

Mandatory Home Inspections  
On  
Resale Homes in Ontario

for the  
Policy and Research Division  
of  
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by

Terry A. Marshall, B.Arch.

39112 Bush Line

St. Thomas, Ontario N5P 3S9

Tel. (519) 633-9975

Fax. (519) 633-9978

E-Mail. [tamarshall99@hotmail.com](mailto:tamarshall99@hotmail.com)

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Alan Carson, Carson Dunlop and Associates Ltd.  
Jeff Clarke, Baker Street Home Inspections Services Inc.  
Terry Carson, Guardian Home Inspectors Inc.  
Brian Crewe, Les Entreprises  
Ron Nokes, Supreme Home Inspections Inc.  
Trevor Welby-Solomon, Pillar to Post Home Inspections Inc.  
Paul Wilson, Paul Wilson Home Inspectors  
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## Purpose

This research was conducted to discuss the issue of mandatory home inspections for resale homes in Ontario with a number of housing industry interest groups. The results are an attempt to determine why this requirement was never imposed in the past, the pros and cons of enacting such a requirement in the future, how could such a requirement be enacted and by whom and could the home inspection industry handle the increased capacity of such a requirement? The housing related interest groups contacted were Ontario Government stakeholders, the home inspection industry (private and public), the insurance companies, the real estate industry, financial lending institutions, CMHC, and various consumer associations.

Currently there is a voluntary home inspection process in Canada that has been ineffectual in addressing the needs of many homeowners. An ever increasing number of resale homes are inspected, but not by a qualified/certified home inspector that can offer expert advice to the consumer as to what they should repair and to assist the homeowner to better understand their home. They can also assist the purchaser with prioritizing future renovations. It is believed that consensus within the industry for mandatory pre-purchase home inspections will reinforce the viability and credibility of the home inspection service for the Canadian consumer. The demand for repair, renovation and energy retrofit from qualified third party advice would grow within the housing industry. The role of the private home inspector would be of greater significance if home inspections and a condition report became a mandatory requirement prior to resale.

Both the private and public inspection groups are in the process of professionalizing their industry to make them a more significant force in the industry and to raise awareness with consumers of the benefits of using their service. With this attempt to professionalize through self-regulation, a mandatory home inspection requirement imposed by a substantial housing industry stakeholder could provide the vote of confidence and added support required by the inspection industry to strengthen their mission.

Homeowners purchasing a resale home will be more informed of what they are buying, how to prioritize their present and future repair and renovation needs, what maintenance requirements are needed, etc. The significance of a mandatory home inspection requirement is that it is a win-win situation for the homeowner, lending institutions, insurance companies and the Canadian housing stock in general.

This research was conducted with the intent to capture a picture of the past situation and the one that currently exists with the home inspection industry in Ontario in an attempt to assist future homebuyers and the condition of housing in general. It may not lead to any future decision-making but will inform those connected to the inspection industry with information that may foster and assist to develop a better situational analysis of the inspection industry in Ontario.

## Executive Summary

All industry interest groups agree that home inspections are a worthwhile part of the resale home process. They also believe that a voluntary inspection service is adequate, but that it requires some changes in the future for it to be a better service for homeowners. Voluntary home inspections are sufficient if the industry self-regulates and all home inspectors meet accepted standards so homeowners can acquire the same level and quality of service. Ontario has had a continuous increase in the percentage of inspections per real estate transaction every year. However, many homebuyers are dissatisfied with the information that they receive from the home inspection report and perceive the service to be poor value for the money. The inspection industry also believes that a mandatory inspection requirement would lead to a higher degree of inspector liability. Also, if mandatory inspections were enforced in the future, the consumer should not pay for the home inspection if other stakeholders such as banks and insurance companies also have access to the inspection report information.

The inspection industry through the Ontario Association of Home Inspectors (OAH) should be the voice in Ontario that negotiates and represents the private inspection force in Ontario. However, the OAH should not operate in a vacuum but have other community and government representatives so that it is not industry dominated in future decision making. Provincial legislation should be enacted that allows only certified private home inspectors the legal mandate to provide pre-purchase home inspections on resale homes in Ontario. The provincial government has minimal consumer complaints against the inspection industry and home inspections as an issue is considered a low priority. However, based on recommendations from the Building Regulatory Reform Advisory Group (BRRAG), the province of Ontario is in the process of establishing rules for a certification process for public building officials and others that are responsible for enforcing Ontario Building Code requirements.

Responses indicated that realtors do provide names of local home inspectors to purchasers, but it would be preferred if these names were only provincially certified home inspectors. The use of certified home inspectors should be better promoted to vendors and purchasers in the future. There is consensus by all that a vendor/seller would also benefit from a pre-listing inspection. In fact, realtors and the inspection industry would prefer the inspection to occur at this point rather than after the home is listed.

Some countries, particularly in Europe, have a mandatory system that is controlled by stakeholders that have their own agenda. They generally have an interest in the real estate being inspected and the inspection industry does not control the quality or content of the home inspection. The United States has a number of states that have 80% of their real estate transactions inspected by certified/qualified home inspectors.

The principal issue raised for future research is, “Should home inspectors have to be certified by a provincially recognized regulatory body before they can offer fee for service inspections in Ontario?”

## History

### Home Inspections in Ontario

Home inspections in Ontario began in the mid-1970's. Independent home inspections were actually being conducted for years prior to this, albeit they were sporadic. The home inspection clause in real estate transactions also surfaced around that time based on the U.S. model. They were inserted as a clause that would satisfy the requirements of buyers who requested home inspections as a condition of sale. To address this need the Canadian Association of Home Inspectors (CAHI) was formed in the early 1980's. (see Appendix article, "CAHI National – Mission Statement"). Two firms in the Toronto area were offering this service at the time. In the later part of the 1980's, a group of inspectors assembled in Toronto and formed the Ontario Association of Home Inspectors (OAHI), a chapter of the American Society of Home Inspectors (ASHI). Once all areas of Canada were represented as provincial/regional chapters under the Canadian Association of Home Inspectors (CAHI) they separated from their American counterpart ASHI. The ties were maintained and in 1994 the Ontario chapter OAHI proceeded to have a bill passed in the Ontario Legislature, Bill Pr158, (see Appendix article, "Ontario Association of Home Inspectors Act, 1994"). OAHI became a self-regulating professional body with the passage of the Ontario Association of Home Inspectors Act enabling the OAHI to define qualification and performance requirements and the exclusive right to grant the designations "Registered Home Inspector" and "RHI" to qualified members in the Province of Ontario.

## Benefits of Home Inspections

### As Part of the Resale Home Process

Respondents from industry, real estate, financial, and government, all agree that home inspections are a worthwhile part of the resale home process. Purchasing a home is the largest and most important investment decision that most people will make. Purchasers should have the entire system inspected by a specialized company (person) that understands the home as a complex system. It allows the purchasers to be more informed about the asset they are buying and to make better decisions before purchasing their home. There is a growing consumer demand for the service, and the North America wide growth of the profession and endorsement by the media has assisted to make it an integral part of selling and purchasing a home. Government support and the trend towards licensing of home inspectors in the U.S. (20 states now have some form of licensing or a bill proposing licensing) also attest to the recognized value of the service.

Consumer demand has also made the real estate community see the value of the home inspection service. Home inspections satisfy a number of needs. It provides the buyer with the option of terminating the transaction if there are conditions disclosed by the inspection the buyer is unwilling to accept, or afford to rectify, or if the owner is not prepared to remedy the defects or provide price abatement. The home inspection provides the buyer with a list of repairs, time frames for repairs and other recommendations. The home inspection also discloses conditions that would not be readily apparent nor understood by a non-technical buyer, or may have been misrepresented. The home inspector reduces the liability of the realtor and meets the realtor's need to disclose material facts and act in their client's best interests. (see RECO code of ethics in "Politics of Mandatory Home Inspections" section).

