

# MICROFILM DIVIDER

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ROLL NUMBER

DESCRIPTION

1473

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Salvatore Riccardi  
Operator's Signature

10/6/03  
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1473

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La Costa Richard  
Operator's Signature

10/6/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1473

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date February 3, 2003

Tape Number	Side A	Side B	Meter #
3		X	3379-end
4	X		0-3347
Committee Clerk Signature <i>Elizabeth R. Green</i>			

Minutes: Chair Keiser opened hearing on HB 1473

Rep. Potter: Described bill and why this is important as a Realtor. Handed out a sheet from HUD.

Rep. Klein: Where did the liability figures come from on page 3? Researchers. 24 or 25 states have something like this. The inspectors could answer better.

Rep. Keiser: How many inspectors do we have in ND? Rep. Potter deferred to the inspectors.

Bob Kramer (Home Sweet Home Inspections, GF): Supports with written testimony.

Rep. Klein: Describe the requirements to be an inspector. Kramer said there are numerous courses of study, some by correspondence. Rep. Klein asked if you need a certain number of hours. Kramer said no, but they went off of the National Association of Home Inspectors and their standards and practices for regulating. This parallels other states. Rep. Klein commented on that being part of the rules and not in the bill. Kramer said this represents the framework.

The Board would establish the nuts and bolts.

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House Industry, Business and Labor Committee

Bill/Resolution Number 1473

Hearing Date February 3, 2003

**Rep. Ekstrom** asked if anyone can be an inspector. Kramer said yes. When asked what the background of a typical inspector is, he said engineers, construction, and others. He was a fire inspector, but does not want to speak for all inspectors.

**Rep. Froseth:** Do lending institutions require inspectors? Is that not what appraisers do? Kramer said that not all of them do. Some inspect for insurance purposes. Appraisers give values of the property. Inspectors look at the foundation, landscaping, and the structure itself.

**Rep. Klein:** What do you charge, typically? Kramer said he charges around \$250-\$300.

Nationwide it varies. Some charge a flat rate, some go on square footage.

**Rep. Klein** asked if they collaborate with electricians or do they do the inspecting on their own.

Kramer cautioned that they are not code inspectors. That is why all should have training. If they do have questions, they will call on an electrician.

**Rep. Kasper:** Do you have rules or guidelines from the National Assoc. that would be a guideline? Kramer said that he does not have that today, but they do have a code of ethics and guidelines.

**Rep. Johnson:** Asked who gets the report. Kramer said the report goes to the client, not necessarily the owner. The client can ask for it to be released. If it is a matter of safety, then yes, they tell the owner.

**Rep. Severson:** Have you talked to the Boards to see if any of them would allow the Home Inspectors to be part of their boards? Kramer said he talked to a few, but has not heard back.

**Rep. Keiser** asked how many inspectors are in ND. Kramer said between 20-24 that they know of. They had to go from the phone book. Keiser then asked why they are limiting liability in this bill since it is not something the legislature does. Kramer said the client can still pursue

Page 3  
House Industry, Business and Labor Committee  
Bill/Resolution Number 1473  
Hearing Date February 3, 2003

litigation, but the inspectors are not warranty inspectors. Rep. Keiser then asked how many complaints they get a year. Kramer gave a personal story of how he had to litigate. Hopes the complaints do not exist and that this would weed out the unqualified. Kramer feels this bill would show that consumers are getting a certain minimum quality of an inspector.

**Rep. Keiser** wanted clarification on the exceptions on page 2, lines 26 & 27. Rep. Keiser feels that the current language says engineers, electricians, and other licensed professionals are exempted because of their license. Kramer said he would look at the language because that is not the intent.

**Duane Luther (Preferred Home Inspection, Casselton):** Supports with written testimony.

**Rep. Ekstrom:** Do you do radon testing? Luther said that most do. They offer the service if people ask for it.

**Rep. Klein:** Asked Luther for a his background. Luther went to the Home Inspection Institute in Sioux Falls, SD, which was 40 hours of classroom and practical application. He started inspecting May 1, 2002. He has done 12-15 inspections. Feels licensing would encourage continuing education of inspectors too.

