

A 7-Insights on
Real Estate™
Special Report

***A Good Pre-Purchase
Home Inspection Can
Protect You from
Buying a Lemon!***

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Provided by Colorado Home Realty

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Introduction: A pre-purchase inspection is one of the most important and misunderstood aspects of a real estate transaction.

An inspection gives you a chance to check out the condition of the house before you are obligated to go through with the purchase. An inspection gives you a chance to uncover hidden or previously unknown defects. In short, a good inspection is important because it can minimize the chance that you get stuck with a lemon.

While inspections are very important, they are also one of the most misunderstood issues in real estate. Buyers rarely receive information about the ins and outs of the inspection process.

This report is the first step to solving that problem. Here are some insights that will help you get more out of your home inspection:

1. Do not forgo an inspection. Some buyers are tempted to forgo an inspection to try to save a little money. Do not do so under any circumstances. It is true that Colorado law requires sellers to disclose any latent defects of which the seller has actual knowledge. However, the disclosure process is handled poorly – sellers are not adequately warned about their duty to disclose, and, in some cases, there is blatant concealment. Also, defects may be present in a property without the seller's knowledge. For these reasons, you cannot rely solely on disclosures. A professional pre-purchase inspection is your best protection.

2. Qualify your inspector. What is the inspector's background? Some inspectors have experience in housing construction while others may be professional engineers. Of course, an inspector with a background in both areas is most desirable. How long has the inspector been in business? Does the inspector derive income solely from inspections or does the inspector also do repairs and correction work? If the inspector also does repairs, there could be a conflict of interest – an incentive for the inspector to tell you something is wrong when it isn't. What kind of report does the inspector provide? What is included and what is excluded from the inspection? Does the inspector have errors and omissions insurance, worker's compensation coverage and other types of insurance?



3. Begin with a basic pre-purchase inspection. There are an endless variety of inspections that can be performed on a house. How do you decide what to have checked? A medical analogy may help.

Suppose you go to your doctor for a physical. Your doctor will do a basic examination. But, beyond the basic exam, there are many additional tests that are available to the doctor. She does not, however, conduct every conceivable test on every person. She may order additional tests or refer you to a specialist if she has reason to believe you have a particular problem. But, the extent of additional testing is a matter of judgment, experience, symptoms, costs and your personal

level of concern about a particular issue.

The decision about inspections is similar. Start with a basic pre-purchase inspection and view it like a physical for your house. The inspector will look at the major parts of the house for telltale signs of past or on-going problems. Based on this, he may recommend further tests and/or investigations by a specialist. You may also want to do some special testing in certain areas that are of personal importance to you. (See No. 5 below)

4. Know the scope and limitations of a basic, pre-purchase inspection. It is important to realize that the normal pre-purchase home inspection provides a *visual inspection* of the *major components* of a house that can be *safely and readily observed* to document *significant deficiencies* that are *ongoing* at the time of the inspection. Let's look at each of these items.

The inspection is *visual* – for example, the inspector checks the furnace for cracks in the heat exchanger but does not do calculations to see if it is sized properly for the house.

The inspection includes *major components* which typically include the structural foundation, the exterior structure and roof, the interior structure, the heating system, the electrical system, and the plumbing system and, sometimes, the major appliances.

The inspection is limited to items that are *safely and readily observed* -- for example, the inspector does not move furniture and would not go on a snow-covered roof with an excessively steep pitch.

Significant deficiencies are noted while minor items of deferred maintenance are not.

Also, the inspector may not find problems that are intermittent and/or not *ongoing* at the time the inspection is performed.

Be sure to have the inspector give you information on the scope and limitations of his inspection.

5. Decide on any additional inspections. As noted earlier, you may want to do some special tests beyond the basic inspection. There are three reasons for doing so: a) the inspector recommends a special investigation as a result of something observed during the basic inspection; b) the house has specialty items such as wells, septic tanks, pools, saunas, spas, satellite systems or other components of significant value that are not included in the basic inspection; and c) You are personally concerned about an issue. An example of the latter might be various kinds of health issues like radon gas, lead-based paint, electro-magnetic fields and so on. Consult your inspector and agent for a list of additional tests.



6. Make sure your contract gives you the ability to do the inspections you want to conduct and be aware of other contractual obligations you may have.

This may seem elementary, but make sure the contract contains a provision that allows all the types of tests you want to conduct and that allows sufficient time to complete the inspections. It should also allow you to terminate the deal and get earnest money back if the inspection results are not satisfactory. The Colorado Real Estate Commission approved contract form used for most resale homes has built in language to handle these issues when the contract is filled out properly. Most new home contracts do not have inspection contingencies but you can still have a new home inspected to identify defects the builder needs to correct before closing.

Also, be aware that the Commission's approved contract form contains a provision that makes the buyer responsible for any damage done during the inspection and also requires the buyer to indemnify the seller from any claims by third parties. This makes it important to select a skillful inspector.

7. Avoid popular misconceptions about inspections. Most consumer unhappiness with inspectors and inspections can be traced to false expectations. Be aware of these fundamental realities:

- a. An inspection is not perfect – problems can be missed. We've all heard stories of people who drop dead the day after a physical that indicated they were perfectly healthy.
- b. An inspection is not an exhaustive evaluation of every conceivable problem.
- c. An inspection is not a warranty or a guarantee.
- d. A house does not pass or fail an inspection – the inspector just gives you a factual report outlining any noted problems and deficiencies.
- e. The seller is usually not obligated to fix problems uncovered by your inspection – you have to negotiate a settlement of any problems that are uncovered. You should be able to terminate the contract without penalty if a suitable settlement cannot be agreed upon.