

## Federal Policy Agenda Highlights

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# American Society of Home Inspectors

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August 2005

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*ASHI is a national membership organization comprised of more than 6000 home inspection professionals throughout the country. ASHI is the oldest and leading non-profit professional association for independent home inspectors. The organization cooperates with its 80 Chapters in furthering the home inspection profession. Since its formation, ASHI's Standards of Practice have served as the home inspector's performance guideline, and are widely recognized and accepted by professional and government authorities.*

*The ASHI membership subscribes to a professional Code of Ethics that prohibits them from engaging in activities that might create a conflict of interest and thereby compromise their objectivity. Under the Code of Ethics, home inspectors have no personal financial interest in the outcome of their inspections.*

*ASHI full Member home inspectors must conform to a rigorous, highly-specialized set of performance criteria unparalleled by other parties in real estate transfer. All ASHI Members must have demonstrated their proficiency by performing at least 250 fee-paid inspections in accordance with the ASHI Standards of Practice. They must pass the National Home Inspector Examination, administered by the Examination Board of Professional Home Inspectors, which tests their knowledge of residential construction, inspection techniques, and report writing. They must also pass the ASHI Standards and Ethics Examination, demonstrating their knowledge and understanding of the Standards of Practice and the Code of Ethics.*

*In keeping with its charge to provide ongoing professional education and development, ASHI and its chapters sponsor periodic technical seminars and workshops for members. ASHI also serves the public interest by providing accurate and helpful consumer information to homebuyers on select home purchasing issues and home maintenance, and by offering comment on public policy affecting home sales and consumer interests.*

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**1. ASHI seeks congressional support to increase the voluntary use of home inspections by homebuyers, working with HUD to modify and improve its education and communications to homebuyers:**

ASHI has met with U.S Senate staff, a key congresswoman in the House, HUD and VA in 2005 to discuss key documents that may constitute the only information many homebuyers will receive regarding home inspections.

**Specifics:**

**A.** Working in concert with ASHI, HUD has made important changes to its document “For Your Protection – Get a Home Inspection” to make the messages on home inspection clearer and more useful to homebuyers. Further, HUD has included a signature line on which homebuyers must affirm that they have made a knowing choice whether to obtain a home inspection. ASHI applauds HUD’s changes and its willingness to work cooperatively to improve communications to homebuyers. We look forward to future discussions to make improvements to other documents. ASHI requests Capitol Hill support for the ASHI-HUD dialogue and future modifications to promote the voluntary use of home inspections.

**B.** The VC Sheet/Notice to Lender presents a checklist for appraisals that can easily be mistaken for a makeshift home inspection. HUD has recognized this possibility in its letter to ASHI and AI dated 8/7/02. We anticipate an announcement later this year that HUD will make changes requested by ASHI, perhaps very substantial changes, to eliminate the checklist appearance of the VC Sheet, and more unmistakably state that home inspections and appraisals are utterly distinct and separate.

**C.** While the VA Lenders Handbook, Chapt. 13 Lender’s Notice of Value letter contains references urging homebuyers to obtain home inspections, ASHI believes the message can be improved by using direct references to home inspection, informing homebuyers that neither the VA appraisals nor the VA required inspections are home inspections, and reminding homebuyers that it is their responsibility to obtain home inspections if they want them. ASHI further feels that VA could improve its message distribution by developing a separate information sheet on home inspection, converting that page to a web page, and including that page in the Handbook Table of Contents on link to the VA website homepage. Several of the conventions adopted by HUD would serve as a template for VA updates. ASHI seeks Capitol Hill support for the ASHI-VA dialogue and future modifications to promote the voluntary use of home inspections. ASHI’s meeting

with VA proceeded very well. VA is definitely interested in working with ASHI to improve its home inspection messages and a follow-up meeting to discuss specific details (partnership, website modification, perhaps a new VA circular on voluntary home inspection) is in planning. The groundwork has been laid and we anticipate a fruitful relationship, building an advanced home inspection message for the national VA home loan market.

**D.** ASHI's meetings with Senate Appropriations Committee staff yielded good results quickly. The Senate Appropriations Committee accepted the notion that HUD needs to adopt a stance of educating home buyers on the need for home inspection. The Committee adopted the following report language to accompany the FY 2006 appropriation bill that provides HUD's funding [excerpt]:

*The Committee also is concerned that HUD should assist in the education of potential homebuyers who plan to use FHA mortgage insurance as part of the purchase process. While the requirements for an appraisal are clear, HUD needs to educate homebuyers regarding the value of requiring a home inspection before a purchase is complete. In too many cases, homebuyers waive this option, thus exposing them to unforeseen and unexpected physical deficiencies in the purchased home. This especially is troubling with moderate- and low-income homebuyers who barely have enough funds to close on the house. Without a home inspection, these purchasers may find themselves responsible for such high-cost items as a new roof, furnace or other significant structural liabilities. In these cases, the cost to repair the home and pay for the mortgage may far exceed the financial ability of the homebuyer, thus putting the home at risk of foreclosure.*

**E.** ASHI's Capitol Hill talks with a leading congresswoman on the Congressional Hispanic Caucus is likely to lead to an invitation to ASHI to present its new Hispanic language home inspection materials in a formal meeting of the Caucus. The Congressional Hispanic Caucus has great clout with the Hispanic community and can access homebuyers with a strong pro-home inspection message in that rapidly growing sector of the market. The Caucus has a strong interest in helping build a robust middle class for Hispanic people, and ASHI can access the resources of Capitol Hill to be part of that national effort.

