

The Impact of Home Inspections

By Karel Murray

I couldn't believe what he was doing! This six foot six inch tall, gray haired man had just disappeared underneath the house inside the crawlspace. I've seen a lot of movies and I easily imaged bugs, dirt and vagrant people lurking in the dark. I decided that I wouldn't follow him even though his booming voice was encouraging me to adventure into the dark guided only by a powerful flashlight beam. A quick shake of my head, I backed away and settled back to reflect upon what I had learned that day. I have had a rude awakening.

Being new to the real estate business, I had convinced Bruce, an experienced home inspector, to allow me to accompany him to four separate home inspections in one day. Watching him do his job was like watching a finely choreographed play. Moving swiftly from structural to mechanical issues, this man seemed to observe items that the naked eye could never pick up.

That's when I understood that I needed an experience and qualified whole house inspector if I ever wanted to be considered an excellent, customer oriented real estate licensee.

You see, I thought I knew stuff... I could tell that the roof looked a little worn, that the walls were covered with dirty paint, and the floors were creaky. But this day proved to me that there is substantially more to the whole house inspection process and someone like Bruce will not only assist my Buyer in finalizing their home purchase, they would enhance my agency responsibilities to my clients.

If an agent is representing the Seller, we are to work on their behalf and act in their best interest at all times while treating the Buyer honestly. That means we need to urge the Seller to complete the Property Condition Disclosure Report as thoroughly as possible. What the Buyer doesn't know could re-appear later as an adverse material fact and possibility wind up in court... Problems begin when the Buyer fails to conduct an inspection, accepts the disclosure information in good faith and then discovers a defect after they have moved into the property. Count on receiving a phone call or worse, a letter from their attorney.

I have encouraged Sellers to have a whole house inspection conducted if they are planning on selling the home in "As Is" condition. A true "As Is" sale means the Buyer is purchasing the home without benefit of inspections and that the Seller will be making no repairs of any kind. By supplying a complete Seller's Property Condition Report as well as a whole house inspection report, the Buyer will have a better idea of the true condition of the home before preparing an offer. This has been an effective technique when marketing "handyman specials".

When a real estate licensee represents the Buyer, we are to work on their behalf and act in their best interest at all times while treating the Seller honestly. Agents are to negotiate the best price possible, and property condition figures prominently in that effort. Buyer's agent's should prepare a market analysis on the property and review it carefully with the Buyer, keeping the physical condition of the property in mind when settling on an offer price. During this discussion, we are to point out good and bad features of the property which includes poor floor plans and physical defects. Once the pricing decision is made, an offer should be

prepared with favorable and protective terms for the Buyer. Inclusion of the whole house, pest, and environmental inspection clauses are a critical aspect of this agency responsibility. Bottom line, our duty is to take care of the Buyer Client, not worry that a home inspection may reveal conditions that will eventually cause the Buyer to back out of the deal.

I've learned over the years, that very few home inspections have caused an offer to "crash".

When it really gets interesting is when a real estate licensee is acting in the capacity of dual agency...representing both the Seller and Buyer. We are required to provide honest service and fiduciary responsibility to both parties as allowed by law. Agents can not counsel either the Seller or the Buyer as to negotiating strategies on terms and price, yet work to get the best price for both parties. A real estate salesperson needs to make sure material information on physical defects are submitted to the Buyer about the property. A whole house inspection, using an independent party like a home inspector is an excellent way to reduce the inherent liability built into the dual agent role. When showing the home, licensees should make sure to provide the Buyer an opportunity to make a thorough personal inspection of the property.

But the primary question that usually surfaces when I discuss whole house inspections is... "what if the Buyer hires a bad inspector?" Well, in a nut shell, that's not good. That means the real estate licensee needs to take an active role in determining the abilities and background of any professional service they refer to a client. It's like selecting your surgeon, you don't want them to say "oops" during the operation.

Years ago, a new home inspector approached me about referrals and opportunities to conduct mechanical and structural inspections for my clients. He had an excellent construction background, appeared professional and had all the right tools. Soon after our initial meeting, a Buyer client hired him. Even though all of the right precautions had been taken, we weren't prepared for his inspection style and methodology. Every time he would locate a small defect (reversed electrical outlets), he would emit a small squeek. No, it was more like the sound you make when you suck in your breath quickly. He would make this noise, turn and look at the buyer and then shake his head. If the defect was large (such as a crack in the foundation), the sound became amplified and much longer in duration. He would bite his lip and have such a look of profound dismay; it freaked the Buyer clients out.

Needless to say, he didn't last long in the business. At least he didn't say to the Buyer, "why did you buy this piece of junk?" Oh, yeah, we get all kinds.

