

9/23/07

EXCERPTS OF ASHI RESPONSE TO GORRC QUESTIONNAIRE

REQUESTED INFORMATION FOR APPLICANT GROUP

- **Provide an estimate of the number of individuals in each group, and whether the groups represent different levels of professional expertise.**

The following are statistics for the Georgia chapters.

1. ASHI
Certified Members: 187
Associate Logo Members: 17
Associate Members: 164
2. NAHI
45 members total.
Certified Residential Inspector (CRI): 7
Regular Membership: # unknown
Associate Membership: # unknown
3. NACHI
Only one level: Certified. 500 members
4. GAHI
Full Member: 75
Candidate with Logo: 3
Candidate: 11
Affiliates: 15

In addition, based on experience from other states and recognition that most qualified home inspectors are located in metropolitan areas, the applicant group would estimate another 50% of "unaffiliated" persons practicing home inspection, bringing the total in Georgia to about 1500.

- **How often do clients need the profession's or business's services?**

The Georgia Association of Realtors estimates that most people in the Atlanta area move their residence every six years. As such, it is reasonable to estimate that a person engages a home inspector two to four times in his or her lifetime.

- ❑ **Are the services provided by the profession or business available statewide? If not, in what areas of the state are they available?**

While home inspection services are available statewide, home inspectors are located mainly in urban areas. The applicant group (ASHI) believes there to be a shortage of qualified home inspectors in rural areas, particularly those in the northern part of Georgia.

- ❑ **What education, training, and/or experience is required to perform the profession's activities?**

Despite the fact that performing a good home inspection requires the expertise of a person with extensive knowledge of residential housing systems, experience, education, and ability to use sound independent judgment, there are no requirements to become a home inspector in Georgia. The requirements for certification by the four home inspector membership associations in Georgia are described below.

There is no education course offered by ASHI, nor such a requirement for certification. A prospective certified ASHI-certified home inspector is required to pass an exam, and full membership requires documentation of 250 home inspections performed for compensation. However, no proof of supervision is required.

Similarly, neither GAHI nor NAHI offer an education course nor have such a requirement for certification. On the other hand NACHI, while having no levels of certification does require its applicants to take a series of on-line courses and “mini courses” (e.g. structural, roofing electrical, polybutylene plumbing, water heater valve, insulation, and emergency exits) within six months of applying for membership. NACHI requires performance or “participation” in 100 home inspections; the other two groups require proof of 250 inspections for certification.

As noted earlier, home inspectors need a knowledge of the working systems of a house as well as various codes (especially for inspection of new homes). Such knowledge cannot be acquired through substandard educational programs and should be acquired from sources which offer courses of study or a curriculum approved by a licensing entity. With regard to training/education, as will be indicated in subsequent parts of this document (e.g. responses to 1(B) and 4(A)), the applicant group feels that the public would greatly benefit from regulation of the home inspection industry.

Please provide the following specific information related to the profession or occupation proposed for regulation.

1. Define the problem and why regulation is necessary as described below:

(A) The nature of the potential harm to the public if the business or profession is not regulated, and the extent to which there is a threat to public health and safety. Provide statistics, if available, regarding the extent of the threat, and include the source of the statistics and a description of the method of calculation.

There are two distinct types of harm facing the public if home inspectors are not regulated. First is the danger of physical harm.

One prevalent danger is injury from defective or deteriorated decks. On its website the North American Deck and Railing Association estimates that “that 2.5 million new or replacement decks were built last year. Almost every new home being built today includes an elevated deck or porch. And, existing decks on older homes are being replaced at a very high rate. In fact, the number of personal injuries and deaths related to decks each year is likely to continue to rise because more decks are being constructed each year and existing decks are deteriorating.”

The article from which this excerpt comes also mentions that “inspections now avoid problems later.” It points out that there are specific requirements for decks and porches in the International Residential Code (IRC), and that many communities amend the model IRC to accommodate specific conditions in their geographic area. A qualified home inspector will be knowledgeable about codes and local amendments to them.

According to Landmark-Morse Technologies, there were 33 deaths and 1122 injuries nationwide attributable to collapsing decks from 2000-2006. Metropolitan Atlantans will recall the collapse of a deck during a party in 1995 at which 12 persons were injured.