**Rep. Thorpe:** How do you determine the fee? Luther said he called local inspectors and ran a cost analysis with his liability insurance.

**Rep. Kasper:** What percentage of home transactions use inspectors? Luther said he was guessing, but perhaps 20%. His reports are about 12-15 pages.

**Rep. Zaiser:** What portion of the 20% is done by contractors or engineers? Not sure

**Claus Lembke (ND Assoc. of Realtors):** Supports the bill because it would create a standard.

Realtors could offer an inspector to the client. Bill also allows for flexibility with rules and

Sal Costa Rickford  
Operator's Signature

10/6/03  
Date

Page 4

House Industry, Business and Labor Committee

Bill/Resolution Number 1473

Hearing Date February 3, 2003

regulations. Feels the make-up of the board should include Realtors, engineers, and other home professionals to give a broader perspective. However, there are logistic problems since the board will need money and staff. The Appraisal Board would look at staffing it, but not at being the actual board. There will be advertising fees, legal fees, and more. The cost will be over \$10,000. The average complaint, even if it is dismissed, is \$800. Lembke said he would like to work with the inspectors to get a better bill for the next session that would work out the logistics.

**Rep. Kelser:** How many complaints are from those who get inspected? Lembke says he does not see many. Inspectors themselves usually handle it right away.

**Mike Donahue:** His son is an inspector and is appearing on behalf of his son, who supports the bill. His main concern is that the customer is confident in what he or she is getting.

**Rep. Kelser** asked if his son is a member of a national association. Donahue said he is, but is not sure which one.

**Dean Foell (Tri-State Inspection Service):** Opposes. Would rather wait so that it is not a working bill. Wait for next session and get a good, solid bill.

**Mike Schneider (NDSPE & NDCEC):** Expresses concern with written testimony.

**Gary Arman (Engineer):** Concerned about overlapping with engineers. In this bill, it seems that without a license, you can't inspect.

**Chair Kelser:** Closed hearing on HB 1473

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1473

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date February 10, 2003

Tape Number	Side A	Side B	Meter #
1		X	4640-4900

Committee Clerk Signature

*Elizabeth R. Grier*

Minutes: **Chair Keiser:** Opened discussion on 1473.

Rep. Klein moved DNP. Second by Rep. Severson.

**Rep. Zaiser:** The credentials for a home inspector are "mushy."

**Rep. Ekstrom:** Would support if they come back next session with a proposal to be under another board.

**Rep. Nottestad:** The group has now looked at what they are asking for and perhaps they can come with a solid proposal next session.

**Vote:** 13 Yes 1 No 0 Absent and not voting

*La Costa Richard*  
Operator's Signature

10/6/03  
Date

IF

**FISCAL NOTE**  
Requested by Legislative Council  
01/21/2003

Bill/Resolution No.: HB 1473

**1A. State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$5,000	\$0	\$5,000	\$5,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

**1B. County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**2. Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

**3. State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

**A. Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

**B. Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

A staff person in the Governor's Office would have to be assigned to establish the new board of home inspectors. The estimated costs include administrative salary, advertising costs for announcing the board and membership openings, possible travel costs for interviews, and costs related to a selection team.

**C. Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

The Governor's Office is limited in staff and financial resources so new responsibilities required an additional appropriation of general fund dollars.

Name:	Sandy Paulson	Agency:	Governor's Office by OMB
Phone Number:	328-2148	Date Prepared:	01/27/2003

*LaCesta Rickford*  
Operator's Signature

*10/16/03*  
Date



Date: 2/10/03  
Roll Call Vote #: /

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1473

House INDUSTRY BUSINESS & LABOR Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DNP

Motion Made By Klein Seconded By Severson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Boe	✓	
Vice-Chair Severson	✓		Ekstrom		✓
Dosch	✓		Thorpe	✓	
Froseth	✓		Zaiser	✓	
Johnson	✓				
Kasper	✓				
Klein	✓				
Nottestad	✓				
Ruby	✓				
Tieman	✓				

Total (Yes) 13 No 1

Absent \_\_\_\_\_

Floor Assignment Kasper

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 10, 2003 11:09 a.m.

