

**HB**

**27**

**HFIN**

**FILE**

22-LS0136G  
Lauterbach  
2/13/02

Adopted 3/24/02

CS FOR HOUSE BILL NO. 27( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE ROKEBERG

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the registration of individuals who perform home inspections;  
2 relating to regulation of contractors; relating to registration fees for specialty  
3 contractors, home inspectors, and associate home inspectors; relating to home inspection  
4 requirements for residential loans purchased or approved by the Alaska Housing  
5 Finance Corporation; relating to civil actions by and against home inspectors and to  
6 civil actions arising from residential unit inspections; and providing for an effective  
7 date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 08.01.010(12) is amended to read:

10 (12) regulation of construction contractors and home inspectors under  
11 AS 08.18;

12 \* Sec. 2. AS 08.01.065(c) is amended to read:

13 (c) Except as provided in (d) - (i) [(f) - (h)] of this section, the department shall

1 establish fee levels under (a) of this section so that the total amount of fees collected  
2 for an occupation approximately equals the actual regulatory costs for the occupation.  
3 The department shall annually review each fee level to determine whether the  
4 regulatory costs of each occupation are approximately equal to fee collections related  
5 to that occupation. If the review indicates that an occupation's fee collections and  
6 regulatory costs are not approximately equal, the department shall calculate fee  
7 adjustments and adopt regulations under (a) of this section to implement the  
8 adjustments. In January of each year, the department shall report on all fee levels and  
9 revisions for the previous year under this subsection to the office of management and  
10 budget. If a board regulates an occupation covered by this chapter, the department  
11 shall consider the board's recommendations concerning the occupation's fee levels and  
12 regulatory costs before revising fee schedules to comply with this subsection. In this  
13 subsection, "regulatory costs" means costs of the department that are attributable to  
14 regulation of an occupation plus

15 (1) all expenses of the board that regulates the occupation if the board  
16 regulates only one occupation;

17 (2) the expenses of a board that are attributable to the occupation if the  
18 board regulates more than one occupation.

19 \* Sec. 3. AS 08.01.065 is amended by adding a new subsection to read:

20 (i) Notwithstanding (c) of this section, the department shall establish fee levels  
21 under (a) of this section so that the total amount of fees collected by the Department of  
22 Community and Economic Development for specialty contractors, home inspectors,  
23 and associate home inspectors approximately equals the total regulatory costs of the  
24 department for those three registration categories. The department shall set the fee  
25 levels for the issuance and renewal of a certificate of registration issued under  
26 AS 08.18 so that the fee levels are the same for all three of these registration  
27 categories and so that the fee level for a home inspector with a joint registration is not  
28 different from the fee level for a home inspector who does not have a joint  
29 registration. In this subsection, "joint registration" has the meaning given in  
30 AS 08.18.171.

31 \* Sec. 4. AS 08.18.011 is amended to read:

1           Sec. 08.18.011. Registration required. (a) A person may not submit a bid or  
2 work as a contractor until that person has been issued a certificate of registration as a  
3 contractor by the department. A partnership or joint venture shall be considered  
4 registered as a contractor if one of the general partners or venturers whose name  
5 appears in the name under which the partnership or venture does business is registered  
6 as a contractor.

7           (b) A general contractor may not use a bid or proposal from, award a bid or  
8 proposal to, contract with, or allow a person required to be registered under this  
9 chapter to work for the general contractor as a specialty contractor unless the person is  
10 registered as a specialty contractor under this chapter.

11 \* Sec. 5. AS 08.18.011 is amended by adding new subsections to read:

12           (c) Unless exempt under AS 08.18.156 or serving lawfully as an associate  
13 home inspector under (d) of this section, an individual may not perform a home  
14 inspection

15                 (1) for a residence not previously occupied as a residence unless that  
16 individual is registered as a home inspector for new homes under this chapter;

17                 (2) for a residence previously occupied as a residence unless that  
18 individual is registered as a home inspector for existing homes under this chapter.

19           (d) Notwithstanding (c) of this section, an individual who is not registered as a  
20 home inspector under this chapter may perform a home inspection as an associate  
21 home inspector if the individual

22                 (1) is employed by a registered home inspector who supervises the  
23 associate's work and the inspection is of the type that the supervising individual is  
24 authorized to perform; and

25                 (2) is registered with the department as an associate home inspector.

26           (e) A registered home inspector who employs an associate home inspector  
27 under (d) of this section is liable for the work done by the associate home inspector.

28           (f) An individual who holds a joint registration for home inspection is  
29 considered to be registered as both a home inspector for new homes and a home  
30 inspector for existing homes.

31 \* Sec. 6. AS 08.18.021(a) is amended to read:

1 (a) An applicant for registration as a contractor or home inspector shall  
2 submit an application under oath upon a form to be prescribed by the commissioner  
3 and that [WHICH] must include the following information pertaining to the applicant:

4 (1) the applicant's [EMPLOYER] social security number;

5 (2) if applying to be a registered contractor, the type of contracting  
6 activity, whether a general or a specialty contractor and, if the latter, the type of  
7 specialty;

8 (3) if applying to be a registered home inspector, whether the  
9 applicant is applying to inspect new homes or existing homes, or both;

10 (4) if applying to be a registered contractor, the name and address of  
11 each partner if the applicant is a firm or partnership, or the name and address of the  
12 owner if the applicant is an individual proprietorship, or the name and address of the  
13 corporate officers and statutory agent, if any, if the applicant is a corporation; and

14 (5) if applying to be a registered home inspector, the name and  
15 address of the applicant.

16 \* Sec. 7. AS 08.18 is amended by adding new sections to read:

17 **Sec. 08.18.022. Home inspectors; associate home inspectors.** (a) The  
18 department shall issue a certificate of registration, as a home inspector for new homes,  
19 existing homes, or both, as appropriate, to an individual who

20 (1) passes the appropriate home inspection examination; for purposes  
21 of this paragraph, the appropriate home inspection examination for an individual who  
22 applies to be registered for inspection of

23 (A) existing homes is the examination or set of applicable  
24 courses offered by the American Society of Home Inspectors;

25 (B) new homes or for a joint registration is the examination or  
26 set of applicable courses offered by the International Conference of Building  
27 Officials;

28 (2) meets the educational and experience requirements adopted by the  
29 department in regulations for the type of registration applied for;

30 (3) submits a complete application for registration within one year  
31 after passing the examination required under (1) of this subsection;

1 (4) within the seven years preceding the date of application, has not  
2 been under a sentence for an offense related to forgery, theft in the first or second  
3 degree, extortion, or defrauding creditors or for a felony involving dishonesty;

4 (5) has not had the authority to perform home inspections revoked in  
5 this state or in another jurisdiction;

6 (6) is not the subject of an unresolved criminal complaint or  
7 unresolved disciplinary action before a regulatory authority in this state or in another  
8 jurisdiction related to real estate or home inspection matters; and

9 (7) pays the appropriate fees.

10 (b) An individual may register with the department as an associate home  
11 inspector upon application, payment of the required fee, and determination by the  
12 department that the individual

13 (1) within the seven years preceding the date of application, has not  
14 been under a sentence for an offense related to forgery, theft in the first or second  
15 degree, extortion, or defrauding creditors or for a felony involving dishonesty;

16 (2) has not had the authority to perform home inspections revoked in  
17 this state or in another jurisdiction; and

18 (3) is not the subject of an unresolved criminal complaint or  
19 unresolved disciplinary action before a regulatory authority in this state or in another  
20 jurisdiction related to real estate or home inspection matters.

21 **Sec. 08.18.023. Pre-inspection documents and inspection reports.** (a)  
22 Before performing a home inspection, a registered home inspector or associate home  
23 inspector shall provide to the person on whose behalf a home is inspected a written  
24 document specifying

25 (1) the scope of intended inspection; the scope of the intended  
26 inspection may include systems and components that are not listed in  
27 AS 08.18.171(12); and

28 (2) that the inspector will notify in writing the person on whose behalf  
29 the inspection is being made of defects noted during the inspection along with a  
30 recommendation, if any, that experts be retained to conduct further evaluation through  
31 examination and analysis by a qualified professional, tradesperson, or service

1 technician beyond that provided by the home inspection to determine the extent of  
2 defects and corrective action necessary to address the defects.

3 (b) After performance of a home inspection, a registered home inspector or  
4 associate home inspector shall give a written home inspection report to the person  
5 requesting the inspection. The written report must include a review of the condition of  
6 each system and component identified as being within the scope of the intended  
7 inspection under (a) of this section.

8 (c) In addition to the written inspection report required under (b) of this  
9 section, an oral inspection report may be given by the inspector during or after the  
10 inspection.

11 (d) A home inspection report is valid for six months.

12 \* Sec. 8. AS 08.18.031(a) is amended to read:

13 (a) Except as provided in (c) of this section, a [A] certificate of registration  
14 shall be renewed under the same requirements as for an original registration, and the  
15 [.THE] commissioner shall issue to the applicant a certificate of registration upon  
16 compliance with the registration requirements of this chapter.

17 \* Sec. 9. AS 08.18.031 is amended by adding a new subsection to read:

18 (c) A certificate of registration as a home inspector may not be renewed unless  
19 the home inspector has complied with the continuing competency requirements  
20 established by the department. The department shall adopt regulations establishing the  
21 continuing competency requirements. The regulations must provide that a continuing  
22 competency activity approved by one of the following entities satisfies the continuing  
23 competency requirements of this subsection if the activity meets the requirements  
24 established by the department in regulations adopted under this subsection:

25 (1) Alaska Housing Finance Corporation;

26 (2) University of Alaska;

27 (3) American Society of Home Inspectors Alaska Chapter;

28 (4) a chapter of the International Conference of Building Officials

29 Alaska;

30 (5) Alaska State Homebuilders Association; or

31 (6) a state agency that offers an activity that meets the requirements set

1 by the department.

2 \* Sec. 10. AS 08.18.041 is amended to read:

3 Sec. 08.18.041. Fees. (a) The department shall set fees under AS 08.01.065

4 for

5 (1) registration and renewal of registration for all categories of  
6 contractors;

7 (2) registration and renewal of registration for a home inspector  
8 qualified to inspect new homes;

9 (3) registration and renewal of registration for a home inspector  
10 qualified to inspect existing homes;

11 (4) joint registration and renewal of joint registration for home  
12 inspectors;

13 (5) registration and renewal of registration as an associate home  
14 inspector;

15 (6) examinations for applicants for home inspector registration;

16 (7) examination, issuance of initial endorsement, and renewal of active  
17 or inactive endorsements for residential contractors; and

18 (8) [(3)] departmental publications and seminars related to this chapter.

19 (b) A person who fails a residential contractor examination or home  
20 inspector examination shall pay the examination fee set by the department if the  
21 person applies to retake an examination.

22 \* Sec. 11. AS 08.18.051(a) is amended to read:

23 (a) Except as provided otherwise by law, a person who has registered as a  
24 contractor under one name as required by this chapter may not act in the capacity of a  
25 contractor under any other name unless that name also is registered.

26 \* Sec. 12. AS 08.18 is amended by adding a new section to read:

27 Sec. 08.18.053. Identification requirements for home inspectors. (a)  
28 Except as provided otherwise by law, an individual who is registered as a home  
29 inspector or associate home inspector under this chapter by one name may not act in  
30 the capacity of a home inspector or associate home inspector under any other name.

31 (b) All advertising and business cards prepared by a registered home inspector

1 or associate home inspector for the home inspection business must show the  
2 inspector's name, mailing address, and registration number.

3 (c) Individual registered home inspectors and partners, associates, agents,  
4 salespeople, solicitors, officers, and employees of registered home inspectors shall use  
5 their true names and addresses and the true name of the home inspecting firm at all  
6 times while acting in the capacity of a registered home inspector or performing related  
7 activities.

8 (d) Individuals who are exempt from registration under AS 08.18.156(a) or  
9 whose actions are not considered to be home inspections under AS 08.18.156(b) may  
10 not hold themselves out to be registered home inspectors or use words or titles that  
11 may reasonably be confused with the title of "registered home inspector" unless they  
12 are registered as a home inspector under this chapter.

13 \* Sec. 13. AS 08.18.061 is amended to read:

14 Sec. 08.18.061. Requirements of political subdivision. A contractor or  
15 home inspector who is registered with the state under this chapter may not be  
16 required to give bond in applying for or holding a license issued by a political  
17 subdivision for a similar occupation.

18 \* Sec. 14. AS 08.18.071(a) is amended to read:

19 (a) Each applicant shall, at the time of applying for a certificate of registration,  
20 file with the commissioner a surety bond running to the state conditioned upon the  
21 applicant's promise to pay all

22 (1) taxes and contributions due the state and political subdivisions;

23 (2) persons furnishing labor or material or renting or supplying  
24 equipment to the applicant; and

25 (3) amounts that may be adjudged against the applicant by reason of  
26 negligent or improper work or breach of contract in the conduct of the contracting  
27 business or home inspection activity, as applicable, or by reason of damage to  
28 public facilities occurring in the course of a construction project.

29 \* Sec. 15. AS 08.18.071(b) is amended to read:

30 (b) If the applicant is a general contractor, the amount of the bond shall be  
31 \$10,000; if the applicant is a mechanical or specialty contractor or home inspector.

1 the amount of the bond shall be \$5,000. In lieu of the surety bond the applicant may  
2 file with the commissioner a cash deposit or other negotiable security acceptable to the  
3 commissioner in the amount specified for bonds.

