



Guide to Home Inspection for Buyers, Sellers and Realtors



Home inspections

Home inspections are an essential component of real estate transactions for millions of buyers, sellers, and real estate agents, banks and mortgage brokers. Whether you are shopping for a previously owned house or a brand new house, an inspection provides insight into the condition of the home you are buying. If you are putting your house on the market, an inspection helps hasten the sale and can generate a higher price. And if you are a real estate agent, a professional home inspection report serves as an ideal marketing tool that also helps protect you against post-closing hassles.

In essence, a home inspection is a visual examination of a house and property. When performed by a qualified professional, it includes:

- A thorough visual inspection of the structure (inside and out, from foundation to roof).
- An examination of all major systems.
- An objective evaluation of the condition of more than 400 items.
- A printed report covering all findings and identifying potential concerns.

The following pages provide a more detailed description of a home inspection and additional useful information on the following:

- Who needs a home inspection.
- What a home inspection is...and is not.
- Benefits of a home inspection.
- Preparing for a home inspection.
- How to choose a home inspector.



Who needs a home inspection?



You do if you are shopping for a home

A home inspection can help you avoid costly and unpleasant mistakes and it can provide you with peace of mind. It will help you identify the house that is right for you, and alert you to potential concerns prior to closing the deal. It also provides an opportunity to teach you about your new home and its operating systems.

You do if you want to sell your house

A pre-listing home inspection provides the seller with an objective evaluation of the home's condition before the house is put on the market. Consequently, you are provided with guidance in preparing your house for maximum sales appeal. A home inspection not only encourages a faster sale and a better price, it also helps ensure compliance with disclosure requirements and minimizes hassles.

You do if you are a homeowner

Even if you do not intend to sell your home, a thorough inspection of your house and property every four to five years can yield significant returns. First and foremost, a professional inspector can identify conditions that may be present or may lead to safety hazards for family

members. Furthermore, periodic inspections can help detect potential problems early, before they become severe and costly.

This guide has been created to educate consumers looking to fulfill the increasing demand for home inspections across the country; especially as real estate values fluctuate, disclosure requirements intensify, home buyers become more cautious, and litigation against sellers and others involved in the transaction process climbs to unprecedented levels.

As recently as 1980, it was "caveat emptor" or "buyer beware" where fewer than one in ten homes sold were inspected. Today that amount is still only four times greater, but growing rapidly. In past decades, when the services of professional home inspectors were virtually nonexistent, buyers were forced to gamble on hidden problems, unexpected repair costs and (sometimes) major disasters. Today's smart consumer demands better information.

While full disclosure of a home's condition prior to sale is not mandatory in all provinces, a growing number of real estate boards, financial institutions and insurance providers are including inspection clauses in purchase agreements. The vendor's responsibility to disclose depends upon the nature of the defect. For this reason, a careful and thorough inspection prior to purchase is crucial. A recent study revealed that 42% of home buyers face unexpected repairs costing an average of \$500 after moving into their houses; more than one in nine buyers must spend more than \$1,000 for repairs.

What a home inspection IS...

A home inspection is a thorough visual examination of the condition of the home and property

The process usually takes two to three hours, during which time the house is examined from the ground up. The inspection includes observation and, when appropriate, operation of the plumbing, heating, air conditioning, electrical, and appliance systems, as well as structural components: roof, attic, foundation, basement, exterior and interior walls, chimney and doors.

When conducted by a professional, a home inspection covers about 1,000 check-points in approximately 400 items around the home.

Findings should be provided to you in the form of a comprehensive report, together with a recommended action. It is vital that such a report includes an objective evaluation of the condition of the home, clearly relating existing defects and indicating potential problems.



And IS NOT...



A home inspection is not an appraisal, and vice versa

An appraisal is the formal process of estimating a property's value as it relates to a mortgage loan or mortgage insurance. It does not itemize defects or reflect potential problems in the home. Even a Canada Mortgage and Housing Corporation (CMHC) appraisal does not fully attest to the condition of a home. To ensure an objective evaluation of a

home's condition, many lenders encourage home buyers to use private inspection services, and some employers reimburse home inspection fees as part of their relocation programs.

A home inspection report is not a warranty

Because a home inspection is a visual examination of the home and operating systems, it is not technically exhaustive. There is no assurance, expressed or implied, that equipment will not break down at some future date. However, such protection is available when a home inspection is complemented by a home warranty. When the services are used in conjunction with one another, a home warranty covers the items that were serviceable at the time of the inspection and subsequently fail due to normal wear and tear.

A home inspection does not detect every conceivable flaw

It is an inspection of those areas and items that can be seen. Home inspectors cannot see through foundation, floors or walls, and cannot inspect areas that are inaccessible and generally do not move furniture, boxes or any other items.

Of special interest to home buyers

Buying a home is largely an emotional experience. Sometimes it's love at first sight. But often love is blind, and many buyers learn too late of such unseen conditions as cracked foundations, deteriorated plumbing, worn out heating systems, or dangerous wiring.

