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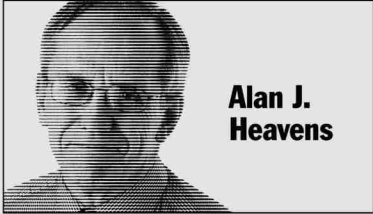
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Tips on buying a home warranty

HOME ECONOMICS

Home warranties can reassure worried buyers



Alan J. Heavens

Buyers these days are very picky, and with so many existing houses for sale on today's market, they can afford to be.

Agents and brokers say buyers, especially first-timers, are wary of houses that even hint of problems.

These buyers feel that because they have had to stretch limited funds to cover down payment and closing costs, and with credit so tight, the last thing they need is having to replace a furnace when they move in.

One answer, and the emphasis is on "one," is a home warranty, typically bought by the seller to cover the first year after the house is purchased. At year's end, the new homeowner has the option of renewing the warranty.

Unlike homeowners or renters insurance, which cover specified damage to your property, home warranty insurance covers specified repairs that might later need to be made.

Each policy will specify which types of repairs are insured, the limits on coverage, and deductibles, if any. The basic annual cost runs from \$250 to \$600, depending on the extent of coverage.

Service calls average \$25 to \$75, according to a review of various warranty providers. In addition, if more than one thing breaks down simultaneously in separate categories — a toilet and a light switch — the repair person charges a separate fee for each occurrence.

Typically, a home inspection is not required before buying a warranty, but existing issues related to improper maintenance may not be covered.

Bruce Hahn, president of the

American Homeowners Grassroots Alliance and the American Homeowners Foundation, recommends that buyers get a home inspection.

"That way, preexisting conditions can get corrected before settlement, and you'll have documentation that both the air conditioner and furnace were working at the time of purchase, even if one of them didn't the first time you fired it up several months later," he said.

Many warranties cover some, but not all, components of systems such as furnaces or appliances re-

See HOME WARRANTY on C6

gardless of age, manufacturer, or model, but the best advice is to comparison-shop and read carefully before you buy.

Michael Garden, an agent at CityScape in Center City, said one-year warranties were well-suited to buyers without significant cash reserves who buy older homes.

"This gives some protection while the homeowners get to know the systems," he said.

Do all agents and brokers recommend home warranties to their sellers?

Bari Shor does not.

"I don't believe that a home warranty is a deciding factor that would lure a buyer to a house," said Shor, an agent with Prudential Fox & Roach Realtors. "I think offering one might even raise a red flag that there may be issues."

Shor believes, however, that a warranty is useful in negotiating an inspection.

"Instead of being part of the home sale, it is something additional a seller is giving to the buyer," she said.

Center City agent Mark Wade, of Prudential Fox & Roach, believes "a good handyman can be better than a home warranty," adding that less than 1 percent of his buyers opt for one.

Marilou Buffum of Eichler

& Moffly Real Estate in Chestnut Hill rarely recommends warranties, but "if a seller gets a policy at the onset of a listing and something breaks during the listing period, the warranty might cover some or all of the repair cost."

John Badalamenti, of Prudential Fox & Roach in Wayne, said coverage for sellers during the listing period means "they can have the issue addressed fairly quickly, reduce the risk of a major expense, and not impede showings."

One company, American Home Warranty, lists these under basic coverage:

Heating, plumbing, and electrical systems; water heater; ovens, ranges, and cooktops; dishwashers; built-in microwaves; garbage disposals; exhaust and ceiling fans; plumbing stoppages; and ductwork.

Additional items — central air, clothes dryers, spas, and swimming pools — can be added at increased cost.

A trade group, the **Service Contract Industry Council**, provides education on home warranties and other extended plans. Its members sell about 80 percent of these warranties nationally, although exact numbers of policies could not be provided.

Information supplied by the group states that most warranties remain valid even if the provider of the warranty goes out of business.

That, and unresponsiveness of insurers, had been a major problem with warranties for years, Hahn said.

"Foot-dragging can still be a problem, and you must be wary of the kinds of problems you can face with any insurance product," he said.

Garden said that although it was important to recognize



that the warranties don't cover everything, "when spending hundreds of thousands of dollars on a home, the extra \$500 makes sense the first year."

Contact real estate writer Alan J. Heavens at 215-854-2472, aheavens@phillynews.com, or Twitter: [@alheavens](https://twitter.com/alheavens).

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Posted on Fri, Mar. 18, 2011

Home warranties can help sellers, buyers

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Home warranty insurance covers specified repairs that might later need to be made. (Shutterstock)

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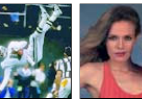


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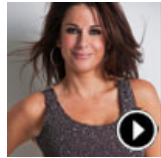
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Before buying warranty policy, consider these consumer tips

Although the Service Contract Industry Council cannot provide an exact figure, it estimates annual sales and renewals of home warranty policies in the millions.

One provider, American Home Shield, has 1.4 million customers and reports it responded to nearly three million service requests in 2010.

The Service Contract Act, passed in 2010, covers these warranties. For information, see <http://www.dol.gov/compliance/laws/comp-sca.htm>.

Consumer advocate Bruce Hahn has seen statistics that the renewal frequencies are low, "suggesting the perceived value isn't there, or homeowners don't think they're getting good value for the cost" of the policy.

Hahn's tips:

- Owners, buyers, and sellers should be aware that most home warranties have quite a few "weasel clauses." Always read the warranty.
- Document everything. The warranty company will require full documentation before considering a claim.
- Do an online search for information about the company and check with the Better Business Bureau before buying.
- Warranty companies typically contract out the repair services. Some contractors may try to sell you expensive and unnecessary services that are not covered.
- Warranty companies prefer repair over replacement because it is cheaper. If the repairs cost more than half of a unit's replacement cost and the item is past half its useful life, insist on a replacement.
- Put some money aside to cover uninsured repair costs.

— Alan J. Heavens



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