The home inspection process indirectly encourages the upgrading of the housing stock to meet current expectations of health, safety, maintenance and use. Many respondents from the government, financial and real estate industries provide good information on the reasons for hiring a certified professional home inspector. (see Appendix articles, "CMHC – About Your House – Hiring a Home Inspector", "Toronto Real Estate – Buy Peace of Mind With A House Inspection", "TD Canada Trust – The Importance of Home Inspections").

### As a Service Prior to Home Listing

The inspection industry has mixed reactions on the time frame and the client that they would be serving if the home was inspected prior to purchase. A proper inspection would provide the seller and the agent with more accurate information to disclose pertinent issues before it is listed on the real estate networks multiple listing service (MLS). Many believe that inspecting the home for the seller would also provide better information to them so that they could remedy any problems that are found providing the purchaser with a better product. An article developed by a mortgage company states, "Having a home

inspected by a professional home inspector before you list it for sale can do a great deal to improve its sales appeal. A pre-listing home inspection, performed by a member of the Ontario Association of Home Inspectors (OAH), will disclose any major defects in the home's physical structure or with its heating, electrical or plumbing systems. With this critical information, the homeowner can then choose to repair any major problems in order to boost the property's potential selling price, or perhaps the home could be listed at a more reasonable price in its present condition. In any case, this thorough examination of your home's condition coupled with the inspector's complete written report, can provide a persuasive sales tool for any homeowner."

The financial, government and consumer segments of the industry agree that inspections for the vendor would be a beneficial practice, as long as the inspectors were properly trained and inspections meet a minimum standard to provide consistency of service. They also stated that the inspection industry should take time to explain all of the elements in the report to the seller and perhaps offer a return visit service for the purchaser to point out the conditions stated in the report and the deficiencies that were corrected if the seller has already attended to them.

Realtors believe that having a home inspection prior to listing the house would serve the purpose of assisting with the mandatory seller disclosure forms, which are useful in resolving future disputes. Buyers are more knowledgeable today than when the disclosure forms were first implemented and an inspection before listing would reduce the risk of conflict in the future.

Others believe that, with pre-listing home inspections, the inspector would not be accountable to the buyer and liability would increase. Past experience indicates that liability is decreased when the buyer signs a contract for specific services and attends the inspection. If a report is prepared for the seller and others rely on this information it could be grossly deficient or favouring and satisfying the seller.

## Vendor/Seller Benefits

Sellers would not have to fear a buyer who insists on a home inspection which would assist to ensure that the selling process goes as smoothly as possible. They would benefit from fewer transactions falling through as a result of a home inspection. This tends to happen when the buyer over-reacts to the inspection report, or the inspector scares the buyer unintentionally with poor communication or misinformation on the condition of the house. (see Appendix article, "OREA – The impact of condition clauses"). The vendor and the realtor would not have to sell the house twice as they often do now. It is very common to have negotiations that result in a conditional offer, and another set of negotiations, after the inspection identifies deficiencies that the buyer was not aware of. Vendors would be able to correct deficiencies in the home before putting it on the market, or lower the asking price, to reflect the actual condition of the home. Sellers would benefit from receiving offers in competitive situations that they now do not get. Many homebuyers will not make an offer in a competitive situation since they are told that no inspection condition can be put in the offer. The seller may not connect with the



ideal buyer and the buyer may miss the perfect house as a result. The pre-listing inspection solves this.

The negative impacts for the seller would be to have to disclose all conditions to the buyer, possibly resulting in a lower selling price. They may also have to correct deficiencies or conduct maintenance and believe that they did not benefit. The reverse could be true and sellers could benefit by having homes that are in excellent condition and use it as a marketing tool. Vendors, who are offering homes that are in excellent condition, could also benefit from having an “Energide for Houses rating” or a “building performance label”. One realtor stated, “I have always thought that the home inspection should be done and paid for by the seller when the property is being listed. The vendor and the listing agent would be better informed and pass this info on to the buyer. It would also help to establish a good selling price. Everyone wins.”

If the seller pays for the home inspection, the report should be provided to the realtor prior to MLS. The seller or listing agent should also provide the condition report to the potential purchasers. If the purchaser is paying for the inspection service, it should be up to them to decide who is permitted access to the information. If the report is favourable, it could be a useful tool for negotiating with lenders and insurers.

## Stakeholder Benefits

Respondents from all inspection industry stakeholders agree that consumers, lenders, insurers, realtors and the inspection industry would benefit from home inspections being imposed. Consumers would have fewer unexpected costs by reducing emergency repairs and be better informed about the condition of their home. Lenders benefit by having additional information enabling them to better evaluate their risk in processing mortgage applications. Insurance companies would be able to identify risk probabilities and have fewer claims due to properly maintained homes. Realtors gain through reduced liability and claims due to undisclosed house problems. The home inspection industry would benefit by having uniform standards and more qualified inspectors. On the other hand, there are those that believe that if the information was accessible to stakeholders other than one principal client, it could be a detriment to the consumer. The lenders and the insurers could use this information to reject mortgage applications and the insurance policies. The issue raised was, if the purchaser paid for the inspection report, it should not be provided to the insurers and lenders to allow them to assess their risk.

There is no one definitive stakeholder that would benefit the most from mandatory home inspections. All parties’ benefit in some way from an expanded private sector home inspection activity. Stakeholders will have differing objectives with differing benefits. Some are financial, some are risk preventative, and some may benefit from simple peace of mind. Governments will benefit from the overall increase in employment and economic stimulation. Some believe that consumers would be the big winners as they would be in a position to make informed buying decisions and receive independent professional advice on home condition maintenance and repair. The inspection could

also provide a healthier and safer home for the owners and/or tenants. Tenants would benefit by triggering the building owners obligation to maintain their property.

## Capacity

### Current Number of Home Inspectors

Almost all respondents agreed that if mandatory home inspections were imposed today, there would not be enough “qualified” home inspectors in Ontario to handle the increased volume. There are between 800 and 1000 home inspection firms in Ontario, based on numbers from business information lists. The Ontario Association of Home Inspectors (OAH) and the Provincial Association of Certified Home Inspectors (PACHI) merged in 2001 and together they have approximately 500 members. One inspection industry respondent provided a formula to assess whether or not the industry could take on the extra inspection volume should they ever becomes mandatory. To determine this, the number of houses sold in Ontario, should be divided by the number of home inspectors in Ontario (excluding condominiums). This would include the number of home inspectors currently practicing in Ontario, plus those who could be easily trained. The recommend number to use is 1,000 inspectors. Should that number be less than 200, there are clearly too many home inspectors available in order for all/most to make a reasonable living. However, should that number exceed 450 inspections per year, there are clearly not enough home inspectors to satisfy the contemplated demand. It is believed that a professional home inspector can comfortably and reasonably conduct 450 inspections per year. Performing more than 500 inspections would be bordering on professional negligence and malpractice.

Could the current number of home inspectors handle the increased volume, also depends on what constitutes a mandatory home inspection. If it were the same as a pre-purchase inspection by a “qualified” home inspector, there would be a need for more home inspectors. There would be no problem if the level of service were reduced and mandatory home inspections were performed by part-time “list checkers”. Another respondent stated that, “In the Toronto area, during a hectic buyer’s market, realtors and buyers often demand next day service. When the market is slow, these numerous home inspectors would not survive, based on the erratic number of resale home transactions, on the season and that particular economic year.” Currently, some areas in Niagara and Toronto have home inspections in a majority of transactions. There may be areas that are not currently being served by inspectors, but it was believed that these voids would be quickly filled if inspections became mandatory.

