogged through the owner's negligence, the owner shall assume repair costs.

NOTE: *Builder responsibility for defective sewer lines extends to the property line on which the home is constructed.*

6. **Possible Deficiency:** Chipped or damaged plumbing fixtures and appliances.

Performance Standard: Chips, cracks, or other such damage to plumbing fixtures and appliances are deficiencies if they are included in a pre-closing walk through inspection report.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair any chips or cracks if included in the pre-closing inspection report. If repair cannot be made, the fixture or appliance is to be replaced to match the original. If a pre-closing inspection was performed, the Builder/Warrantor shall correct if notified by owner.

The owner shall notify Builder/Warrantor within 30 days of warranty date if no pre-closing walk through inspection was performed.

Exclusion: Where a fixture is built into surrounding wall areas such as a tub or shower basin and which requires repair, replacement is not covered under the warranty except where the deficiency causes the fixture to be unusable.

C. WATER SUPPLY

1. **Possible Deficiency:** Staining of plumbing fixtures due to high iron content in water

Performance Standard: High iron content in the water supply system will cause staining of plumbing fixtures.

Builder/Warrantor Responsibility: None. Maintenance and treatment of the water is the homeowner's responsibility.

2. **Possible Deficiency:** Drinking water supply is not potable.

Performance Standard: All water must be free from contamination that would affect its potability. Potable water is defined as water fit for human consumption. In many cases, well water tests will show contamination that exceeds the recommended amounts permitted under applicable Federal and State standards, however, it still may be considered potable. In order to make this determination, the owner must provide written documentation from a independent testing laboratory or a board of health providing such service stating that the water is unfit for human consumption. Water test reports furnished by a commercial water treatment company cannot be used to make such a determination. Water is considered potable when a certificate of compliance is issued by the local/county board of health. Any recommendation for treatment of the water by the Local/County Board of Health is contractual between owner and builder and cannot be considered a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall supply potable drinking water.

Exclusion: Water which becomes non-potable after certification by a source beyond the control of the builder shall be excluded from coverage.

3. **Possible Deficiency:** Water supply system fails to deliver water; or pressure is low.

Performance Standard: All service connections to municipal water main or private water supply are the Builder/Warrantor's responsibility when installed by him.

NOTE: *Low water pressure is defined as follows: Use of the cold water supply at any one single fixture drastically reduces the cold water supply at any one other single fixture.*

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair as required, if failure to supply water is the result of deficiency in workmanship or materials. If conditions exist which disrupt or eliminate the sources of water supply that are beyond his control, then the builder is not responsible.

4. Possible Deficiency: Noisy water pipes.

Performance Standard: Some noise can be expected from the water pipe system, due to the flow of water. Water hammer in the supply system is a deficiency and is covered only during the first year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct to eliminate "water hammer."

Exclusion: Noises due to water flow and pipe expansion are not considered deficiencies.

D. HEATING AND AIR CONDITIONING

1. Possible Deficiency: Inadequate heat.

Performance Standard: A heating system shall be capable of producing an inside temperature of 70 degrees F, as measured in the center of the room at a height of 5 feet above the floor, under local outdoor winter design conditions as specified in the latest edition of the New Jersey U.C.C. Energy Subcode and ASHRAE Handbook in effect at the time the home was constructed.

Note for Heating: The outdoor design temperature established by ASHRAE varies geographically throughout the State of New Jersey. There may be periods when the outdoor temperature falls below the design temperature, thereby lowering the temperature in the home. Orientation of the home and location of rooms will also provide a temperature differential, especially when the heating system is controlled by a single thermostat for one or more floor levels.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct heating system as required to provide the required temperatures. Balance dampers, registers and make minor adjustments one time only, during the first year of the warranty.

2. Possible Deficiency: Inadequate cooling.

Performance Standard: Where air conditioning is provided, the cooling system is to be capable of maintaining a temperature of 78 degrees Fahrenheit as measured in the center of each room at height of 5 feet above the floor, under local outdoor summer design conditions as specified in the latest edition of the New Jersey U.C.C. Energy Subcode and ASHRAE Handbook in effect at the time the home was constructed.