Other physical dangers include collapsing roofs (especially in inclement weather) and respiratory ailments resulting from excess moisture or mold. An article from the Environmental Health and Public Safety Center at North Carolina State University states that “concern about indoor exposure to mold has been increasing as the public becomes

aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions.” It further notes that some moisture problems in buildings have been linked to changes in building construction practices during the 1970s, 80s, and 90s and that some of the causes of mold include:

- Leaky plumbing;
- Poor ventilation;
- Building materials (acting as vapor barriers);
- Moisture-generating appliances; and
- Roof leaks, landscaping or gutters that direct water.

Another problem is the lack of identification of poor workmanship by unskilled homeowners and unqualified contractors.

All of the above conditions are examples of situations which could be identified by a home inspector before danger or injury occurs.

The second and more prevalent harm to the public posed by an unregulated (unlicensed) home inspection profession comes from the very real prospect of financial harm to the homeowner. Buying a home is usually the largest single investment a person will ever make. The new homeowner has relied upon the expertise of the home inspector to spot potential defects in his or her new home.

The homeowner wants to minimize unpleasant surprises and unexpected difficulties, and the homebuyer deserves to learn as much as possible about the condition of his or her newly constructed or existing house before buying it. More important, the homeowner, having made possibly the largest investment of his or her life, does not want to face the challenge of unexpected expenses required to make further repairs.

The Georgia Association of Realtors (GAR) estimates that approximately 250,000 homes were sold in Georgia in 2006 at an average price of \$216,750. A slightly smaller number is projected to be sold in 2007. Ever since the home inspection profession first came on the real estate market scene in the mid-1970s, consumer demand for the service has been growing rapidly. Home inspection is a young and growing professional consulting service aimed at helping homebuyers make a sound financial decision.

Increasing numbers of homebuyers are having their prospective home inspected and, the inspection has become a common part of the real

estate transaction, with purchase usually being contingent upon the results of a home inspection. While estimates from national home inspector member associations vary, GAR estimates that nearly 90% of homes are inspected.

Unfortunately, since there is no current state licensure of home inspectors, it is very difficult to secure statistics documenting either physical or financial harm to the consumer of home inspection services.

As noted above, it is estimated that at a minimum 60%-70% of home inspectors referrals come from real estate agents. In 2006 the state of Ohio conducted an extensive study on need to license inspectors and determined one reason to license home inspectors was to ensure that there is a proper distance between real estate agents and inspectors.

(B) The extent to which consumers need and will benefit from a method of regulation identifying competent individuals engaged in the business or profession. Provide statistics regarding complaints against practitioners to the Better Business Bureau, the Office of Consumer Affairs, licensing or certification groups, etc. Include the source of the statistics and a description of the method of calculation.

As noted earlier, there may be as many as 500 “unaffiliated” home inspectors practicing in Georgia. Many of these individuals could easily be “fly by night” home inspectors with no formal training or previously documented experience. By bringing these persons, as well as the members of the member associations under licensure, the public will be assured of uniform standards of entry into the profession, “raising the bar” on a service relied upon by up to 90% of homebuyers and ensuring a higher quality product (home inspection).

As discussed in the response to 4(A) and part of 5(F), the applicant group believes that there are several schools which offer substandard training to prospective home inspectors. The “graduates” of these programs (or indeed others who do not even have substandard training) may hold themselves out as inspectors and perform home inspections. It is not in the public interest to

allow a continuation of consumer reliance on the services offered by such “home inspectors”.

As mentioned earlier in this response, many home inspectors also perform other inspections such as radon and pest control. A survey of home inspector licensure states which was part of the above-mentioned Ohio study found that almost 40% of home inspectors performed radon inspections and 28% performed pest control inspections. With this penchant for inspectors to diversify, it can be expected that “raising the bar” will result in more professional inspectors in these categories as well.

The response to 4(B) indicates that there is no centralized list or source of information available to the public about home inspectors.

In addition, the Ohio study affirmed the need to license home inspectors for the following reasons:

- Help distance real estate agents and home inspectors from each other in the real estate transaction:
- Address the professional disparity between home inspectors and real estate agents, appraisers, and all other professionals associated with a real estate transaction who are required to be licensed (as is the case in Georgia).
- Provide the public with a formal recourse for filing complaints against home inspectors, and otherwise have a governmental agency to enforce penalties.
- Further professionalize the field of home inspection.