## **2. ASHI supports HR1295, the Responsible Lending Act:**

HR1295 includes language that would update of the Mortgage Information Booklet mandated under RESPA.

The purpose of the Booklet is to help consumers applying for federally related mortgage loans to understand the nature and costs of real estate settlement services. HUD is required to distribute to all lenders that make federally related mortgage

loans, and to homeownership counselors certified under section 106(e) of the Housing and Urban Development Act of 1968. It reflects HUD's recommendations on home buying.

HR1295 includes a specific provision requiring the new Mortgage Information Booklet to include "An explanation of the nature and purpose of real estate appraisals, including the difference between an appraisal and a home inspection."

Confusion between appraisals and home inspections is one of the major reasons why homebuyers avoid obtaining bona fide home inspections. In the HUD documents and public affairs announcement have actually contributed to this confusion. ASHI's lobbying efforts are designed to reverse this situation and persuade HUD and Congress to act as positive forces advocating voluntary home inspections.

The bill was referred to the Subcommittee on Housing and Community Opportunity and has 38 cosponsors at this time.

### **3. Retention of the Home Mortgage Interest Deduction:**

ASHI is aware of Administration advisory groups advocating wholesale elimination of popular tax deductions, including the home mortgage interest deduction. The home mortgage interest deduction is a vital factor enabling many Americans to buy home and service their mortgage debt. It is a key consideration in home sales financing and purchasing considerations. ASHI calls upon Members of Congress to show early and unwavering support for the home mortgage interest deduction, and to defeat any effort to eliminate or diminish it.

### **4. Real Estate Sales Practices Act (RESPA) Enforcement:**

ASHI is aware of certain fee promotional schemes in violation of RESPA requirements, so-called "Pay for Play", are being used around the country. Pay for Play – fees paid among realty professionals in exchange for business referrals – may compromise the integrity of home sales practice. ASHI calls for active RESPA enforcement on this matter; this may also be an issue ripe for consideration by the housing authorizing committees on Capitol Hill.

ASHI held a special meeting in July with HUD staff who have jurisdiction on this issue. While the meeting was not as fruitful as hoped, the door was left open for HUD to receive, and act upon, violations of HUD's anti-kickback rules that can arise with "Pay for Play" schemes. HUD showed special interest in exclusive arrangements that carry the extra stigma of over-reaching.

**5. Real Estate Sales Practices Act (RESPA) Reform:** ASHI, like several other home sales interests, is concerned about the impact that bundling of services could have on consumers, and their ability to shop around for and obtain independent professionals to serve their needs in an unbiased fashion. One-stop-shopping for home sales services is not necessarily in the best interests of homebuyers and might indeed reduce some of the conflicts of interests fire walls designed to protect homebuyers' interests. ASHI is aware that the Capitol Hill oversight committees will likely continue to hold hearings and investigate the true impact of RESPA reform. ASHI supports oversight hearings on RESPA reform to ensure full objectivity and a true variety of home sale resources for homebuyers.

ASHI was invited to and participated in two HUD/SBA meetings to present its views the home inspectors should be protected from the threat of bundling and to retain the independence of home inspectors in any new RESPA proposal. ASHI expects to play a stakeholder role in future HUD meetings on RESPA reform.

**6. Association Health Plans:** ASHI strongly supports legislation to allow trade associations to negotiate group health insurance policies based on their large memberships and offer them to their members. The exploding cost of employer-provided health insurance is a major threat to small businesses across the country. ASHI applauds House passage of the AHP legislation and strongly urges Senators to cosponsor the Senate version of the bill. Should the legislation come to the Senate floor, ASHI requests that Senators vote in favor of cloture petitions to end dilatory actions designed to keep the bill from final passage.

The House passed its latest version of AHP legislation in late July, and a Senate Subcommittee Chairman is expected to introduce a modified bill in the Senate. ASHI supports both moves and is particularly interested in getting virtually any AHP passed in the Senate on the assumption that the House version (best for ASHI) will eventually prevail in a House-Senate conference. President Bush has committed to sign an AHP bill if it comes to his desk.

**7. Follow-on to the Community Choice in Real Estate Act:** ASHI has supported legislation to stop the U.S. Treasury Department and the Federal Reserve Board from implementing rules that would allow banks to function as real estate brokers in single family home sales. Competition and choice are key to protecting consumer interests in realty. Strong relationships between independent home sales professionals and homebuyers safeguards homebuyer interests. In the 109<sup>th</sup> Congress, ASHI urges Representatives and Senators to pass an extension of the current prohibition, and make the prohibition permanent. This issue will gain steam toward the end of 2005.

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