4 \* Sec. 16. AS 08.18.081(a) is amended to read:

5 (a) Except as provided in AS 08.18.085, a [A] person having a claim against  
6 a contractor or home inspector for any of the items referred to in AS 08.18.071 may  
7 bring suit upon the bond in the district court of the judicial district in which venue lies.  
8 A copy of the complaint shall be served by registered or certified mail upon the  
9 commissioner at the time suit is filed, and the commissioner shall maintain a record,  
10 available for public inspection, of all suits commenced. Two additional copies shall  
11 be served upon the director of the division of insurance with the payment to the  
12 director of a fee set under AS 21.06.250, taxable as costs in the action. This service  
13 upon the director shall constitute service on the surety, and the director shall transmit  
14 the complaint or a copy of it to the surety within 72 hours after it has been received.  
15 The surety upon the bond is not liable in an aggregate amount in excess of that named  
16 in the bond, but in case claims pending at any one time exceed the amount of the bond,  
17 the claims shall be satisfied from the bond in the following order:

18 (1) labor, including employee benefits;

19 (2) taxes and contributions due the state, city, and borough, in that  
20 order;

21 (3) material and equipment;

22 (4) claims for breach of contract;

23 (5) repair of public facilities.

24 \* Sec. 17. AS 08.18 is amended by adding a new section to read:

25 Sec. 08.18.085. Legal actions against home inspector. (a) Notwithstanding  
26 contrary provisions of AS 08.18.081 or AS 09.10, a person may not bring an action  
27 against an individual registered under this chapter based on a home inspection report  
28 unless the action is commenced within

29 (1) two years after the date of the home inspection report if the report  
30 related to a new home; and

31 (2) one year after the date of the home inspection report if the report

1 related to an existing home.

2 (b) The limitations in (a) of this section apply to all actions based on a home  
3 inspection report, regardless of whether the action is based on breach of contract,  
4 personal injury or death, property damage, or another source of liability. The  
5 limitations may not be waived by contract.

6 (c) An individual registered as a home inspector or associate home inspector  
7 under this chapter is not liable to a person for damages that arise from an act or  
8 omission relating to a home inspection performed by the individual if the person is

9 (1) not a party to the transaction for which the home inspection was  
10 conducted; or

11 (2) unlawfully in receipt of the home inspection report related to the  
12 home inspection.

13 (d) Contractual provisions that purport to limit the liability of a home  
14 inspector to the cost of the home inspection report are contrary to public policy and  
15 void.

16 \* Sec. 18. AS 08.18.111 is amended to read:

17 Sec. 08.18.111. Advertising bond and insurance. Contractors and home  
18 inspectors may not advertise that they are bonded and insured simply because they  
19 have complied with the bond and insurance requirements of this chapter.

20 \* Sec. 19. AS 08.18.115 is amended to read:

21 Sec. 08.18.115. Return of cash deposit. (a) A contractor or home inspector  
22 who has filed a cash deposit and who ceases doing business as a contractor or home  
23 inspector may request the return of as much of that cash deposit as is held by the  
24 commissioner by

25 (1) filing a notarized statement with the commissioner that the  
26 contractor or home inspector has ceased doing business as a contractor or home  
27 inspector, as applicable; and

28 (2) filing a notarized statement with the commissioner at least three  
29 years after filing the statement in (1) of this subsection that [WHICH]

30 (A) requests return of the cash deposit;

31 (B) certifies that the former contractor or home inspector has

1 not been engaged in business as a contractor or home inspector, as  
2 applicable, for at least three years; and

3 (C) certifies that to the best of the contractor's or home  
4 inspector's knowledge no action has been commenced upon the cash deposit  
5 that [WHICH] has not been dismissed or reduced to a final judgment that  
6 [WHICH] has been satisfied.

7 (b) The commissioner, after paying any judgments against the cash deposit  
8 under AS 08.18.081(b), shall return the remainder of a former contractor's or former  
9 home inspector's cash deposit to the contractor or home inspector, as applicable, if

10 (1) the former contractor or former home inspector has complied  
11 with (a) of this section; and

12 (2) no action has been commenced upon the cash deposit that  
13 [WHICH] has not been dismissed or reduced to a final judgment that [WHICH] has  
14 been satisfied.

15 \* Sec. 20. AS 08.18.116 is amended to read:

16 Sec. 08.18.116. Investigations. Either the Department of Community and  
17 Economic Development or the Department of Labor and Workforce Development  
18 may investigate alleged or apparent violations of this chapter relating to contractors.  
19 The Department of Community and Economic Development may investigate  
20 alleged or apparent violations of this chapter relating to home inspection  
21 activities. These departments, upon showing proper credentials, may enter, during  
22 regular hours of work, a construction site where it appears that contracting work is  
23 being done. The departments may make inquiries about the identity of the contractor  
24 or the person acting in the capacity of a contractor. The Department of Community  
25 and Economic Development may make inquiries about the identity of a home  
26 inspector or a person acting in the capacity of a home inspector. Upon demand, a  
27 contractor or home inspector or person acting in the capacity of a contractor or home  
28 inspector, or that person's representative, shall produce evidence of current  
29 endorsement, if applicable, and registration.

30 \* Sec. 21. AS 08.18.117 is amended to read:

31 Sec. 08.18.117. Issuance of citations. Either the Department of Community

1 and Economic Development or the Department of Labor and Workforce Development  
2 may issue a citation for a violation if there is probable cause to believe a person has  
3 violated this chapter with respect to contractor activities. The Department of  
4 Community and Economic Development may issue a citation for a violation if  
5 there is probable cause to believe a person has violated this chapter with respect  
6 to home inspection activities. Each day a violation continues after a citation for the  
7 violation has been issued constitutes a separate violation.

8 \* Sec. 22. AS 08.18.121(a) is amended to read:

9 (a) If the insurance required in AS 08.18.101 ceases to be in effect, the  
10 registration of the contractor or home inspector shall be suspended until the insurance  
11 has been reinstated.

12 \* Sec. 23. AS 08.18.121(b) is amended to read:

13 (b) If a final judgment impairs the liability of the surety upon the bond or  
14 depletes the cash deposit so that there is not in effect a bond undertaking or cash  
15 deposit in the full amount prescribed in AS 08.18.071, the registration of the  
16 contractor or home inspector involved shall be suspended until the bond liability in  
17 the required amount, unimpaired by unsatisfied judgment claims, has been furnished.

18 \* Sec. 24. AS 08.18.121(c) is amended to read:

19 (c) If a bonding company cancels its bond of a contractor or home inspector,  
20 the contractor's or home inspector's registration shall be revoked. The contractor or  
21 home inspector may again obtain registration by complying with the requirements of  
22 this chapter.

23 \* Sec. 25. AS 08.18.121(d) is amended to read:

24 (d) If a registered contractor or registered home inspector fails to fulfill the  
25 contractor's or home inspector's obligations as set out in AS 08.18.071, the  
26 contractor's or home inspector's registration shall be suspended for a period of time  
27 the commissioner determines is appropriate. After three suspensions, the contractor's  
28 or home inspector's registration may be permanently revoked.

29 \* Sec. 26. AS 08.18.121(f) is amended to read:

30 (f) If the Department of Community and Economic Development or the  
31 Department of Labor and Workforce Development determines that a contractor or [A]

1 person acting in the capacity of a contractor [,] is in violation of this chapter, that  
2 department may give written notice to the person prohibiting further action by the  
3 person as a contractor. If the Department of Community and Economic  
4 Development determines that a home inspector or a person acting in the capacity  
5 of a home inspector is in violation of this chapter, the department may give  
6 written notice to the person prohibiting further action by the person as a home  
7 inspector. The prohibition in a notice given under this subsection continues until  
8 the person has submitted evidence acceptable to the appropriate [THAT] department  
9 showing that the violation has been corrected.

10 \* Sec. 27. AS 08.18.131 is amended to read:

11 Sec. 08.18.131. Injunction; civil penalty. In an action instituted in the  
12 superior court by the Department of Community and Economic Development or the  
13 Department of Labor and Workforce Development, the court may enjoin a person  
14 from acting in the capacity of a contractor in violation of this chapter. In an action  
15 instituted in the superior court by the Department of Community and Economic  
16 Development, the court may enjoin a person from acting in the capacity of a  
17 home inspector in violation of this chapter. In addition to other relief, the court may  
18 impose a civil penalty of not more than \$250 for each violation. Each day that an  
19 unlawful act continues constitutes a separate violation.

20 \* Sec. 28. AS 08.18.141(a) is amended to read:

21 (a) A contractor, home inspector, or [A] person acting in the capacity of a  
22 contractor or home inspector who knowingly violates AS 08.18.011 or 08.18.025 is  
23 guilty of a class B misdemeanor. A person who violates another provision of this  
24 chapter is guilty of a violation punishable under AS 12.

25 \* Sec. 29. AS 08.18.151 is amended to read:

26 Sec. 08.18.151. Legal actions by contractor or home inspector. A person  
27 acting in the capacity of a contractor or home inspector may not bring an action in a  
28 court of this state for the collection of compensation for the performance of work or  
29 for breach of a contract for which registration is required under this chapter without  
30 alleging and proving that the contractor or home inspector was a registered contractor  
31 or registered home inspector, as applicable, at the time of contracting for the

1 performance of the work.

2 \* Sec. 30. AS 08.18 is amended by adding new sections to article 4 to read:

3 Sec. 08.18.152. Prohibited acts for home inspectors; liability limitation  
4 void. (a) An individual registered under this chapter as a home inspector or associate  
5 home inspector may not

6 (1) perform or offer to perform, for an additional fee, repairs to a  
7 subject property on which the home inspector or the home inspector's company has  
8 prepared a home inspection report in the past 12 months;

9 (2) inspect for a fee any property in which the home inspector or the  
10 home inspector's company has a financial interest or an interest in the transfer of the  
11 property;

12 (3) offer or deliver compensation, an inducement, or a reward to the  
13 owner of the inspected property, the broker, or the agent, for the referral of business to  
14 the home inspector or the home inspector's company;

15 (4) without the written consent of the home inspection client or the  
16 client's legal representative, disclose information from a home inspection report  
17 prepared by the home inspector or the home inspector's company unless the disclosure  
18 is made

19 (A) to a subsequent client who requests a home inspection of  
20 the same premises; or

21 (B) by the home inspector in an administrative or judicial  
22 proceeding in which disclosure of the home inspection report is relevant to  
23 resolution of the legal issues in the proceeding;

24 (5) without the written consent of all interested parties, accept  
25 compensation from more than one interested party for the same home inspection  
26 services;

27 (6) accept from a person who has other dealings with a home  
28 inspection client a commission or allowance, directly or indirectly, for work for which  
29 the home inspector or the home inspector's company is responsible;

30 (7) accept an engagement to make an inspection or to prepare a report  
31 in which the employment itself or the fee payable for the inspection is contingent upon

1 the conclusions in the report, preestablished findings, or the close of escrow.

2 (b) Contractual provisions that purport to limit the liability of a home  
3 inspector to the cost of the home inspection report are contrary to public policy and  
4 void.

5 Sec. 08.18.154. Limitation on home inspector's activities. A registration  
6 issued under AS 08.18.022 does not authorize the holder to perform an activity for  
7 which a license is required under provisions of this title that are outside of this chapter.

8 Sec. 08.18.156. Exemptions related to home inspections. (a)  
9 Notwithstanding other provisions of this chapter, an individual who inspects a home is  
10 not required to be registered under this chapter as a home inspector or associate home  
11 inspector if the individual is

12 (1) employed by the federal or state government, a political  
13 subdivision of the state, or a municipality or unincorporated community and the  
14 employee is performing only duties that are within the employee's official duties;

15 (2) performing a home inspection only with respect to property that is  
16 the individual's residence or in which the individual has a financial interest;

17 (3) registered as an engineer or architect under AS 08.48, prepares a  
18 written report after the inspection, and either

19 (A) affixes the individual's seal to the home inspection report;

20 or

21 (B) signs the report and puts the individual's registration  
22 number on the report;

23 (4) engaged as an engineer in training or architect in training who  
24 works for and is supervised by a person described in (3) of this subsection and the  
25 person described in (3) of this subsection affixes the person's seal to the home  
26 inspection report or signs and puts the person's registration number on the report;

27 (5) licensed as a pesticide applicator by the Department of  
28 Environmental Conservation and is performing only activities within the scope of that  
29 license;

30 (6) registered as a general contractor with a residential contractor  
31 endorsement under this chapter and is performing only activities within the scope of

1 that registration;

2 (7) certified as any type of real estate appraiser under AS 08.87 and is  
3 performing only activities that are authorized under that certification; or

4 (8) only determining whether a building complies with the thermal and  
5 lighting energy standards required by AS 46.11.040.

6 (b) Notwithstanding the definition of "home inspection" in AS 08.18.171(12),  
7 an individual is not considered to be doing a home inspection for purposes of this  
8 chapter if the individual

9 (1) is in the business of repairing, maintaining, or installing any of the  
10 systems or components listed in AS 08.18.171(12); and

11 (2) inspects the system or component for the sole purpose of  
12 determining the condition of the system or component before performing or offering  
13 to perform repair, maintenance, or installation work on the system or component.