There are over 500 inspectors in the newly merged OAH/PACHI organization. It is believed that there are an additional 500 who are unaligned or who are in the process of entering into the field at the present time. It was also believed that only 200 of these are making a full-time living in this occupation at the present time. There are many more contractors and others who may perform only a few fee paid inspections each year, which would alter those statistics. There are any number of architects, designers, and contractors who provide pre-purchase advice about the conditions of a property and for renovation potential, but these individuals are not performing pre-purchase (fee paid) inspections, which would meet the current standard of care.

## Current Industry Capabilities

With the state of the inspection industry in Ontario today, respondents were mixed in their reactions as to whether mandatory inspections could be imposed. Many believe that inspection services are not readily available throughout the province at this time, especially in rural and remote areas. The home inspection industry would have to have standardized training, testing and qualifications for all home inspectors. This would have to be legislated as mandatory so that all those entering the industry are certified. At the present time any person who decides to become a home inspector can do so without proper training and certification. Until standards are legislated by the province to make inspectors become certified, it is not possible to have mandatory home inspections.

One industry respondent stated, “The recent amalgamation of OAHI and PACHI coupled with increased qualification standards and course availability will be sufficient for mandatory inspections, should it evolve. I would however suggest changing home inspection clause requirements to require OAHI qualified inspectors, followed perhaps by revision of the OAHI Act to restrict pre-purchase real estate inspections to qualified practitioners. In any case the horizon should be 5-10 years.”

## Process of Inspecting a Home

### Timing of the Home Inspection

Approximately 90% of the respondents agree that it is better to have an inspection as early in the selling/buying process as possible so that the findings of the inspection do not cause the negotiations to be changed. If the purchasers make an offer on the home with the full knowledge of the condition of the home, the offer is less likely to fall apart at a later date. An inspection can also be done more effectively and the report better prepared if there are no time constraints. This lends itself to performing the inspection for the seller prior to it being listed. One realtor stated, “I have always thought that the home inspection should be done and paid for by the seller when the property is being listed. The vendor and the listing agent would be better informed and pass this info on to the buyer. It would also help to establish a good selling price. Everyone wins.”

There are several reasons that the inspection should be performed before the house is put on the market. One of Ontario’s leading inspection firms provided a list of reasons why pre-listing makes good sense.

#### Reasons for Inspecting at Pre-Listing Stage:

- The seller will pay for the inspection
- The seller can select the inspector who will go through his home.
- The inspection can be done in a reasonable time frame, not in the middle of a short time condition during a negotiation There will be time to resolve contentious issues before there is a deal hanging in the balance.
- Inspectors will be measured more on the quality of their work and less on their ability to hold a transaction together.
- Buyers will be unable to use the home inspection condition as a cold feet escape clause.
- Buyers will have time to analyze the results of the inspection and determine if the home is right for them
- Inspectors will have time to research unfamiliar issues and be less inclined to guess or gloss over things in the field.
- Home inspections are not intended to be tools for re-negotiation, but that is how homebuyers often use them. Pre-listing inspections take this problem off the table.
- Sellers are given the opportunity to fix problems revealed during the inspection, before the home goes on the market, or reduce the listing price accordingly.
- This is similar to the timing of a pre-sale vehicle safety inspection.
- Other times for inspection
- Home inspections can also be performed when mortgages are issued or renewed and when homes are leased or rented.
- New homes should also be inspected just before the one-year anniversary of possession, before the major portions of the Ontario New Home Warranty Program expire.

- Pre-renovation inspections also make sense, so people can get unbiased advice on what functional issues should be addressed. Homeowners are often frustrated that contractors want to up sell by adding functional improvements, and contractors are often frustrated that homeowners will not do what should be done to the home because they don't believe the contractor.

Information provided by Carson Dunlop and Associates Ltd.

It is also thought that an inspection should be performed prior to real estate listing is when the seller is uncertain of conditions or wants to make improvements prior to sale. On the other hand, an inspection for the mortgage company, insurance company, or for the buyer's own edification would be done after or as a condition of sale. Otherwise, the inspection would be done after the agreement of purchase and sale has been executed and the seller will be aware of a defect arising out of the inspection and is obligated to disclose it or repair it.

A few respondents indicated that the inspection should be performed between the offer and the closing in order for the consumer to benefit from any ability to withdraw from adverse conditions. It was believed that making the home inspection before the offer of purchase would create too much of a disadvantage to new and uninformed buyers and conversely would greatly benefit those with better housing knowledge. One respondent believes that a home inspection should be performed when recommended by a real estate professional. This inspection would be completed prior to waiving conditions.

## Level of Home Inspection

It was agreed by all respondents that non-destructive inspections are an appropriate level of service. Vendors do not want their homes damaged during an inspection and the cost of destructive testing would be prohibitive. However, an appropriate level of inspection service should provide for greater use of the second opinion or specialist inspector. Most home inspectors are general practitioners and should be able to know when a technical problem calls for a second, more specialized opinion. It is the specialist who may deem it necessary to conduct a more invasive inspection. Technically exhaustive inspections are an exception and not required for the average inspection provided the inspector is properly trained in defect recognition.

The only entity that can give permission for a building to be examined in any destructive way is the building owner. Should the inspection not be for or authorized by or for the purposes of the building owner, destructive testing will not be allowed. Also, the levels of investment people have traditionally been willing to make in a home inspection suggest strongly that there is excellent value in the current service levels. A team approach with specialists in each field doing more invasive analysis and testing would turn up more problems, but the dramatically increased cost may well make the investment a poor one. The analogy of the pre-sale vehicle safety inspection is perhaps appropriate. There is certainly more that could be done, but the value of the inspection currently done seems obvious.

## Role of the Real Estate Industry

Do the realtors use the private home inspection industry today? There is no real fixed percentage of the number of realtors that recommend the use of a private home inspector. Most realtors believe that if they use a home inspector, they are certified. However, some purchasers prefer to use people they know in the construction field rather than a certified home inspector. The Ontario Real Estate Association have an article posted on their website titled, “The Liability of Home Inspectors”. (see Appendix article, “OREA - The Liability of Home Inspectors”). The article states, “If your buyer clients submit an offer conditional on a home inspection, you should advise them to carefully read the home inspection contract, ask questions about what the final report will and will not include, find out what the inspector’s qualifications are and find out what standards will be followed.”

### Home inspectors in Ontario:

- Not licensed or controlled by a specific statutory law relating to home inspection. The 1995 Ontario Home Inspectors Act allows home inspectors to be self-regulated and to set ethics and education standards.
- Two organizations in Ontario: Ontario Association of Home Inspectors (OAHI) and Provincial Association of Certified Home Inspectors (PACHI) offer membership subject to professional and educational requirements. Members of OAHI may use the Registered Home Inspector, or “RHI”, designation; members of PACHI may use the Certified Home Inspector or “CHI” designation.
- Both OAHI and PACHI offer information to assist REALTORS when buyers request a home inspection as a condition of sale. The following websites offer more information on the standards set for home inspectors: [www.oahi.com](http://www.oahi.com) - [www.ashi.com](http://www.ashi.com) - [www.cahi.ca](http://www.cahi.ca) - [www.pachi.ca](http://www.pachi.ca)

Information from OREA article: The Liability of Home Inspectors (Last Updated 2/27/2001)

## Realtor’s Attitude

Respondents from the real estate industry suggested that there are pros and cons to the level of service offered today by the inspection industry. Some of the negative reactions were that there doesn’t seem to be any standards for the home inspectors, it’s hard to find one that really knows what they are doing, and many point out things that are causing alarm for the purchaser but really shouldn’t. However, they also stated that home inspections are becoming more frequently used by purchasers and are generally supported because they protect the realtor in the long run.

## Homebuyer/Purchaser’s Attitude

About 50% of the home purchasers are requesting a home inspection according to the real estate industry. It also varies for different regions of the province. It is believed that in parts of the province, such as the Niagara region, almost all homes are inspected prior

to purchase. It is evident that more and more homebuyers are requesting home inspections as a condition of purchase. One respondent stated that the reports are so varied that some are useless while others are far too detailed, causing alarm to the purchaser where there should be none. As a result home inspectors should take the time to discuss their report with the prospective purchaser.