Finally, with regard to complaints, discussion with the head of the operations unit of the Georgia Real Estate Commission and Real Estate Appraisers Board indicates that although there is no formal documentation, he feels that approximately 1000 of the 115,000 calls handled annually by the unit’s consumer services representatives deal with home inspectors. The nature of these complaints is described in 4(A).

- (C) **The extent of autonomy of practitioners. Provide information concerning the degree of independent judgment required of practitioners, the level of skill and experience required to make those judgments, the educational background required,**

and the amount and kinds of supervision the practitioner customarily receives.

As noted, almost all home inspectors are self-employed and work independently. While the client may be on-site with the home inspector, he or she exercises complete independent judgment.

With regard to supervision, while- in the absence of other regulation- it is advisable for home inspectors to be supervised prior to working independently, no such requirement exists to achieve certification with any of the major home inspection associations. For example, while ASHI has a “ride along” program for new inspectors, there is no such mandatory requirement.

Comments regarding the degree of independent judgment and skills and experience related thereto are found in other responses.

2. Explain any efforts already made to address the problem and if alternatives exist, why each of these alternatives has not adequately addressed the needs of the profession or business.

(A) Voluntary efforts, if any, by members of the business or profession to establish a code of ethics or help resolve disputes between the business or professional group and consumers.

All four of the home inspector associations listed earlier have adopted a code of ethics (copies will be provided to the GORRC if so desired).

Only one Georgia association (GAHI) has a grievance process at the state level. However, GAHI's grievance committee has no enforcement power other than the ability to expel its member. Of course, such a result has no bearing on the ability of a bad inspector to continue practicing in Georgia.

Each of the other Georgia associations has a dispute resolution process. However, in all cases the national office receives and investigates the complaints; very seldom is there contact with the state chapter. Also, the consumer would be better served by a discussion of disputes that is both conducted at a more “local level” and that allows the involvement and potential discipline by peers in

the same geographic area. Of course, as is the case with GAHI, there is no real enforcement power.

(C) Other licensing or certification programs.

As outlined earlier, the four associations (ASHI, NAHI, NACHI, and GAHI) in Georgia have various certification levels and requirements for these levels. The numbers for each group are provided in the response to the un-numbered background section.

Such voluntary certification programs entail the granting of a title to individuals by a professional group. The vesting of the title means that the individual has completed the requirements which reflect a specific level of competence in their field as determined by the association. However, these voluntary programs have no enforcement authority to protect the consumer should a problem arise.

4. Explain the benefit(s) to the public if regulation is granted. Please address the following:

- (A) The extent to which the incidence of specific problems present in the unregulated business or profession can reasonably be expected to be reduced by regulation. Provide statistical data, if available, and include the source of the statistics and a description of the method of calculation.**

An earlier part of this document noted the number of complaints called into the Georgia Real Estate Commission and Real Estate Appraisers Board. These complaints typically deal with the following problems:

- Homeowners who feel that a home inspector missed a significant problem which then cost him or her additional money to repair;
- Home inspectors who complain about the practices of other home inspectors; and
- Real estate agents who are upset when a sale falls through due to the results of a home inspection

Section 43-39B-4(5) of SB 334 gives the home inspector licensure board the authority to promulgate both a code of ethics and

standards of practice. This fact, along with the traditional enforcement powers and ability to enforce these standards should reduce problems relating to home inspection. In addition, the new board would be the first entity (as opposed to voluntary home inspector membership associations to provide a formal means to lodge a complaint and participate in a dispute resolution with “teeth” (other than the courts).

Another point to make is that SB 334 will require that an applicant pass a home inspector licensure examination. Typically the clustering of topics on such an exam include:

- Housing systems
- Inspection methods
- Reporting skills and
- Professional practice standards.

Since a valid, reliable home inspector examination requires a mastery of all the key elements of the field, passage of the exam should result in fewer specific problems related to inspection of homes.