A professional home inspection is your best resource in identifying such pitfalls and their consequences, such as:

- Costly repairs
- Inconvenience
- Animosity
- Disappointment



You may have some knowledge of construction, or a friend or relative may have a background in plumbing or carpentry. However, there is no substitute for the objective eye of a skilled and qualified home inspector who has been trained, knows what to look for, and knows how to evaluate hundreds of key points throughout a property. Unlike the home buyer whose observations are likely to be partial, the home inspector performs his role with an unbiased attitude and in the best interest of the customer.

Keep in mind, a home purchase is one of the largest long term investments of your life. As a result, you need to know as much as possible about your prospective purchase. By identifying existing or potential areas of concern, the inspection report will help secure your investment, avoid post-closing surprises, and provide you with peace of mind. An insightful report is fundamental to making the right buying decision.

When to arrange for a home inspection

As soon as you become serious about the purchase of a home, you should consider a professional inspection. When you decide to purchase a house, have a protective clause written into the purchase agreement which allows a home inspection company to conduct a complete general home inspection.

Be there

It is important that you, as the home buyer, be present during the two to three hour inspection. By accompanying the inspector you will gain additional insight into the home's condition.

- Get a first hand look at the condition of each key component throughout the house and property so you will have a better understanding of your house and of the inspection report.
- Allay concerns about findings which, on paper, may seem distressing but in fact may be superficial. For example, the inspector might explain that an alarming noise coming from an appliance can be quieted by some lubricant, that an unsightly column needs only a coat of paint, or that the problem that caused a water spot has previously been corrected.
- Learn about the operation of your new home—how the heating system works, how to control pilot lights, how to turn on various appliances and components, or where shutoffs are to save time and avoid frustration. The inspector can point out maintenance needs and procedures and explain how and when to check items that are in need of periodic monitoring.
- Have all of your questions and concerns addressed immediately as they arise.

Prior to the inspection, prepare a list of questions or concerns about the property. Relate these to the inspection company in advance to ensure that such matters will be properly addressed and that any special arrangements can be made if necessary. Bring your list to the inspection.



Of special interest to sellers

Are you planning to put your house on the market?

Do you want to sell it faster?

Would you like top dollar?

Are you interested in reducing negotiating time?

Do you want to protect yourself from potential liabilities?

For these and other reasons, a home inspection is a prudent first step in the process of selling your home. You, as the seller, must present the most saleable property possible. A home inspection report will reveal the current condition of your house with specific evaluations of more than 400 items, and guide you toward enhancing the value and marketability of your property.

Most problems in a house are minor and can be rectified easily and inexpensively: chipped paint, doors or windows that stick, an air conditioner that wheezes, a filter that is dirty, etc. Such shortcomings are overlooked by sellers who have lived with them for years, but they are focused on by buyers. If the perceived problems do not derail the sale, they nevertheless provide grounds for price negotiation.

Not only does the pre-sale inspection enable you to attend to problems before the house is put on the market, it also removes any questions—for you and home buyers—about the condition of your home. Buyers are positively influenced by a professionally produced home inspection report, which improves the speed, price and likelihood of a sale.

Some home sellers elect not to correct every defect reflected in the inspection report. Instead, they acknowledge the defects to buyers and explain that the asking price has been adjusted to reflect the estimated cost of repairs.



Such candor tends to shorten negotiation time because buyers have fewer objections that could thwart a sale. In addition to facilitating the sale of a home, an inspection helps the homeowner comply with full-disclosure real estate laws that are being enacted by more and more provinces. By focusing on the condition of your property, you are less likely to overlook a defect or material fact for which you later could be held liable. In recent years, home buyers have been more inclined to file law suits against sellers involving allegations of misrepresentation, negligence and fraud. Some judgments against sellers have been severe, even when the omission of facts was unintentional.

Preparing for a home inspection



If you, as the seller, have arranged to have your home inspected, you should plan to accompany the inspector during the entire process. If it is a buyer-initiated inspection, it would be preferable if you were not present. You must be notified in advance of any inspection. The real estate agent generally will schedule the inspection for a time convenient to both you and the buyer to allow you enough time to make preparations. Whether the home inspection has been arranged by you, as the seller, or by the buyer, you can take several preparatory steps which will benefit you and facilitate the inspection process.

Make sure the inspector can access all areas of the house

Clear all furniture, boxes, clothes, toys and other personal items that may block access to the furnace, water heater, electrical panels, attic crawl spaces, etc. Inspectors will not enter inaccessible areas.

If access to your attic crawl space is located in a closet, remove clothing, shoes and other items.

Not only might they be in the way, but as the hatch is removed, debris (dust, insulation, loose plaster) is likely to fall from the ceiling onto items left in the closet.

If you are expecting a visit from an inspector and prospective buyer:

- Ensure that filters are clear in air conditioners, heaters, vents, drains, etc.
- Clear out areas under sinks so they can be inspected.
- Have the house cleaned thoroughly.

The fewer problems an inspector finds with the property, the better overall image the property presents to the prospective buyer. Obviously, it is to your advantage if the buyer hears the inspector saying, "Everything on this property is right except for a couple little issues here and there," rather than hearing a long list of concerns.

Additional notes to home sellers

The home inspector may override your timers (such as automatic sprinklers, outdoor lighting, etc.). You should check them after the inspection to ensure they are reset properly.