14 \* Sec. 31. AS 08.18.161 is amended to read:

15 Sec. 08.18.161. Exemptions. To the extent that this chapter governs  
16 contractors, this [THIS] chapter does not apply to

17 (1) an authorized representative of the United States government, the  
18 State of Alaska, or a political subdivision or agency of the state;

19 (2) an officer of a court when acting within the scope of office;

20 (3) a public utility operating under the regulations of the public service  
21 commission in construction, maintenance, or development work incidental to its own  
22 business;

23 (4) a construction, repair, or operation incidental to the discovering or  
24 producing of petroleum or gas, or the drilling, testing, abandoning, or other operation  
25 of a petroleum or gas well or a surface or underground mine or mineral deposit when  
26 performed by an owner or lessee;

27 (5) the sale or installation of finished products, materials, or articles of  
28 merchandise that are not actually fabricated into and do not become a permanent,  
29 fixed part of a structure;

30 (6) construction, alteration, or repair of personal property;

31 (7) a person who only furnished materials, supplies, or equipment

1 without fabricating them into, or consuming them in the performance of, the work of  
2 the contractor;

3 (8) work on one project under one or more contracts, the aggregate  
4 contract price of which for labor and materials and all other items is less than \$10,000  
5 [THIS WORK BEING CONSIDERED AS OF A CASUAL, MINOR, OR  
6 INCONSEQUENTIAL NATURE]; this exemption does not apply when the work is  
7 only a part of a larger or major operation, whether undertaken by the same or a  
8 different contractor, or when the work is divided into contracts of amounts less than  
9 \$10,000 for the purpose of evasion of this chapter or otherwise; this exemption does  
10 not apply to a person who advertises or puts out a sign or card or other device that  
11 might indicate to the public that the person is a contractor, or that the person is  
12 qualified to engage in the contracting business; a contractor who performs work priced  
13 at \$2,500 or more, under this exemption, shall nevertheless keep in force public  
14 liability and property damage insurance with coverage in at least the amounts set out  
15 in AS 08.18.101;

16 (9) an owner who contracts for a project with a registered contractor;

17 (10) a person working on that person's own property, whether occupied  
18 by the person or not, and a person working on that person's own residence, whether  
19 owned by the person or not;

20 (11) an owner or tenant of commercial property who uses the owner's  
21 or tenant's own employees to do maintenance, repair, and alteration work upon that  
22 property;

23 (12) an owner who acts as the owner's own contractor and in doing so  
24 hires workers on an hourly basis, hires subcontractors, purchases materials and, as  
25 such, sees to the paying for all labor, subcontractors, and materials; in this case, the  
26 owner shall be limited to construction of one home, duplex, triplex, four-plex, or one  
27 commercial building per year;

28 (13) a person performing construction work incidental to farming,  
29 dairying, agriculture, horticulture, stock or poultry raising, mining, logging, fishing,  
30 clearing, or other work upon the land in rural districts for fire prevention purposes, or  
31 access road building, unless the person is a licensee.

1 \* Sec. 32. AS 08.18.171 is amended by adding new paragraphs to read:

2 (11) "existing home" means a residence previously occupied as a  
3 residence;

4 (12) "home inspection" means a visual examination, performed in  
5 accordance with standards of practice adopted by the department, of the readily  
6 accessible parts of one or more of the following systems and components of a  
7 residence or intended residence:

8 (A) heating and air-conditioning systems;

9 (B) plumbing and electrical systems;

10 (C) built-in appliances;

11 (D) roof, attic, and visible insulation;

12 (E) walls, ceilings, floors, windows, and doors;

13 (F) foundation and basement;

14 (G) visible interior and exterior structures;

15 (H) drainage to and from the residence;

16 (I) other systems or components as specified by the department  
17 in regulations;

18 (13) "home inspector" means an individual who performs or offers to  
19 perform a home inspection for a fee;

20 (14) "joint registration" means a certificate of registration that  
21 authorizes an individual to inspect both new homes and existing homes;

22 (15) "knowingly" has the meaning given in AS 11.81.900;

23 (16) "new home" means a residence not previously occupied as a  
24 residence;

25 (17) "residence" means

26 (A) a single-family home other than a mobile home;

27 (B) a duplex, triplex, or four-plex; or

28 (C) a residential townhouse or residential condominium unit;

29 (18) "visual examination" means an examination performed in person  
30 at the physical location of the residence except that, if a method other than personal  
31 physical inspection has been approved by the Alaska Housing Finance Corporation

1 under AS 18.56.300(b), use of the other approved method constitutes a visual  
2 examination under this chapter.

3 \* Sec. 33. AS 18.56.300(b) is amended to read:

4 (b) As a condition of a commitment to purchase or approve a loan under this  
5 section for residential housing the construction of which begins after June 30, 1992,  
6 the corporation shall require inspection of the unit of residential housing that is the  
7 subject of the loan. The inspection must be performed by a municipal building  
8 inspector, by a person who is approved or certified to perform residential inspections  
9 by the International Conference of Building Officials or the International Association  
10 of Electrical Inspectors, by an individual who is registered under AS 08.18 to  
11 perform home inspections for new construction [OR, WHEN THE UNIT OF  
12 RESIDENTIAL HOUSING IS LOCATED IN A RURAL AREA], by an architect  
13 licensed under AS 08.48, by an engineer licensed under AS 08.48, or by another  
14 person approved by the corporation. When the unit of residential housing is located in  
15 a rural area, the person who makes the inspection may use methods other than a  
16 personal physical inspection to make the inspection if the method is approved by the  
17 corporation, and variations from the applicable code may be accepted at the  
18 corporation's discretion, if the person authorized to inspect the unit under this  
19 subsection satisfies the corporation that the variation does not adversely affect the  
20 structural integrity of the unit or the health and safety of the residents. The person  
21 who makes the inspection shall determine whether the construction conforms to  
22 relevant provisions of the construction codes of the municipality or of the state  
23 building code, as applicable, at each of the following stages of construction:

- 24 (1) plan approval;
- 25 (2) completion of footings and foundations;
- 26 (3) completion of electrical installation, plumbing, and framing;
- 27 (4) completion of installation of insulation;
- 28 (5) final approval.

29 \* Sec. 34. AS 18.56.300(b) is amended to read:

30 (b) As a condition of a commitment to purchase or approve a loan under this  
31 section for residential housing the construction of which begins after June 30, 1992,

1 the corporation shall require inspection of the unit of residential housing that is the  
2 subject of the loan. The inspection must be performed by a municipal building  
3 inspector, [BY A PERSON WHO IS APPROVED OR CERTIFIED TO PERFORM  
4 RESIDENTIAL INSPECTIONS BY THE INTERNATIONAL CONFERENCE OF  
5 BUILDING OFFICIALS OR THE INTERNATIONAL ASSOCIATION OF  
6 ELECTRICAL INSPECTORS,] by an individual who is registered under AS 08.18 to  
7 perform home inspections, by an architect licensed under AS 08.48, by an engineer  
8 licensed under AS 08.48, or by another person approved by the corporation. When the  
9 unit of residential housing is located in a rural area, the person who makes the  
10 inspection may use methods other than a personal physical inspection to make the  
11 inspection if the method is approved by the corporation, and variations from the  
12 applicable code may be accepted at the corporation's discretion, if the person  
13 authorized to inspect the unit under this subsection satisfies the corporation that the  
14 variation does not adversely affect the structural integrity of the unit or the health and  
15 safety of the residents. The person who makes the inspection shall determine whether  
16 the construction conforms to relevant provisions of the construction codes of the  
17 municipality or of the state building code, as applicable, at each of the following  
18 stages of construction:

- 19 (1) plan approval;
- 20 (2) completion of footings and foundations;
- 21 (3) completion of electrical installation, plumbing, and framing;
- 22 (4) completion of installation of insulation;
- 23 (5) final approval.

24 \* Sec. 35. AS 36.30.050(b) is amended to read:

25 (b) A person who desires to be on a list shall submit to the commissioner  
26 evidence of a valid Alaska business license. A biennial fee may be established by  
27 regulation in an amount reasonably calculated to pay the costs of administering this  
28 section. A construction contractor shall also submit a valid certificate of registration  
29 as a contractor issued under AS 08.18. The commissioner, by regulation, may require  
30 submission of additional information.

31 \* Sec. 36. AS 36.30.115(a) is amended to read:

1 (a) Within five working days after the identification of the apparent low bidder  
2 for a construction contract, the apparent low bidder shall submit a list of the  
3 subcontractors the bidder proposes to use in the performance of the construction  
4 contract. The list must include the name and location of the place of business for each  
5 subcontractor, evidence of each subcontractor's valid Alaska business license, and  
6 evidence of each subcontractor's registration as a contractor under AS 08.18. If a  
7 subcontractor on the list did not have a valid Alaska business license and a valid  
8 certificate of registration as a contractor under AS 08.18 at the time the bid was  
9 opened, the bidder may not use the subcontractor in the performance of the contract,  
10 and shall replace the subcontractor with a subcontractor who had a valid Alaska  
11 business license and a valid certificate of registration as a contractor under AS 08.18  
12 at the time the bid was opened.

13 \* Sec. 37. AS 36.30.210(b) is amended to read:

14 (b) An offeror for a construction contract shall submit evidence of the offeror's  
15 registration as a contractor under AS 08.18. A request for sealed proposals for a  
16 construction contract, except a design-build construction contract, must require the  
17 offeror, no later than five working days after the proposal that is the most  
18 advantageous to the state is identified, to list subcontractors the offeror proposes to use  
19 in the performance of the construction contract. The list must include the information  
20 required under AS 36.30.115(a). The provisions of AS 36.30.115(b) - (g) that apply to  
21 a construction contractor or an apparent low bidder apply to offerors submitting  
22 competitive sealed proposals for construction contracts, except design-build  
23 construction contracts.

24 \* Sec. 38. AS 36.90.290(1) is amended to read:

25 (1) "prime contractor" means a person required to be registered as a  
26 contractor under AS 08.18 who has a contract with the state or a political subdivision  
27 of the state to provide materials or services, other than as an employee, for a public  
28 construction or public works project;

29 \* Sec. 39. AS 45.50.471(b) is amended by adding a new paragraph to read:

30 (43) violating AS 08.18.023(b), or 08.18.152.

31 \* Sec. 40. AS 18.56.300(c) is repealed.

1 \* Sec. 41. The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 APPLICABILITY. The change made by sec. 40 of this Act applies to causes of action  
4 that accrue on or after July 1, 2004.

5 \* Sec. 42. The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7 REGULATIONS. The Department of Community and Economic Development may  
8 proceed to adopt regulations to implement this Act. A regulation adopted under this section  
9 takes effect under AS 44.62 (Administrative Procedure Act) but not before the effective date  
10 of the law implemented by the regulation.

11 \* Sec. 43. The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 TRANSITIONAL LICENSING PROVISIONS. (a) Notwithstanding AS 08.18.022,  
14 added by sec. 7 of this Act, the Department of Community and Economic Development shall  
15 issue a certificate of joint registration that is valid until January 1, 2005, to an individual who  
16 submits to the department satisfactory evidence of being in the business of home inspection in  
17 the state at the time of application for registration under this subsection and of having

18 (1) been in the business of home inspection in the state on October 1, 2001;  
19 and

20 (2) passed the building inspector examination or property maintenance and  
21 housing inspector examination given by the International Conference of Building Officials.

22 (b) Notwithstanding AS 08.18.022, added by sec. 7 of this Act, the Department of  
23 Community and Economic Development shall issue a certificate of registration to practice  
24 home inspection of previously occupied residences that is valid until January 1, 2005, to an  
25 individual who submits to the department satisfactory evidence of being in the business of  
26 home inspection in the state at the time of application for registration under this subsection  
27 and of having passed

28 (1) the national home inspector examination given by the American Society of  
29 Home Inspectors; or

30 (2) the examination of the Examination Board of Professional Home  
31 Inspectors.

1 (c) Notwithstanding AS 08.18.022, added by sec. 7 of this Act, the Department of  
2 Community and Economic Development shall issue a certificate of registration to practice  
3 home inspection of new construction that is valid until January 1, 2005, to an individual who  
4 submits to the department satisfactory evidence of being in the business of home inspection in  
5 the state at the time of application for registration under this subsection and of having passed  
6 the combination inspector examination or the combination dwelling inspector examination  
7 given by the International Conference of Building Officials.

8 (d) Notwithstanding AS 08.18.022, added by sec. 7 of this Act, the Department of  
9 Community and Economic Development shall issue a certificate of registration as an associate  
10 home inspector that is valid until January 1, 2005, to an individual who submits to the  
11 department satisfactory evidence of being employed by an individual who is in the business of  
12 home inspection and is registered under this section or under AS 08.18.

13 (e) A certificate of registration issued under this section may not be renewed or  
14 extended.

15 (f) Except as provided in (e) of this section, a certificate of registration as a home  
16 inspector or associate home inspector issued under this section is considered to be a certificate  
17 of registration as a home inspector or associate home inspector issued under AS 08.18.022,  
18 added by sec. 7 of this Act.

19 (g) In this section, "joint registration" has the meaning given in AS 08.18.171, as  
20 amended by sec. 32 of this Act.

21 \* Sec. 44. AS 08.18.011(c) - (f), added by sec. 5 of this Act; AS 08.18.023, added by sec. 7  
22 of this Act; AS 08.18.085, added by sec. 17 of this Act; AS 08.18.151, as amended by sec. 29  
23 of this Act; and the amendment of AS 18.56.300(b), made by sec. 33 of this Act, take effect  
24 July 1, 2003.

