



Final Transcript

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: Home Inspections

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SPEAKERS

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Gary Eisenbraun

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Home Inspections conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and the instructions will be given at that time. (Operator instructions.) As a reminder, today's call is being recorded.

I would now like to turn the conference over to our host, Virginia Holman. Please go ahead.

Virginia

Thank you very much and welcome to today's tutorial on home inspections. Before we start, I do want to go over some logistics. As Rick said, the audio is being recorded and we'll be giving you a playback number and also the PowerPoint and a transcript, those three things to help you keep this for the other staff members. For the first time, the archives are going to be posted on the HUD Exchange website at HUDEXchange.Info, and we'll be sending out a Listserv message to let you know when they've been posted and how to access them.

All your lines are muted. We may, as Rick mentioned, we may have questions and answers, and if so, he will give you instructions on how to make your comments and questions. There are some other ways to do that. On the panel on the right-hand side of your screen, there's a box that says "Questions," and you can write a question in there and we will try to answer them either on the call or privately. You can also send your questions and comments to our mailbox, Housing.Counseling@HUD.gov, and put "Home Inspections" in the subject line so we get it to the right people.

If we open the lines up for questions and comments, please keep your lines muted. They become a distraction if they're not. You will get a thank you

email from GoToWebinar within 48 hours, and that email is going to say that it is your certificate of training. There is no attachment. The certificate is, in fact, that email, so keep it for your records.

There's also going to be a brief survey at the end of this session, and please take some time to complete it. It really does help us make plans and improve our presentations.

And now I'd like to turn the tutorial over to Lorraine Griscavage-Frisbee, who is the Deputy Director of the Office of Outreach and Capacity Building of the Office of Housing Counseling. Lorraine?

Lorraine

Great. Well, thank you very much, Virginia. I want to warn everyone. Where Virginia is located, they're having a bout of bad weather, so if we suddenly get disconnected, we're going to blame it on a potential tornado in the area. So, she is really a great trooper here by going ahead with this broadcast in light of the fact that there may be some very bad weather heading her way, so thank you very much.

I just want to thank everyone for taking the time out of their busy day for joining us on this tutorial. This is a new form of training that we started

this fiscal year. And basically, a tutorial is just a short webinar on one or two specific topics.

Today's tutorial is, of course, on home inspections, which is a very important component if you're a grantee, providing information and specific forms, which Virginia will talk about more closely during the webinar, are key components of our NOFA and requirements. The most recent NOFA was just published last week and I just want to let everyone know that we are going to be having a NOFA broadcast tomorrow, actually, February 25th. If you do receive the Office of Housing Counseling/Jerry Mayer Listserv emails, it will give you registration information there so you can register for that.

We are also seeing quite a bit of interest in our training NOFA broadcast that is scheduled for March 2nd, and I just want to take one minute and clarify that the training NOFA is for agencies that have experience in providing, on a national level, training to housing counselors. It is not a training specific to you providing, like, homebuyer education or other types of workshops to your clients. It's specifically for agencies to provide information to housing counselors.

And with that, I am going to turn it back over to Virginia. Thank you.

Virginia

Oh, thank you very much, Lorraine. What we're going to cover today are the requirements for home inspections. We're going to talk about what a home inspection is and why clients should have one. And we're also going to point out where you can find the two HUD forms related to home inspections, and we've got some tips, best practices for you, and if we have time, we will have some questions and answers.

We are joined today by Gary Eisenbraun who's with FHA single family. He's monitoring the questions for us. It's always handy to have an expert.

So, what are the requirements for home inspections related to you being housing counselors? Pre-purchase counseling and education, where provided under a HUD grant has got to include the information on home inspections. So, if you're a grantee or a sub-grantee, you've got to provide this information.

Also, the proposed rule that we've been talking about for a couple of years now is going to broaden that out so that as part of the home purchase counseling process, you all are going to have to provide that information

to all of your clients, whether or not you have a grant. So, it's important for you to begin to know what you have to do.