The existence of substandard training courses mentioned in other parts of this document is closely related to the above point. The president of the applicant group, who is also an instructor, indicates that he frequently receives calls (from “home inspectors” receiving their education at such programs) asking advice on very basic issues. Two examples are recent questions about whether an inspector should go on the roof or is required to disassemble an electrical panel. The second example is particularly problematic in that it is incumbent upon a home inspector to examine the electrical system, and such an examination is contingent upon the knowledge of how to safely take an electrical panel apart.

Licensure will also help to “professionalize” the relationship between real estate agents and home inspectors, allowing the consumer to have the confidence that all aspects of the real estate sale are at “arm’s length”. As mentioned, licensure would provide the public with the comfort of a standard skill set and requirements for home inspectors acquired through study at a board-approved course of study. It would also allow the consumer to determine if complaints have been registered or disciplinary action has been taken against a home inspector. Each of these requirements and

results will protect against the occurrence of financial or physical harm to the homeowner/homebuyer and the types of complaints currently received by the GREC.

(B) Whether the public can better identify qualified individuals. Include an explanation of why the general public lacks sufficient knowledge to evaluate the qualifications of those individuals offering the services affected by this regulation.

There is no central repository or source of information available to consumers to enable them to make an informed decision of whom to hire. While there are four voluntary certification programs offered by the member associations, there is no consistency of requirements for such certification. Also, as previously noted there may be as many as 500 unidentified (unaffiliated) persons holding themselves out as home inspectors in Georgia. As noted earlier, a good number of these individuals could easily be “fly by night” home inspectors.

In addition, licensing of home inspectors will allow the realtor to have a list of licensed home inspectors with a common body of knowledge and skill set. The agent can then provide a list or a recommendation for an inspector without worrying about the need to have personal knowledge of the qualifications of the recommended home inspector.

5. Explain your group's proposal for regulation. This explanation should provide information regarding the extent to which the public can be confident that regulated individuals are competent. Please address the following:

(A) How will fees be levied and collected to cover the expenses of administering and operating the regulatory system?

43-39B-4(b)(3) gives the Licensing Board of Home Inspectors the power to “establish and adjust” licensure fees in accord with chapter 1 of Title 43. Section 43-1-7 requires that fees be reasonable and approximate the total of the direct and indirect costs to the state to operate the board. The members of the applicant group are aware of this provision and fully expect to be subject to fees meeting this requirement.

(D) Will persons already practicing the profession be allowed to apply for licensure or certification without meeting all of the prerequisite requirements established by the regulatory entity at a later date?

No, there is no “grandfathering” granted by SB 334. However, there is a “grace” period in the provision contained in 43-39B-5(b)(5) that allows an applicant a year from the effective date of the bill to pass a valid, reliable examination designed to test competence in home inspection practice and developed pursuant to accepted psychometric standards....”

Provide an estimate of the number of individuals that would qualify under this category.

The applicant group assumes that 250-300 of the estimated 500 “unaffiliated” home inspectors will need to sit for an examination. This estimate based upon both the reasoning that a small number of this group may have already passed a valid, reliable home inspection examination but not be a member of any of the aforementioned Georgia associations and on the experience of the Georgia Composite State Board of Medical Examiners which has recently begun to license orthotists and prosthetists.

What group(s) currently provides the training in Georgia?

The applicant group is aware of the following entities that offer home inspection training in the Atlanta area:

- American Home Inspectors Training Institute
- Georgia Institute for Home Inspection
- Kaplan Professional Schools/ Inspection Training Associates
- Edifice Training and Development, Inc.
- American Real Estate Academy, Inc.

With the exception of the last company on the list all of the above are certified by the Georgia Nonpublic Postsecondary Education Commission (or in the case of Edifice, a comparable group).

In addition, the applicant group thinks there may be approximately five other “schools” which offer substandard education in the field of home inspection.

(E) Will an examination be required?

Yes

If an examination is required, explain who will develop it, approximately how much it will cost to develop, and how the cost will be financed.

At least one valid, reliable nationally recognized exam already exists: The National Home Inspectors Exam (NHIE) is used in most states which license home inspectors. Currently 18 states use the NHIE.

There will be no cost of development to the state, nor will the state need to purchase a test. Costs related to the test will be borne by the applicant who will pay the \$225 fee to sit for the exam.

Applicants can take the exam at test centers all over the state. The applicant group believes that a similar situation exists with regard to the examination used in the licensure of residential contractors in Georgia.