Module No: HR-25-2098  
Carrier: Kasper  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
**HB 1473: Industry, Business and Labor Committee (Rep. Kelsor, Chairman)**  
recommends **DO NOT PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING).  
HB 1473 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-25-2098

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*Richard Costa*  
Operator's Signature

*10/16/03*  
Date

2003 TESTIMONY

HB 1473

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Yolanda Richardson  
Operator's Signature

10/16/03  
Date

A letter from Rick Parsons, Home Inspector, NorthStar Works LLC.

to: Dean Foell, Home Inspector, Tri-State Inspection Service

Dean,

I will address this to you, but you can spread it around. According to Mr. Kramer we are the only two inspectors out of the group that oppose the bill. Of this group, one of the inspectors listed is from Minnesota. If you and I oppose it, you now have a supporting group of ten people. So what we are proposing is to pass a bill that at best represents ten inspectors interests? How is this economically feasible? Mr. Kramer has stated that he has tried to involve other inspectors from the western side of our state. I do not doubt his alleged sincerity, but keep in mind how we found out about this bill and the subsequent "meeting". Of these ten, or twelve inspectors we are going to have a board consisting of three inspectors. This seems a little lopsided. Twenty five percent of "us" would be appointed to a board (the requirements have never been spelled out) to oversee the rest of North Dakota's inspector population. So far this doesn't make sense to me.

The other problems stem from my personal fear of some sort of hidden agenda I have sensed from the home inspector who co-wrote this bill. I have asked him if he would disqualify himself from nomination to any state approved board and he will not answer. In a subsequent face to face talk that lasted 3 hours he expressed his dissatisfaction with realtors, the fact that we depend on them for work, and how we lack credibility. I disagree of course. In my three years of inspecting in the upper valley region I have had no problems that he has mentioned. Any unscrupulous agents, and or sellers have been dealt with honestly, and reasonably. I didn't need a board to tell me right from wrong. Credibility comes with the quality of work you perform. I have a good reputation in my area. This reputation has allowed me until this year to forgo advertising, and work by referral only. The claim of consumer protection is a little weak in the knees as well. Six months is less than a realtor can be held responsible. Anyone knows that no matter what you put in place, if negligence can be proven, you will be held liable. The bottom line is that I oppose the bill because it is too narrow in scope. Lacks clear requirements to become a board member. Has too large a board (of inspector members vs. population). It does not spell out a funding source. It says that unlicensed inspectors will be guilty of a class "B" misdemeanor, but not how it will be enforced.

I feel this is being rushed into place without a statewide consensus, or input. I am not sure of the legalities on that issue, but I know that over all it just doesn't add up. I heard a lot of realtor bashing at the Fargo meeting I didn't approve of. If we are going to become attached to them (also not addressed into the bill) what kind of relationship will develop? I also was told that the inspectors who did not do a large volume of business would be accorded affordable licensing. How can that be? Will we break it down like a contractors license? Different classes for the value of work you do? If so will we limit you to the type, style, and square footage of house you can inspect according to your license? They also complained about competition, and the need to eliminate it. If you are not legitimate, you will not last. I do hold my reservations about price controlling, (inspection prices were another volatile subject) and taking away my right to compete. If that happens, I will do inspections for free. I feel that strongly about this.

Last but not least, the board will decide on primary education, continuing, and affiliate recognition. Of the inspectors present at the Fargo meeting, four of us that I know of took the time and invested the money to attend schools in house. This shows how much you

care about the craft, and represents the attitude that nothing is learned unless it is hands on. I don't have much of a problem if an inspector has a construction trade or engineering background, but the majority do not. They learned it via correspondence without the benefit of experienced inspectors who walked the walk, and talked the talk. This is not a career that is subject to interpretation.

