



Home Warranties vs Home Inspections

Home warranties are an insurance coverage on a home for a set amount of time. Some home warranties cover the listing, some only go into effect for the Buyer after closing, others cover both the listing and after closing. Most home warranties provide coverage for 1 year. The homeowner can choose to extend the coverage at the end of the year. Each home warranty will list out what items of the home will be covered and which will be excluded.

Home inspections are a snapshot of the condition of the property on the day of the inspection. Their purpose is to provide the buyer or seller with an unbiased 3rd party opinion of the condition of the home. The home inspection enables the client to make an educated decision on the purchase or sale of the home. Home inspectors performing the inspections range in experience, knowledge, and quality. They are generalists, not experts. When issues are found, their job is to document and refer the client to specialists such as licensed Electricians, Plumbers, HVAC Contractors, Structural Engineers, etc. After the home inspection, it's up to the client to line up the recommended experts to provide further input and estimates on the issues raised. For Sellers, they have to decide if and what issues they want to repair or how to reflect them in the listing price. For Buyers after the inspection, they usually have 3 choices: proceed with no repairs, request that the Seller make repairs, or walk away from the contract.

Cost Comparison

Home warranty coverage for 1 year on a home is around \$450 in the Omaha Metro. The number of home warranty companies to choose from is extremely limited and practically dominated by 1 company locally. The size or age of the home has no effect on the home warranty price.

Home inspections are normally priced based on overall square footage. Other factors can come into play such as if there are multiple apartments, more than one kitchen, multiple furnaces and air conditioners, a pool, hot tub, sprinkler system, etc. The more bells-n-whistles a home has, the longer it will take to conduct the home inspection, and the higher the inspection fee will be. For a typical 1,500 s.f. home, the average price in the Omaha Metro is around \$325-\$350. Radon tests can run \$100-\$125 with an inspection. There are 100+ home inspectors in the Omaha area to choose from, but only 30 of us that are ASHI Certified. Because there are no licensing requirements, you really need to do your homework before hiring one.

What Is Covered?

Home warranty contracts have a coverage page that specifically lists out what they cover. They also have an exclusion page that details what they will not cover. If there is any question as to whether something is covered or not, I highly recommend obtaining IN WRITING from the home warranty company their response. In general, the average home warranty provides coverage for the home's mechanicals and appliances...WITH EXCEPTIONS. Always read the fine print. They normally do not cover the roof, the foundation, flood damage, storm damage, any acts of God, normal wear-n-tear, windows and doors, most electrical, any appliances or mechanicals that don't work prior to coverage, and the list goes on. Some home warranty companies provide non-evaluated plans where they simply provide coverage without stepping foot

in the home. Some provide evaluated plans where they send out a person to test the mechanicals and appliances prior to coverage. If any issues are found, those mechanicals or appliances are excluded until repaired.

A home inspection is a visual inspection of the accessible items and components in a home. Items that are included and excluded are specifically stated in the Inspection Agreement that the client signs prior to the inspection. In general, if something is covered over, hidden, or has excess storage limiting the Inspector's view or access, then those items are not part of the inspection. Air conditioners will not be operated during the late fall, winter, and early spring when it's too cold outside. Roofs that are covered in snow or ice can't be inspected. Roofs will not be climbed if the Inspector determines it's unsafe such as being too steep or during the rain. Crawlspace with water in them are also deemed unsafe. The list goes on as to the numerous circumstances that can limit an Inspector's ability to inspect. Those items that are not able to be inspected must be documented in the inspection report and why. In regards to ancillary services, inspection companies pick-n-choose what to inspect based on their area of expertise, training, and equipment. Some charge extra for these add-on services. These services can include radon testing, mold sampling, energy audits, EIFS inspections, FHA inspections, sprinkler systems, and more.

Who Pays?

Home warranties can be paid by the Seller, Buyer, and even Real Estate Agents involved. The reason a Seller may decide to pay is to help market their home better. Some real estate agents inform them that a home with home warranty coverage gives Buyers a warm-n-fuzzy feeling and makes that home have better appeal than one without coverage. It also provides the Seller with protection if the mechanicals or appliances fail during the time the house is on the market. Some real estate agents feel so strongly about this that they pay for the home warranty themselves. The Buyer may decide to buy home warranty coverage for piece-of-mind for the first year in their new home. Most times, the Buyer or Seller pays the fee at closing. Sometimes as a gift to the Buyer, the real estate agent will pay for the home warranty also.

The home inspection fee is paid by the client at the end of the inspection. On a few instances for Buyers, the fee can be paid at closing. The main reason the fee is normally paid on-site is not all real estate transactions go forward after the issues are surfaced during the Buyer's home inspection.

Home Warranty Service Calls

If you have home warranty coverage and something breaks down, then you have to pay a service fee on top of the \$450 you've already paid. For the home warranty company to send somebody out, it will cost you \$80+ each time. If what broke down is covered, then that would be your only additional expense. If, however, what broke down is not covered, then you're paying their hourly rate and charges for parts on top of the \$450 + \$80+ service call. Their #1 goal is to be the first contractor in the door hoping you won't call in another contractor for bids. Always read the fine print so you know what's covered by the insurance product. If they claim a repair is not covered, then ALWAYS call around for bids. If you don't protect yourself by calling around, then they can take advantage of you on pricing and can determine the type of "repair" that may not be in your best interest.

Are Home Warranties and Home Inspections Necessary?

In my opinion, home warranties are a "want" and home inspections are a "need". If the home has older mechanicals and appliances, then a home warranty may be a good choice, but I'd rather invest my money in an annual service plan from a licensed HVAC Contractor and have the number of a good Electrician and

Plumber on the fridge. This way, I know I have an experienced HVAC Tech servicing my heating and cooling equipment which in turn will make them last longer. If the home is almost brand new or it's been renovated with all new mechanicals and appliances, then you really have to question the point of a home warranty at all.

A home inspection, on the other hand, protects your investment whether you're buying or selling a home. Over the years, I've surface way too many high dollar problems to solidify the NEED for a home inspection. For my Sellers, a home inspection surfaces the issues prior to setting that 'for sale' sign in the yard. This enables them to take time to fix the problems, account for the repairs in the listing price, and have a smoother transaction when a Buyer comes along. For my Buyers on existing homes or new construction, I'm an unbiased fresh set of eyes looking over that property making sure they aren't buying a lemon. If you do your research and hire a good inspector, the home inspection IS the best investment you'll ever make!

Greg Wayman is a Certified Inspector of The American Society of Home Inspectors, Inc., has been inspecting full-time for over 9 years, and has personally inspected over 2,300 properties. Greg is Heat Exchanger Experts Certified and is a NE Radon Measurement Specialist. He is a past member of the GO-ASHI Chapter in Omaha. He is the past Nebraska Chapter of NAHI President from '03-'07, past Board member of NAHI from '07-'08, and past national Secretary/Treasurer of NAHI '08.