So, what is a home inspection? A home inspection is a limited, non-invasive examination of the conditions of the home. And it's usually paired up with the sale of the home. It could be done by the seller. It most often is done by the buyer or for the buyer. It's conducted by a home inspector who has the training and certifications to provide such inspections, and we'll talk about that person a little bit more.

So, during this home inspection, this qualified inspector is going to look at the property in depth, and he's also impartial because he has no other role in the transaction. He's going to evaluate the physical condition of the property, looking at the structure, its construction, and its current mechanical systems. He'll identify items that need to be repaired or replaced, and then he's also going to estimate the useful life of the major systems, electrical, plumbing, the roof, other equipment, so that the buyer is going to have a lot of, lot us useful information about that property to help make the decision as to whether or not they want to continue.

So, this is just a graphic that shows all the possible systems that the inspector could look at. It's important for you to realize and remember and to pass on to your clients that the home inspection is not an appraisal. So, again, the home inspection is just estimating the home's condition, and therefore, the buyer, the benefit of the buyer. The home appraisal estimates the market value of the home, and again, it's done by another professional, the appraiser. And the appraisal is for the lender.

So, why should your client have a home inspection? Well, first they need to start out—when they're making a written offer on a home, you need to tell them that they should insist the contract state that the offer is contingent on a home inspection conducted by a qualified inspector. Then if that happens and the inspector finds a major problem, the client would have the choice of whether to continue with the transaction.

Now, your client's going to have to pay for the inspection, but it's a minor cost compared with costs that could occur later on if they don't know the condition of their property. So, again, it's going to identify the major problems. And when your client knows these problems before the sale closes, several things could happen. They could negotiate that the seller pays for the repairs. They could negotiate a reduced purchase price.

Really important is that they could avoid major expenditures for repairs after the sale has closed. We always hear horror stories about somebody that closed with an FHA loan and they were so happy until a month later when their furnace broke and they found out that they then had to shoulder that cost. And by having the home inspection, they would've avoided a problem like that.

In the longer view, avoiding these unexpected and major expenses helps them avoid a possible foreclosure, because a lot of our borrowers, our FHA borrowers, they don't have a lot of excess money and if they get the choice between fixing the furnace and having heat and missing that one payment, they're probably likely to go with the repair. So, if they can do anything to avoid those possible problems in the future, it's really to everyone's benefit.

So, there are two HUD forms that, again, if you are providing pre-purchase education and counseling under a HUD grant, you would need to provide. The first one is For Your Protection, Get a Home Inspection, and it's HUD Form 92564-CN, and this is the website where you can find it. You can also just go to the HUD website and look for HUDClips and

search for that form number. Again, it's required only if you have a HUD grant and are using that grant for pre-purchase counseling and education.

It's really, though, a best practice to give that form to all of your pre-purchase clients, because one thing, as I mentioned, the proposed rule is going to require that you do that, so you might want to get in the habit of it. But you really are there for your clients to give them the best possible advice on pre-purchase.

To document you've given this from, because lenders may want that documentation, or later on, your grantee or your funder may want to look at it, you can do a couple things. You could have them sign the form and then just keep a copy in your files or you could make sure your client notes reflect that you have given it.

And this is what the form looks like. This is just a screen shot of part of it. But it's really just an informational flyer, so you can print that out and just have those available.

The other is the ten questions that you should ask your home inspector. Again, to give to your pre-purchase clients, it helps go over a lot of the

stuff that we have just talked about. Again, if you've got a grant, you have to give it out. The questions, again, are on the HUD website.

Lorraine, I'm assuming these forms are going to be available now on the HUDEXchange?

Lorraine No, because the HUDEXchange is independent of HUDClips, so they'll still have to go ahead, if they click on that, that will take them into the forms section of HUDClips.

Virginia Okay. And actually, unfortunately, the ten questions are not an official form. You'll just go to this page and then you can print them out.