Note for Air Conditioning: The cooling cycle outdoor design temperature established by ASHRAE provides for a maximum of 12 degree temperature differential between the outdoor and the indoor temperature. There may be periods when the outdoor temperature rises above the design temperature, thereby raising the temperature in the home. Orientation of the home and location of rooms will also provide a temperature differential, especially when the air conditioning system is controlled by a single thermostat for

one or more floor levels.

Builder/Warrantor Responsibility: Correct cooling system to meet the above temperature requirements during the first year of the warranty.

3. Possible Deficiency: Ductwork and heating piping not insulated in uninsulated areas.

Performance Standard: Ductwork and heating pipes that are run in uninsulated crawlspaces, garages or attics are to be insulated. Basements are not "uninsulated areas," and no insulation is required.

Builder/Warrantor Responsibility: The Builder/Warrantor shall install required insulation.

4. Possible Deficiency: Refrigerant lines leak.

Performance Standard: Refrigerant lines that develop leaks during normal operation are deficiencies during the first year and second year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair leaking lines and recharge unit as required.

5. Possible Deficiency: Condensate lines clog-up.

Performance Standard: Condensate lines will clog under normal conditions. Builder/Warrantor Responsibility: The Builder/Warrantor shall provide clean and unobstructed lines on warranty date.

Owner Responsibility: Continued operation of drain line is homeowner maintenance item.

6. Possible Deficiency: Improper mechanical operation of evaporative cooling system.

Performance Standard: Equipment that does not function properly at temperature standard set is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall correct and adjust so that blower and water system operate as designed during the first year of the warranty.

7. Possible Deficiency: Ductwork noisy.

Performance Standard: Noise in ductwork may occur for a brief period when the heating or cooling begins to function and is not considered a deficiency. Continued noise in the ductwork during its normal operation is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall take necessary steps to eliminate noise in the ductwork.

8. *Possible Deficiency:* Ductwork separates, becomes unattached.
Performance Standard: Ductwork that is not intact or securely fastened is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall reattach and secure all separated or unattached ductwork.

XI. ELECTRICAL SYSTEMS

A. ELECTRICAL CONDUCTORS

1. *Possible Deficiency:* Failure of wiring to carry its designed circuit load to switches and receptacles.

Performance Standard: Wiring that is not capable of carrying the designed load, for normal residential use to switches and receptacles and equipment is a deficiency.

Builder/Warrantor Responsibility: The Builder/Warrantor shall check wiring and replace wiring if it fails to carry the design load.

B. SWITCHES AND RECEPTACLES

1. *Possible Deficiency:* Fuses blow, or circuit breakers kick out.

Performance Standard: Fuses and circuit breakers which deactivate under normal usage, when reset or replaced constitute a deficiency during the first year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall check wiring and replace wiring or breaker if it does not perform adequately or is defective.

2. *Possible Deficiency:* Drafts from electrical outlets.

Performance Standard: The electrical junction box on exterior walls may produce a slight air flow whereby the cold air can be drawn through the outlet into a room. This problem is normal in new home construction.

Builder/Warrantor Responsibility: None.

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

Performance Standard: All switches, fixtures and outlets which do not operate as intended are considered deficiencies only during the first year of the warranty.

Builder/Warrantor Responsibility: The Builder/Warrantor shall repair or replace defective switches, fixtures and outlets.

C. SERVICE AND DISTRIBUTION

1. *Possible Deficiency:* Ground fault interruptor trips frequently.

Performance Standard: Ground fault interruptors are sensitive safety devices installed into the electrical system to provide protection against

electrical shock. These devices are sensitive and can be tripped very easily. Ground fault interruptors are required on outlets located in the kitchen, bath and powder rooms along with all exterior outlets. Ground fault outlets which do not operate as intended are considered deficiencies.

Builder/Warrantor Responsibility: The Builder/Warrantor shall replace the device if defective.