This is a bill that should be a model. As it stands now it is a stop gap measure being rushed into place, that in two years time will not resemble what it started out as. I support registration, pure and simple. We could be attached to the realtors board, pay a fifty dollar a year fee after showing proof of national affiliation (that proves that you passed a test somewhere!), and proof of insurance. That will eliminate any fly by nights. All complaints could be forwarded to the realtors board (this could be a state or local function) which in turn could issue the usual warnings in any style of legalese they see fit. Continuing ed could be handled at the local level, or if we organize into a local union we just show proof based on a book study program, or trade representative instructional meetings. We do not need to over complicate this. Based over all on the amount of complaints that have come in state wide against home inspectors, what is this all about? I haven't heard a thing in three years. Because if a problem occurs it is handled by the inspectors promptly. Have we had a large amount of complaints from unprotected consumers about unqualified, or incompetent inspectors? I haven't. I love this state, and have been a resident since 1984. I think that this is the best state in the union to start up a small business in. I also have bragged to non state residents that we have more than our share of common sense. We need a good dose of it now.

We need to step back, take a breath, and wipe the chalk board clean, while getting the whole classes attention so we can create a product that is fair, balanced, and most of all, not a financial burden to this state.

Rick Parsons, NorthStar Works LLC, ND Contractors License # 29980, National Association of Certified Home Inspectors #NACHI02101101 (ND Chapter President), Graduate of American Home Inspectors Training Institute Master Inspector course (in house), Waukesha, WI.

Richard Parsons  
Operator's Signature

10/16/03  
Date

February 3, 2003

Chairman Kaiser and members of the Industry, Businesses & Labor Committee: For the record, I am Duane Luther, president of Preferred Home Inspection from Casselton, North Dakota. I am speaking in support of HB 1473 which seeks to License Home Inspectors in North Dakota.

A Home Inspection consists of a thorough inspection of a property's Assets and Defects by a qualified Home Inspector. The main checkpoints are: the structure, the foundation, electrical and plumbing along with many other numerous checks. This is done prior to the customer's purchase of a real estate property.

A complete comprehensive report is then prepared and given to the customer as a reference to the condition of the property. The report states what, if any, is needed to bring a house up to an acceptable and safe home to live in; it also highlights the positive points of a sale property.

This safeguards the consumer from expensive unknown repairs not seen by the untrained eye and allows for no 'surprises' to the purchaser or the lending institutions.

Currently, the Home Inspection Service is *not* licensed and *does not* have educational requirements in the State of North Dakota. They follow no Standards of Practice. They follow no Code of Ethics.

With that in mind, HB 1473 is designed to require Licensing of each Home Inspector in North Dakota. We believe Licensing enforcements are the only protection the average citizen has against fraudulent or inept practice. Home Inspection is a profession and must be treated as such. Consequently, 25 states nationwide now have Home Inspection Licensing.

Thank you. I encourage your endorsement of this bill.

Duane Luther  
Preferred Home Inspection, LLC

## Tri-State Inspection Service

1109 71<sup>st</sup> Ave South  
Fargo, ND. 58104

Phone 701-297-0254    [foelld@cableone.net](mailto:foelld@cableone.net)

February 3, 2003

I have the following areas concerns dealing with Bill 1473.

1. We had a meeting that was set up to discuss the Bill. Come to find out at the meeting that the Bill was already at the Capitol. This gave me the impression that we really didn't have a say in what was going to happen. Later I find out the Bill was rushed to the Capitol to beat a deadline. While I do support a type on license or better yet a type of registration of Home Inspectors, I do not support pushing a poorly organized Bill through and wasting countless hours trying correct it later. As Home Inspectors we should have taken the time to organize, educate ourselves, and do the leg work required to submit a Bill that would address all our needs and our customers.
2. It was explained to me that this Bill is needed to bring credibility to our profession. I have credibility in my profession. I have been inspecting houses in Fargo for 3 years. Any problems I have are handled directly by me. I know and common sense tells me, if it isn't handled properly I suffer. I see action as a way to drive out any up and coming competition and allow those who are doing marginal work to ride on my coat tails.
3. One item on the Bill that was never discussed was the requirements of a Board Member. All it says is they do not have to be licensed. I ask why not? There needs to be strict requirements for all Board Members. Here are my recommendations.
  - Required to complete in residence Home Inspector training or have 4 years full time inspector experience.
  - Required to complete a Home Inspectors sales and marketing course.
  - As a board member you must be a full time inspector.I suggest these as minimum requirements. I would not want anyone with less experience then myself to be directing my occupation.
4. I have concerns about the cost of the Bill; the need to align with another established organization. Our numbers are less then 50 people. It will be very expensive to accomplish all the required legal cost, advertising costs, and additional expenses. There wasn't any homework done before the Bill was presented addressing these costs. I am at the understanding that this Bill is already dead due to the cost and the lack of funds.
5. I recommend this Bill be killed. I understanding that we cannot submit another Bill for 2 more years. This will be perfect. That gives us the time to do the required homework and submit a Bill that will be supportive of Home Inspectors and our customers.