25 \* Sec. 45. Section 34 of this Act takes effect January 1, 2005.

26 \* Sec. 46. Sections 40 and 41 of this Act take effect July 1, 2004.

27 \* Sec. 47. Except as provided in secs. 44 - 46 of this Act, this Act takes effect immediately  
28 under AS 01.10.070(c).

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 27 (FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title An Act relating to the licensure and BRU: Occupational Licensing (117)  
registration of individuals who perform home inspections Component Occupational Licensing  
Sponsor Representative Rokeberg  
Requester House Finance Component No. 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	51.5	51.5	51.5	51.5	51.5	51.5
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	6.0	6.0	6.0	6.0	6.0	6.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>64.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1156)</b>	<b>123.0</b>	<b>0.0</b>	<b>117.0</b>	<b>0.0</b>	<b>117.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other-1156 Receipt Supported Services	64.5	58.5	58.5	58.5	58.5	58.5
<b>TOTAL</b>	<b>64.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>

Estimate of any current year (FY2002) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time	2	2	2	2	2	2
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The revenue collection shown every other year is the result of the biennial licensing cycle. An explanation of the costs shown above is on page 2.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
Division: Occupational Licensing Date/Time 3/27/02 3:30 PM  
Approved by: Deborah B. Sedwick, Commissioner Date 3/27/2002  
Agency: Department of Community & Economic Development

**FISCAL NOTE**

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

**BILL NO. CSHB 27 (FIN)**

**ANALYSIS CONTINUATION**

CSHB 27 (FIN): An Act relating to the licensure and registration of individuals who perform home inspections;....

Page 2 of 2

**Total PERSONAL SERVICES: \$51.5**

- Occupational Licensing Examiner I position, PPT, Range 12, \$20.7
- 1/2 Investigator III position, Range 18A, \$30.8

**Total TRAVEL: \$0.0**

**Total CONTRACTUAL SERVICES: \$6.0**

-30 hours of AG legal time for regulations and license appeals, \$3.0

-Printing, postage, communication, and advertising costs, \$3.0

The contractual services total does not include any expenditures for purchase of a license examination. This fiscal note assumes applicants will pay the testing service directly for the examination.

**Total SUPPLIES: \$1.0**

To fund daily operating supplies of the program.

**Total EQUIPMENT (one-time costs): \$6.0**

Office equipment and workstation set-up for the support position.

**TOTAL FISCAL NOTE: \$64.5**

**REVENUE & FUND SOURCE:** Revenue will be generated by specialty contractor licensing fees sufficient to cover direct and indirect program costs.

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB27(FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title License Home Inspectors BRU AHFC  
Component AHFC  
Sponsor Representative Rokeberg  
Requester House Finance Committee Component No. 110

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

AS 18.56.300 is amended to establish state-licensed home inspectors for the approval of homes for mortgage purchases by AHFC. The current construction standard is approved by the International Conference of Building Officials (ICBO).

Costs would relate to education regarding the changes to the home inspection process. For example, homebuyers, realtors, homebuilders and mortgage lenders will need to know of the new requirements to ensure minimal disruptions in closing home mortgage transactions. These activities can be adequately covered with annual budget authorizations.

AHFC is given a non-voting, ex-officio board seat until July 1, 2005, and is directed to pay its own expenses for this privilege. Participation was requested by AHFC in order to assist in the transition from ICBO inspections to state-licensed inspections, as well as advocate for the establishment of construction standards consistent with financing and bonding requirements. Assuming there will be less than three meetings per year, AHFC can adequately cover these costs with regular annual budget authorizations.

Prepared by: John Bitney, Legislative Liaison Phone 330-8445  
Division: Alaska Housing Finance Corp Date/Time 3/26/02 6:31 PM  
Approved by: Larry Persily, Deputy Commissioner Date 3/26/2002  
Agency: Alaska Department of Revenue

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: 4  
Bill Version: CSHB 27 (JUD)  
(H) Publish Date: 2/28/01

Revision Date/Time (Note if correction): 02/21/2001 5:20p.m. Dept. Affected: DCED  
Title: An Act relating to the licensure and registration BRU: Occupational Licensing  
of individuals who perform home inspections..... Component: Occupational Licensing  
Sponsor: Representative Rokeberg  
Requester: House Judiciary Component Number: 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	51.5	51.5	51.5	51.5	51.5	51.5
Travel	6.3	6.3	6.5	6.3	6.3	6.3
Contractual	6.0	6.0	6.0	6.0	6.0	6.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>70.8</b>	<b>64.8</b>	<b>64.8</b>	<b>64.8</b>	<b>64.8</b>	<b>64.8</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )	135.6	0.0	129.6	0.0	129.6	0.0
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other - 1156 RSS	70.8	64.8	64.8	64.8	64.8	64.8
<b>TOTAL</b>	<b>70.8</b>	<b>64.8</b>	<b>64.8</b>	<b>64.8</b>	<b>64.8</b>	<b>64.8</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

CSHB 27 (L&C) creates a Board of Home Inspectors. This fiscal note is based on the board holding at least two meetings each year. The revenue collection shown every other year is the result of the biennial licensing cycle. An explanation of the costs shown above is attached.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
Division: Occupational Licensing Date/Time 2/21/2001 5:20 p.m.  
Approved by: Commissioner Deborah B. Sedwick Date 2/21/2001  
Agency: Department of Community and Economic Development

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)

CSHB 27 (L&C): An Act relating to the licensure and registration of individuals who perform home inspections;....

Page 2 of 2

Occupational Licensing Examiner I position, PPT, Range 12.

It is possible that in the first year of licensure additional staff time will be required to initiate the program by preparing application forms, notify potential licensees, writing regulations, etc., \$20.7

- 1/2 Investigator III position, Range 18A, \$30.8

**PERSONAL SERVICES: \$51.5**

Assuming the Board consists of 5 voting members from the following towns: (2-Anchorage; 2-Juneau; 1-Fairbanks) and meetings are held each year in the following locations:

Anchorage Meeting (including 2 staff from Juneau), \$3.9

Juneau Meeting, \$2.4

**TRAVEL: \$6.3**

-30 hours of AG legal time for regulations and license appeals, \$3.0

-Printing, postage, communication, and advertising costs, \$3.0

The contractual services total does not include any expenditures for purchase of a license examination.

This fiscal note assumes applicants will pay the testing service directly for the examination.

**CONTRACTUAL SERVICES: \$6.0**

To fund daily operating supplies of the program.

**SUPPLIES: \$1.0**

Office equipment and workstation set-up for three support position.

**EQUIPMENT (one-time costs): \$6.0**

**TOTAL FISCAL NOTE: \$70.8**

**REVENUE & FUND SOURCE:** Revenue will be generated by licensing fees sufficient to cover direct and indirect program costs.

**Mike Tauriainen, P.E., Consulting Engineers, Inc.**

36186 Spur Hwy Soldotna, AK 99669 (907)262-4824 FAX 262-6777

**FAX MEMO**

Date: 26 March 2002

To: Representative Eldon Mulden, Co-Chair  
Representative Bill Williams, Co-Chair  
Members, House Finance Committee Fax: 465-6813

From: Mike Tauriainen *MT*

Subject: HB 27 Licensing of Home Inspectors  
1 page + Attachment

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I am opposed to HB 27 for several reasons. It is not in the best, long-term interests of home buyers, home owners, the general public, or even home inspectors and the home-building industry. No clearly compelling reason has been advanced to support licensing home inspectors. Rather, HB 27 would be counterproductive because it would:

1. limit competition,
2. increase the cost of services to consumers,
3. increase cost of state government, and
4. increase regulation.

Unfortunately, a primary motivation for licensing of any occupation is economic protection for select practitioners of that trade by regulating competition. There is little reason to believe otherwise in this case. However, the only legitimate reason for the State to license an occupation is to protect public safety, health and property. I am not aware of incompetent or negligent practice that has been alleged that would best be remedied by licensing.

Whether you're buying broccoli, brain surgery or inspection services, the free market is a better evaluator of quality and value than all the government regulations ever written. When inspectors compete, consumers win; the more competition, the more consumers win. For several years now, without licensing, competent house inspectors have provided a desired service. Consumers will never be shielded from faulty inspectors under any system. However, the free market encourages the maximum availability of quality services, and our legal system provides sufficient recourse when needed.

I urge you to oppose these proposed restrictions to Alaska's market economy that would benefit only a few. Attached is testimony I presented to the Labor & Commerce Committee 21 Oct 99 on a previous session's bill (HB207).

**END OF FAX TEXT**

26 March 2002  
File

Mike Taurainen, P.E.  
Consulting Engineers, Inc

## TESTIMONY ON HB 207

Mike Taurainen, PE (35186 Spur Hwy, Soldotna, AK 99689) presented the following testimony at the 21 Oct 99 House Commerce Committee Public Hearing in Anchorage.

### Background

BS Civil Engineering 1967, MS Arctic Engineering 1972

Consulting Civil Engineering Practice 1978 - Present

Served seven years on State Board of Architects, Engineers, and Land Surveyors

Have performed house and commercial building inspections for over 20 years

I am opposed to HB 207. Licensing of house inspectors would assure four things.

1. Reduced competition
2. Increased inspection fees
3. Increased state budget
4. Forever increasing regulations.

The market is a great system for assuring competence and weeding out incompetence. The system is not perfect and never will be. However, people in the housing industry concerned with house inspections (bankers, realtors, etc.) are very capable of determining who is competent or incompetent to perform inspections. Also, several home inspection organizations have entered the market that improve the market by providing education and business practice advice for their members.

Licensing will not prevent incompetence and fraud. As an example, consider the ADEC septic system certified installers program. We have good installers and not good installers; most who stand by their work and a few who cheat, a few who cut too many corners and most who don't, a few frauds but most honest. It's the same in any line of work including the housing inspection trade. Laws and contracts currently provide for holding incompetent and fraudulent people accountable.

Licensing, while setting a minimum standard, impedes raising the standard of performance. A free market slowly but continually raises the bar.

Over the past 20 years many people have entered the market and my firm's share of the market has decreased. That's OK, that's competition; I'm forced to improve my services, and keep my fees lower than if competition was restricted. Right now, without licensing, competent house inspectors abound.

In summary, licensing would result in:

- gate keeping and reduced competition
- slower improvement of services
- higher costs
- more regulation.

The market system is working and doesn't need fixing.

# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS

JUDICIARY COMMITTEE CHAIRMAN  
LABOR & COMMERCE COMMITTEE MEMBER  
LEGISLATIVE COUNCIL MEMBER  
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &  
TOURISM MEMBER

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## Representative Norman Rokeberg

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### SPONSOR STATEMENT FOR CSHB 27 ()

Version 22-LS0136G, Lauterbach, 2/13/02

### License Home Inspectors

**TITLE:** An Act relating to the registration of individuals who perform home inspectors; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; and providing for an effective date.

CSHB 27 () will protect consumers and the home inspection industry by requiring registration of home inspectors in Alaska.

Currently, anyone can call himself or herself a home inspector and there is no state agency overseeing the industry. Consumers desire assurance that the home inspector they hire is competent, and that they have recourse against inspectors that are not. CSHB 27 () accomplishes this by establishing registration requirements, qualifications, insurance, and proof of competency via examination and continuing education. Home inspectors will also be required to provide consumers with an inspection report.

A faulty inspection could have serious consequences for consumers, practically when they are buying or selling a home. Common sense dictates that home inspectors must be held accountable for their work. This limits legal actions against a registered home inspector to a written home inspector report that is not more than 180 days old and/or unlawfully disclosed.

For ease of administration and in order to keep costs at a minimum, home inspectors are added to the statutes concerning specialty contractors. Clarifying language is inserted in the statutes as necessary.

I would urge your support for this legislation.

ED3:02/14/02

# ALASKA STATE LEGISLATURE

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## Representative Norman Rokeberg

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### SECTIONAL ANALYSIS

CSHB 27 (), 22-LS0136G, Lauterbach, 2/13/02

An Act relating to the registration of individuals who perform home inspections; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; and providing for an effective date.

Prepared by Representative Norman Rokeberg

- Section 1:** Amends AS 08.01.010 [Centralized Licensing, Applicability of Chapter] to add reference to home inspectors.
- Section 2:** Amends AS 08.01.065(c) [Centralized Licensing, Establishment of Fees] to add reference to new subsection in Section 3.
- Section 3:** Amends 08.01.065 [Centralized Licensing, Establishment of Fees] to require that the fees established for AS 08.18 [Construction Contractors] so that fee levels for specialty contractors, home inspectors, and associate home inspectors shall equal total regulatory costs for these three categories. Fee for home inspector, associate home inspector, and joint license shall be the same.
- Section 4:** Amends 08.18.011 [Construction Contractors, Registration required] to make clarifying amendments concerning contractor registration.
- Section 5:** Amends 08.18.011 [Construction Contractors, Registration required] to require registration for home inspectors and associate home inspectors. Associate home inspector is to be employed by a registered home inspector who will be liable for the associate's work. Clarifies that an individual holding a joint registration for home inspection is considered to be registered as both a home inspector for new homes and existing homes.
- Section 6:** Amends AS 08.18.021(a) [Construction Contractors, Application for registration] to insert language concerning home inspector registration and to clarify requirements for home inspectors and contractors. Correction reference to "employer" social security number in the current statute to the "applicant's" social security number.
- Section 7:** Adds new sections to AS 08.18 [Construction Contractors] as follows:
- Section 08.18.022.** Home inspectors; associate home inspectors. Sets forth examination requirements, education and experience requirements, and application requirements for registration as a home inspector or associate home inspector.