APPENDIX G

WARRANTY EXCLUSIONS*

(A) The following are not included in the warranty:

1. Any portion of a covered home which is not completed by the warranty date; except that, after completion, such portions will be covered until the end of the warranty period specified for that portion, pursuant to NJAC 5:25-3.2 of the regulations. Builder failure to complete construction of such portions may constitute the basis for denial, suspension or revocation of registration pursuant to NJAC 5:25-2.5 of the regulations. Any item for the completion of which funds are being held in escrow shall be deemed to be an incompleteness rather than a defect. If such item exhibits a defect after the release of the escrowed funds, then it shall be included in the warranty. In all cases, the warranty period shall be deemed to have commenced on the warranty date.

2. Defects in **outbuilding** (except that outbuildings which contain the plumbing, electrical, heating, or cooling systems serving the home covered), swimming pool and other recreational facilities, driveways, walkways, unattached patios, boundary walls, retaining walls which are not necessary for the home's structural stability, fences, landscaping (including sodding, seeding, shrubs, trees and plantings), offsite improvements, or any other improvements not a part of the home itself.

3. Bodily injury, damage to personal property, or damage to real property which is not part of the home.

4. Any damage to the extent it is caused or made worse by:

- a. Negligent or improper maintenance or improper operation by anyone other than the builder or his employees, agents or subcontractors, or;
- b. Failure of anyone other than the builder or his employees, agents or subcontractors to comply with the warranty requirement of manufacturers of appliances, equipment or fixtures, or;
- c. Failure to give notice to the builder of any defect within the time frame established under NJAC 5:25-3.3(e) and 5:25-5.5(b) or the applicable private warranty plan, or;
- d. Changes of the grading of the ground by anyone other than the builder, or his employees, agents or subcontractors, or;
- e. Failure to take timely action in emergent cases to minimize any loss or damage.

5. Any defect in, or caused by, materials or work supplied by anyone other than the builder, or his employees, agents or subcontractors. The builder shall, however, be responsible for any defects in or damage to any materials

or work not installed by the builder when the defect or damage is the direct consequence of defects in materials or work installed by the builder which is not in accordance with acceptable industry standards.

6. Normal wear and tear or normal deterioration in accordance with normal industry standards.

7. Accidental loss or damage from acts of nature such as, but not limited to: fire, explosion, smoke, water escape, changes which are not reasonably foreseeable in the level of the underground water table, glass breakage, wind-storm, hail, lightning, falling trees, aircraft, vehicles, flood and earthquake. However, soil movement (from causes other than flood and earthquake) is not excluded.

8. Insect damage.

9. Any loss or damage which arises while the home is being used primarily for non-residential purposes.

10. Changes, alterations, or additions made to the home by anyone after initial occupancy, except those performed by the builder as his obligation under this program.

11. Any defect caused to a finished surface material or any work supplied by anyone other than the Builder/Warrantor, or his employees, agents, or sub-contractors in that, it is determined the installer has accepted the Builder/Warrantor's surface to apply the finish material.

12. Any materials and/or workmanship furnished and installed by the Builder/Warrantor that does not comply with the specifications in a sales agreement or contract which is not defective.

13. Consequential damages to personal property are excluded; consequential damages to real property as a result of a defect or repair of a defect are covered.

(B) Other exclusions are included in the performance standards (see Appendix B) to better define those standards and are identified by "Exclusion."

* Source: NJAC 5:25-3.4.

APPENDIX D

Notice of Claim and Demand (Request for Dispute Settlement) for Claims in Years 1 And 2

OWNER INSTRUCTIONS: Complete the requested information below and on the back of this form, cut along dotted line, and mail this form, along with a copy of your letter to your builder listing the defects in your home, any written response from the builder, any escrow agreements, copies of lawsuits, or similar information, to:

NJ Department of Community Affairs
New Home Warranty Program
PO Box 805
Trenton, NJ 08625-0805

OWNER

Owner Name(s): _____

Owner Address: _____

Lot Number: _____

Block Number: _____

Name of Development (if applicable): _____

Building Number: _____

Unit Number: _____

Owner Telephone Number: (home) _____

(work) _____

BUILDER

Builder Name: _____

Builder Address: _____

Builder Telephone Number: _____

WARRANTY INFORMATION

Effective Date of Warranty Coverage: _____

(month/day/year)

Certificate of Participation (Warranty) Number: _____

Date of Written Notification to Builder: _____

(month/day/year)

Disclosure Statement

(The following information must be furnished to process this request.)