Remember to allow two to three hours for the home inspection.

Choosing a home inspector

While there is no formal licensing of home inspectors, reputable companies adhere to the rigid Standards of Practice established by the Canadian Association of Home & Property Inspectors. Many other associations impose standards as well.

Qualified inspection companies will provide a sample report to substantiate that they abide by industry standards. One of the key standards is that ethical inspectors neither perform repairs nor refer clients to repair companies (thus avoiding a conflict of interest). Obviously, inspectors who make repairs on homes they inspect are more likely to “find” defects.

Once you have arranged for a home inspection, plan to accompany the inspector for the entire procedure. You have the right to be there, and leading home inspection companies will encourage your presence. Being there helps you to better understand the findings in the report, and will reduce post-closing hassles. Don't forget your list of questions and items of concern. A thorough home inspection covers more than 1,000 items—everything from foundation to roof—and takes two to three hours, depending on the size of the property. The report should reflect the condition of about 400 items.

To help you choose a qualified company that will conduct a thorough inspection of your property and provide you with an objective report on the condition of your home, call several candidates and ask the following questions:

- Do you follow industry standards?
- Are you willing to supply me with a sample report?
- Are you a full-time home inspection company?
- What other home services do you offer?
- May I attend the inspection?
- How much time will the inspection take?
- When will the report be ready?
- Do you perform repairs on items you inspect?
- What will I receive with the inspection report?
- What will be inspected?
- How much will the service cost?
- Do you carry errors and omissions and general liability insurance?
- Do you provide an inspection agreement which defines the scope of the inspection?



Also ask if they offer other benefits (such as repair manuals, maintenance guides, continued availability to answer questions), and if they will provide a refund if you are not satisfied with their work. When you receive sample reports, ensure they are thorough, easy to understand, and narrative in format. How do they compare with reports sent by other companies? How do their fees compare with those quoted by competitors? Remember, you get what you pay for.

Beyond home inspections

Extensive as it is, a home inspection is not all inclusive. Depending on the province in which you live and your level of personal concern, you may want to consider the following optional services, some of which can be performed in conjunction with the home inspection:

Carbon Monoxide Testing

This “silent killer” may be an issue in homes using fossil fuels (oil and natural gas). Carbon monoxide can be detected only with an analyzer. A clear and working ventilation system minimizes the effects of the gas, so have your inspector check it. For additional protection, install a carbon monoxide detector.



Energy Assessment

One valuable (and money-saving) service offered by leading home inspection companies is an energy assessment. It determines major areas of energy use and waste, while suggesting steps that could save you hundreds of dollars annually in utility bills. It also helps protect the environment.

Water Analysis

Nearly 70% of respondents in a recent poll indicated concern about the quality of their drinking water. Some home inspection companies now provide water quality analysis, but it is important that they utilize only certified laboratories. It is advisable to test for lead, bacteria (such as cryptosporidium), and—in some rural areas—nitrates and coliforms. Most lenders require testing of water from private wells prior to advancing funds. In some jurisdictions this analysis is provided free of charge by the Health Department, which tests only for a limited number of potential contaminants.

WETT Inspections

A Wood Energy Technology Transfer inspection is a visual examination of wood burning appliances (fireplace, fireplace insert, wood burning stove, etc.) and all its visual components. Inspectors should verify proper installation and clearance to combustibles at the accessible area of the appliance and its associated venting equipment.

Pre-Purchase Inspections

A pre-purchase inspection is essential for newly built homes to ensure work has been completed to the expected standard. Most builder contracts contain a defects liability clause, which means the builder has to rectify both major and minor defects within a reasonable period of time after completion. By having a home inspection performed prior to the expiration of the new home warranty, homeowners can bring a full list of items to their builder’s attention.

Pool & Spa Inspections

This is a visual examination of a spa/pool installation which includes a review of the pool equipment, electrical supply and pool liner.

Of special interest to realtors

Home inspections offer a competitive edge. Thousands of agents who routinely counsel buyers and sellers to arrange for home inspections have reported:



- Reduced liability
- Less buyer discomfort
- Curtailed buyer remorse
- Improved image and credibility
- Less litigation
- More sales
- Less negotiation
- Reduced selling time

With a detailed home inspection report in hand, the real estate agent need not continually overcome buyer objections related to the condition of the property. If the inspection findings are taken into account when determining the asking price, the buyer is discouraged from negotiating a lower price.

Furthermore, insight gleaned from an inspection report allows the seller to enhance the appearance and condition of the property before it reaches the market.

Overall, a professional home inspection report lends credibility and stature to the image of the real estate professional. It says the firm and its sales associates are genuinely concerned with the best interests of both buyers and sellers, thereby reflecting on the Realtor's integrity. Such impressions encourage referrals and tend to curtail buyer's remorse, litigation, and even claims against E&O insurance. Consequently, inspections can have a decidedly positive impact on the insurance rates and liability of realty firms.



In closing...

A home inspection benefits all parties involved in the real estate transaction.

For further information about home inspections, whether buying, selling or listing a home, please call 1 (866) 284-6010.