Lorraine And my apologies on that. Yes, because it's a single-family housing page, not an Office of Housing Counseling, that's the other reason why it will remain on the HUD.gov and not go to the HUDEXchange.

Virginia And again, the best practice if you want to document that you've given them, sign it and keep a copy for your files or make sure your client notes show that you gave it. And just some tips for your clients, because you want them to have the best possible experience. The first one is always,

always have them get a home inspection. Think of it as a necessary investment in that purchase.

Again, it's a fairly minimal cost when you're comparing it to the overall cost of the house and what it can save in the long run. Select an experienced inspector, one who is certified or licensed by a national organization, a state organization, or a state government. Don't just take somebody that says, "Oh, I'm a home inspector. Let me do this for you. I can give you the cheapest price." You want somebody that knows what they're doing.

If you've got friends who have purchased a house and have had a home inspection, ask who they recommend. Get several references, and when you get some names, call and ask them for references and find how they did and did people like them. Do not select the one, necessarily, that your realtors will give you. You want somebody that's independent of the whole transaction.

When the inspection's going on, stay with the inspector, follow him around. Learn about the house. That's a great learning tool, because

you're going to live in that house for a long time and you want to know all its little quirks.

It also means it's not a social time. So don't bring kids, your relatives, your friends, or neighbors. It's just you and your spouse or partner. Don't bring a realtor. Again, we want this inspection process to be impartial and completely outside the transaction of the home purchase.

Equally critical is do not hire the inspector to make any of the repairs. If they're serious repairs and you're concerned, it's no problem asking for a second opinion. It's like going to the doctor; you're always told to get a second opinion before you have something major done. So, go ahead and do that. Don't be shy anywhere in this process. These are words that you need to tell your client, that they're not to be shy.

One of the handouts that you were sent today, courtesy of the Virginia Housing Development Authority, is an excerpt from their Homebuyer Handbook, which goes through the whole home inspection process, so it's a good tool. They're always willing to share with you any of these things.

So, use it and, I guess, we've got some time for questions. Let me look.

Let's see. I'll go through the ones that have been submitted before we open it up. "Would you recommend giving this form to pre-purchase clients," and by that I'm assuming you mean For Your Protection, Get a Home Inspection and the ten questions. Yes, our best practices suggestion is that you, whether or not you've got a HUD grant, you should always give these forms to them.

Gary, correct me, for an FHA loan, the lenders have to get these forms, right?

Gary Yes, that's correct.

Virginia Okay, so that's something. And other lender programs may want it, as well, so that's something to check, too, is whether the lender your client is working with wants it.

This agency's translated the form into Spanish. Gary, you can answer this. Have we translated those questions into Spanish?

Gary Not that I'm familiar with. Not that I'm aware of.

Virginia

Okay. Kaylee, if that's something that you would be willing to share with us and other agencies, I'm sure that they would welcome that. That's not to pressure you, but just send me an email if you're willing to do that and we can go from there.

Here's one. "Can each of the forms be sent to the presentation?" Well, one, you can go to the HUD website and find them. And you will get in the archives, there will be the link to where the forms are, so when you visit the archives, you'll be able to go directly to that link and get them.

"Are we required to give clients the 11-page document of frequently asked questions?" I'm not sure what 11-page document you're talking about. Gary, do you have any idea?

Gary

Yes, but there's no requirement for anything else that is necessary to give to the buyers or to the clients. So, any FAQs would not be a requirement.

Virginia

Okay. Just useful information to have. Okay. Let's see. "Our organization provides new construction services to our clients. The home inspections are part of the new construction process. Should these pre-

purchase clients be given the forms?" Again, a best-practices right now, yes you should. And again, the proposed rule is going to, if it follows through to the final rule, would require that all clients, whether you're HUD-funded or not, get these forms.

W

And if I could add to that, as well. Just because the client is purchasing new construction, if you're charging that client to a HUD grant, regardless of what they're purchasing, they still need to have those forms. It's up to them to decide if they wish to get a home inspection or not on new construction. But I think Ginger's [ph] tips work as well for new construction.