Will the test be validated? If yes, by whom?

The NHIE has already been validated, and there may well be others.

(F) What assurances will be provided to the public that regulated individuals will maintain their competence?

Section 43-39B-7(b) would require completion of at least 30 hours of board-approved continuing education during each renewal period (two years).

6. Please address the following:

(B) Explain whether there are similar professions to that of the applicant group which should be included in, or portions of the applicant group which should be excluded from, the

proposed legislation. Also, explain why these groups should be included or excluded.

The one group sometimes involved in residential real estate matters but not mentioned in the response to 6(A) above, as being required to be licensed is local government inspectors. Some, but by no means all, local jurisdictions in Georgia have staff who inspect new construction to determine if a house is built to certain code (e.g., electrical, plumbing) specifications. However, SB 334 does not propose licensure of these individuals since all such inspectors are not necessarily certified in the code they are enforcing; there is generally not one staff person who looks comprehensively at the residence (i.e., there tends to be a separate inspector for different codes).

As noted above, not all governments employ such inspectors. In addition and most significant, the applicant group in no way desires to impinge upon the "home rule" authority of Georgia local governments nor impose standards which may increase the budgets of local governments which would of course, be supported by the local taxpayer.

7. Estimate the cost of regulation. Explain the source of your data and describe the method of calculation.

(A) How are charges for services established?

Most home inspectors use a base contract price and adjust it for the age, location, size, and condition of the house. Sometimes there will be a "uniform" fee based upon the zip code in which the house is located (using the concept that these factors will be fairly common in that neighborhood or zip code.) Some of the parameters used to price for the size factor are the presence of a finished basement, crawl space, an attic, or the number of bedrooms.

(A) Are there any standard fees for services? If so, please provide a list of the fees.

Except as described above, there is no standard fee. A typical price for a typical three-four hour home inspection in most areas of Georgia is \$300-\$350.

(C) How would regulation impact the cost of services?

There would be no impact. Since the fees for licensure and license renewal in states which license home inspectors range from \$200-\$400 with the annual average \$257.79 (see “D” below) and since this is well within the range of a typical home inspection fee in Georgia, there would no impact (with one inspection basically covering this cost).

(D) What would be the initial and long-term cost to the state and to the general public of implementing the proposed legislation?

Estimates for cost are based upon discussions with staff at both the Georgia Real Estate Commission and Real Estate Appraisers Board (GREC) and the Composite State Board of Medical Examiners (CSBME). It seems more appropriate to use the experience of the CSBME in licensing orthotists and prosthetists than that of GREC with real estate appraisers, both because the CSBME’s experience is more recent and because the numbers of applicants, while smaller than those projected for home inspectors, is far closer than the current 7000 appraisers now licensed.

As explained below, the applicant group does not feel that there will be any long-term cost to the state since fees should more than adequately cover the cost of administering a licensing program.

In terms of initial cost, since there would likely be no cost to the state to develop and administer an examination (unless the new board chose this route for some reason), the applicant group assumes the start-up will mainly involve some degree of new staff, expenses for the new board members, and regular operating costs, especially supplies and communications associated with new outreach and responding to the questions of and requirements for initial applicants. Figures obtained from the CSBME lead the applicant group to estimate a first-year cost of \$80,000 to \$90,000. However, in light of discussions with the GREC and its staffing patterns, this is likely to be a conservatively high estimate.

In projecting long-term costs to the state, the applicant group estimates about 1125 licensees at the end of the first year. If one assumes a \$200 license fee for these persons, the state would recoup \$225,000 in the first year. Some of the material already submitted to GORRC indicates that this fee would be low by

comparison to other states that license home inspectors (the annual average was \$257.79). Of course, the subsequent renewal fees would presumably be less.

At any rate, it would seem that the license and renewal fees would easily cover the cost of implementing SB 334.

9. List any other interested parties for or against regulation of this profession.

- National Association of Certified Home Inspectors (Georgia)
- National Association of Home Inspectors (Georgia)
- Georgia Association of Home Inspectors

(A) Explain why these parties may or may not support regulation.

The applicant group is not aware of any organizations which have expressed opposition to SB 334 or to the concept of licensure of home inspectors.