



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 21

PRINTERS NO. 2815

PRIME SPONSOR: Helm

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
Professional Licensure Augmentation Account	\$0	\$0

SUMMARY: Establishes licensure of home inspectors under the State Board of Certified Real Estate Appraisers. Changes to the composition of the Board and the promulgation of regulations are effective immediately. The remainder of the legislation takes effect in two years.

ANALYSIS: This legislation amends Act 98 of 1990, commonly known as the Real Estate Appraisers Certification Act, to require the licensure of home inspectors and repeals the Home Inspection Law established in Title 68 (Real and Personal Property).

Board: Home inspectors will be licensed under the State Board of Certified Real Estate Appraisers ("Board"), which has full disciplinary and enforcement authority over licensees and unlicensed practice. The Board size increases from 11 members to 15 members with the addition of two additional certified real estate appraisers, a certified Pennsylvania evaluator, and one licensed home inspector.

Qualifications for Licensure: To qualify, an applicant must:

- Be of good moral character;
- Be at least 18 years of age;
- Have a high school diploma or its equivalent, or equivalent life or occupational experience;
- Be registered as a home inspector-in-training;
- Have completed board-approved training consisting of at least 120 hours of classroom instruction and 75 mentored home inspections under the direct supervision of a home inspector;
- Have passed a board-approved examination and pay the established license fee;
- Not be addicted to alcohol or drugs and not have a felony drug conviction unless at least five years have elapsed since conviction.
- Have a criminal history check under Title 18 as well as a Federal criminal background check if having lived outside of the Commonwealth for any time in the five years preceding the date of application

Grandfather Clause & Licensure by Endorsement or Reciprocity: Within two years of enactment, the Board may issue a license to existing practitioners who have been in active continuous practice for at least five years immediately preceding the effective date or who have performed or participated in 100 home inspections and have passed a recognized home inspection examination.

Licensure by endorsement may be obtained by an individual who is licensed in another state if the individual also meets the moral and criminal background requirements. A reciprocal license may be issued to an individual licensed in another state with qualifications that meet or exceed those of this Commonwealth.

Licensed professional engineers and architects are exempt from the licensing requirements, however, if they perform home inspections, they must comply with the provisions on liability insurance, consumer remedies, contracts and home inspection reports, with violations enforced by their licensing boards.

The legislation prohibits local governments from imposing their own registration or licensing requirement for home inspectors.

Continuing Education: A license is subject to biennial renewal which will require the licensee to complete 32 hours of continuing education, three of which must be in the area of manufactured and modular housing.

Title and Practice Protection: An individual may not practice home inspection or use the title "Licensed Home Inspector" or "Home Inspector" unless licensed by the Board.

Home Inspector-In-Training Registration: An individual may register as a home inspector-in-training to obtain the required experience if the individual has met the educational requirements as established by the Board. The home inspector in-training must maintain record of the completed home inspections which must include the date, time and address of inspection and the name, business name, license number and signature of the supervising inspector.

Professional Liability Insurance: Liability insurance is required in the amount of \$250,000 per occurrence and \$500,000 in the aggregate and with deductibles of not more than \$15,000. Liability insurance must be maintained for at least one year after the latest home inspection report is delivered but does not apply to reports delivered prior to the effective date.

Home Inspection Contracts: A home inspection contract must contain all of the following:

- Signature of client;
- Scope of home inspection;
- Fee charged to client;
- Contact information of the home inspector;

- License number of the home inspector;
- A confidentiality statement.

A home inspection contract may not contain a limitation on liability for gross negligence or willful misconduct or a waiver or modification of any provision of this chapter of the legislation.

Home Inspection Reports: A home inspection report must contain all of the following:

- A description of the scope of the inspection;
- A description of material defects notes during the inspection, corrective action to be taken and recommendations for experts to be retained;
- Any visible evidence of interior mold and the location, with advice to obtain a professional evaluation;
- The following statements:
 - A home inspection is intended to assist in evaluation of the premises and is based on the visible and apparent condition of the structure and its components on the day of the inspection;
 - The results do not include latent or concealed defects not reasonably ascertainable. No warranty or guaranty is expressed or implied;
 - The professional opinion of a structural engineer is advised for structural integrity;
 - The home inspection is not an appraisal and may not be used for such purpose.

A home inspection report may only be delivered to the client of the home inspector unless the client provides consent otherwise. The property owner may receive a copy from the client, upon request, at no cost. If there is an immediate threat to health or safety, consent is not required from the client to notify the property owner and occupants.

The home inspector must disclose immediate threats to health or safety to the property owner and occupants of the property at the conclusion of the home inspection. Notice may be accomplished by posting a notice on a form prescribed by the Board on the door of the occupied home.

A home inspector may not provide a cost estimate to repair a defect found during a home inspection.

A home inspector shall not be held liable for the contents or omissions of a home inspection report by any person other than the client identified in the contract.

Consumer Remedies: The performance of home inspection is subject to the state Unfair Trade Practices and Consumer Protection Law. Specifically, a home inspector may not:

- Perform for an additional fee any repairs within 12 months except for remediation for radon or wood-destroying insects;

- Inspect for a fee a home if the inspector has a financial interest;
- Offer or deliver a commission, referral fee or kickback;
- Provide a home inspection if the fee is contingent upon the conclusions in the report, preestablished or prescribed findings or the close of the transaction.

Regulations: The Board shall promulgate final regulations within 18 months. The Board shall report to the legislature within 60 days, and every 30 days thereafter, the status of the regulations until the regulations are finalized.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth funds in FY 2019-20 and FY 2020-21. According to the Department of State, annual costs to license home inspectors would be approximately \$800,000 and would include new personnel, travel, investigations and other operating costs.

The Department of State estimates that there are roughly 1,200 home inspectors that would become licensed within the Commonwealth. If that is the case, this would require a biennial licensure fee of about \$1,333 to cover the estimated costs of the Board.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: October 30, 2019

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.