Section 08.18.023. Pre-inspection documents and inspection reports. Establishes the procedure for pre-inspection documents and inspection reports. Sets forth the items to be included in the report and requires a written report. Indicates that an oral inspection report may be given by a home inspector during or after the inspection. Sets the validity period of the inspection report as six months.

- Section 8: Amends AS 08.18.031(a) [Construction Contractors, Certificate of Registration] to clarify the renewal of home inspector registrations.
- Section 9: Adds new section to 08.18.031 [Construction Contractors, Certificate of Registration]. Sets forth the renewal procedure for a home inspector registration. Permits the Department to adopt regulations concerning continuing competency requirements. Indicates that regulations must provide that a continuing competency activity approved by one of the following entities satisfies the continuing competency requirements if the activity meets the Department's requirements: Alaska Housing Finance Corporation, University of Alaska, American Society of Home Inspectors Alaska Chapter, a chapter of the International Conference of Building Officials Alaska, Alaska State Homebuilders Association, or a state agency whose activity meets the Department requirements.
- Section 10: Amends 08.18.041 [Construction Contractors, Fees] to permit the Department to establish fees for registration of home inspectors, associate home inspectors, renewal of registration, and examinations.
- Section 11: Amends 08.18.051(a) [Construction Contractors, Identification requirements] to clarify that this subsection applies to contractors.
- Section 12: Adds new section to AS 08.18 [Construction Contractors] to provide identification requirements for home inspectors. Includes that a home inspector or associate home inspector registered under one name may not act under another name; sets forth advertising requirements; establishes that "registered home inspector" may only be used by individuals registered with the Department as a home inspector.
- Section 13: Amends AS 08.18.061 [Construction Contractors, Requirements of political subdivision] to add reference to home inspectors.
- Section 14: Amends AS 08.18.071 [Construction Contractors, Bond required]. Adds home inspection activity to this section.
- Section 15: Amends AS 08.18.071(b) [Construction Contractors, Bond required]. Adds home inspectors to the \$5,000 bond requirement. Cash deposit or other negotiable security acceptable to the commissioner may be used in lieu of bond.
- Section 16: Amends AS 08.18.081(a) [Construction Contractors, Claims against contractor]. Adds qualifying language referring to Section 17. Adds home inspector to this section.
- Section 17: Adds new section to AS 08.18 [Construction Contractors]. Legal actions against home inspector. Sets out provisions concerning legal actions against a home inspector. Actions must be commenced within two years from the date of the inspection report on new homes and one year on existing homes. Limitations of this section may not be waived by contract. Home inspector or associate home inspector not liable to person if person is not a party to the transaction or is unlawfully in receipt of home inspection report. Contractual provisions that purport to limit liability of home inspector to cost of home inspection report are contrary to public policy and void.

- Section 18: Amends AS 08.18.111 [Construction Contractors, Advertising bond and insurance]. Adds home inspectors to this section.
- Section 19: Amends AS 08.18.115 [Construction Contractors, Return of cash deposit]. Adds provisions for home inspector who ceases doing business to have any cash deposit in lieu of bond returned.
- Section 20: Amends AS 08.18.116 [Construction Contractors, Investigations] to provide that the Department of Community and Economic Development is the agency to investigate alleged or apparent violations against home inspectors.
- Section 21: Amends AS 08.18.117 [Construction Contractors, Issuance of citations] to provide that the Department of Community and Economic Development may issue citations for violations with regard to home inspectors.
- Section 22: Amends AS 08.18.121(a) [Construction Contractors, Suspension and revocation of registration] to add home inspector to provisions indicating that if insurance under AS 08.18.101 (worker's compensation, property and liability) is not in effect, the registration is suspended until such time the insurance is reinstated.
- Section 23: Amends AS 08.18.121(b) [Construction Contractors, Suspension and revocation of registration] to add home inspector to provisions indicating that if any final judgment impairs the liability of the surety bond or depletes any cash deposit that registration is suspended until bond liability in required amount, unimpaired by unsatisfied judgment claims, has been furnished.
- Section 24: Amends AS 08.18.121 (c) [Construction Contractors, Suspension and revocation of registration] to add home inspector to provisions indicated that if a bonding company cancels the bond, the registration shall be revoked. Registration may be regained by again complying with bonding requirements.
- Section 25: Amends AS 08.18.121(d) [Construction Contractors, Suspension and revocation of registration] to add home inspectors to the provisions concerning suspension for failure to follow 08.18.071. Further provides that if a bond is suspended three times, the commissioner may permanent revoke registration.
- Section 26: Amends AS 08.18.121(f) [Construction Contractors, Suspension and revocation of registration] to provisions concerning violations and the authority of the Department of Commerce and Economic Development with regard to home inspectors.
- Section 27: Amends AS 08.18.131 [Construction Contractors, Injunction] to add reference to civil penalty. Further adds reference to ability of Department to enjoin person who is violating home inspectors statutes from acting in that capacity.
- Section 28: Amends AS 08.18.141(a) [Violations] to include home inspector. Those violating 08.18.011 [Registration required] or 08.18.025 [Residential contractors] may be guilty of class B misdemeanor; other violations of this chapter are punishable under AS 12.
- Section 29: Amends AS 08.18.151 [Construction Contractors, Legal actions by contractor] to add reference to home inspectors.
- Section 30: Amends AS 08.18 [Construction Contractors] to add new sections as follows:

- a. 08.18.152 Prohibited acts for home inspectors. Sets out the acts which home inspectors may not do, such as: repairs to subject property for additional fees; inspect property for a fee in which home inspector has a financial interest; offer rewards or compensation for business referrals; without written consent of client, disclose information from a home inspection report unless to a subsequent client who requests an inspection on the same premises or in a judicial action; accept compensation from more than one party for the same home inspection; accept commission; accept engagement for home inspection based on outcome of inspection report.
- b. 08.18.154 Limitation on home inspector's activities. Sets for limitation on activities.
- c. 08.18.156. Exemptions related to home inspectors: Exempts following from registering as a home inspector or association home inspector in order to inspect a home: federal, state or local government employee performing duties within scope of office; inspecting own home or one in which person has a financial interest; registered engineer or architect who affixes seal or signs reports and puts registration number on report; engineer or architect in training supervised by registered engineer or architect; pesticide applicator performing duties in scope of license issued by Department of Environmental Conservation; general contractor with residential contractor endorsement performing activities within scope of that registered; real estate appraiser performing those duties; determining if thermal and lighting energy standards are being met. Established that the definition of "home inspection" does not include repairing, maintaining, or installing systems or components listed in new 08.18.171(12) and inspects those systems or components in order to perform or offer repair, maintenance or installation work on those items.

- Section 31: Amends 08.18.161 [Construction Contractors, Exemptions] to add qualifying reference to contractors.
- Section 32: Amends AS 08.18.171 [Construction Contractors, Definitions] to add definitions for: existing home, home inspection, home inspector, joint registration, knowingly, new home, residence, and visual examination.
- Section 33: Amends AS 18.56.300(b) [Alaska Housing Finance Corporation, Construction standards for housing eligible for purchase of loans] current AHFC statute requiring a home inspection before certain loan commitments are made by AHFC. Adds registered home inspectors to list of people qualified to accomplish an inspection and eliminates the distinction in current law for rural areas, thus allowing an architect, engineer, or other person approved by AHFC to qualify as a home inspector under the AHFC statute for all homes, not just those in rural areas.
- Section 34: Amends same AHFC statute described in Section 33 [Alaska Housing Finance Corporation, Construction standards for housing eligible for purchase of loans], but amendment does not take effect until January 1, 2005, so is set out separately. Would eliminate persons certified by the ICBO and IAEA from being qualified to do the AHFC inspections referred to in AS 18.56.300(b) as these individuals would now be under the home inspector license requirements.
- Section 35: Amends AS 36.30.050(b) [State procurement code, Lists of contractors] to add qualifying language concerning contractors.
- Section 36: Amends 36.30.115(a) [State procurement code, subcontractors for construction contracts] to add clarifying references to contractors.

- Section 37:** Amends 36.30.210 [State procurement code, Request for proposals] to add clarifying reference to contractors.
- Section 38:** Amends AS 36.90.290(1) [State procurement code, definition] adds qualifying language to definition of "prime contractor".
- Section 39:** Amends AS 45.50.471(b) [Competitive Practices and Regulations of Competition, unlawful acts and practices] to bring violations of 08.18.023(b) [inspection reports] and 08.18.152 [prohibited acts for home inspectors] under unfair trade practice statutes.
- Section 40:** Repeals AS 18.56.300(c) [Alaska Housing Finance Corporation, construction standards for housing eligible for purchase of loans] effective July 1, 2004 (see Section 46).
- Section 41:** Applicability: Change made in Section 40 applies to causes of action that accrue on or after July 1, 2004.
- Section 42:** Regulations: Permits Department to proceed to adopt regulations regarding home inspectors.
- Section 43:** Provides for transitional licensing.
- Section 44:** Effective date for certain provisions of the legislation.
- Section 45:** Section 34 effective date is January 1, 2005.
- Section 46:** Sections 40 and 41 take effect July 1, 2004.
- Section 47:** Immediate effective date for remainder of legislation except as provided for in sections 44-46.

**Sec. 18.56.300. Construction standards for housing eligible for purchase of loans.**

(a) The corporation may not make or purchase a housing loan for residential housing the construction of which begins after June 30, 1992, unless the seller of the mortgage loan complies with the provisions of this section and unless

(1) the unit is in compliance with the construction codes of the municipality, if the unit is located within a municipality that has adopted and enforces construction codes and each of those codes meets or exceeds the comparable standards for similar housing established by the state building code; or

(2) the unit is in compliance with the comparable standards for similar housing established by the state building code

(A) if the unit is located

(i) within a municipality whose construction codes do not meet the standards for similar housing established by the state building code;

(ii) within a municipality that does not enforce construction codes; or

(iii) outside a municipality; or

(B) as to each specific code within the construction codes of the municipality that has adopted and enforces construction codes if the specific code does not meet or exceed the comparable standard for similar housing established by the state building code.

(b) As a condition of a commitment to purchase or approve a loan under this section for residential housing the construction of which begins after June 30, 1992, the corporation shall require inspection of the unit of residential housing that is the subject of the loan. The inspection must be performed by a municipal building inspector, by a person who is approved or certified to perform residential inspections by the International Conference of Building Officials or the International Association of Electrical Inspectors, or, when the unit of residential housing is located in a rural area, by an architect licensed under AS 08.48, by an engineer licensed under AS 08.48, or by another person approved by the corporation. When the unit of residential housing is located in a rural area, the person who makes the inspection may use methods other than a personal physical inspection to make the inspection if the method is approved by the corporation, and variations from the applicable code may be accepted at the corporation's discretion, if the person authorized to inspect the unit under this subsection satisfies the corporation that the variation does not adversely affect the structural integrity of the unit or the health and safety of the residents. The person who makes the inspection shall determine whether the construction conforms to relevant provisions of the construction codes of the municipality or of the state building code, as applicable, at each of the following stages of construction:

- (1) plan approval;
- (2) completion of footings and foundations;
- (3) completion of electrical installation, plumbing, and framing;
- (4) completion of installation of insulation;
- (5) final approval.

(c) A person may not bring an action for damages based on a duty imposed by (b) of this section to inspect a residential unit unless the action is for damages caused by gross negligence or intentional misconduct.

(d) This section does not apply to a nonconforming housing loan made or purchased by the corporation.

(e) In this section,

(1) "construction codes" means, with reference to a municipality, the building, mechanical, plumbing, and electrical codes, or any of them that have been adopted and are enforced by the municipality;

(2) "rural area" means a community with a population of 5,500 or less that is not connected by road or rail to Anchorage or Fairbanks;

(3) "state building code" means

(A) for building standards, the standards set out in the version of the Uniform Building Code adopted by the Department of Public Safety under AS 18.70.080, including the provisions of that code applicable to buildings used for residential purposes containing fewer than four dwelling units, notwithstanding the exclusion of those buildings from the Department of Public Safety's jurisdiction made by AS 18.70.080(a)(2);

(B) for mechanical standards, the standards set out in the version of the Uniform Mechanical Code adopted by the Department of Public Safety under AS 18.70.080, including the provisions of that code applicable to buildings used for residential purposes containing fewer than four dwelling units, notwithstanding the exclusion of those buildings from the Department of Public Safety's jurisdiction made by AS 18.70.080(a)(2);

(C) for plumbing standards, the minimum plumbing code adopted for the state under AS 18.60.705; and

(D) for electrical standards, the minimum electrical standards prescribed by AS 18.60.580.