1. Are there any lawsuits, liens, judgments, and/or class action lawsuits pending, filed, settled, or dismissed between you and your Builder? (Check one) Yes No
If yes, attach a copy. This includes any complaint, counter-claim, cross-claim, or third-party complaint filed in any court that alleges matters covered by the warranty or unworkmanlike construction in general.

2. Is money presently being withheld from the Builder for incomplete work and/or for failure to correct items of defect? (Check one) Yes No

If yes, state the dollar amount \$ _____

If yes, submit a copy of any escrow agreement or other applicable documentation.

I/We the above named homeowner(s) do hereby request the New Home Warranty Program to begin the Dispute Settlement Process. I/We understand that I/we will first submit to conciliation our disputes with the above named Builder prior to the election of either arbitration or Bureau Decision. I/We also understand that arbitration shall follow conciliation in the event the Builder and I/we fail to resolve our differences, unless we elect a Bureau Decision. I/We have previously contacted the Builder concerning the defect(s) described above and the Builder has failed to correct such defect(s). I/We are attaching a copy of the list of defect(s) that I/we forwarded to the Builder. I/We also certify that the information provided in the Disclosure Statement above is truthful and accurate, and I understand that failure to disclose will result in the Program closing the claim and not being liable for further payment, reimbursements, and/or repairs.

Signature _____ Date (month/day/year) _____

Signature _____ Date (month/day/year) _____

APPENDIX D

Notice of Claim and Demand (Request for Dispute Settlement) for Claims in Years 1 And 2

OWNER INSTRUCTIONS: Complete the requested information below and on the back of this form, cut along dotted line, and mail this form, along with a copy of your letter to your builder listing the defects in your home, any written response from the builder, any escrow agreements, copies of lawsuits, or similar information, to:

NJ Department of Community Affairs
New Home Warranty Program
PO Box 805
Trenton, NJ 08625-0805

OWNER
Owner Name(s): _____

Owner Address: _____

Lot Number: _____ Block Number: _____

Name of Development (if applicable): _____

Building Number: _____ Unit Number: _____

Owner Telephone Number (home) _____ (work) _____

BUILDER
Builder Name: _____

Builder Address: _____

Builder Telephone Number: _____

WARRANTY INFORMATION
Effective Date of Warranty Coverage: _____ (month/day/year)

Certificate of Participation (Warranty) Number: _____

Date of Written Notification to Builder: _____ (month/day/year)

Disclosure Statement

(The following information must be furnished to process this request.)

1. Are there any lawsuits, liens, judgments, and/or class action lawsuits pending, filed, settled, or dismissed between you and your Builder? (Check one) Yes No
If yes, attach a copy. This includes any complaint, counter-claim, cross-claim, or third-party complaint filed in any court that alleges matters covered by the warranty or unworkmanlike construction in general.

2. Is money presently being withheld from the Builder for incomplete work and/or for failure to correct items or defect? (Check one) Yes No

If yes, state the dollar amount: \$ _____

If yes, submit a copy of any escrow agreement or other applicable documentation.

I/We the above named homeowner(s) do hereby request the New Home Warranty Program to begin the Dispute Settlement Process. I/We understand that I/we will first submit to conciliation our disputes with the above named Builder prior to the election of either arbitration or Bureau Decision. I/We also understand that arbitration shall follow conciliation in the event the Builder and I/we fail to resolve our differences, unless we elect a Bureau Decision. I/We have previously contacted the Builder concerning the defect(s) described above and the Builder has failed to correct such defect(s). I/We are attaching a copy of the list of defect(s) that I/we forwarded to the Builder. I/We also certify that the information provided in the Disclosure Statement above is truthful and accurate, and I understand that failure to disclose will result in the Program closing the claim and not being liable for further payment, reimbursements, and/or repairs.

