

Insiders Guide to Home Inspections

5 Ways to Avoid a Bad Inspector

Presented by



The San Diego Real Estate
Inspection Company

www.sdinspections.com

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Introduction

Selecting various professionals during the home buying process is typically pretty easy. Most of the people involved in the purchase have strict guidelines to follow. Agents have forms for everything, and it is difficult for them to stray too far from what their broker wants them to do. Appraisers also have strict guidelines, and little is left to their discretion anymore. Most of their work is based on comparing the house you are buying to similar homes in the area. And we all know how strict lending has become. Lenders have the most restrictive guidelines since the mortgage mess.

The home inspector is the one professional you are relying on to protect you from buying a money pit. The home inspector has to be able to identify problems which could end up costing you thousands of dollars. It is the inspector who has the most responsibility (and liability) to communicate the condition of the house you want to buy.

The Importance of the Due Diligence Contingency Period

After the buyer receives an acceptance to their offer, the purchase process enters the “escrow period”. The duration of the escrow can range from a week to 3 months. It is during this period that the deal is finalized; loans are completed, documents are signed, title reports are acquired, inspections performed, etc.

The buyer will have a short period of time during the escrow to do their due diligence. This time frame can vary, but it is typically 5 days to 17 days. It is during the contingency period when the buyer may cancel the contract if they discover something they don't like about the house, or the deal cannot be completed due to appraised value, inability to secure a loan, or a physical problem with the house among other reasons.

It is during the contingency period when the buyer hires a home inspector. It is the responsibility of the home inspector to thoroughly test all the systems of the house (plumbing, electrical, appliances), the structure, the roof, perhaps a pool, and so on. If something significant turns up in the inspection report, the buyer may consider asking the seller to repair the item. This negotiation should be done with the agent. Sometimes the seller will pay for repairs or give the buyer a credit, but they are under no obligation to do so.



If the seller refuses to pay for repairs, or if the house is being sold “as-is”, the buyer may decide the house is not such a great deal after all. That is why it is so critical that you choose the best inspector possible. After the escrow closes, any repairs will be the responsibility of the new owner. A good inspector will either confirm that the house is in good condition, which is valuable information, or make the buyer aware of any and all defects. This knowledge is very powerful for the buyer.

Choosing the Right Inspector

The home buyer will have many sources when it is time to select an inspector:

- Agent
- Friends and family
- Online

The agent may provide a few companies from which to choose. Just be sure that the choices are based on actual experience, and that the inspectors aren't just relatives of the agent. Wise agents will only refer good home inspectors. They know that a good, thorough inspection will keep them from getting sued. Not so wise agents will refer the cheapest home inspectors, or those who may not disclose everything in order to buy favor with the agent. This may seem like a good strategy for the agent, but in the long run it will get them into trouble. Please know that you are not limited to the agent's choices; you can still choose your own inspector.

Friends and family may be another source. Someone you know may have recently purchased a home, and they had a great inspector. Ask if you can see the report. You should also ask them how thorough the inspector was, and what in particular they like about him. We caution buyers against using a relative or friend who is a contractor. While it may seem like a good idea, contractors are not home inspectors! They do not follow any standards, they probably don't have the proper tools, they won't create a report for you, and you will have no recourse if they miss something. It is typically OK with the inspector if you bring your contractor to the inspection, but let the home inspector do what you are paying him to do.

If you have no starting point, go online. Search for the term "Home Inspector in your town". This will undoubtedly bring up a long list of companies. It is up to you to do research, research, research. Keep the following topics in mind while deciding which company you will use.

1. Qualifications

Home inspectors must have qualifications just like most other professionals. Many states such as California do not license home inspectors. That means that it is an unregulated industry. The inspector you choose must demonstrate that they are qualified to perform home inspections. A home inspector acquires certification from one or more entities. Be sure to ask where they got certified and do your research on those organizations. There are organizations that will certify anyone after just a couple of weeks, with no qualifications. You want to make sure that they received their certification from a good organization such as AHIT, NAHI, or InterNACHI.