(§ 2 ch 85 SLA 1990; am § 1 ch 29 SLA 1991; am §§ 1, 2 ch 52 SLA 1991; am § 99 ch 4 FSSLA 1992; am §§ 1, 2 ch 81 SLA 1994; am § 1 ch 2 SLA 1996)



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- Standards of Practice
- Code of Ethics
- Glossary of Terms
- Consumer Alerts
- State Regulations
- FAQ's on Inspections



## State Home Inspector Licensing/Regulation as of February 15, 2001

**Alabama Registration.** Under the "Alabama Home Inspectors Registration Act," home inspectors must show proof of liability insurance and show evidence of one of the following: 1) membership in and adherence to the ethical standards of ASHI or an equivalent professional body; 2) current approval or certification by the United States Veterans Administration, the United States Department of Housing and Urban Development, the Southern Building Code Congress International, or the Council of American Building Officials; 3) a high school diploma or its equivalent, work experience for at least one year as a home inspector, and completion of at least 100 home inspections for compensation; or current licensure in Alabama as a general contractor, architect, structural engineer, or residential home builder.

**Arizona Registration.** Under the Arizona Home Inspector Registration Act, the State Board of Technical Registration (SBTR) administers registration requirements for home inspectors. The law establishes a process and requirements for registration and registration renewal as a home inspector. In addition, the law requires that registered home inspectors have one of the following financial assurances: a. Errors and Omissions in the amount of \$200,000 in the aggregate and \$100,000 per occurrence. b. \$25,000 bond or. c. Financial assurance mechanism with a value of at least \$25,000. The law states that a failure to obtain, or loss of, financial assurance is grounds for revocation of registration. The law allows a practicing home inspector to present evidence of sufficient experience to not have to obtain training through December 31, 2002. The act exempts individuals from course study requirements for registration that can provide evidence to the SBTR that they have performed 250 or more home inspections for compensation.

**Arkansas Registration.** Under the "Arkansas Home Inspector Registration Act," all home inspectors in the state must register with the Secretary of State. In addition, home inspectors must conduct all inspections in adherence to the ASHI Standards of Practice Code of Ethics, the Arkansas Association of Real Estate Inspectors, or an equivalent professional home inspection association. The law prohibits inspectors from performing repairs on a structure he has inspected within the previous 12 months. In order to register under the law, an applicant must procure general liability insurance of at least \$100,000 and, if applicable, workers compensation insurance coverage. Home inspectors must also demonstrate a positive net worth, or provide a \$10,000 bond payable to the Secretary of State.

**California Trade practice act.** The law in California prohibits "unethical" home inspection practices, including repairing properties that home inspectors have inspected in the previous 12 months. The law encourages courts to consider the ASHI Standards of Practice and Code of Ethics and the California Real Estate Inspection Association when determining whether or not an inspection meets the required standard of care.

**Connecticut Licensure.** Connecticut law requires home inspectors to be licensed under the "Home Inspection Licensing Board." In order to be eligible for a home inspector license an applicant shall: 1) have successfully completed high school or its equivalent; 2) have either been engaged as a home inspector intern for not less than one year and not

performed less than 200 home inspections for compensation or have taken and successfully completed a board-approved training program, earned a home inspector in permit, and performed not less than 100 home inspections under the direct supervision in the presence of a licensed home inspector; 3) have passed an oral, written, or electric competency examination; and 4) have paid a \$200 fee. In order to receive a permit as a home inspector intern, an applicant shall: 1) have successfully completed high school or equivalent; 2) have enrolled in and completed a board-approved training program; 3) have an identified supervisor, who is licensed as a home inspector, is in good standing, and has agreed to perform the supervisory functions required; and 4) have paid a \$100 fee.

**Georgia Trade practice act.** Georgia law requires home inspectors to provide written documents containing certain information with regard to inspections. The documents must include the scope of the inspection, including the structural elements and systems to be inspected and, must state the inspection is a visual inspection, and that the home inspector will notify, in writing, the person on whose behalf such inspection is being made of any defects noted during the inspection.

**Louisiana Licensure.** HB 893 created the "Louisiana Home Inspectors Licensing Law". The bill created the Louisiana State Board of Home Inspectors within the Department of Economic Development, and it requires the Board to establish minimum qualifications for licensing and allows the Board to charge and collect fees. Applicants for licensure must be at least 18 years old and must have successfully completed high school or its equivalent, must have passed the required examination. Applicants must also show evidence of successful completion of at least 120 hours of instruction, at least 30, but no more than 60 of which, must be in course work containing actual practical home inspections. Home inspectors are required to provide a written report of the home inspection, and are prohibited from, at the time of the inspection and for a reasonable time thereafter, advertising or soliciting to perform repair services on the home, which the inspection was performed. As a condition of renewal of a license, a home inspector must show evidence of completion of 20 hours of continuing education. Active licensees are required to carry errors and omissions insurance, and the Board must establish a group insurance program.

**Maryland Trade practice act.** Maryland law requires home inspectors to disclose professional qualifications and the scope of the inspection within the home inspection contract. The law also requires home inspectors to conduct home inspections in accordance with the standards of practice set forth by a professional home inspection trade association such as ASHI or the National Association of Home Inspectors.

**Massachusetts Licensure.** Massachusetts's law requires home inspectors and associate home inspectors to be licensed under the Board of Registration of Home Inspectors. The Board is required to: 1) establish the requirements for licensure and for standards of professional and ethical conduct; 2) establish standards for continuing education; 3) authorize and conduct examinations; 4) grant licenses to qualified applicants and 5) establish penalties. The law also requires that the Director of the Office of Consumer Affairs and Business Regulation publish an informational brochure on home inspections which must be issued to homebuyers at the signing of an offer to purchase. Licensed home inspectors must: 1) have successfully completed high school or its equivalent; 2) have been engaged as a licensed associate home inspector for not less than one year and have performed not less than 100 home inspections under the supervision of a licensed home inspector; 3) have passed a written or electronic competency examination; and 4) paid the appropriate fee. A licensed associate home inspector must: 1) have successfully completed high school or its equivalent; 2) have successfully completed a Board-approved training program; 3) have performed not less than 25 home inspections in the presence of a licensed home inspector; 4) have passed a written or electronic competency exam; 5) have an identified supervisor who is a person licensed in good standing as a home inspector; 6) paid the appropriate fee. Licensed home inspectors and associate home inspectors must carry errors and omissions insurance in an amount not less than \$250,000. Also, a home inspector or associate home inspector may not attempt to limit liability for negligent or wrongful errors or omissions by use of a clause within a performance contract that limits the cost of damages from negligent or wrongful errors or omissions.

**Montana Trade practice act.** The Montana law (SB 210), the "Home Inspection Trade Practices Act," prescribes what elements must be identified in a home inspection and defines prohibited activities by a home inspector.

**Nevada Certification.** Nevada law provides for the certification of home inspectors of structures by the Real Estate Division of the Department of Business and Industry. Applicants must submit proof they have errors and omissions insurance of at least \$100,000 and general liability insurance of at least \$100,000. The law also provides that purchaser may not recover damages from a seller on the basis of an error or omission in the disclosure form that was caused by the seller's reliance upon information provided to the seller by a certified inspector of real estate.

**New Jersey Licensure.** The New Jersey's "Home Inspection Professional Licensing Act," sets specific educational and experience requirements in order to become a licensed home inspector. All home inspectors are required to: 1) complete high school or its equivalent; 2) serve as a licensed associate inspector for at least one year; 3) perform at least 250 inspections; 4) carry \$500,000 in insurance; and 5) pass the ASHI exam, in order to become a licensed associate home inspector under the law, an inspector must: 1) perform at least 50 inspections in the presence of a licensed inspector; and 2) pass the ASHI exam. Also, the law provides that, if home inspectors fail to disclose problems or accept payment from another party in the transaction, they can lose their license. Home inspectors are regulated by a five-member Home Inspection Advisory Committee housed under the State Board of Professional Engineers and Land Surveyors.

**North Carolina Licensure.** The North Carolina "Home Inspection Licensure Act" provides for the licensing and regulation of home inspectors through the creation of a Home Inspector Licensure Board within the Department of Insurance. In order to become licensed as a home inspector, an individual must pass the licensing examination prescribed by the Board, have minimum net assets or a bond in an amount determined by the Board (not less than \$5,000 nor more than \$10,000) and meet certain educational conditions, including: 1) have a high school diploma or its equivalent, have been engaged as a licensed associate home inspector for at least one year, and have completed 100 home inspections for compensation; 2) have education and experience the Board considers to be equivalent to that in subpart 1. above; or 3) be licensed as a general contractor, architect, or professional engineer. In order to become licensed as an associate home inspector, an individual must pass a licensing examination prescribed by the Board, have a high school diploma or its equivalent, and be affiliated with or intend to be affiliated with a licensed home inspector and submit a sworn statement by the licensed home inspector with whom the applicant intends to be affiliated certifying that the licensed home inspector will actively supervise and train the applicant.

**Oregon Certification.** The law in Oregon requires home inspectors to be certified under the Construction Contractors Board, and allows the Board to establish competency testing, training, and continuing education requirements. Also, home inspectors in Oregon are required to post bond and carry insurance under a law passed in 1992.

**Pennsylvania Certification.** Pennsylvania Trade practice act. The law in Pennsylvania provides a uniform definition for the term "home inspection" and for a national home inspection association. It establishes that a home inspector shall conduct their inspection in accordance with the standards of practice set forth by a professional home inspection trade association such as ASHI or the National Association of Home Inspectors. It further outlines consumer remedies as they relate to a home inspection, insurance requirements for inspectors and establishes penalties for misrepresentations of fact in an inspection report. The law is scheduled to take effect in December 2001.

**Rhode Island Trade practice act.** The law in Rhode Island forbids home inspectors, pest control inspectors, and contractors from doing work on property that is inspected prior to real estate sales. The law was passed to help eliminate activities that could present a conflict of interest.

**Licensure.** The new Rhode Island legislation creates a home inspector licensing law and

requires that all home inspectors be licensed. Home inspectors would be required to maintain \$250,000 of liability insurance and would be required to pass written examination. This law will take effect on January 1, 2001.

**South Carolina Licensure.** South Carolina law requires any person desiring to be a licensed home inspector to file with the South Carolina Residential Builders Commission. A home inspector must show to the satisfaction of the Commission that he is currently certified as a home inspector by an organization recognized by the Commission, that he has a minimum of one year of experience as a home inspector under the supervision of a licensed inspector, and that he has performed a minimum of fifty residential inspections.

**South Dakota Licensure.** The South Dakota law provides for the regulation of home inspectors. The South Dakota Real Estate Commission shall issue and renew certificates for licensed and registered home inspectors pursuant to the provisions of this law. No person may provide a home inspection for compensation unless registered or licensed in the State of South Dakota. Applicants for a license as a home inspector shall meet the following requirements; 1) Good moral character; 2) Completion of high school or equivalency; 3) Employment as a registered home inspector for not less than one year and performance of not less than one hundred home inspections for compensation; 4) Successful completion of a licensing exam. Applicants for registration as a home inspector shall meet the following requirements; 1) Good moral character; 2) Completion of high school or equivalency; 3) Successful completion of an approved course of study; 4) Successful completion of a registration exam.

**Tennessee Certification.** Tennessee law only applies to the inspection of new construction and authorizes such inspections if the inspector is: 1) a licensed contractor certified by the state as a fire prevention officer or building official; 2) certified by the Southern Building Code Congress; 3) certified by the Home Inspectors of Tennessee Association; or 4) certified by ASHI. The law only applies to inspectors in certain counties in Tennessee.

**Texas Licensure.** The Texas licensure law provides for the examination of home inspectors and established continuing education requirements. The law also requires home inspector applicants to work as apprentice inspectors under the supervision of a professional licensed home inspector. If an applicant is unable to obtain an apprenticeship educational coursework and an examination can be substituted. The Texas Real Estate Commission regulates home inspectors.

**Wisconsin Certification.** Under Wisconsin's law, home inspectors must register with the State and pass an examination approved by the Department of Regulation and Licensing. The law instructs the Department to consider the use of an examination modeled after ASHI's examination. The law also requires that a home inspector perform a "reasonably competent and diligent" inspection; however, the inspection is not required to be technically exhaustive. Home inspectors are prohibited from limiting their liability from damages resulting in a failure to conduct a "reasonably competent and diligent" inspection. Also, inspectors are prohibited from performing repairs, maintenance, or improvements to a structure that they have inspected within the last two years.

#### HOME

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By Rick Jarvis, CRS, CRP  
Associated Broker  
Re/Max Properties

## Should We Care Who the Buyer

## Chooses to Do a Home Inspection?

Who are those guys who have so much influence on the residential real estate market? Their written reports and recommendations affect the buying and selling of millions of dollars worth of properties each year. But they are NOT state tested for knowledge, or licensed or regulated in any manner. Their reports and their opinions can and often do influence the decision making of buyers, lenders, appraisers, real estate agents, underwriters, contractors, and specialists of all kinds. Yet they are Not regulated in any manner.

Let me ask you a few questions: What is the purpose of a home inspection? What do you know about the background, experience and training of your favorite "home inspector?" Why should we care? As a Buyer's Agent, should we care who the buyer chooses to do a home inspection? As a Seller representative, should we question a home inspection report or depend upon the appraisers and lender to scrutinize these reports? Have you ever asked a home inspector to show you where his recommendations for repairs are supported by code or lender requirements?

Perhaps the most important question to ask a home inspector is: DO YOU HAVE ERRORS AND OMISSIONS INSURANCE? Could this be important information for a buyer, seller or real estate agent to know about? What if the home inspector makes a mistake? A few are trying to hold their liability to only the cost of the home inspection report. One home inspector said the reason he did not have E & O insurance was to avoid being sued. "That way they don't come after me." Gee. I wonder who a disgruntled buyer or seller will look to next?