I know, myself, when we purchased a new home, we had a home inspector come out and review the different stages of it because, unfortunately, the contractors aren't perfect. So, don't rule it out just because it's new construction.

Virginia

Oh, yes, I'm glad you brought that up, because yes. We would talk about repairs and thinking it was existing, but it's equally important for new construction to get the home inspection and it really, again, needs to be somebody that's independent of the transaction.

So, even though, in this case, an organization is providing you construction services, but your client may well want to have their own independent inspector, because the other people in this process are the local county and city inspectors in the same way that the contractors may miss something. So, you know, the more knowledge your clients have about the house, the better they are.

Here's somebody that agrees that it's important that the inspector is independent from the realtor. Let's see.

Somebody asked about getting the PowerPoint. As I said, in the archives version, it will be posted at the HUDEXchange, the PowerPoint will be there, a replay number, and the transcript of this event will be posted there.

"What does NOFA stand for?" Oh, Notice of Funding Availability. That's just when a grant is being proposed and available for application. That's what the NOFA stands for.

Here's somebody again when the forms should be given. Well, early in the process, because you don't want to give it to them the day before the

loan is closing. There needs to be enough time where they can actually get the home inspection as part of the decision making process. So, as early on in the counseling process as possible, you should talk to them and suggest that they do this.

Let's see. Here's somebody again, "Is it okay to accept the realtor's recommendation of an inspector?"

Gary I'd like to jump in here. This is Gary.

Virginia Okay.

Gary And it depends. If the realtor is representing the buyer, then that may be appropriate, but if the realtor is representing the seller, I would say no. So, I would make sure that the home inspector is someone that's arranged by the buyer or a buyer's rep, not the seller or the seller's rep.

Virginia Thank you. Again, the independent, impartial person. That's who you're looking for. And if you've got somebody that's representing the seller, they may not be as impartial as you would like them to be.

“If we give this out in our workshops, can we note it was handed out in the workshop in a group pile?” Yes, as a matter of fact, the Virginia Housing Development Authority, I’ve been reviewing files with them and performance reviews and they’re the grantee on a lot of these, and that’s what they say, that if the client took their homebuyer education class, they know that they got the forms handed out, so that’s perfectly acceptable. Again, as early in the process as possible.

“If we are a HUD grantee and doing housing counseling with somebody who has already had an inspection, is it necessary to provide the forms?” Well, you’re required to give them the forms by your grant agreement, so you need to give them the forms.

Had a response from Kaylee on the Spanish translations of the questions she has suggested. She’ll share them and we’ll see how we can get them posted so that it’s easily available for everyone.

People keep asking about where to find the forms. Again, you go to the HUD—For Your Protection Buying, Get a Home Inspection form, you go to HUDClips and you can find it. The archive posting will have the links

to both that form and the ten questions that you'll be able to click on the link and get to the forms.

W Virginia, can I interrupt for one second?

Virginia Absolutely.

W I actually find the For Your Protection, Get a Home Inspection form is available on HUDClips in Spanish. And what you have to do, the form number everybody, if you want to write this down, is 92564. And we'll send a follow-up email to everyone that's registered for this with the information, as well, but you can go into HUDClips and then look for forms and then look for that form number that I just gave you, and it's available in both Spanish and English.

Virginia Okay, and then thanks to Kaylee's organization, we'll have the ten questions in Spanish, as well. Great. So, we'll get all the information.

“Is HUD okay with the counseling agency providing the form and having each client sign the acknowledgement form that they've received it?”

Yes, that's fine. I mean, what we were talking about was best practices to

document that you've given the form but an acknowledgement form is fine.

"Is there a registry of home inspectors for each state?" There are several national organizations. Gary, I'm sure you remember the names of them.