Signature _____ Date (month/day/year) _____

Signature _____ Date (month/day/year) _____

APPENDIX E

Notice of Claim and Demand for Major Structural Defects for Claims in Years 3 - 10

OWNER INSTRUCTIONS: Complete the requested information below and on the back of this form, cut along dotted line, and mail this form, along with a copy of your letter to your builder listing the defects in your home, any written response from the builder, any escrow agreements, copies of lawsuits, or similar information, to:

NJ Department of Community Affairs
New Home Warranty Program
PO Box 805
Trenton, NJ 08625-0805

OWNER

Owner Name(s): _____

Owner Address: _____

Lot Number: _____

Block Number: _____

Name of Development (if applicable): _____

Building Number: _____

Unit Number: _____

Owner Telephone Number: (home) _____

(work) _____

WARRANTY INFORMATION

Effective Date of Warranty Coverage: _____

(month/day/year)

Certificate of Participation (Warranty) Number: _____

Date of Written Notification to Builder: _____

(month/day/year)

MAJOR STRUCTURAL DEFECT

Describe what you consider to be a major structural defect in your home. Attach any professional reports, engineering studies, photos, or similar documentation to support your request.

Disclosure Statement

(The following information must be furnished to process this request.)

1. Are there any lawsuits, liens, judgments, and/or class action lawsuits pending, filed, settled, or dismissed between you and your Builder? (Check one) Yes No
 If yes, attach a copy. This includes any complaint, counter-claim, cross-claim, or third-party complaint filed in any court that alleges matters covered by the warranty or unworkmanlike construction in general.

2. Is money presently being withheld from the Builder for incomplete work and/or for failure to correct items or defect? (Check one) Yes No

If yes, state the dollar amount \$ _____

If yes, submit a copy of any escrow agreement or other applicable documentation.

I/we the above named homeowner(s), am/are filing a claim for major structural defect(s) in my/our home. I/we also certify that the information provided in the Disclosure Statement above is truthful and accurate, and I understand that failure to disclose will result in the Program closing the claim and not being liable for further payments, reimbursements, and/or repairs.

Signature _____ Date (month/day/year) _____

Signature _____ Date (month/day/year) _____

APPENDIX

Notice of Claim and Demand for Major Structural Defects for Claims in Years 3 - 10

OWNER INSTRUCTIONS: Complete the requested information below and on the back of this form, cut along dotted line, and mail this form, along with a copy of your letter to your builder listing the defects in your home, any written response from the builder, any escrow agreements, copies of lawsuits, or similar information, to:

NJ Department of Community Affairs
 New Home Warranty Program
 PO Box 805
 Trenton, NJ 08625-0805

OWNER

Owner Name(s): _____
 Owner Address: _____

Lot Number: _____ Block Number: _____

Name of Development (if applicable): _____

Building Number: _____ Unit Number: _____

Owner Telephone Number: (home) _____
 (work) _____

WARRANTY INFORMATION

Effective Date of Warranty Coverage: _____ (month/day/year)

Certificate of Participation (Warranty) Number: _____

Date of Written Notification to Builder: _____ (month/day/year)

MAJOR STRUCTURAL DEFECT

Describe what you consider to be a major structural defect in your home. Attach any professional reports, engineering studies, photos, or similar documentation to support your request.

Disclosure Statement

(The following information must be furnished to process this request.)

1. Are there any lawsuits, liens, judgments, and/or class action lawsuits pending, filed, settled, or dismissed between you and your Builder? (Check one) Yes No
If yes, attach a copy. This includes any complaint, counter-claim, cross-claim, or third-party complaint filed in any court that alleges matters covered by the warranty or unworkmanlike construction in general.

2. Is money presently being withheld from the Builder for incomplete work and/or for failure to correct items of defect? (Check one) Yes No

If yes, state the dollar amount: \$ _____

If yes, submit a copy of any escrow agreement or other applicable documentation.

I/We the above named homeowner(s), am/are filing a claim for major structural defect(s) in my/our home. I/we also certify that the information provided in the Disclosure Statement above is truthful and accurate, and I understand that failure to disclose will result in the Program closing the claim and not being liable for further payments, reimbursements, and/or repairs.

Signature Date (month/day/year)

Signature Date (month/day/year)