Now don't get me wrong, and let me make it perfectly clear: I do believe that there is a vital place and purpose for home inspections within the scope of a real estate transaction. In fact I believe that almost every home inspector I have met tries his best to do a thorough and conscientious inspection.

After conducting an informal survey of home inspectors, the following observations were made:

1. *Every home inspector interviewed agreed that some*

*form of reasonable and reliable regulation for home inspectors is needed.*

2. *Only about half the home inspectors interviewed had Errors and Omission Insurance.*

3. *Three years was about the average time frame a home inspector has been in the business.*

4. *Most thought the American Society of Home Inspectors (ASHI) set the best standards and qualifications for a person to become a home inspector.*

5. *Most every home inspector had a construction, engineering or architectural background.*

6. *On average the home inspectors interviewed conducted between 125-175 home inspections a year.*

The demand for home inspections is ever increasing. Relocation companies are now requiring home inspections on the home purchase by transferee as a requirement for a "buy out" program when the employee is transferred again. Alaska Housing is planning to make home inspections "mandatory" for a buyer to sign. It makes buyers aware of the importance of a home inspection and asks them to indicate whether or not they will be obtaining a home inspection. Indeed, home inspections are becoming a normal routine for most residential transactions.

Let me suggest that all home inspectors organize themselves to become self-regulated. They should set the standards by which all home inspections are conducted and establish the qualifications to become a general home inspector in Alaska. They need to have continuing educational courses. They should have standardized written report forms. They need to have E & O Insurance. They should do this ASAP. And if they cannot organize themselves, then the Real Estate Commission, interested REALTOR® Boards, real estate agents, brokers, appraisers, home inspectors, banks and mortgage companies should create a task force to ask the State Legislature to regulate home inspectors.

In the meantime, what to do? Ask lots of questions -- E&O, background, experience, how report is structured, easy to understand, how long to receive, fees, liability, issues, etc. The Anchorage Board is looking for your input about this process. Please send your comments/recommendations: Fax - 563-8476.

## Home-inspection bill would help buyers



**CLAIR  
RAMSEY**

Home inspections have become an intricate part of the home-buying process. As the importance of home inspection has increased, so have concerns of regulating this relatively new profession in Alaska. Legislation sponsored by state Rep. Norm Rokeberg, R-Anchorage, has taken on the job.

Rokeberg's proposal — HB207 — calls for state oversight of home inspectors similar to that applied to real estate agents, with licensing, bonding and educational requirements.

With input of local inspectors and the rest of the real estate industry, I hope that this proposal will be the guideline to ensure professional inspections provide adequate consumer protection with a minimal amount of government regulation.

Home inspections have also become a focal point for changes to the Federal Housing Authority's appraisal process. Andrew Cuomo, federal secretary of Housing

Please see Page C-2, RAMSEY

ADN  
27 June 1999 C-1

## RAMSEY: Bill would help buyers

Continued from Page C-1

and Urban Development, recently announced an initiative to provide extra protection to the more than 1 million families that obtain FHA-insured loans each year. FHA-insured loans allow buyers who may not qualify under other financing programs to purchase a house using a minimal amount of money up front (a little more than 3 percent of the purchase price).

Key aspects of the Homebuyer Protection Initiative include: 1) Educating consumers about appraisals and inspections; 2) mandatory testing of appraisers to ensure quality appraisals, and 3) uncovering significant hidden defects in houses before purchase by providing a more comprehensive appraisal.

The reason for the change in focus is in response to major defects in houses being sold that are not detected before the sale. A new home buyer who barely qualifies for a loan typically lacks cash to make major repairs. As a result, some buyers defaulted on their mortgages, filed for bankruptcy or died.

The FHA's Homebuyer Protection Initiative encourages buyers to obtain a home inspection and not rely solely on the appraisal. The agency believes the home inspection is so important it even allows the

### *The Homebuyer Protection Initiative encourages buyers to obtain a home inspection.*

areas for deficiencies normally covered under a home inspection. Such areas include health and safety issues; electrical, heating and plumbing systems; the structural condition of the walls, ceilings and foundations, as well as other items.

To eliminate the liability inherent with working outside their area of expertise, one solution may be for appraisers to receive a copy of the home inspection before completing their appraisal. Because the inspection typically occurs before the appraisal, this is easy to do. If for any reason the appraisal is ordered first, the appraisers can complete the investigative work but hold back the appraisal until they can review the inspection report.

In an era of specialization, every aspect of buying a house needs to be dealt with by the proper professional. The lender provides the best financing to fit your needs, the appraiser determines value and the home inspector examines the property for soundness and safety. Doubling up on services is like asking the surgeon or anesthesiologist to do the other person's job.

But it wasn't enough not nearly in fact. The salmon catch. 1998 was an economic disaster for Bristol Bay fishermen, the average yearly income in a row.

	1998	1999	2000	2001	2002
1000	181218.648	181218.648	181218.648	181218.648	181218.648
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# Expert home inspections useful for buyer and seller



CLAIR  
RAMSEY

Previously I discussed licensing of home inspectors (June 27, Page C-1). This time, let's focus on the actual home inspection. After a buyer and seller sign a purchase agreement on a home defining price and terms, the home inspection occurs. By the time the inspection report and buyer's request for repairs is delivered to the seller, the home typically has been off the market for two weeks.

In many cases the results of the inspection report reopen negotiations between buyer and seller. Negotiating on repairs can delay closing, and it rarely is resolved to the seller's liking. The lender and/or appraiser also may require repairs of major items noted in the inspection before financing the home.

The home inspection report typically groups items between minor ongoing

maintenance and major repairs. Major repairs are of most concern to buyers and sellers alike. Major problem areas frequently include the roof, groundwater, furnaces and decks.

Let's start with the roof. What is the age and condition of the roof? Is the roof ventilated or non ventilated? Does the roof have an ice shield? If the roof is 2 to 3 years old, there should not be a problem. If the roof is 20 years old, per-

haps there are reasons for concern. Non ventilated roofs are subject to condensation problems not always visible on the home's interior. Ice shields help prevent infiltration of water when ice dams form in the winter months. Replacing or repairing a roof can be expensive.

Groundwater problems are a second

Please See Page C-5, RAMSEY

ADN 23 July 1999 p C-1

## RAMSEY: Inspections focus on repairs

Continued from Page C-1

area of concern. Is there evidence of water in the crawl space? How is water removed from the crawl space? Does your home have a sump pump? Does it pump into the city sewer — which is illegal — or to an outside drain? Does the ground outside slope away from the home, or toward it? Ground that slopes toward the house may send water into the crawl space or basement. The crawl space is an area where homeowners rarely look, unless a problem arises. Groundwater problems can also be expensive to repair.

The third problem area is the furnace. What is the condition of the furnace or forced-air heating systems? Does the furnace have a cracked heat exchanger? If it is 10 to 15 years old, it may have. This may necessitate a new furnace if the heat exchanger cannot be economically replaced.

As Anchorage ages, it becomes evident that many homes built in the late '70s and early '80s are not withstanding the test of time gracefully. Decks and bathrooms are typical areas of concern in older homes. Most decks were built with fir, and homeowners did not fully understand the upkeep required. Many of these decks are now rotting and require renovation or even complete replacement.

Bathrooms in older homes may also need

attention. Walls around tubs and showers may be showing evidence of deterioration as water penetrates through the grout between the tile to the sheet rock behind. Removing and replacing select tiles can be difficult, particularly when trying to match older ceramic tile. However, repairing either of these areas prior to putting your home on the market helps demonstrate that your property has been adequately maintained.

Before you sell your home, find out if you have a major problem. Don't worry about small items like ground fault circuit interrupter outlets (GFCIs), seismic straps or hot water tanks. Focus on the bigger-cost items. If you have any concerns about these types of problems, address them before going on the market. Have your real estate agent recommend an inspector to check specific areas of concern. If you wait, it will be harder to get the buyers to adjust the sales price or participate in repairs after they make an offer. Completing repairs first may allow you to recover some of the expense with an increase in the sales price.

Clair Ramsey, CRE, is a local associate broker specializing in residential real estate. His opinion column appears every fourth Sunday. His e-mail address is ramsey@alaska.net.

## INSPECT THE INSPECTOR: Choosing the Right One Can Help Avoid Costly Mistakes

by Karen Crawford, HouseMaster, 346-9190, hmalaska@pobox.alaska.net

Home buyer horror stories are plentiful: A new home owner finds the roof leaks during the first rain, the circuit breakers blow the first time everything gets plugged in, the furnace malfunctions during the first cold snap.

Buying a home is fraught with perils that are supposed to be eliminated with a professional home inspection. Unfortunately, such new homeowner nightmares can, and do, happen - even when a "professional" home inspector was called in to inspect the prospective home.

Many homebuyers think they are automatically protected against risk and liability when they order a home inspection. But home inspectors, unfortunately, are not all created equal.

There is so much riding on the inspection, yet many homebuyers don't know what qualifications they should be looking for in an inspection firm.

### Inspection Industry Unregulated

There is no "official" regulation of the home inspection industry with regard to training, experience or insurance coverage, so credentials and credibility vary widely. It's the "consumer beware" in this situation.

The home inspection industry grew out of a group of contractors, roofers and plumbers who supplemented their earnings during slow periods with inspections. These "independents" often did not have the complete knowledge of the total workings of a house and their findings were not always impartial.

Along with the boom real estate market in the 80s, the residential home inspection industry grew rapidly. Today, the consumer has the choice of hiring an independent inspector, who may or may not do it as a full-time profession, or go with an inspection company whose sole business is home inspections. These firms run the gamut from small "mom and pop" operations, to companies or franchise offices affiliated with a large national corporation. HouseMaster, with more than 230 offices across the U.S. and Canada, falls into the latter group.

### Insurance & Training of Great Importance

Because there is no federal, state or provincial regulation of the home inspection industry, consumers need to know what to look for when hiring an inspector. While everyone - trained or not - is capable of making a mistake, the outcome can vary greatly depending on several key factors. Carrying the necessary insurance - called "Errors and Omissions (E&O)" insurance - is one of these critical factors.

In the event your buyer must bring a lawsuit against an uninsured inspector, chances are he'll simply go out of business and they will never collect the money needed for repairs, even if you win your case in court.

For maximum benefit and liability protection for both buyers and sellers, HouseMaster advises that it is essential to hire a home inspection firm that employs inspectors with all of the following credentials:

- \* **Training and Technical Support:** training in all aspects of home inspection and ongoing support for questions and changes in residential construction techniques and systems.
- \* **Certification:** certification by a reputable training institute, which requires re-testing annually, such as The American Society of Home Inspectors (ASHI) or National Institute of Building Inspectors (NIBI).
- \* **Insurance:** insurance coverage, including general liability, worker's compensation and especially E & O insurance, which is like malpractice insurance
- \* **Written Guarantee:** a formal, written guarantee, which backs up the inspection findings.

If the inspector is missing any of these important credentials - particularly the E and O insurance - don't hire them. Even if they say they are certified, that does not guarantee that they have all the other credentials.

Large reputable companies have helped set many industry-accepted inspector requirements with their own stringent rules. HouseMaster, for example, requires all its franchise offices to carry Errors and Omissions insurance. It encourages all of its offices to have their inspectors trained and certified.

### Engineer Versus General Inspector

Many engineers have been drawn to the inspection field as their industries have changed and scaled down, such as the defense industry or the aerospace industry. Consequently, there has been some confusion about whether to hire an "engineer" or a "general inspector". But licensed engineers - even trained structural engineers - may not know a great deal about heating, plumbing, electrical systems or roofing. Hiring one for a home inspection is just like getting a heart specialist to do a general physical. Consumers should verify specifically what home inspection and experience training they have had in addition to their engineering background.

The biggest misconception is that structural problems can only be detected by a structural engineer. Properly trained inspectors are totally capable of detecting structural deficiencies.

In reality, the incidence of structural problems with resale homes is only around two percent, according to HouseMaster statistics. The highest incidence of problems, however, is with electrical wiring, water penetration, plumbing, heating and roofing, depending on the age of the home.

Is a structural engineer going to be able to find an electrical or heating system deficiency? These are serious and often expensive problems to be concerned with.

(Continued from Page 7)

According to Warren Boroson, co-author with HouseMaster chairman Kenneth Austin of "The Homebuyer's Inspection Guide" available in bookstores, most homebuyers seem more comfortable dealing with people who have extensive home inspection experience, rather than those who have only advanced degrees. For example, an engineer may have studied aeronautical or chemical engineering, both of which offer no practical expertise in the systems that make a house work.

It's really critical to find a home inspector who is knowledgeable about all the systems within a home, is trained to look for symptoms of problems and keeps up to date on equipment and repair techniques. In the small percentage of cases where a structural condition is detected during an inspection, we may recommend further evaluation by a licensed engineer.

Proper Insurance Coverage Key Factor in the Litigious '90s

Critical to the home inspection is that the inspection firm or inspector carries all the proper insurance coverage. This helps ensure that the buyer is not financially responsible if the inspector makes an error (E&O), falls off the roof (Worker's Comp) or damages the seller's property in some way (General Liability).

Errors and Omissions insurance in real estate is the equivalent of malpractice insurance. This is very difficult insurance for home inspectors to obtain. If your buyers find an inspector who does not carry this type of insurance, it is usually an indication that the inspector has had no formal training, or has a poor track record in the industry.