Gary

There are some organizations and some states have licensing requirements, some states do not. So, there is not, in my knowledge, to my knowledge, a national repository or a list by each state or jurisdictions of who are or who are not home inspectors. So, the buyers really do need to look for someone and that's why the recommendation she gave of looking for recommendations is very good.

Virginia

And as Gary said, some states require licensing so you could check. And your realtor ought to know that, just we're cautioning you about taking that recommendation.

Here it is again. "The For Your Protection, Home Inspection doesn't have a line for signing." It used to have it. Now, you know, just again, use a best practice to document that you've given the form out. Having them

sign it is fine or like the previous questioner said, having an acknowledgement form.

And here's somebody that really gets them early in the process, that gives them the forms as soon as they're in the homebuyer education, even if they haven't found a property, so when they start to look for a property, they know that that's something that they need to do. Okay.

“Aren't all certified housing counseling agents required to give the form whether they get a grant or not?” Not at this point. At this point, it's only the grantees and sub-grantees that are required to do that. As I said, the proposed rule says that everybody's going to have to do that and the final rule may say that, as well, and if that happens, we will certainly give all of that information out.

We've got a lot of good questions. As I said, we will be sending out a Listserv message that will tell you when the archive version has been posted. It will include the PowerPoint, a replay for the audio, and a transcription.

Here's another somebody confirming that it's just as important on new construction to get a home inspection as on an existing property. Group workshops, again, just an acknowledgement form, put it in your notes about standard practice on your classes that you give out these forms. Put it in your outline.

I think, Gary, this is your question. "Who completes the compliance inspection form?" That's really nothing to do with what we're talking about, correct?

Gary That's correct. It does not.

Virginia So, Jerry, you don't have to worry about that as a housing counselor. Oh, this is a good point. "Make sure to verify that the inspector has both general liability insurance and what's called errors and omission insurance, since that's going to protect you if the inspector misses anything substantial that could lead to major repairs." So, that's another question to ask that I'll need to put in the tips.

The webinar started a little after 2:00. We're closing in on the end. It says, "Check with your state licensing people." Again, if you go to your state website, you can probably search for home inspectors.

Here's one of the national websites is www.NACHI.org and they're suggesting that that's one place to start. It's not the only place, but it begins to give you some names. The other insurance that we're talking about, in addition to general liability, is something called errors and omissions, and that protects your client in case the inspector misses something substantial.

I think that that is all the questions. I'll give that website again, www.NACHI.org. Okay, Gary, do you have any last minute comments to anybody?

Gary

The only thing I would have is there's online recommendation services now, like Angie's List, and certainly I would not overlook the Chamber of Commerce or the Better Business Bureau, as well, so if you don't have any other leads or anybody to go to, you could probably start at those places, but I think the information that you passed out was very good.

Virginia

Okay. Another national organization is ASHI. So, that's why you have Google.

Handouts, again, those of you who had registered as of 7:00 this morning were sent the handouts, but they will be attached to the posting in the archives section.

Here's a better definition of errors and omission insurance. It provides legal recourse to the buyer if the inspector misses substantial defects during the inspection.

But, you know, as I was preparing this, you Google home inspections, you'll get a lot of information, give you sample check lists, all sorts of things. So, do spend some time doing that for your clients.

And, again, within 48 hours you will get the thank you email that's your certificate of training, and keep that. Another reminder is the webinar tomorrow on the comprehensive housing counseling grants program. It's at 2:00. Look for emails on our Listserv that you would have gotten from Jerry Mayer. It will give you the registration link.

If you've got additional questions in the future, go to
Housing.Counseling@HUD.gov and in the subject line, type "Home
Inspections."

I want to thank you all for attending. Hopefully this was helpful and that
the idea of short tutorials on a specific program is useful.

If you have any ideas for something that you would like as a tutorial, send
us an email at, again, Housing.Counseling@HUD.gov and we'll see what
we can do about getting your topic.

Again, thank you very much for attending this and we look forward to
working with you in the future. And that ends the conference for today.

Moderator

Thank you for your participation. You may now disconnect.