Thank You  
Dean Foell

La Costa Richard  
Operator's Signature

10/6/03  
Date

To: Representative Weezie Potter

6 January 2003

From: Robert Kramer, Home Inspector

Subject: State Regulation and Legislation of the Home Inspection Profession

It is the opinion and position of the National Association of Home Inspectors, the American Association of Home Inspectors and numerous home inspectors from our fine state, that the home inspection industry is in need of regulation. The regulation will allow for home inspectors to provide a professional, minimal standard of practice to the home buying consumer. Presently, home inspectors in our state are not required to attain or maintain any level of competency, before or during their tenure as a home inspector. They are not required to attain, or provide proof of, Omissions and Errors (O&E) insurance which protects both the client and the home inspector in the event of litigation after the inspection.

Congressman Douglas Bereuter (R-NE), a key member of the Financial Services Committee and the Subcommittee on Housing, requested the Government Accounting Office (GAO) to study the impact of home inspections in regards to federal loan programs. The concern being the vulnerability of the home buyers and how that can be reduced through professional home inspections.

Professional home inspections help alleviate apprehensions on the part of the home buyer and give lending institutions and insurance companies a more accurate, unbiased assessment of the condition of the property. With the average cost of a new home in the year 2000 being \$206,400 and the average cost of an existing home in 2000 being \$176,200<sup>(1)</sup>, it is very reassuring to the consumer and institutions to know that the sale is being based upon accurate information pertaining to the condition of the property.

As of the year 2000, 14% of American families have "critical housing needs", meaning they spend more than half of their income on housing or live in seriously substandard conditions<sup>(2)</sup>. In 1995, home equity accounted for 44.4% of the typical household's total net worth. This percentage far outweighs any other investment by the typical home owner<sup>(3)</sup>. With so much of a families income going towards housing needs and home ownership normally being the biggest investment a consumer will make, it makes sense they should make an informed decision on their investment. That can be accomplished through a professional home inspection.



By providing state regulation over the home inspection profession, a Code of Ethics and Standards of Practice can be implemented to assure the consumer they can expect a minimum standard from an inspector, regardless of who the inspector works for. Licensing or registering inspectors will provide the consumer with an identifiable element to prove the inspector is legitimate and meets the minimum state standard. Most professional home inspectors exceed any minimum level of requirements.

As home inspectors, we are interested in ensuring the home inspection profession is indeed, professional. Having standards and ethics as guidelines establishes the minimum bar an inspector will have to meet for their client. An inspector that maintains O&E insurance has taken that extra step to protect not only themselves but the client as well. Twenty-five states currently have legislation in affect governing home inspectors, a number of other states have legislation in the works<sup>(2)</sup>. A number of loan institutions and insurance companies, as well as some federal loan programs, require home inspections during the real estate transaction process. The need for home inspections is becoming quite clear to the many individuals and institutions involved in the process of property sales. It allows the buyer to enter into the transaction with a thorough knowledge of the property they are about to commit to and invest in. Since some home buyers are required to have an inspection, it would be advantageous to them to have the profession regulated by our state to ensure they are getting a minimum standard for their money.

