



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 21

PRINTERS NO. 4619

PRIME SPONSOR: Helm

COST / (SAVINGS)

FUND	FY 2020/21	FY 2021/22
Professional Licensure Augmentation Account	\$0	\$0

SUMMARY: Establishes licensure of home inspectors under the State Board of Real Estate Appraisers. The provisions in section 11 and the amendments to section 4(a) of the act shall take effect immediately while the remainder of the act shall take effect in two years.

ANALYSIS: The legislation amends the act of July 10, 1990 (P.L. 404, No. 98), known as the Real Estate Appraisers Certification Act to require licensure of home inspectors under the State Board of Certified Real Estate Appraisers.

Board: The members of the board are increased from 11 to 14 with the addition of two certified Pennsylvania evaluators, two home inspectors and two additional certified real estate appraisers (for a total of 8 appraisers). If a person holds more than one license, the board appointment shall specify under which capacity the member is serving. The home inspectors are added to the section providing for the powers and duties of board.

Qualifications: To qualify for licensure as a home inspector, an individual must submit proof of the following:

- Pay the fee ,
- At least 18 years of age,
- High school diploma or equivalent or equivalent life or occupational experience,
- Completion of 120 classroom hours, six of which focus on manufactured housing,
- Registration as a home inspector-in-training,
- Completion of 75 mentored home inspections,
- Passage of the board approved exam,
- Not be addicted to drugs or alcohol, and
- Submit to a basic 5-year criminal background check.

Grandfathering Clause & Licensure by Endorsement or Reciprocity: Within two years after enactment, the board may issue a license to those currently practicing as a home inspector if the individual is an active home inspector; meets the age, high school educational and criminal background requirement for licensure; and has been in active practice for at least five years immediately preceding the effective date or has performed 100 home inspections and passed the exam.

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 applicant licensed in another state with qualifications that meet or exceed those of this Commonwealth

Title & Practice Protection: The legislation contains both title and practice protection. Title protection includes the abbreviation "L.H.I." and the title "Licensed Home Inspector" and "Home Inspector."

Liability Insurance: A licensed home inspector is required to maintain liability insurance of not less than \$250,000 per occurrence and \$500,000 in the aggregate with a deductible of not more than \$15,000. Liability insurance must be maintained for at least one year after the latest home inspection report is delivered.

Home Inspector-in-training: 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.

Degree of Care: A home inspector must use the degree of care that a reasonably prudent home inspector would exercise considering the standards of practice and ethics established by the board. If an immediate threat to health or safety is observed during the inspection and the home is occupied, the home inspector must disclose it to the owner and occupants at the conclusion of the inspection. Posting a notice as required by the board on the front door shall constitute proper notice.

Continuing Education: A home inspector is required to complete 32 hours of continuing education per biennial period. Three of the total number of hours must focus on manufactured housing.

Discipline: Home inspectors are included in the disciplinary and corrective measures section, the reinstatement of certificate or license section, the section pertaining to reporting of multiple licensure, the section dealing with suspension and revocation of license, the penalty section and the injunctive relief section of the current act.

Consumer Remedies: In addition to any remedy the board may provide, a consumer may utilize the Unfair Trade Practices and Consumer Protection Law (the Act of December 17, 1968 (P.L. 1224, No. 387)). Likewise, the following acts are deemed to be unfair or deceptive acts as defined by the UTPCP Law if performed by a home inspector, an employee of a home inspector or a business or person that controls or has a financial interest in the employer of a home inspector:

- Performance of repairs on a home that was subject of a home inspection report within 12 months (except for remediation for radon or wood-destroying insects). As part of the remedy, a consumer may be refunded the amount paid for the repairs and any obligation to pay would be deemed void.
- Performing a home inspection for a fee on a home the home inspector has a financial interest in without disclosure.
- Offering or delivering a commission, referral fee or kickback to a real estate agent for a home inspection.
- Completing a home inspection when payment is contingent upon the conclusions of the report.

Home Inspection Contracts: A home inspection contract must include:

- Signature of client,
- Scope of inspection,
- Fee charged,
- Home inspector contact information and license number, and
- A confidentiality statement.

A home inspection contract may NOT include a limitation on liability for gross negligence or willful misconduct or a waiver or modification to this act.

Home Inspection Reports: A home inspection report must be type written and include:

- The scope of the inspection including identification of essential components and systems and subsystems,
- Material defects along with recommendation for expert opinion,
- Evidence of interior mold,
- A statement that the inspection is intended to assist in evaluation of the overall condition of the dwelling based on observation on the date of inspection,
- A statement that the inspection is not intended to include latent or concealed defects and that no warranty or guaranty is expressed or implied,
- A statement that the home inspector is not a licensed structural engineer or similar licensee, and
- A statement that the home inspection is not to be considered an appraisal

A home inspection report may only be delivered to the client. The property owner may request and receive a copy from the client without charge. The home inspector may not provide costs of repairs and shall not be liable for the contents of the report except to the client only. There is a one-year statute of limitations for actions brought against the home inspector.

Repeals: Provisions in the current law pertaining to home inspectors are repealed.

Regulations: Final regulations shall be promulgated within 18 months. The board shall report to the legislative committees on the regulation progress every 30 days following the initial 60 days.

FISCAL IMPACT: According to the Department of State, this legislation would cost roughly \$277,000 for new personnel, travel, and investigations for the Bureau of Professional and Occupational Affairs. Of that, \$103,000 are one-time costs needed to upgrade the Pennsylvania Licensing System (PALS). These costs would likely occur in FY 2022-23. The Department estimates that the number of inspectors in Pennsylvania range from 1,200-1,700. Assuming 1,500 inspectors become licensed over the two-year period, this would result in a biennial fee of \$305 to cover the Board's costs.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: November 20, 2020

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