

Who pays for your leaky roof?

You had your home inspection. Now what? Negotiating for upgrades and repairs after an offer is made.

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BEND, Ore. (CNN/Money) – Most buyers have figured out that if you're going to pay six figures for a house, a couple hundred dollars for a home inspection is money well spent.

What isn't obvious, though, is how buyers should react to the pages of information the inspector hands over. After all, the inspector is likely to find some imperfections – an outlet that isn't grounded, a furnace that needs insulation, a door with dry rot, a less-than-perfect roof.

When should buyers demand repairs? When should sellers refuse?

"This all has to be wrapped in the state of the market," said Patricia Oxman, a real estate broker in Marin County, Calif. "If it's an aggressive seller's market, the buyer's negotiating clout is limited. In a buyer's market, the buyer will have more room for negotiation."

All things being equal, she said, buyers should ask sellers to pay for necessary repairs but plan on footing the bill for upgrades.

First, advice for sellers

Sellers, say agents, are wise to get a home inspection of their own before they put their house on the market. That way, they can make minor repairs before putting up a "for sale" sign. They can also give buyers a complete list of disclosures, which is required as part of the contract.

Why should sellers go to so much trouble to point out flaws? Because buyers don't like to be surprised, said Oxman.

"My advice to my sellers is, 'Let's work upfront to provide as thorough a disclosure as possible so when our buyer does due diligence they know what to expect,'" she said. "If a buyer finds something on their own they question what else they don't know about the house."

Advice for buyers

Even if the seller has a complete inspection, buyers should go ahead and schedule their own inspection, said Eric Cunliffe, senior vice president for RealEstate.com.

"On my last home there was an inspection [paid for by the seller] but I got my own anyway. One glaring difference was the original inspection showed the roof in better condition than my inspection showed," he said. "The seller and I ended up splitting the difference to put on a new roof."

In fact, buyers should always make their offers contingent on a home inspection, which should be scheduled as soon as the offer is accepted. If problems turn up, buyers can ask sellers to make them or back out of the contract at no cost to the buyer.

Most real estate agents will recommend an inspector to their clients. Otherwise, buyers and sellers can search for an inspector via such national organizations as the National Association of Certified Home Inspectors or American Society of Home Inspectors. Prices vary depending on the size of the house and location, but typically range from \$250 to \$500.

Once you do find a home inspector, make a point of joining the behind-the-scenes tour of your future home. Not only is it helpful to see first hand any problems the inspector uncovers, you get a detailed look at the mechanics of the house and all of its quirks, such as where the septic tank is or how to turn off the water.

Repair vs. Upgrade

After the inspection, it's up to buyers to decide what repairs, if any, they should ask the sellers to deal with. Superficial flaws probably aren't worth mentioning, said Cunliffe. Significant problems, such as with the roof, heat, electric or plumbing warrant a second look.

"Unless the contract says 'as is' everything is up for negotiation," said Cunliffe. "Even then, the buyer usually still has the right to ask for repairs or back out of the contract."

Whether sellers will agree to those repairs is another matter. "You may get sellers who say, 'This is a hot market, I'm not paying for anything,'" he added. Some may agree to split the cost, while others may offer to take care of everything.

What is reasonable depends on whether the flaw is considered a repair or an upgrade.

"Many times, the things being pointed out to you in an old home are upgrades," said Oxman. Circuit-breaking outlets and double-pane glass in old houses, for example, are upgrades.

Necessary repairs that weren't disclosed in the contract, however, are generally the seller's responsibility.

Still other fixes may be considered both a repair and an upgrade. For example, a leaky roof may need to be replaced. But because the buyer gets a brand new roof, it's also an upgrade.

"That would an example where seller pays a credit of maybe a third or a half of the cost of replacement, and the buyer pays the rest," said Oxman.

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