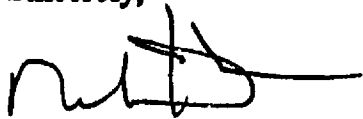
I, and my fellow inspectors, request that our state provide for provisions to regulate the home inspection profession. The following issues are consistent with the general licensing content of other state regulated home inspection programs. We suggest that, as a minimum, the following issues be implemented:

1. Licensing of each home inspector in the state (attained through predetermined education, experience and testing)
2. Omissions and Errors insurance coverage for each home inspector or inspection business
3. Provide a Code of Ethics and Standards of Practice for inspectors to abide by
4. Continuing education requirements for inspectors each year
5. Oversight of home inspectors should fall under a construction or building entity or codes and inspections entity (governance by an entity associated with Realty is not feasible, that would provide a potential conflict of interest and control by an authority home inspectors need to be separate from due to the nature of home inspections)
6. A disclaimer or waiver provided by the Realtor, lending institution or insurance company to the buyer, whereby the buyer, if their election is such, will commit in writing that they were advised of the home inspection option and elected not to retain a home inspector
7. An apprenticeship type program for aspiring home inspectors
8. Punitive measures for failure to comply with state requirements
9. Provisions for reciprocity with neighboring states

There are many details that need to be worked out for this proposal. Many of those details have already been addressed among inspectors and ideas have been presented. The research we conducted to this point has included extensive review of licensing programs from other states. We have reviewed state legislative home inspection committee meeting minutes to help us foresee some of the issues confronted by this process. I am committed, with the help of fellow inspectors, to help mold the provisions of a bill and legislation that would suit our state best. If there is any way I can be of further assistance please contact me at 701-775-4917, or e-mail at hshinspections@hotmail.com. Knowledge is power.

Thank you for your time and consideration.

Sincerely,



Robert Kramer

### References

- 1.....*Housing Facts, Figures and Trends, National Association of Home Builders*, National Association of Home Builders, June 2001, page 11.
- 2.....*Housing Facts, Figures and Trends, National Association of Home Builders*, National Association of Home Builders, June 2001, page 33.
- 3.....*Housing Facts, Figures and Trends, National Association of Home Builders*, National Association of Home Builders, June 2001, page 32
- 4.....*American Society of Home Inspectors Position Statement on Regulation of Home Inspectors*, American Society of Home Inspectors, July 2002, page 22.

I am Robert Kramer from Grand Forks and I support this bill because it will provide the consumer with a professional, minimum standard of care, to expect during a home inspection. Of the many provisions in the bill, it also allows for a "Code of Ethics" and "Standards of Practice" to be created that provides minimum guidelines for inspectors to follow.

Home inspections are a consumer protection function performed during a real estate transaction. Presently there are no requirements for home inspectors in our state. Consequently anyone that wants to advertise as a home inspector, can. Home inspectors are not required to meet any level of competency, maintain insurance, adhere to a "Code of Ethics" or provide a minimum inspection standard. The consumer has no idea what to expect when shopping for an inspector. Some inspectors advertise they are licensed, licensed in what? North Dakota has no licensing program for inspectors. Some inspectors advertise they are insured, insured for what? Is it E&O insurance or contractor liability insurance? These inspectors are obviously acknowledging the benefits of certain credentials that licensing would address.

One provision of the Code of Ethics ensures the home inspector does not present a conflict of interest by generating business for himself or any other business they are related to, to perform repairs on issues found during an inspection. A Code of Ethics ensures inspectors represent their client exclusively. Twenty-five states currently regulate the home inspection profession.

Professional home inspections alleviate apprehensions on the part of the home buyer. The inspection process gives home buyers, lending institutions and insurance companies a more accurate, unbiased assessment of the condition of the property. The home

inspection process is a visual, non-intrusive inspection of a property, designed to detect details that will help the buyer make an informed purchase decision.

The contents of this bill will also eliminate the occasional fly by night inspector that tarnishes the integrity of the home inspection profession. That type of inspector leaves a negative impression with the general public and with other professional entities in the real estate industry that we, professional inspectors, have to contend with continuously. The fly by night inspector is to the home inspection profession, what the traveling medicine man or snake oil salesman was to the medical profession in years gone by. They come and go based on their lack of good business, but they leave a very bad legacy for the profession and industry to have to clean up.