The American Society of Home Inspectors® (ASHI) recognizes the need for professionalism, honesty, and courtesy associated with mutual interest among people. Because ASHI believes the keystone of professional conduct is integrity, they stress that their members discharge their duties with fidelity to the public and their clients with fairness and impartiality to all. Three specific statements from the ASHI Code of Ethics include:

- ◆ The member will express an opinion only when it is based on practical experience and honest conviction.

- ◆ The member will not disclose any information concerning the results of the inspection without the approval of the clients or their representatives.

- ◆ The member will promptly disclose to his or her client any interest in a business which may affect the client. The member will not allow an interest in any business to affect the quality of the results of their inspection work which they may be called upon to perform. The inspection work may not be used as a vehicle by the inspector to deliberately obtain work in another field.

Because a home inspection is an objective, visual examination of the physical structure and systems of a house, it's like a medical check-up. Inspection results are only good for the time frame of the inspection itself. As a result, it is critical that a partnership evolves between all three parties; the inspector, the Buyer and the real estate licensee. That means if you are going to refer a home inspector to your client, establish some fundamental criteria they must meet in order to be placed on your referral list. A few guidelines I have used successfully in the past include:

- ◆ The inspector should conducting inspections on a full-time basis and belong to a professional Home Inspection organization such as the American Society of Home Inspectors (ASHI®). If they are not certified with a nationally recognized association, they should at least be in the process of obtaining certification.
- ◆ The inspector should carry Errors and Omissions and Commercial General Liability Insurance that extends to referring Realtors® (third party referral coverage).
- ◆ The inspector should present the information in an objective and professional manner sticking solely to the condition of the property and not addressing Buyer motivation.
- ◆ Determine what distance they will travel outside of their main base of operation and if there is an additional travel charge.
- ◆ Obtain specific information on the types of inspections they are qualified to conduct:
 - Mechanical
 - Electrical Systems
 - Heating and Air Conditioning
 - Structural
 - Foundation Type
 - Drainage, Grading and Vegetation
 - Exterior Finishes
 - Windows, Doors and Joint Protection
 - Roof and Attic
 - Windows
 - Doors
 - Pools / Spas
 - Lead Paint
 - Asbestos
 - Mold Testing
 - Carbon Monoxide
 - Pest Inspections – (must be certified)
 - Radon Testing - (certified by a Health Association Professional)

- Septic
- Stucco / EIFS Moisture Testing
- Water / Well Testing

◆ Learn about their processes:

- How are their reports structured and are their reports automated?
- Do they include photos of questionable areas?
- Do they provide estimates regarding cost of repairs?
- Do they provide a maintenance manual?
- What is the time frame for final report delivery?

The Buyer and agent's role during this whole process is to evaluate the information received from the inspector and review it for issues of concern. The inspector will identify red flags and specifically indicate whether further professional evaluation is needed. With the Buyer present at their own inspection, they will have a private opportunity to review details of the property with their hired expert. The licensee should be present at the inspection, but not actively involved in the process itself. The Buyer hired the inspector for their expertise. The real estate salesperson needs to review the results in an objective manner with the Buyer to ensure they are satisfied with the overall condition of the property. If not, that's when the negotiations begin. And knowing the true condition of the house can give a Buyer's agent a serious edge in negotiating the best possible deal for their client.

However, let me caution you here. This is not an opportunity for the Buyer to take the Seller hostage. The negotiation process should be approached with logic and consistency. When I worked with the results of an inspection, I always focused the Buyer's attention to the defects that impacted the following areas:

1. Structural integrity of the property
2. Safety of the occupants
3. Future marketability of the property

By using a "bigger picture" criteria in the negotiating process, both parties will have acceptable guidelines in which to address property concerns. Depending upon how your property purchase agreement inspection clause reads, rational and reasonable inspection repair requests go a long way towards maintaining a positive working relationship between the Buyer and Seller as well as handle potential problems.

Your prospective home buyer is in the process of making a very large investment, maybe the largest investment they will ever make. For a small charge in hiring a home inspector, they may save substantial money in the future. It's up to you to fully explain to your clients how the process works and determine if this avenue is right for them.

Working on behalf of your client – home inspections are just a small part of a consumer oriented career that will ensure a long term, referral based business.

Karel Murray, a national motivational humorist and business trainer is the author of Straight Talk: Getting Off the Curb (a book co-authored with KC Lundberg), Think Forward!® (a

monthly e-newsletter with over 4,200+ subscribers), *The Profitability Blueprint Series: Career Building Concepts for the Real Estate Licensee* and numerous articles in local, regional, and national publications. You can contact her at karel@karel.com or call 866-817-2986 or access her web site at <http://www.karel.com>.