Because of the cost of E and O insurance and the difficulty in qualifying for it, a small percentage of independent inspectors will carry it.

General liability insurance and worker's compensation is also extremely important. Without such coverage, the homebuyer assumes a large degree of liability for the safety and well being of the inspector while in the employ of the homebuyer during the inspection.

Independent Vs. Large Inspection Firm

There are other advantages to hiring a home inspector who works for an established company. National companies have set requirements for hiring, training, professionalism and insurance coverage; they have credibility and experience; and they can offer special services and technical support to customers and inspectors.

It is also important to ask whether the inspection firm will stand behind its inspection with a formal, written guarantee. HouseMaster, for example, includes in the inspection fee, a complimentary 90-day guarantee on the inspection for most of the major elements in the home that it found to be satisfactory at the time of the inspection.

In addition, its technical information center is available for buyers who want to know more about how to maintain or repair equipment in their home.

Educating homebuyers about the operation and maintenance of their new home is one of our main objectives. We encourage buyers to

(Continued on Page 14)

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(Continued from Page 8)

come along on the inspection, ask questions and call our office afterwards. We also provide printed material and a free instructional videotape on home maintenance and repairs as part of our comprehensive inspection package.

When you consider the potential risk and liability involved with the purchase or sale of a home, it pays to shop for the best - not the cheapest - inspection service available in your area.

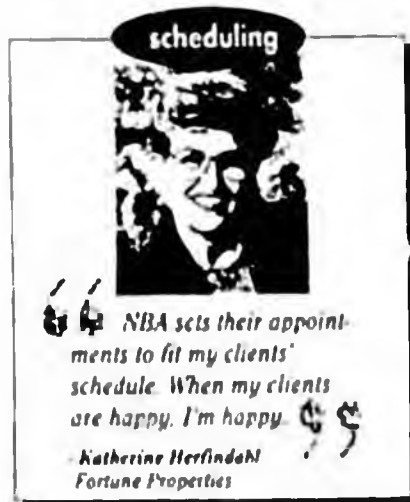
**The Six Most Important Questions to Ask When Hiring A Home Inspector**

1. Is home inspection your only business?  
Make certain it is, in order to avoid any potential conflicts of interest. Many independent inspectors do it on a part-time basis to supplement their real businesses as contractors, roofers, etc., and their report findings might be suspect.
2. Do you carry all the necessary insurance, including professional liability (E&O), general liability and worker's compensation?  
E&O is the number one priority, says Warren Boroson, co-author of "The Homebuyer's Inspection Guide." This malpractice-type insurance protects the inspector (and indirectly the homebuyer and those referring the inspector) against post-inspection legal problems. General liability covers personal liability not covered by the basic E&O policy and worker's compensation covers the safety of the inspector during the inspection.

3. Does the home inspection firm offer a written guarantee on the inspection?  
It's best to hire an inspection company that offers a formal, written guarantee along with the inspection, although not many do.
4. How long does the inspection take and can the homebuyer accompany the inspector?  
Yes, they should. A professional inspection of the average house takes about two hours. Be skeptical of home inspectors who don't want you to tag along. Inspectors who invite the homebuyer along will often offer valuable maintenance tips.
5. What type of a report will they buyer receive and when will they receive it?  
There are various types of reports given by professional inspectors, including typed narrative (sent to the homebuyer within a week), and on-the-spot written reports for those who need or want the information as soon as possible. Don't accept a verbal report without a written backup, since you will have no record of the inspector's findings for future referral.
6. Is the inspector trained or certified in home inspection by a recognizable organization, such as the American Society of Home Inspector's (ASHI)?  
With no official government regulation of the home inspection industry required in Alaska, certification by ASHI ensures that the inspector meets strict guidelines set forth by one of the largest and most reputable home inspection organizations.

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**PUBLICATION OF THE ANCHORAGE BOARD OF REALTORS**

November  
1999

## Anxiety Continues Over FHA Appraisal Reform



Judy Kemplen, President  
Alaska Mortgage  
Bankers Association  
SVP, National Bank of Alaska

On August 1, 1999, the HUD "Homebuyer Protection Plan", a major reform of the FHA appraisal process, went into effect. According to HUD, the goal of the plan is to ensure that appraisers identify observable defects that could undermine the safety, marketability or security of the property. Secretary Cuomo initiated the plan after widespread publicity about FHA borrowers buying homes with serious property defects.

On August 20, 1999, Anchorage appraisers met with Realtors, lenders and the local HUD office to discuss concerns over the new appraisal process contained in a revised HUD Handbook. It appeared to those who reviewed the revised Handbook that FHA wanted appraisers to perform the work of home inspectors or engineers. In addition, appraisers were now subject to severe sanctions for non-compliance with the Handbook. After that meeting, finding an appraiser to accept an FHA assignment was about as difficult as finding an Alaskan voting "yes" on the Advisory Vote.

For the next thirty days, the leadership of the Anchorage Board of Realtors, Alaska Mortgage Bankers Association, and Anchorage Appraisal Institute worked with Senator Stevens office to obtain revisions to the HUD handbook.

That work culminated in a nationally distributed letter to Senator Stevens from FHA Commissioner William C. Apgar. In summary, the letter states:

- \* HUD will not enforce sanctions against appraisers until March 1, 2000.
- \* FHA is not asking appraisers to perform home inspections.
- \* FHA will allow an FHA-insured loan to close on a snow-covered roof home.

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## Round One of the FHA Appraisal Reform Battle is now over with Alaskans claiming a victory;

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Round One of the FHA Appraisal Reform Battle is now over with Alaskans claiming a victory; however, there is still much work to be done. Today's FHA appraisals are more expensive not only because appraisers are charging more, but often an appraiser must require additional inspections from others to meet FHA requirements. Alaska is not the only state to experience an increase in costs. Lenders around the country are seeing higher FHA appraisal charges; some appraisers are refusing to do FHA appraisals. Appraiser Boards in several states have issued warnings to their appraisers to exercise caution when completing an FHA appraisal assignment.

(Continued from Page 1)

In November, FHA will issue a revision to their appraisal Handbook. We are hopeful that this revision will contain meaningful changes that will restore affordability to an FHA loan. Approximately half of the loans originated in Alaska have FHA insurance. Our delinquency rate for FHA loans is 5.41% compared to the national average at 7.74%; the percentage of loans in foreclosure is .5% (national, 2.42%). Alaska's performance on FHA loans exceeds the national average considerably. Commissioner Apgar was quoted in the National Mortgage News on September 13, 1999, that "if fewer [FHA] loans are made, so be it -- as long as they are the right fewer loans". Commissioner Apgar may be willing to accept fewer FHA loans; however, the Alaskan real estate community is not. We understand the crucial role FHA plays in getting Alaskans into homes and we will continue to advocate for reasonable appraisal requirements that do not constitute yet another barrier to home ownership.

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The following people have made application for membership to the Anchorage Board of REALTORS®. If a member objects to any of these applicants becoming a member of the board, such objection must be stated in writing and submitted to the board within 10 days of receiving this publication.

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January 16, 2001

JAN 16 2001

Representative Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 27 - Relating to the licensing of home inspections

Dear Representative Rokeberg,

The Alaska Association of REALTORS with over 1,100 members statewide supports House Bill 27 relating to the licensing of home inspectors.

We agree that there should be some minimum standards set forth in this bill to protect the consumer. Minimum standards should include but are not limited to testing, insurance, education and the forming of a home inspector bill.

The Association encourages the passage of HB 27 during the first session. We continue to be available as a resource to pass this bill. Please feel free to contact the Association at (907) 563-7133.

Sincerely,

Bill Brady, CRS, GRJ  
President





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Suite #100  
Anchorage, Alaska 99503  
(907) 561-2338  
(907) 563-8476 Fax

January 16, 2001

**JAN 16 2001**

Representative Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 27 – Relating to the licensing of home inspections

Dear Representative Rokeberg,

The Anchorage Board of REALTORS with over 600 members statewide supports House Bill 27 relating to the licensing of home inspectors.

The Anchorage Board is in agreement with the Alaska Association that there should be minimum standards set forth for home inspectors to protect the consumer.

The Board encourages the passage of HB 27.

Sincerely,

Gary Gearhart  
President



**LESSMEIER & WINTERS**

LAWYERS - LLC

MICHAEL L. LESSMEIER  
GREGORY W. LESSMEIER  
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JUNEAU, ALASKA 99801-1186

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February 2, 2001

Representative Norman Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

FEB 02 2001

Re: CSHB 27

Dear Representative Rokeberg:

I am writing to you on behalf of State Farm Insurance Companies. State Farm insures roughly 75,000 homes in Alaska. Creating a board of home inspectors and requiring licensure, registration and oversight of home inspectors will in a variety of ways only benefit home owners, prospective home purchasers, qualified home inspectors and the public in general. State Farm supports CSHB 27 and encourages its passage.

Sincerely,

LESSMEIER & WINTERS

By:   
Sheldon E. Winters

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 28, 2001

FURTHER REFERRALS:

Date of Committee Action: 3/28/02

The FINANCE Committee considered:

HB 27

HOUSE BILL NO. 27

LICENSE HOME INSPECTORS

"An Act relating to the licensure and registration of individuals who perform home inspections; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors; and providing for an effective date."

Recommends it be replaced with CS AB 27 (FIN)  Same Title  New Title  
 For Senate Bills with new title:  Technical Title  New Title: HCR

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev. For Depts.:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LAA  
 LAW  
 LWF  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

NEW FISCAL NOTES				
*For Chief Clerk's Office Use Only				
FN#	List by Dept(s):	Fiscal	Indet.	Zero
	CED	✓		
	REV			✓

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN #	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
<i>O. Bunde</i>	Bunde			✓	
<i>J. Harris</i>	HARRIS	✓			
<i>Chris Croft</i>	CROFT			✓	
<i>Ch. Davies</i>	DAVIES	X			
<i>Christopher Lancaster</i>	Lancaster	✓			
<i>Bill Hudson</i>	Hudson			✓	
Chair:					
Chair: <i>W. E. Williams</i>	Williams	✓			

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 27 (FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title An Act relating to the licensure and BRU: Occupational Licensing (117)  
registration of individuals who perform home inspections Component Occupational Licensing  
Sponsor Representative Rokeberg  
Requester House Finance Component No. 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	51.5	51.5	51.5	51.5	51.5	51.5
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	6.0	6.0	6.0	6.0	6.0	6.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>64.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1156)</b>	<b>123.0</b>	<b>0.0</b>	<b>117.0</b>	<b>0.0</b>	<b>117.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other-1156 Receipt Supported Services	64.5	58.5	58.5	58.5	58.5	58.5
<b>TOTAL</b>	<b>64.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>	<b>58.5</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time	2	2	2	2	2	2
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The revenue collection shown every other year is the result of the biennial licensing cycle. An explanation of the costs shown above is on page 2.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
Division: Occupational Licensing Date/Time 3/27/02 3:30 PM  
Approved by: Deborah B. Sedwick, Commissioner Date 3/27/2002  
Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. CSHB 27 (FIN)

ANALYSIS CONTINUATION

CSHB 27 (FIN): An Act relating to the licensure and registration of individuals who perform home inspections;....

Page 2 of 2

Total PERSONAL SERVICES: \$51.5

- Occupational Licensing Examiner I position, PPT, Range 12, \$20.7
- 1/2 Investigator III position, Range 18A, \$30.8

Total TRAVEL: \$0.0

Total CONTRACTUAL SERVICES: \$6.0

- 30 hours of AG legal time for regulations and license appeals, \$3.0
  - Printing, postage, communication, and advertising costs, \$3.0
- The contractual services total does not include any expenditures for purchase of a license examination. This fiscal note assumes applicants will pay the testing service directly for the examination.

Total SUPPLIES: \$1.0

To fund daily operating supplies of the program.

Total EQUIPMENT (one-time costs): \$6.0

Office equipment and workstation set-up for the support position.

TOTAL FISCAL NOTE: \$64.5

REVENUE & FUND SOURCE: Revenue will be generated by specialty contractor licensing fees sufficient to cover direct and indirect program costs.

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB27(FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept Affected: \_\_\_\_\_ Revenue \_\_\_\_\_  
Title License Home Inspectors BRU AHFC  
Component AHFC  
Sponsor Representative Rokeberg  
Requester House Finance Committee Component No. 110

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

AS 18.56.300 is amended to establish state-licensed home inspectors for the approval of homes for mortgage purchases by AHFC. The current construction standard is approved by the International Conference of Building Officials (ICBO).

Costs would relate to education regarding the changes to the home inspection process. For example, homebuyers, realtors, homebuilders and mortgage lenders will need to know of the new requirements to ensure minimal disruptions in closing home mortgage transactions. These activities can be adequately covered with annual budget authorizations.

AHFC is given a non-voting, ex-officio board seat until July 1, 2005, and is directed to pay its own expenses for this privilege. Participation was requested by AHFC in order to assist in the transition from ICBO inspections to state-licensed inspections, as well as advocate for the establishment of construction standards consistent with financing and bonding requirements. Assuming there will be less than three meetings per year, AHFC can adequately cover these costs with regular annual budget authorizations.

Prepared by: John Bitney, Legislative Liaison  
Division: Alaska Housing Finance Corp  
Approved by: Larry Persily, Deputy Commissioner  
Agency: Alaska Department of Revenue

Phone: 330-8445  
Date/Time: 3/26/02 6:31 PM  
Date: 3/26/2002