## Risks of Mandatory Home Inspections

### Technical Implications

Many respondents identified the competency level of the inspection industry as a major technical implication. The qualifying criteria for a home inspector to enter the profession will determine whether the technical skill levels will have to increase or not. It would be a good thing if the inspectors had to demonstrate a certain skill level to be qualified. Current mandatory standards are non-existent, and many voluntary criteria are too low. The content of the inspections would not change substantially from that being used by the OAH certified home inspector now. The inspection process currently provides incredible value with analysis of home systems over a large spectrum of disciplines. Narrowing the focus would seem like a step backwards to inspectors and the consumer. Broadening the focus would mean added burden on inspectors who are now struggling to keep up with the overwhelming knowledge base they must maintain. The time to complete the transaction would be longer and difficult to accept by the real estate community or consumers if there were added requirements for the inspection.

Other respondents believe that one technical implication will be that consumers will question why they would be obligated to have the service performed, especially if they intend to completely renovate the house, or the house is relatively new. Some in the real estate industry believe that enforcement and/or quality of home inspections is an issue that would be problematic. As one realtor stated, “Would you also want home inspections mandatory for property that was sold to a family member for \$1.00. Or, how about mandatory inspections for old buildings that are basically a tear down and someone is just buying the lot?”

There are also other professions providing technical advice to buyers in a real estate transaction, such as architects, designers, design engineers, contractors, builders and specialists providing partial inspection services such as well drillers, septic contractors and various trades providing advice on specific issues. Some clients want these specialized services and may not wish a standard home inspection at all. These groups should continue to offer their service, provided the public understands that such services are not a pre-purchase home inspection. There was also a question raised, “What would inspectors be assessing against – the code in force at the time the house was built, or the current code?”

Issues such as these would need to be resolved to avoid technical difficulties if home inspections became mandatory.

### Legal Implications

The major legal implication of having mandatory inspections on resale homes is that all real estate contracts would in fact be conditional on a property meeting an independent third party inspection or fitness standard. This would raise the need for additional

mechanisms to sell properties, which fail to meet the standard (as with certified and uncertified used cars). A set of mandatory retroactive standards for defining acceptable conditions would have to be set. There have apparently been successful legal challenges to such retroactive requirements, on the basis that the original installation had been approved under a previous regulation or code requirement. Changes would also be needed for a number of provincial statutes and regulations related to real estate transactions. An appeals process would be needed for property owners who dispute the results of an inspection, as well as a retroactive fitness standard for all resale properties. The liability of the home inspector would be expanded to cover all parties who might reasonably rely on the inspection report, rather than just the buyer.

Regardless of the type of report or who the client is, the home inspector must assume responsibility for the accuracy of their report. The confidentiality component of the overall service dictates that home inspectors should serve one client in accordance with their purpose and issue one confidential report. Issuing one report with multiple clients will create a hornet's nest of inconsistencies and increase liability, which the home inspector will want no part of. With multiple clients, mandatory inspections would probably be a financial boom for bureaucrats and lawyers. One respondent stated that, "The biggest problem legally is the expectations of purchasers. It is imperative that they understand what an inspection is and what should be inspected when an inspection is done. Right now they are getting the impression that they should be getting a new house in a 30 year old body and hold everyone responsible except themselves." Delays in closing would also be a potential problem.

## Financial Implications

The financial implication that caused the most concern among respondents was the additional cost to the purchaser/buyer. The cost vs. value of the home inspection information provided by many inspections was perceived as low. Some respondents believe that purchasers will benefit financially from the results of the inspection, by making more informed buying decisions. The value of having an inspection done for about \$300 is well worth the risk compared with the significant loss in dollars if there are major problems with the house once they move in. It was also believed that mandatory inspections would insure that vendors would have the opportunity to upgrade the house in order to sell it. The real estate salespeople will benefit financially as liability for representing the condition of the home will more clearly be transferred to the inspector.

Another implication will be an up-front cost for interested home inspectors who want to participate in any type of mandatory home inspection program. There will obviously be a re-training component to this which will involve expense and, more importantly, professional time. Any facet of building inspection that becomes mandatory will provide value to society in general which could be quantified financially. Minimizing health and safety hazards in the home environment and reducing operating costs will prove positive financial benefit to the public good which can also be quantified.

A question often asked is, “Should consumers be given an incentive of some sort to better utilize the home inspection industry?” As many programs have demonstrated in the past, consumer incentives that are financial in nature are very hard to implement. Incentives such as these without a self-regulatory or standards framework would set the stage for a lot of people who may not be properly qualified to become home inspectors. Once the incentive disappears so does that particular segment of the industry. The real incentive for the buyer is the ability to make an informed investment decision. Suggestions are that the real estate industry and government might try to better promote the use of the inspection industry with brochures or low cost advertising in the real estates ads and flyers. One suggestion was to make the home inspection a tax deduction or another form of financial reward.

## Inspector Liabilities

Mandatory home inspections suggest that a liability will be created if the home inspection is poorly done and problems are later encountered. Some believe that the liability issue is no greater than for the current home inspectors. It was also believed that increased availability of quality insurance (checks and balances), a better understanding of what constitutes a home inspection by consumers (limitations), attitudes of lawyers and the courts, and more standardization of inspections (contracts and reports) may actually reduce the liability for inspectors. Others stated that the home inspector is responsible to all who might rely on the report (others beyond the buyer), with no statute of limitations on this liability and this is a major concern for the industry.

One industry respondent stated, “Irrespective of the type of service the home inspector is providing, they are still responsible to their client, and for the accuracy of their report. The inspector would be taking on a huge liability should a single report be relied on by more than one party. In addition, any type of mandatory inspection derived from legislation, whether it is in the realm of fire protection or for mortgages, the training and re-training component must be very credible and exhaustive. The accrediting body has a legal and moral responsibility to adequately prepare the practitioner for the challenges they will face in the field.” Mandatory inspection documents would require set standards for the industry. It must have the items that are part of mandatory inspection clearly spelled out with any limitations noted for things like, electrical, plumbing, heating and ventilating, roof, insulation, general conditions of windows, doors etc. These are limited to non-destructive problems, if any. There could be other items on the document that purchasers would pay for if they chose, but not necessarily be mandated, i.e.. condition of a swimming pool, etc.

The respondents representing the consumer groups indicated that this situation is reflected in the model set by the resale car business. As stated in one response, “Cars can be sold either as is or certified. It seems possible that houses can be sold as is or certified as well. This means that the vendor pays for the certification if it is offered. This cost will surely be built into the cost of the home. If sold as is, then the purchaser has the obligation of having the home inspected in order to transfer title.”

## Inspection Industry Liabilities

The biggest risk faced by the inspection industry today is its struggles with poorly qualified home inspectors and those that are non-aligned with the Ontario Association of Home Inspectors. The non-qualified/non-aligned inspector causes a poor public image, obscures the value of an inspection and causes the industry to appear fractured. There is a concern that a large corporation may see leverage opportunities in the home inspection business, and use discounted home inspections to reach homeowners, in an effort to sell their goods and services. This would produce a flood of unqualified inspectors offering low fee, low quality inspections. Government intervention without proper industry consultation that reduces the quality of home inspection and erodes the value of the service was also cited as a major concern. One respondent stated, “The home inspection profession operates within a provincial regulatory environment, has little to do with renovation, can not protect a buyer against all risks, but has been generally helped buyers and been responsible for its own success.”

