

# Chapter 1

## The Entryway

**W**hether the housing boom is in building new homes, purchasing existing homes, or buying foreclosure properties, the wise buyer is making her agreement contingent on a satisfactory home inspection. Not only are home inspection services used by the consumer-conscious buyer, but most lenders require a professional home inspection

before they will close a mortgage on a property. Can there be a better type of business to be in than one that is in demand in either an up or down market?

Just what does the home inspection business involve? A home inspector examines the major systems and components of the property—from roof to foundation, from ceiling to floor, from basement to attic. A home inspection helps buyers understand the condition of the property they're interested in purchasing and, hopefully, prevents any unforeseen repair bills down the road.

Homebuyers are not the only parties to request inspections, though. The seller of a home might also request one to get an accurate assessment of the property. This could head off any potential lawsuits stemming from failure to disclose existing problems within the home. And lenders often require a home inspection prior to closing on a mortgage to ensure that the house they are lending money on is worth the amount of the mortgage.

### HOME ANATOMY 101

According to the American Society of Home Inspectors (ASHI), "Home inspections were being performed in the mid-1950s and, by the early 1970s, were considered by many consumers to be essential." Homebuyers wanted to know more about the properties they were considering purchasing. To meet this demand, home inspectors with backgrounds in construction, engineering, architecture, renovation, or municipal building inspection were best suited to the job, according to ASHI.

Part of the growth of the home inspection field, says Keith Morgan of the California Real Estate Inspection Association, has been fueled by the legal community and insurance companies. Home buying is not exempt from the litigiousness of modern society.

After several decades of growth, the home inspection industry has now topped \$1 billion. According to industry experts, more than 80 percent of homebuyers nationwide request a home be professionally inspected; recent figures show an estimated 25,000 home inspectors.

What kind of salaries do home inspectors take home? According to Mallory Anderson, Executive Director of the National Association of Home Inspectors in

Minneapolis, a startup home inspection business could earn between \$20,000 and \$40,000 the first year, as long as the business is marketed properly. A startup scenario, Anderson says, would look something like this:

- ▲ \$3,000 for training
- ▲ \$2,500 for business equipment (computer, printer, fax, etc.)
- ▲ \$2,500 for marketing literature
- ▲ \$10,000 cash reserve/living expenses if you don't have another job
- ▲ \$3,500 professional liability insurance
- ▲ \$500 for a business license, depending on the requirements of the state you are operating in.

Anderson's advice in the current "seller's market" is for the professional home inspector to "consistently market and network with other industry professionals. The home inspector will need to market a little harder to keep ahead of the competition in his or her area. The inspector will also need to offer other specialized inspection services such as radon, water, lead, mold, septic, termite, as well as other ancillary services to complement his business."

### Inspection Lesson

In many cases, prospective homeowners contact a home inspector once they have signed on the dotted line. In some states, sellers may opt for a pre-listing inspection before putting their home up for sale. The advantage of this approach

is that the seller gets information on the condition of the house before the sale, avoiding the input of a potential buyer on how to do the repairs. A pre-sale inspection can also help hasten the sale and generate a higher price.

A professional home inspection should prepare the homebuyer or seller with documented facts about the physical condition of the structure and all its working components. It is up to the inspector to report his findings back to the prospective buyer or seller. A good report should cover such areas as: the exterior and

interior, the roof, structure, plumbing, electrical, heating and cooling, insulation, ventilation, lot grading, insects, vermin and decay, landscaping, and environmental and safety issues.

While the home inspection industry is still largely unregulated in most states, this is changing. Make sure you check the current regulations in your state (see

#### Stat Fact

*According to the FTC, nearly half of U.S. homeowners who buy previously owned houses have to make unexpected repairs. Over half the problems requiring repair come up during the first six months of ownership.*



### Stat Fact

*Every day, homebuyers save thousands of dollars through information provided by their home inspector. A home inspector's keen eye can help nip a small home repair problem in the bud, before it becomes a major one.*



Chapter 4 for more information on this topic). In addition, professional associations such as ASHI provide some useful guidelines for home inspectors. For example, ASHI has developed a “Standards of Practice” listing everything a home inspector should inspect, as well as everything a home inspector should not be responsible for checking. These standards, along with ASHI’s “Code of Ethics,” are a resource that home inspectors can consult when deciding what they need to include in their own home

inspection process. Visit the ASHI website at [www.ashi.org](http://www.ashi.org) for more information on these guidelines.

### About Your Clients

As a home inspector, prospective homebuyers and sellers will be your customers, of course. Warranty companies and banks may also be clients (see Chapter 2 for more information). And then there are the realtors . . .

