

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 147

(Chair, Finance Committee)(By Request - Departmental -
Labor, Licensing and Regulation)

Finance

Economic Matters

State Commission of Real Estate Appraisers and Home Inspectors - Home
Inspectors - Continuing Professional Competency

This departmental bill requires the State Commission of Real Estate Appraisers and Home Inspectors to establish, by regulation, continuing professional competency standards for licensed home inspectors.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: None. The bill's requirements can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: As a condition of licensure renewal, home inspectors must complete up to 30 educational hours during every two-year renewal cycle to demonstrate continuing professional competency. These requirements do not apply to the first renewal of a license or to licenses that expire on or before September 30, 2013. Individuals applying

to renew a license that expires between October 1, 2013, and September 30, 2014, must fulfill 50% of the continuing professional competency requirements. Individuals renewing a license that expires after October 1, 2014, must complete all continuing professional competency requirements established by the commission.

Educational hours from a continuing professional competency course satisfy the bill's requirements if (1) the course is offered by the American Society of Home Inspectors, the National Association of Home Inspectors, or any other provider approved by the commission; and (2) the commission determines that the course increases the licensee's knowledge of the provision of home inspection services, including one or more components of an existing residential building.

Current Law/Background: In general, an individual must be licensed as a home inspector by the State Commission of Real Estate Appraisers and Home Inspectors before practicing in the State. An applicant for a license must (1) complete a minimum of 72 hours of training approved by a national home inspection organization and the commission that, at minimum, requires successful completion of the National Home Inspector Examination; (2) have a high school diploma or its equivalent; (3) have at least \$150,000 of general liability insurance; (4) submit the required application; and (5) pay an application fee of \$50. If an applicant qualifies for a license, the commission will issue the license upon receiving proof of general liability insurance and the required \$400 license fee. Licenses are issued on two-year, staggered terms. As of June 2010, about 850 home inspectors were licensed by the commission.

Home inspectors were first required to be licensed by the Commission of Real Estate Appraisers and Home Inspectors by Chapter 470 of 2001, but licensing did not begin until fiscal 2007 due to lack of funding for the licensing program. It was not until enactment of Chapter 160 of 2008 that home inspectors were required to pass an examination prior to licensure. A majority of home inspectors who obtained licensure over the previous decade have qualified under "grandfathering" or "education only" requirements in place until Chapter 160 took effect in October 2008. In reviewing consumer complaints and conduct issues since the inception of licensing, DLLR advises that a significant number of licensees are deficient in their knowledge of the standards of practice, code of ethics, proper report writing techniques, and other obligations under law. DLLR further advises that changes in technology have broadened the knowledge base for home inspectors. Thus, a continuing professional competency requirement may offer greater assurance that home inspections are performed competently in the State.

The commission does not currently require home inspectors to meet any continuing professional competency requirements. The commission does require real estate appraisers to present evidence that the licensee meets the minimum continuing education requirements established under the federal Financial Institutions Reform, Recovery, and

Enforcement Act (FIRREA) of 1989. FIRREA requires that a real estate appraiser complete a total of 42 hours of appraisal-related continuing education per three-year licensing cycle. As displayed in **Exhibit 1**, 9 of the 20 boards or commissions housed within DLLR’s Division of Occupational and Professional Licensing require their licensees to fulfill a continuing education or continuing professional competency requirement.

Exhibit 1
Continuing Professional Competency/Continuing Education Requirements
DLLR Occupational and Licensing Boards and Commissions

<u>Regulatory Board or Commission</u>	<u>Number of Hours or Courses/Frequency</u>
Athletic Commission	N/A
Board of Architects	24 education hours per 2-year renewal
Boards of Barbers/Cosmetologists	N/A
Board of Certified Interior Designers	20 education hours per 2-year renewal
Elevator Safety Review Board	N/A
Board of Examiners of Landscape Architects	N/A
Board of Foresters	8 education hours per 2-year renewal
Board of Heating, Ventilation, Air Conditioning and Refrigeration Contractors	N/A
Home Improvement Commission	N/A
Board of Individual Tax Preparers	N/A
Board of Master Electricians	N/A
Board of Pilots	Every 5 years: 5 specified courses
Board of Plumbing	N/A
Board for Professional Land Surveyors	24 education hours per 2-year renewal
Board for Professional Engineers	Established by Chapter 124 of 2010; regulations not yet adopted
Board of Public Accountancy	80 education hours per 2-year renewal
Real Estate Commission	15 education hours per 2-year renewal for most licensees
Commission of Real Estate Appraisers and Home Inspectors	42 education hours per 3-year renewal – real estate appraisers only
Board of Stationary Engineers	N/A

Source: Department of Labor, Licensing, and Regulation

Small Business Effect: Most home inspectors either own a small business or are salaried employees of a small business and must bear costs to comply with the bill's provisions. However, DLLR advises that many home inspectors are members of either the American Society of Home Inspectors or the National Association of Home Inspectors and are required to meet continuing education requirements that exceed the number of hours of training required by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 1, 2011
ncs/mcr Revised - Enrolled Bill - April 22, 2011

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Commission of Real Estate Appraisers and Home Inspectors –
Home Inspectors – Continuing Professional Competency

BILL NUMBER: SB147

PREPARED BY: Department of Labor, Licensing, and Regulation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The licensed home inspector would bear the cost of courses taken to comply with the CPC requirement. Practicing employees of a home inspection firm would be obligated to comply with the requirement and related course costs. Any choice by the business to cover any or all of those costs would be strictly voluntary. Home inspectors who are members of either the American Society of Home Inspectors (ASHI) or the National Association of Home Inspectors ((NAHI) would already be completing continuing education requirements in hours that exceed the 30 hour maximum proposed for state required CPC.