



# The Shannon McCarthy Team

*Real Estate Excellence in Saratoga Springs*

## All About Home Inspections

### **What's a home inspection?**

A home inspection is when a paid professional inspector -- often a housing contractor or an engineer -- inspects the home, searching for defects or other problems that might plague the owner later on. They usually represent the buyer and is paid by the buyer. The inspection usually takes place after a purchase contract between buyer and seller has been signed.

### **Do I need a home inspection?**

Yes! Buying a home "as is" is a risky proposition. Unforeseen major repairs on a home can amount to thousands of dollars and disaster for young homeowners. Plumbing, electrical and roof problems represent significant and complex systems that are expensive to fix.

Your risk is reduced considerably if you obtain a home inspection before you purchase a property. Always write one into your real estate purchase contract as a contingency .

Beyond state mandated sellers property disclosures, and the home inspection report, buyers can find out a home's history of property damage by purchasing a Home Seller's Disclosure Report from the Comprehensive Loss Underwriting Exchange (CLUE).

### **Can I use the home inspection to renegotiate the purchase price?**

Going into a home inspection, realize that the 'perfect' home has yet to be built. Minor deficiencies will always be found and should rarely become an issue between the buyer and seller after the contract price has been negotiated. A minor deficiency is typically defined in many contracts as one that will cost less than \$500 to repair, but the definition can vary state to state, region to region.

Most real estate purchase contracts will protect the buyer by adding an inspection contingency that allows the buyers to seek further concessions from the seller should undisclosed major defects be found, or else to withdraw from the contract altogether. However, the terms of the contingency also shields the seller from the often frivolous demands of the buyer to make numerous minor repairs.

For instance, the presence of a couple of ungrounded electrical outlets may only cost a few dollars to replace. The \$500 contingency level is not met, and the buyer has no contractual right to ask to have them updated or withdraw from the contract. However, a rusted or 'piggy-backed' breaker box revealed during an inspection, could cost \$1,000 or

more to repair. Since the repair is more than \$500, the inspection contingency gives the buyer the right to ask the seller to remedy the problem or risk your withdrawal.

However, there is another element of the contingency that must be considered - that of 'disclosure.' If the seller disclosed the breaker box problem before you made the offer, then your purchase offer should have taken the repair into consideration. The inspection of the box is moot because you already knew about the problem and were told it would have to be repaired even before you made the offer.

Similarly, the home inspector points out that the roof shingles on a one story home should be replaced immediately because they are badly curled and disintegrating. The seller may argue successfully that the condition of the roof was obvious to anyone making an offer and was already discounted in the agreed upon purchase price.

However, if the rusted breaker box problem was revealed only as a result of the home inspection, or the roof is on a two story home and the condition not readily apparent from the ground, the inspection contingency should allow you to notify the seller of the problem within a stated time period and negotiate a remedy to fix the problem. Since your offer was based on these items being sound, further negotiation may be in order to remedy the situation. The seller may decide to pay to fix the problem before closing, or simply reduce the selling price by an agreed amount. You could even decide to share the cost of the repair.

### **Seller's responsibility – or not?**

It should be pointed out here, that the seller is under no contractual obligation to repair anything - and could say that the home is being sold 'as is.' If you really want the home, you will have to accept it 'as is.' However, if your contract has an undisclosed repair contingency and the cost of the undisclosed repair is more than the contingency amount specified (in our example \$500), most contracts will allow you to withdraw and take your earnest money with you, should the seller refuse to negotiate a repair to your satisfaction.

Note, however, that few contracts are ever worded to allow you to withdraw from the contract unilaterally, without giving the seller the opportunity to make the repairs; or to change your mind about buying the home when the seller is willing to make the repair. To do so could put your earnest money in jeopardy. Consult with an attorney before you make any decision concerning a withdrawal from your contract.

No single issue will cause more consternation among the parties in a real estate contract than the home inspection. In recent years it has come to be known as 'round two' of negotiations and the inspection report a 'wish list' for buyers. The home inspector, in a natural effort to flaunt expertise, may point out many things in the '50s home you're purchasing, that would, in fact, be code violations if the home were built today. That does

not mean that the home is unsafe. If that were the case, all the homes built in the '50s would have burned or toppled to the ground long ago. In fact it's been shown that the old 'knob and tube" electrical wiring of the early 20th century is actually safer in terms of short circuits than many modern day systems.

In short, the seller, in most cases, has no responsibility to 'bring the home up to code.' If the furnace is older, but still functions - it's considered to be in good 'working' condition and the seller has no obligation to replace it. An older furnace should have been discounted in your original offer. The same is true for older appliances, or an older garage door opener without a laser 'trip beam.'

### **How to find a home inspector**

Truly your Real Estate Agent is your best source. The Shannon McCarthy Team has been through hundreds of inspections have a qualified referral list. But best practices are for your relationship with the inspector be independent from the Agent, so allow us to recommend at least three good inspectors from which you can choose.

Look for their credentials, such as a contractor's license or engineering certificate. Also, check out their references. The [American Society of Home Inspectors](#) (ASHI) and [The National Association of Certified Home Inspectors](#) (NACHI) have developed formal inspection guidelines and a professional code of ethics for its members. Membership to ASHI or NACHI is not automatic; proven field experience and technical knowledge of structures and their various systems and appliances are a prerequisite. Being certified by ASHI or NACHI or both does not guarantee a quality inspection, but it certainly should be a minimum prerequisite.

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