Business risks for those that enter the inspection profession:

- Professional Liability. Most home inspectors who have performed over 500 home inspections have had to defend themselves in Small Claims Court at least once. The high expectation level of consumers coupled with the business naivety of the general home inspector fosters this dynamic.
- Entrepreneurial Risk: The cost of gaining entry into the home inspection profession to create a full time job is approximately \$80,000.
- Business Failure: Approximately 50% of home inspection firms fail within the first three years.
- Personal safety and injury risk: The requirement for inspectors to climb on roofs in all types of weather, remove jacket covers from the electrical panel, access attics, and crawlspaces makes this occupational risk category similar to that of a construction worker.

Information provided by Baker Street Home Inspection Services Inc.

## Insurance Industry Liabilities

The insurance industry in Ontario has minimal interest in mandatory home inspections. Their main interest is when a home has multiple claims. At this point they are concerned that the house has inherent defects and will request or have the home inspected. Once the problem is identified and corrected this reduces their liability for future claims. One industry respondent stated, “The insurance industry is very competitive. There is always an insurance company that will provide a policy on the home no matter what the risk. The condition of the property is really a non-issue.”

## Financial/Lending Institutions Liabilities

The financial community are marginally interested in mandatory home inspections. The mortgage insurers have concerns that the condition and quality of a home can be a large enough issue to deter lending on tired real estate. This could lead to post closing costs, such as renovation and repair, and may have an effect on the homeowner's ability to make mortgage payments.

## Politics of Mandatory Home Inspections

### The Driving Force

Again, there was a mixed reaction to the question of who should be the driving force behind mandatory home inspections. The real estate industry asked, “Does there need to be a driving force, as home inspections are popular without government intervention?” Most of the industry respondents agreed that the provincial government, either through the Ministry of Housing or the Ministry of Consumer and Business Services should be the driving force behind mandatory home inspections. At the present time, there is no momentum for an Ontario provincial policy for mandatory inspection. Home inspection is clearly a low priority, compared with water testing and other issues.

A spokesperson for the Ministry of Consumer and Business Services stated, “Home inspection complaints within Ontario are so low of a priority issue, that it doesn’t even register as an issue”. (see Appendix letters from the Ministry of Consumer and Business Services) The Ministry of Municipal Affairs and Housing is responsible for the Building Code Act. The Ontario Building Code is a regulation under this Act, which provides minimum design and construction standards for health and safety of the building occupants. Their legislation does not require inspections where property ownership changes unless there is substantial renovation. The respondent stated, “ Should you, as a result of your research, find that there are compelling arguments in support of mandatory resale inspections of homes, I would suggest that you send your findings to the government”. (see Appendix letter from the Ministry of Municipal Affairs and Housing)

Others stated that the driving force should be the marketplace. Many buyers know about pre-purchase inspections and realtors are encouraging home inspections in many areas to best serve their interests as well as end consumers. If insurance losses become sufficient, insurers should discuss their needs with a qualified and provincially recognized group such as OAH. Home inspectors would welcome additional volume but are more concerned that practitioners be qualified. One option is to have standard clauses in real estate transactions requiring that the inspector performing the service be an OAH qualified home inspector. It is thought that mandatory qualification of home inspectors should occur within the next 10 years and take the form of OAH powers expanded by legislation.

### The Governing Body

Most of those surveyed agreed that the industry should be monitored by a committee comprised of a number of representatives, including certified members from the inspection industry, the provincial government, the lending community, the insurance industry, the real estate industry and others that have an interest in this industry. It was felt that all perspectives need to be addressed and representatives from a number of

industry stakeholders should have a voice on this committee. Others believe that the industry should be completely self-regulated and monitored.

A committee similar to The Real Estate Council of Ontario (RECO), the body overseeing the real estate professionals in Ontario could also be the model to follow. The Real Estate Council of Ontario was established in May 1997, to administer the Real Estate and Business Brokers Act (REBBA) on behalf of the Ontario Ministry of Consumer and Business Services.

The RECO mandate is twofold:

- To administer the regulatory requirements of the real estate industry as set down by the Government of Ontario
- To protect consumers and members through a fair and safe and informed marketplace.

In addition to administering the Act, RECO has its own By-laws, which have been used to accomplish certain consumer protection objectives pending future real estate act reform and allow RECO to provide effective governance of the real estate profession. Under the Act, membership in RECO is a condition of registration. All registrants are therefore required to adhere to the terms and conditions of membership in RECO.

RECO is governed by a 12-member Board of Directors, which includes nine elected representatives from the profession and three ministerial appointees to represent consumers, business and government. The RECO Board has established task forces to address issues affecting consumers and/or members. The role of each task force is to identify, research, consult, and make recommendations for improvements and potential legislative or regulatory change. Task forces members include consumer, industry and government representatives, as well as experts on specific areas of concern (e.g. regulatory law). The task forces for the current fiscal year are, Consumer Protection, Election, Code of Ethics and the Real Estate Act. In addition, there are six committees, Audit/Finance, By-laws, Education, Discipline, Appeals and Insurance. Operating revenues are derived from registration fees. RECO operates on a not-for-profit basis, with any excess revenue invested into improvements in compliance, public information and accessibility, education and technology.

Information from the Real Estate Council of Ontario website: about RECO

National standards with provincial certification are considered sufficient requirements for home inspectors supported by rigorous quality assurance to ensure purchasers that they are getting a consistent quality of practice in Ontario.

## The Role of OAH

Many respondents believe that OAH should not operate in a vacuum. Greater co-operation and input is needed from a combination of industry interest groups and organizations in Ontario such as, the Ministry of Municipal Affairs and Housing, the Ministry of Consumer and Business Services, the Ontario Association of Certified Engineering Technicians and Technologists (OACETT), the Community Colleges, the

Ontario Fire Marshall's Office, CMHC, the Ontario New Home Warranty Program, Banks, Insurance companies, Ontario Real Estate Association, etc. However, some favoured a completely self-regulated industry. It is thought that there are no precedents for a professional provincially regulated body to be controlled by an outside advisory body that might include all of the various stakeholders, who are not directly accountable to the public. The favoured committee in this case would be one comprised of a combination of members from both the Ontario association of Home Inspectors (OAH) and the Canadian Association of Home and Property Inspectors (CAHPI). There was also a suggestion made that the private insurance companies providing liability coverage to the industry should be a major component in any committee that oversees the industry's activities.

The inspection industry respondents agree that consumers, lenders, insurers, realtors and their own industry would benefit if mandatory home inspections were imposed. However, many home inspectors are more interested in self-regulation and restricting the practice to qualified and insured practitioners. If a mandatory legislation precedes the OAH efforts to self-regulate and control the entry of inspectors into the profession, most inspectors would support it under the right circumstances. The OAH would have to be the body that is consulted before any actions were taken. It is believed that since, the OAH obtained designation legislation enacted in 1994, through Bill Pr 158, it will eventually obtain restrictive practice legislation.

## The Role of Realtors

A realtor should be allowed to provide referrals to their clients just like they provide referrals for lawyers, surveyors and mortgage lenders. However, the list should include 3-5 names. Realtors should be obligated to refer only those who are properly trained and certified. This must become a requirement imposed upon them by their code of ethics or internal regulations. Many agents do offer lists of three or more inspection firms and the purchaser decides which company they prefer.

The Real Estate Council of Ontario "code of ethics" prohibits this practice by stating:

Rule 2: Primary Duty to Client

Fair Dealing with Third Parties

2.10: No Member should make a practice of Steering any Clients or Customers to a particular person for other services that may be required in connection with any Transaction.

Rule 7: Outside Professional Advice

7.1: A Member should seek outside professional advice for each of the Parties to the Transaction and for the protection of the Member where it is reasonably beyond the expertise of the Member to set out accurately and appropriately any term or Agreement reached by the Parties. Outside professional advice would include lawyers, home inspectors, surveyors, accountants, insurance agents or brokers, mortgage consultants, land use planners, and environmental consultants.

