

Home Inspector Fact Sheet

Prepared for the License Law and Risk Management Committees by the
Joint Home Inspector Working Group of the National Association of
REALTORS®

- Home Inspectors are among the most widely referred service providers in a real estate transaction.
- Home Inspectors' reports are meant to detect major damages to, or serious problems with, a property that can require repairs or cause substantial financial expenses after the sale.
- Having an impartial, trained professional evaluate a property prior to purchase can reduce the seller and real estate professional's liability since the purchaser is less likely to be surprised with unforeseen repair expenses.
- Most states do not regulate home inspectors, so it is important to evaluate their professional qualifications before recommending them. Such qualifications include: an agreement to thoroughly examine a property visually and provide a written report listing all the findings (systems inspected should include foundation, ceilings, attic, visible exterior structures, electrical, heating and central air conditioning systems, insulation and ventilation, floors, roof, windows, walls, basements, doors and plumbing; the report does not disclaim the inspector's liability from negligence in performing the inspection); years of experience and courses in/knowledge of new techniques and equipment for home's major systems; proof of errors and omissions insurance covering the inspector's activities; list of past references; a bill listing the time and fees involved in the inspection; allowing potential purchasers and licensees to attend the inspection and the inspector's willingness to explain the home's systems.
- Home inspections usually do not cover; evaluation of existing environmental hazards, compliance with building or zoning codes, engineering or architectural features, property surveys, insect reports (i.e. termites, etc.).
- Sellers are encouraged to perform a home inspection on their property prior to listing it. In this manner, sellers can determine which defects they will repair and which they will leave for the new purchaser (NOTE: known material defects must be disclosed to potential purchasers).
- Property condition disclosure forms are helpful to potential purchasers, but home inspectors are more knowledgeable about home systems than the average seller who completes a property condition disclosure form.
- Home warranty programs, or service contracts, are purchased agreements that provide that certain home systems will be repaired or replaced, upon payment of a deductible, if they fail due to normal usage during the terms of the contract.
- Home warranties cover failure of systems caused by normal use or lack of preventative maintenance by the previous owner.
- Inspections of a property made by a home warranty company are not the same as home inspections. **(NOTE: In Indiana, home warranties are not intended to be a substitute for independent, third party home inspections. Also, FHA/VA appraisal inspections are not the same as a third party home**

inspection.)

- Home warranties are not insurance policies. They cover home system failures due to normal wear and tear, not damage caused by accidents or external forces.
- Sellers may purchase a home warranty as an added incentive for purchasers (i.e. if a heating system fails due to a normal wear and tear, it will be repaired or replaced at minimal cost [minus the deductible] to the new owner). A warranty offers sellers peace of mind from future complaints by the purchaser after the sale.
- Purchasers may buy a program to provide these types of safeguards, also.
- Licensees can help sellers and purchasers find home warranty programs by maintaining and providing a list of 3-5 programs that are available in their area.
- Elements to consider when evaluating a home warranty program include: whether an inspection is included (benefit to the company so it can establish the condition of the property it is going to warranty); the program cost (there may be separate costs for the inspection and the warranty); the deductible required (and any charges for service calls); the amount which is reimbursable (there may be a dollar cap on the amount covered for each system); the effective date and terms of coverage; a limit on the number of service calls (and the hours the service department is open); and the components covered the warranty.
- Other important points consumers should clarify are: the length of time the company has been in business, the company's financial status, the company's ability for processing claims and service orders, and whether the company is licensed to do business in the state .

****Sources for this document include the following NAR publications: Don't Risk It: A Broker's Guide To Risk Management and various issues of REALTOR® News and Real Estate***