

CONSUMER BULLETIN



INSPECTIONS AND WARRANTIES: *Some important Differences!*

Buying a home today is a major investment. With mortgage payments consuming a greater and greater portion of most people's monthly income, it is important to take precautions against unexpected major expenditures. Many real estate companies offer warranties to preclude such expenses. However, a warranty is only as good as the fine print in the policy and the company that stands behind it. Only a quality inspection can assure a confident, well-informed buyer.

WHAT IS A WARRANTY?

A warranty is a resource to pay for the repair or replacement in the event of the unexpected breakdown of those items covered by the warranty. A warranty is for a limited period of time, often one year or less. Each claim against a warranty usually has some deductible expense that must be paid by the owner.

Most warranties are limited, in duration, what is covered, or both. It is important to be aware of the specific components covered and not covered by the warranty. It is also important to understand the process for filing a claim under the warranty as well as the resources of the company providing that warranty.

In real estate, there are several different types of warranties. First, there are warranties offered on new homes. These are generally made available through the builder who participates in an insurance program for that purpose. These warranties may last up to ten years but not all elements of the house are covered during the life of the policy.

The second type of warranty is one offered on existing homes at the time of sale. These may be offered by real estate or independent insurance companies. Such warranties generally apply only to the major systems in the house (heating, cooling, appliances), and are of shorter duration – thirty days to two years.

The third type of warranty is one offered by inspection companies to cover what was missed during the inspection. An inspection that may be performed as part of a warranty is for determining if normal warranty coverage is appropriate for the property. It is for protecting the company offering the warranty, not for the potential owners of the property.

WHAT IS AN INSPECTION?

An inspection is a comprehensive statement of the condition of the property based on information available. An inspection is not limited in time because it provides an understanding of what may be needed for that property in the foreseeable future. An inspection is generally more comprehensive than a warranty. An inspection typically covers the condition of all components including the structure, as well as safety issues, the suspected presence of hazardous materials and other items of interest and important to a buyer or owner.

A competent inspection provides the buyer with an understanding of the property to minimize surprises and unexpected expenses later.

A competent inspection offers more protection to the seller and agent because it fulfills the obligations of disclosure.

A competent inspection provides information. It is also a resource when performed by a company that stands behind the quality and accuracy of their work. Items that should have and could have been seen at the time of the inspection will be resolved with the buyer should problems arise. This means fewer headaches for everyone later on.

ARE ALL INSPECTIONS EQUAL?

Not all inspections are equal. Inspections performed by licensed Professional Engineers are typically more comprehensive than those performed by non-engineers. As with warranties, it is important to understand what is to be included.

The following is a list of common items in home inspections performed by an engineer, a non-engineer, and items typically covered by warranty companies.

<u>ITEM</u>	<u>ENGINEER</u>	<u>NON-ENGINEER</u>	<u>WARRANTY</u>
Roof Surfacing	Y	Y	Y*
Foundation	Y	Y	N
Framing	Y	Y	N
Basement Water Problems	Y	Y	N
Settlement	Y	N	N
Overall Structure	Y	N	N
Condensation	Y	N	N
Rot	Y	Y	N
Heating Unit	Y	Y	Y*
Heating Capacity	Y	N	N
Air Conditioning	Y	Y	Y*
Cooling Capacity	Y	N	N
Water Heater	Y	Y	Y*
Piping	Y	Y	N
Electrical Capacity	Y	Y	N
Electrical Distribution	Y	Y	Y*
Plumbing Fixtures	Y	Y	Y*
Interior Finishes	Y	Y	N
Windows	Y	Y	N
Gutters and Downspouts	Y	Y	N
Storm Windows	Y	Y	N
Exterior Finishes/Paint	Y	Y	N
Driveway/Walkways	Y	N	N
Retaining Walls	Y	N	N
Insect Infestation	Y	N	Y*
General Energy Efficiency	Y	N	N
Chimneys and Fireplaces	Y	N	N
Fire/Safety Hazards	Y	N	N
Septic System (visible components)	Y	N	N
Swimming Pools/Tennis Courts	Y	N	N
Hazardous Materials (visual scan)	Y	N	N
Ventilation	Y	N	N

* Coverage Limited

CHOOSE CAREFULLY

Inspections and warranties both have their place in today's real estate market. Whereas a warranty may offer some short-term peace of mind for a limited number of building components, only an inspection offers a comprehensive understanding of the property for the buyer and non-disclosure protection for the seller and agent.