Taken from the Real Estate Council of Ontario website: Code of Ethics: Guiding Principles



However, steering of clients to inspection industry favourites still happens, because real estate in Ontario is a personal services industry that relies on trust and personal contacts. Realtors refer specific inspectors they trust to be competent (or provide a list), and this situation usually works to the advantage of the buyer, but can become a problem for the realtor if a non-qualified inspector negligently performs the inspection.

## Education for Home Inspectors

### Home Inspection Courses

There are a number of colleges in Ontario that offer courses in home inspections. George Brown, Seneca College, Algonquin College, Fanshawe College, Georgian College and Durham College. The Ontario Association of Home Inspectors does not officially recognize some. Anyone wishing to pursue a career as a home inspector should check with the community college for availability of home inspection courses. If the courses such as the electrical and heating courses are not available at a particular community college, they can be taken by correspondence from George Brown College. The only college that has designed its course to the new National Initiative is Humber College, who maintains direct contact with the industry to ensure that it meets any changing conditions. They also offer online courses in home inspections, the only one in Canada. The Ontario Association of Home Inspectors offers a “Defect Recognition Course” that is unique in North America. The focus of this course is analysis and recommendations. There are ten modules: Legal Responsibilities of the Home Inspector, Building Safety Issues, Building Envelope, Roofing, Basement Water Infiltration, Electrical Defects, Heating, Cooling and Ventilation System Defects, Plumbing, Structures and Structural Defects, Environmental Issues, Report Writing. The OAHI website, at [www.oahi.com](http://www.oahi.com), has information on courses available in Ontario.

Others offer an introductory course for experienced and qualified engineers, architects, builders and tradespersons. The Home Inspectors Institute® Training Course, at website [www.home-inspectors.com](http://www.home-inspectors.com), offer a comprehensive 72-hour program held during 9 consecutive days. The course is comprised of formal classroom training for 9 days and field inspections at local residences. Students can plan on 1-2 hours of homework each evening. Classes are kept small, to provide the necessary individual attention and allow for a better learning experience in the field. Some independent firms such as Carson Dunlop and Associates Ltd. are working with Seneca College who offer a ten-course certificate program in Home Inspection, based on the Carson Dunlop Home Study System. Each course is a 42-hour program and they also work with colleges in the U.S.

The Ontario Building Officials Association (OBOA) also offers a number of courses for inspectors around the province. Many of the courses deal with Part 9 of the Ontario Building Code and other topics related to renovation, wood heating, fire safety, etc.

### Inspection Industry Conferences

The Ontario Association of Home Inspectors has made numerous attempts to contact all home inspectors listed in the yellow pages to get them to attend its annual Ontario conferences. Any private individuals/firms can attend the annual CAHI Convention and the OAHI Winter Workshop.

## Future of the Inspection Industry

### Meetings to Discuss Home Inspection Issues

Many of the stakeholders believe that a provincial meeting is important for the home inspection community at large to discuss the question of mandatory but it seems like this will be on hold while a great many other issues are worked out. A meeting among home inspectors may be a good idea to introduce the idea of mandatory home inspections, listen to the concerns and address the objections and to garner collective insights into the matter first and foremost. Once the home inspectors are on the same page, then an assembly of stakeholders is a worthwhile idea. If such a meeting is held, it should be initiated by the OAH (the professional body recognized by the government of Ontario), Real Estate Council of Ontario and the Ontario Ministry of Consumer and Business Services. Those who have their own agenda would not be good for this type of meeting. A meeting to discuss the whole issue of home inspections instead of setting up a confrontational meeting that presupposes a mandatory approach when this is highly unlikely in the era of deregulation that the status quo is thought to be a better approach.

### National Inspection Industry Initiatives

In the past, there have been a number of meetings between the home/property inspectors and the public building officials. The intent of the meetings was to determine if they could work together and have one unified body that would represent their industries, but as separate industries. The Canadian Association of Home and Property Inspectors (CAHPI), the national voice of the home/property inspectors and the Alliance of Canadian Building Officials Association (ACBOA) the national voice of public building officials, joined forces to work together to build a recognizable and professional home and inspection building industry to better serve their prospective clients. (see Appendix article, “Research Highlights – Canadian Home Inspectors & Building Officials National Initiative”).

### Canadian Home Inspectors and Building Officials Steering Committee for National Standards

The Canadian Home Inspectors and Building Officials (CHIBO) Steering Committee for National Standards has been formed to conduct occupational analyses and establish national occupational standards for Professional Home/Property Inspectors (PHPI) and Professional Municipal Building Officials (PMBO). The steering committee comprises of representatives from the Canadian Association of Home and Property Inspectors (CAHPI) and the Alliance of Canadian Building Officials’ Associations (ACBOA) These individuals represent all regions and segments of the industry.

The national occupational standards will be used to consider the following activities:

- Develop training programs to meet the needs of the PHPI and the PMBO that is specific to each sector, at the same time taking into account the uniqueness of each group and the training that many individuals have already received.
- Develop training programs that recognize existing training that PHPIs and PMBOs have received to date.
- Establish certification programs that include evaluation instruments, examinations, feedback, and if certification is not issued, appropriate guidelines to help the individual obtain certification.
- Establish an accreditation program for institutions delivering educational programs.
- Revise existing training programs and develop new ones based on the occupational standards.
- Develop curricula that may include prior learning assessment and recognition.
- Develop policies for worker mobility.
- Promote and market occupational standards, especially to consumers and related stakeholders.
- Develop access on a national basis to education training programs via the internet.
- Develop a national standard of practice and code of ethics.
- Develop formal nationally recognized designations for qualified/certified PHPIs and PBOs.
- Consult with stakeholders and provincial organizations to maintain communication and joint ownership.

The objectives of the project on national occupational standards for the private home and property inspection and municipal building code inspectors sectors are as follows:

Primary objectives:

1. Develop national occupational analyses that will provide competencies and tasks specific to each sector's (PHPI and PBO) as well as competencies common to both.
2. Validate and endorse national occupational standards.
3. Publish national occupational standards.
4. Market and promote national occupational standards.

Secondary objectives:

1. Establish a partnership between the home/property inspection and municipal building official sectors.
2. Merge common competencies that are similar in both sectors.
3. Bring a better understanding of the roles and responsibilities of the sectors to each other and to consumers.
4. Establish partnerships with stakeholders and others consulted in the process.
5. Enhance education and training mechanisms across Canada for both sectors.
6. Enhance the recognition and value of the professional within the industry.

In a document developed in February 2001 by industry professionals from both the Professional Home/Property Inspectors and the Professional Building Officials titled, "Introduction to Common Core", it describes the skills, knowledge and abilities common to their professions. The title "Home/Property Inspector" refers to a professional who uses his or her training, experience and professionalism to report in an objective manner

on the operation, condition, necessary repairs, and safety of existing properties and dwellings through visual and non-intrusive means and through operating normal user controls. The title “Professional Building Official”(PBO) refers to a professional who uses his or her training and experience to administer federal, provincial, municipal laws, acts, regulations related to buildings and facilities. A PBO is empowered to assess, consult and report on the design, occupancy and construction of structures and buildings, new or existing, in accordance with the applicable laws. This role includes, but not limited to, the review and inspection of renovations, alterations, additions, changes in use, tenant or interior improvements, demolition, construction, and maintenance of properties for compliance with applicable law.

This document reflects the common competencies identified between the Professional Home/Property Inspector and the Professional Building Official. It is not an occupational analysis, nor does it form a part of the analyses developed separately for the two occupations. The prime purpose of this document is to identify common basic competencies for training purposes only.

It is acknowledged that there is a wide diversion of duties and responsibilities, as well as regional differences between the practices of both occupations. This document focuses only on the common knowledge and abilities of both sectors pertaining to an existing single-family dwelling and does not include code compliance activities.