You should also ask about the inspector's background. Were they in construction? Did they work in a trade where they learned about houses? Or did they just decide to become an inspector because they got laid off from a non-related job?

There are also certifications which go above and beyond the basic certification. A home inspector can acquire additional certifications for pools, roofs, electrical systems, commercial properties, thermal imaging, energy audits, radon, mold, wells, septic, and so on.

2. Experience

There is no substitute for experience. Check how long the inspection company has been in the business. As with any profession, experience is critical. You want a home inspector who has seen it all. They may be called upon to inspect a 100 year old Victorian, or a brand new 10,000 square foot mansion. Over the decades there have been countless improvements in building technology, equipment, electrical systems, water-proofing, etc. Many of the products found in a house that were considered state-of-the-art when installed turned out to be a bad idea. Some of these products include aluminum wiring, asbestos, polybutylene plumbing – all of which are now considered problematic. The home inspector you choose must be able to identify and report these products to you.



Size matters. If the company has multiple inspectors, it is more likely that they have all learned from each other's experiences. They will also have go-to people within the company to find answers. Since it takes a while to build any company, a multi-inspection firm by default will have demonstrated that they have a lot of experience. They will also have the office staff to communicate with. You don't want to play phone tag or talk to your inspector while he's in an attic. And you certainly don't want a guy taking calls while working for you.

3. Technology

Has your inspector made the investment in technology? Some inspectors show up with little more than a flashlight and a screwdriver. See if the inspector keeps up with the latest technology. A part time inspector cannot make the huge investment in the latest technologies available.

- Do they have a detailed website?
- Does their website educate customers, or does it look like every other inspector's site that was developed from a standard template?
- Does the inspector have the latest computerized reporting software?
- Does he use Infrared Thermal Imaging, electronic gas detectors and Carbon Monoxide detectors?

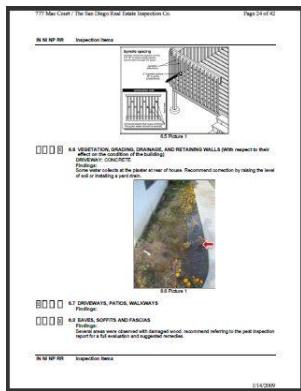


A serious inspection company will have devoted money and resources to developing a website rich with information. And they are willing to spend money on testing equipment such as Infrared Cameras which cost between \$6,000 and \$12,000 for a good unit.

Consider your auto mechanic; would you bring your car to a guy with a cheap socket set from K-mart? Or do you want a mechanic with the best diagnostic equipment and tools available?

4. Report

What you get after the inspection is critically important. You want a report that you can understand, and take back to the seller with a list of repairs. The report should be computer generated with color photos, and a clear narrative format.



Some inspectors are still using check-box forms that were developed in the 1980's. You should be skeptical about inspectors who have not embraced the latest reporting techniques. Those old check box forms are limited, cryptic, have no pictures, and cannot be distributed quickly and easily. An inspector who uses state-of-the-art software will be providing you with all the information you need in a clear, easy to read format. Defects will be clearly defined. And the report can easily be forwarded to a contractor for estimates of any repairs.

Another benefit of today's inspection software is that it will challenge the inspector to perform the most thorough inspection. There is no way to skip over any items, so you should feel confident that everything was checked.

5. Price

Price can fluctuate widely. The average price of an inspection for a 1,000 -2,000 square foot home is \$350 to \$400. Additional fees are usually added for swimming pools, additional structures, energy audits, older homes, etc.

You may see inspections advertised for as little as \$250. These low prices are typically offered by new inspectors who hope to get some experience by offering the lowest price. Do you want your house to be their training house? Unless you are buying a new house, you should be skeptical of a new inspector. They will not have the experience of an established inspector who charges the going rate.

A low price may also indicate that they do not have adequate insurance. Be sure to check if the inspector has E&O insurance with a limit sufficient to cover any mistakes, as well as general liability insurance. If it is a multi-inspector firm, ask if the inspection will be performed by an employee or a 1099 contractor. Companies who maintain employees generally have tighter standards, and provide Workers' Compensation Insurance for their employees.

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Buying a house built in the 1950's or 1960's