

**Department of Legislative Services
Maryland General Assembly
2004 Session**

FISCAL AND POLICY NOTE

House Bill 178 (Chairman, Economic Matters Committee)
(By Request – Departmental – Labor, Licensing, and Regulation)
Economic Matters

Home Inspectors - Training Requirements and Disclosures

This departmental bill requires an applicant for a home inspector license to complete 48 hours of on-site training, requires the training to be approved by a national home inspection organization and the Home Improvement Commission, and requires an inspector to make specified disclosures prior to performing a home inspection.

The bill also amends Chapter 226 of 2002 to extend to July 1, 2006 the date by which the Commission of Real Estate Appraisers and Home Inspectors is required to begin the home inspector licensing program.

Fiscal Summary

State Effect: None. The bill would not affect State operations or finances as funding to implement the required licensure of home inspectors has not been included in the budget.

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: Disclosure statements required prior to performing an inspection include:

- the credentials of the licensed home inspector;
- the credentials of the individual who will actually perform the home inspection if that person is different from the licensed home inspector;
- a disclosure that states the scope of the inspection regarding the visible and apparent condition of the building and indicating that the inspection will not cover latent or concealed defects;
- a disclosure that the seller may be advised to seek a professional opinion from a licensed structural engineer; and
- a disclosure that only inspections performed by a licensed home inspector will be recognized by the buyer as a valid home inspection under a real estate contract.

Current Law: Applicants for a home inspector license must complete a 48-hour off-site training program approved by a national home inspection organization or the commission. Applicants must also have a high school diploma or its equivalent and at least \$50,000 of general liability insurance. The disclosure statements are required to be included in a home inspector's written report after the inspection has been performed.

Chapter 226 of 2002 requires the Commission of Real Estate Appraisers and Home Inspectors to begin its licensing activities on July 1, 2003.

Background: Chapter 470 of 2001 provides for the licensing and regulation of home inspectors by the renamed State Commission of Real Estate Appraisers and Home Inspectors. It was enacted in response to several highly publicized real estate scams in which unsuspecting homeowners and homebuyers were victimized due to falsely inflated prices. These incidents revealed that a few unscrupulous members in the home inspection profession could cause a great deal of damage and that no regulatory safeguards were in place protecting the consumer.

Prior to Chapter 470, home inspectors, under the Real Property Article, were required to submit disclosure statements that detailed the value and limitations of a home inspection, but there were no regulatory requirements. The disclosure statements were provided before the inspection occurred. When home inspectors were included in the Commission of Real Estate Appraisers and Home Inspectors, the enabling legislation moved the timing of the disclosure to after the inspection had taken place.

Due to cost containment in fiscal 2002, 2003, and 2004, funds have not been appropriated to implement Chapter 470; therefore, no home inspectors have been licensed.

Additional Information

Prior Introductions: None. However, a similar bill was introduced at the 2003 session as SB 98. The bill received an unfavorable report by the Senate Finance Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 10, 2004
ncs/ljm

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