## Initiatives By Public Building Officials

In a report developed by the Building Regulatory Reform Advisory Group (BRRAG) titled, “Knowledge, Accountability and Streamlining: Cornerstones for a New Building Regulatory System in Ontario” (July 2000), recommended comprehensive and wide-ranging changes to the province’s building code enforcement. One recommendation, as stated below, suggests that inspectors enforcing the Ontario Building Code should be certified in the province of Ontario.

### A. Creating Knowledgeable Practitioners

#### A. 1. Certifying Inspectors and Licensing Builders

##### Recommendation A.1.i:

The Chair and Vice-Chairs recommend that persons undertaking plans review, inspection and other Code-enforcement services be qualified to minimum, provincially-established standards for Building Code competency. The Province should develop regulations in the Ontario Building Code, which would establish the rules for a certification process for inspectors.

(see Appendix article titled, “Building Reform Legislation Would Improve Public Safety and Streamline Construction Approvals” Release: November 1, 2001)

## OBOA (Message from the President)

Associations & Partnerships:

Over the past few years many changes have occurred that have encouraged a more concentrated review of how we do business and with whom we do business. We have already met with several associations to explore areas of common interest, as well as how we might better serve our respective members in a more efficient, cost effective and collective approach. Before anyone gets the wrong impression, no one is looking to absorb any organization. One only has to look at other organizations that have the same membership base to realize the potential for cost savings. We are looking at areas such as office administration, services, training, etc., places where we all spend money to provide a similar service. We intend to leave politics out of the loop with each association maintaining their own identity.

Partnerships are happening in our own backyard, in our province and across Canada. Associations and partnerships are indeed the “blueprint for the future” and we will continue to seek opportunities to expand our relationships. One of many innovations unfolding before us is “Objective Codes”, a new system of codes that will apply nationally and require a new format for training. As the code development and training process consolidates within Canada and a new national standard emerges, so must the stakeholder groups consolidate to support this most important initiative. OBOA is consolidating its efforts with various organizations in the industry to deal with the new objective codes as well as initiating partnerships to develop national training for existing prescriptive codes.

Another issue closer to home is that of mandatory certification. The government which brought mandatory certification closer to reality is enjoying a second term in office and has renewed our confidence that mandatory certification will become a reality. OBOA and its many potential partners intend to play a significant role in the development, administration and delivery of mandatory certification.

Information provided from the Ontario Building Officials Association website [www.oboa.on.ca/](http://www.oboa.on.ca/)

## Home Inspection Industry In the United States

### NAR & ASHI 2001 Home Inspection Study

In an article produced by the Realty Times (November 6 2001), the same issue was raised, “Should Home Inspections Be Mandatory?” As stated below, the results of a survey conducted by the National Association of Realtors (NAR) and the American Society of Home Inspectors (ASHI) conclude that mandatory home inspections would assist and protect the interests of home buyers, especially those that are particularly vulnerable, such as the elderly, parents with young children and undereducated buyers. (see Appendix article, “Should Home Inspections Be Mandatory”).

#### Executive Summary

##### Overview:

Market Enhancement Group, Inc. (MEG) conducted the first-ever National Home Inspection Study during February 2001. MEG was commissioned by the National Association of Realtors (NAR), based in Chicago, Ill., and the American Society of Home Inspectors (ASHI), based in Des Plaines, Ill., to conduct two studies, of home buyers and realtors, about attitudes and perceptions of the role and importance of home inspections in the real estate process.

##### Methodology:

The home buyer study was conducted through MEG’s omnibus poll, which comprised 1000 telephone interviews divided equally between four census regions: Northeast (250 interviews), Midwest (250 interviews), South (250 interviews), West (250 interviews). Survey respondents are U.S. consumers who purchased a home within the last 18 months. Results are projectable at two standard deviations (a 95% confidence interval). Overall survey results are subject to a maximum sampling error of +/- 3.2%. Each of the four census regions has a maximum sampling error of +/- 6.3%.

The realtor study was conducted through MEG’s omnibus poll, which comprised 900 telephone interviews divided equally between four census regions: Northeast (225 interviews), Midwest (225 interviews), South (225 interviews), West (225 interviews). Survey results are projectable at two standard deviations (a 95% confidence interval). Overall survey results are subject to a maximum sampling error of +/- 3.4%. Each of the four census regions has a maximum sampling error of +/- 6.7%.

##### Major Findings: Home Buyers Survey

- Seventy-seven (77%) percent of all recent homebuyers obtained a home inspection prior to the purchase of their homes. Among these home buyers:
  - 81% had a contingency placed in the contract for the inspection.
  - 79% attended and participated in the home inspection.
  - 97% believe that the home inspection was a good value for the price they paid.
  - Only twenty-three (23%) percent of recent homebuyers nationally bought a home without a home inspection.

Most recent homebuyers nationally chose their home inspectors based upon the recommendations of a real estate agent (69%). Among these homebuyers, 65% were first time buyers and 71% had previously purchased a home.

A majority of home buyers (57%) personally requested home inspections be conducted on properties they were in the process of purchasing, while 43% followed their real estate agent's recommendation to include a home inspection in the real estate process.

More than half (54%) of homebuyers had knowledge of the inspector being a member of a professional home inspector organization. Of those aware of their inspectors professional affiliations, the most frequently (18%) cited organization was the American Society of Home Inspectors (ASHI).

#### Difference by Geography

Incidence of getting a home inspection prior to home purchase was the highest in the West Region (81%) and the South Region (80%), followed by the Midwest Region (77%) and the Northeast Region (70%).

Homebuyers selecting their home inspector based on the recommendation of a real estate agent was the highest in the West Region (75%). For homebuyers getting a home inspection, the percentage of inspections conducted at their personal request was highest in the South Region (65%) and the West Region (60%), followed by the Midwest Region (53%) and the Northeast Region (47%). For home buyers getting a home inspection, the percentage of inspections conducted at the real estate agent's request was highest in the Northwest Region (53%).

#### Major Findings: Realtors Survey

- According to realtors, eighty-four (84%) percent of buyers requested a home inspection as part of the purchase contract
- Nearly all realtors (99%) recommend that the buyer get a home inspection, with 92% saying they ALWAYS make this recommendation, and an additional 7% saying they OFTEN make this recommendation.
- Most realtors (84%) have not had any sellers contracts terminated as a result of a home inspection.

Using a mean score on a 5-point scale (with 1 being “strongly disagree” and 5 being “strongly agree”) to evaluate the attitudes about the impact of home inspections on the real estate process, realtors strongly agreed (4.51) that the home inspection increases buyer confidence in their purchase, and they agreed (4.29) that the home inspection increases buyer confidence in their real estate agent/broker.

#### Difference by Geography

Nearly all realtors in the Northeast Region (98%) recommend the buyer get a home inspection, with 92% saying they ALWAYS make this recommendation, and an additional 6% saying they OFTEN make this recommendation. In the Midwest Region, all (100%) realtors recommended the buyer get a home inspection, with 93% ALWAYS recommending and 7% OFTEN recommending. Seventy-three (73%) percent of realtors



in the West Region said that what they liked most about the home inspection process is that it protects the buyers. Following this region were the Northeast Region (63%), the Midwest Region (56%), and the South (54%). The percentage of realtors who did not have any contracts terminated as a result of a home inspection was highest in the West Region (87%) and the Northeast Region (86%), with the Midwest and South Regions close behind (81% each).

Using a mean score on a 5-point scale (with 1 being “strongly disagree” and 5 being “strongly agree”) to evaluate the attitudes about the impact of home inspections on the real estate process, realtors in the South and West Regions “strongly agreed” (4.55) that the home inspection increases buyer confidence in their purchase. Those in the Midwest Region (4.53) and the Northeast Region (4.39) also agreed with that statement.