Dealing with realtors is a large part of the home inspection business, and, like it or not, they are a legitimate source of referrals. However, to help define their role in the real-estate transaction, some home inspectors choose to view themselves as consumer advocates or even educators. Keeping such a focus, they say, helps them avoid the appearance of conflict of interest (e.g., giving a more favorable inspection report in order to not sour a real estate agent’s deal) and maintain a respectful autonomy in the minds of everyone involved in the home inspection process. But there’s no denying that it’s to home inspectors’ benefit if the realty world is aware of their services. It’s also to a realtor’s benefit, as home inspections can ward off potential lawsuits resulting from a realtor’s failure to disclose existing problems.

Martin Hewitt, an actor-turned-

### Stat Fact

*According to the Occupational Outlook Handbook from the U.S. Dept. of Labor, Bureau of Labor Statistics, the field of home inspection is expected to continue to outpace other occupations through 2014. Visit the Bureau of Labor Statistics’ website at [stats.bls.gov](http://stats.bls.gov) to view an online version of the Occupational Outlook Handbook.*



home-inspector in Southern and Central California, says he joined the Association of Realtors in his area and showed up every morning at their multiple listings services meetings. “I was able to introduce myself [to] a number of other affiliate members of the association. And slowly but surely, I started to work. I took out ads in the Yellow Pages and distributed fliers through a flier distribution service,” he says.

One franchisee in Glendale, Arizona, was very curious to hear how real estate folk felt about home inspectors, so he just asked them: “Some thought home inspectors were a pain in the neck. Others thought they were only needed on houses that had been remodeled a lot. But the most successful agents and brokers I spoke to said they could see the day when every deal had an inspection.”

### BREAKING IN

Bob Mulloy, formerly a teacher of the business of home inspection at Northeastern University, and editor-in-chief of *The Inspector*, a publication of ASHI’s New England chapter, had been a contractor for a number of years before he got into the home inspection business about 18 years ago. His sister-in-law, a real-estate broker at the time, said she was starting to “see these guys called home inspectors” and thought Mulloy would be good at doing what they were doing.

“That one comment,” says Mulloy, in East Bridgewater, Massachusetts, “kindled a spark that has become a lifetime quest. I did about one year’s worth of research and timidly hung out my shingle as a home inspector. The profession was in its infancy at the time, and we kind of stumbled and learned to walk together.”

Hewitt discovered home inspection after working in construction for a while. “I was a working actor for a number of years; then things slowed down, and I had a friend who got me into the construction business,” he

says. Eventually, though, he tired of the construction business and began looking for a way out. He learned about the field of home inspection through a contractor he was working for at the time.

As Hewitt’s interest grew, and he contemplated starting his own business, his employer reacted unfavorably. “He found out I was planning on it and fired me on the spot because there was a conflict of interest. So all of a sudden, I was unemployed and had a new baby girl. I read all the books I could on home inspection. I got business cards printed up and started by being the least expensive home inspector [in my area]. It snowballed, but it took a long time, and it wasn’t easy.

#### Stat Fact

**According to the U.S. Bureau of Labor Statistics, the majority of home inspectors come to the field from either an engineering or construction trade.**



Fortunately, I was still sort of in and out of the acting, and I was working for other people doing construction work. I [also] had unemployment insurance going at the time. It finally got to the point where I didn't have to do anything but home inspection and was able to work full time at it."

Don Crawford, a board member of NAHI—an association established to help promote and develop the home inspection industry—was a home remodeler before he entered the inspection business. "I had my own business," he says. "Then I went to work for a large, well-known remodeling firm. While there, back in 1986, I realized there was going to be a home inspection industry. It looked attractive, so I took steps to get some information and opened a home inspection division for the home remodeling company."

Fred Bishop's partner, Brenda Rosch, says their motivation for getting into home inspection was to get Bishop "out of doing heavy construction work when he turned 50." According to Rosch, Bishop had done carpentry and remodeling for many years, so home inspection was a perfect business that would let him use some of the experience and knowledge he had gained in those fields. "I think that's a motivation for a lot of people to get into this business," says Rosch, who, with Bishop, has a home inspection business based in Seattle.

Frank Johnson, a home inspector based in Carson City, Nevada, says his reasons for getting into the business were based on the frustration he felt after buying his first home. "After I bought my first house—which I never had inspected—I realized that there were a lot of things that could go wrong," says Johnson. "That's basically why I got into [the business]. I had problems with my own house. If I had had it inspected beforehand, believe me, the offer would have been a lot different. It also gave me a chance to check out different aspects of building."