To be a home inspector in North Dakota, by this bill, an inspector will have to take home inspections seriously and provide professional, quality service to the public.

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La Costa Rickford  
Operator's Signature

10/16/03  
Date

## For Your Protection: Get a Home Inspection

Name of Buyer \_\_\_\_\_

Property Address \_\_\_\_\_

### What the FHA Does for Buyers... and What We Don't Do

**What we do:** FHA helps people become homeowners by insuring mortgages for lenders. This allows lenders to offer mortgages to first-time buyers and others who may not qualify for conventional loans. Because the FHA insures the loan for the lender, the buyer pays only a very low down-payment.

**What we don't do:** FHA does not guarantee the value or condition of your potential new home. If you find problems with your new home after closing, we can not give or lend you money for repairs, and we can not buy the home back from you.

That's why it's so important for you, the buyer, to get an independent home inspection. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

### Appraisals and Home Inspections are Different

As part of our job insuring the loan, we require that the lender conduct an FHA appraisal. An appraisal is different from a home inspection. Appraisals are for lenders; home inspections are for buyers. The lender does an appraisal for three reasons:

- to estimate the value of a house
- to make sure that the house meets FHA minimum property standards
- to make sure that the house is marketable

**Appraisals are not home inspections.**

### Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information than an appraisal--information you need to make a wise decision. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

- evaluate the physical condition: structure, construction, and mechanical systems
- identify items that need to be repaired or replaced
- estimate the remaining useful life of the major systems, equipment, structure, and finishes

### What Goes Into a Home Inspection

A home inspection gives the buyer an impartial, physical evaluation of the overall condition of the home and items that need to be repaired or replaced. The inspection gives a detailed report on the condition of the structural components, exterior, roofing, plumbing, electrical, heating, insulation and ventilation, air conditioning, and interiors.

### Be an Informed Buyer

It is your responsibility to be an informed buyer. Be sure that what you buy is satisfactory in every respect. You have the right to carefully examine your potential new home with a qualified home inspector. You may arrange to do so before signing your contract, or may do so after signing the contract as long as your contract states that the sale of the home depends on the inspection.

**I understand the importance of getting an independent home inspection. I have thought about this before I signed a contract with the seller for a home.**

X  
\_\_\_\_\_  
Signature & Date

X  
\_\_\_\_\_  
Signature & Date

Form HUD-92564-CN (8/99)

*La Costa Rickford*  
Operator's Signature

*10/16/03*  
Date

**Testimony in Opposition to House Bill No. 1473**

**House - Industry Business & Labor Committee**

**February 3, 2003**

Chairman Keiser, House Industry Business And Labor Committee members, my name is Todd D. Kranda. I am an attorney with the Kelsch Law Firm in Mandan and I appear before you today as a lobbyist on behalf of the North Dakota Consulting Engineers Council (NDCEC) and the North Dakota Society of Professional Engineers (NDSPE) to express concern and opposition to HB 1473.

Our concerns with HB 1473 are similar to those expressed on a prior bill that was heard before your committee, namely HB 1204 regarding landscape architects. The concern is over the possible limitations and exclusions that may be created for such activities of home inspectors that are already being provided by professional engineers.

While NDCEC and NDSPE do not directly oppose the licensure of home inspectors or the creation of another board, we are concerned about the potential limitation of the area of practice when home inspection services are defined in such a manner to encompass the field of practice of professional engineers. The definition found in Section 1 for "Home Inspection" overlaps with the same type of services that are available and provided by professional engineers. While at page 2 lines 22 through 29 provide for certain exceptions to licensure which could include professional engineers, a concern remains as to the qualifications of the home inspector and the appearance that is being given to the public with the new licensure and creation of a new Board of Home Inspectors. It is unclear how HB 1473 is necessary to protect the public health, safety and welfare.

Accordingly, we urge a DO NOT PASS recommendation for HB 1473.