## The Final Word

### Voluntary vs. Mandatory

Responses from the industry and other stakeholders indicate that voluntary home inspections should remain the norm. Even though the cost for a home inspection are minimal compared to the overall cost of a house, there would be no real benefit to the inspection industry in obliging sellers and buyers to have a mandatory inspection. However, should there be a mandatory service, it would have to be appropriately managed, since many homeowners are not in a position to evaluate their own need for an inspection. It is clear to most inspectors that the information revealed during an inspection is helpful to a vast majority of clients and purchasers should be encouraged, not legislated, into using inspection services to get valuable information on the condition of their home. Some industry respondents believe certain aspects of the building inspection service can be mandatory – mostly those services which benefit mortgage or insurance institutions and tenants.

Another respondent stated, “If the concern is competency of inspectors, it should be addressed by mandatory qualifications, not mandatory inspections. If the concern is the condition of housing, let us first agree on the acceptable standard, then we can implement a voluntary program, and if there is a demonstrated need that justifies the cost, a mandatory program. Only then can we reasonably consider the practicality of mandatory pre-purchase inspections.” Another respondent provided a suggested and comprehensive breakdown of the portions of an inspection service that could be mandatory vs. voluntary.

### Building Inspection Services in Ontario: Mandatory vs. Voluntary

Voluntary	Pre-purchase home inspection for home buyers	Current market saturation 80% urban/less than 50% rural	Report should be confidential to purchaser	This type of inspection is “confidential” to buyer aimed entirely at buyer’s needs, intended usage, etc. Orientation of house, maintenance needs and improvement advice is provided as part of the service.
Voluntary	Pre-sale inspection for sellers	Current market saturation Less than 2% of houses sold	Report should be available to all prospective buyers	More stringent vendor disclosure requirement may increase the need for this type of inspection service. Energuide/Building Performance Labelling initiatives will provide vendors with a marketing

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				advantage.
Mandatory	Inspections for mortgagors (conventional/high ratio)	Current market saturation. Only for high ratio – internal inspection force	Report is confidential to mortgage company only	Abridged version of inspection report focusing on major financial risk components/systems. Inspection report will derive probability of replacement, (therefore mortgagee expenditure) and cost over the risk period of the mortgage, i.e.: 3 years, 5 years. Report will assist mortgagor in assessing application, especially if the applicant marginally qualifies.
Mandatory (with change in ownership, at least every 8 years)	Inspection for insurance companies	Current market saturation. Less than 5%.	Report is confidential to insurance company.	Abridged version of inspection report focusing on health/safety issues, system/components not performing intended purpose/old components beyond life expectancy. Square footage of the house will be calculated. Report will identify risk areas of the insurer and assist to limit their exposure over time.
Mandatory	Inspection for mortgagors/providers of loans for home improvements	Current market saturation. None.	Report is confidential to mortgagor/loan company	Existing house evaluated for current condition and suitability for the component work. Report will assist loans officers to determine scope of the loan.
Mandatory (for building owners every 5 years)	Inspection on rental units (less than 6 units)	Current market saturation. Less than 5%	Report is confidential to building owners, but a requirement of insurance and mortgage financing	New requirement can be implemented into the Fire Code. Insurance companies should also make this inspection a requirement to reduce risk.

Table provided by Baker Street Home Inspection Services Inc.

## Negative Impacts of Mandatory Home Inspections

It was thought by some respondents that there would be too many negative impacts of having mandatory home inspections. Namely, older houses would become harder to sell; this would prove a hardship to elderly persons, lower income homeowners, and those handling estate sales. There would be cost and time implications, poor quality inspections by non-qualified inspectors and customers' not receiving what they believe is value from the home inspector and/or the inspection. Respondents from consumer groups stated that, "Mandated home inspections are not a perfect solution because home inspections are non destructive and not all problems will be detected. It becomes a problem to offer the consumer some redress when a poor inspection is done but still realize that some problems will not be detected. Offers of purchase are frequently conditional upon a satisfactory home inspection but the protection cannot be guaranteed." Industry Canada states in their Canadian Consumer Handbook – Consumer Tips – Major Purchases, "Keep in mind that home inspectors are not regulated and they are not liable for giving you incorrect information." (see Appendix article from "Industry Canada – Consumer Tips –Major Purchases"). During a CBC Marketplace television program aired in April 1994, comments were made stating, "Home inspecting is a new and entirely unregulated industry. As such, anybody can become a home inspector regardless of qualifications or experience". (see Appendix article, "Marketplace – Your Home – Home Inspectors").

Some respondents believe that the vendor/seller and the real estate agent would not benefit from mandatory home inspections. Many realtors, though some like the benefits of an inspection, feel it ruins some of their deals, since houses are not sold because of major problems. This was believed to be a very narrow minded attitude on the part of these realtors. In some cases, sellers of houses may actually benefit from the knowledge a purchaser gets from an inspection report on their home. Vendors would also be disadvantaged if there were not enough inspectors because of delays in selling the home while waiting for a qualified and certified inspector. Conversely, if uncontrolled access to the inspection occupation were more widely opened to poorly qualified inspectors, this would also be a major drawback. Even though mandatory inspections would cause vendors a disadvantage, there would be benefits for purchasers by getting a professional opinion on the actual condition of the home. Sellers who misrepresent their homes by trying to sell poorly constructed or unsafe houses would not benefit, because the actual condition of the home would be revealed. Also, contractors who oversell home repairs and improvements may not benefit from better-informed homeowners.

Other respondents were concerned that it is possible that some consumers would find the cost of an inspection a burden even if intention were to protect them. There are many "handy persons" who have a good general knowledge of home construction, wiring, plumbing, etc. who are capable of determining the condition of a home they intend to purchase. Certainly homes purchased for demolition, or major renovation, do not need to be inspected. Also, homes covered by the New Home Warranty Program may not need further inspection for some years.

The financial and lending community believe that the quality of inspection services offered today by many inspectors is insufficient and a better level of service needs to be in place in the future for purchasers to benefit.

### Positive Impacts of Voluntary Home Inspections

A majority of industry respondents believe that the benefits of a home inspection are becoming well recognised and the majority of sales are being inspected. Purchasers are now benefiting from this service and approximately 55% of homes are now being inspected. This will rise as the new standards are implemented and the industry becomes self-regulating. The home inspection profession is maturing and most practitioners who are entering the field are demonstrating a high level of commitment to their academic training. Business competition and market demands will naturally keep the professional standards high. Those that want the service will seek it out, those that won't accept any associated risks. The level of inspection service as it currently exists is sufficient.

Consumer representatives responded by stating that purchasers will benefit if it remains voluntary, but not as it is now. It is essential that the industry self-regulate and meet accepted standards so everyone can get the same level and quality of service. There are improvements that can be made and the industry must demonstrate that an inspection is worthwhile and do so in the market place. People will pay for inspections if they see that there is a worthwhile benefit. More and more offers to purchase are conditional upon a satisfactory home inspection. Despite the fact that inspections may not find all problems, this seems like a reasonable degree of consumer protection at reasonable cost. One respondent summed up the overall opinions of the stakeholders by stating, "Let's create an environment where it becomes a regulated profession but a voluntary service and let the market force the issue."

## Appendices

### Appendix Articles:

- Survey Preamble and questionnaires
- CAHI National – Mission Statement
- Ontario Association of Home Inspectors Act, 1994
- CMHC – About Your House – Hiring a Home Inspector
- Toronto Real Estate – Buy Peace of Mind With A House Inspection
- TD Canada Trust – The Importance of Home Inspections
- OREA – The impact of condition clauses
- OREA - The Liability of Home Inspectors
- Letters from the Ministry of Consumer and Business Services
- Letter from the Ministry of Municipal Affairs and Housing
- Research Highlights – Canadian Home Inspectors & Building Officials National Initiative
- Building Reform Legislation Would Improve Public Safety and Streamline Construction Approvals (Release: November 1, 2001)
- Should Home Inspections Be Mandatory
- Industry Canada – Consumer Tips –Major Purchases
- Marketplace – Your Home – Home Inspectors