Scott Clements, the public relations director for the California Real Estate Inspection Association (CREIA)s, was introduced to the home inspection business while working for a franchisor in their corporate office. "Later," he says, "I got into the home inspection business as an inspector, owning and operating my own company [a franchise]." For Clements, the best things about the home inspection business are: "You get to be out in the open, you get to set your own hours, and you get to work with the public. And, of course, there are the compensation opportunities."

Robert Wilson, a home inspector in Charlotte, North Carolina, got some training to prepare for his career in home inspection and feels it was the best thing he

### Smart Tip

**According to the Small Business Administration, there are four basics of success in small business: sound management practices, industry experience, technical support, and planning ability.**



ever did. “I went to a school in Washington, DC, for a week,” he says. “They told you how to inspect, what you’re looking at, what to inspect. They also went over a lot of different marketing ideas you could do—how to get business, how to set it up. It was very helpful.”

The franchisee in Arizona got interested in the home inspection business after his brother opened a home inspection franchise. He says he always knew that he would have a business of his own someday; he just didn’t know what.

“My wife and I talked about it quite a bit,” he says. “I had a cushy job in advertising sales and had built the department up from nothing to where I was making a six-figure income. I had five weeks paid vacation every year. We had always been really careful with our money, had our cars paid off and money in the bank. We lived below our means and took advantage of the company stock plan and 401(k). The company treated me very well, and I got along with everyone. But I knew every year they’d rework the quotas and the compensation plan so I had to bring in lots more revenue to earn the same amount of money. Everybody’s heard the line ‘You can be replaced.’ I was never happy in my career until I realized it was a two-way street, that ‘they’ could be replaced every bit as much as I could.”

## THE RIGHT STUFF

Entering the home inspection field is a great ground-floor opportunity. As is the case with any new business—especially one where the market outlook is so healthy—competition can be fierce. As a result, you will need to be up to the challenge.

Since the first home inspections that were performed in the early 1970s, the home inspectors that have risen to the top are those individuals who possess some specific personality traits, in addition to technical and business expertise. Let’s take a look at what these include.

### Limber Up

One of the foremost attributes you’ll need as a home inspector is flexibility. Why? The home inspection industry can’t exactly be labeled “static.” The home inspection industry almost always parallels what’s occurring in the real-estate world, so when homes are selling, the home inspector is working a lot. When homes are not selling, the inspector is not working as much—and sometimes not at all.

Entrepreneurs in the home inspection business must be prepared for these ups and downs and be able to adjust their businesses accordingly. Some of the home inspectors interviewed for this book say they live off their savings during down times. Others have been flexible enough to develop secondary sources of income to help sustain them during dry times. For example, Darrell Hay, a home inspector in Seattle, and Bob Mulloy, the home inspector in East Bridgewater, Massachusetts, got into teaching home inspection classes and write articles for various publications.

## Generally Speaking

The ability to function as a “generalist” is another important trait for a home inspector. In this industry, it means knowing a little something about everything having to do with homes and home inspecting. You will need to understand all the components in a building and the relationships between different systems. You’ll need to be familiar with the real-estate industry. You should also have good written and verbal communication skills—not to mention knowledge of how to operate a small business.

Brenda Rosch, the home inspector from Seattle, believes there is tremendous value to having some sort of hands-on experience. “If a problem is found,” she says, “[the home inspector] is able to let the client know if it’s a minor thing and if they’re able to fix it themselves. There’s a lot of that kind of background, where it’s not just identifying a problem but helping [the homeowner] solve it.”

Don Crawford, the NAHI board member, acknowledges that while it’s always helpful for a home inspector to have some background in the trades (such as remodeling, engineering, or home rehabilitation), it’s not always necessary in his opinion. “With proper training,” he says, “the other important attributes can carry a person right into the industry.” And just what are these other attributes?

## Down To Specifics

Crawford ranks communication skills first, both verbal and written. “Many home inspectors do not present themselves well and then recognize eventually that their phone’s not ringing,” he says. Crawford also says this happens when an inspector unnecessarily alarms their client by painting a picture of futility if a house has problems, rather than putting the problems into proper perspective. “It’s

### Pre-Flight Checklist

**The SBA recommends doing a pre-business checklist. The answers to a number of key questions, according to the SBA, “will help you create a focused, well-researched business plan that should serve as a blueprint. It should detail how your business will be operated, managed, and capitalized.”**

For comprehensive help with those first steps to take when considering going into business for yourself, visit the SBA’s website [atsba.gov/small-businessplanner](https://www.sba.gov/small-businessplanner). Click on “Get Ready” underneath “Plan Your Business” There you will find several tools designed to help you focus your entrepreneurial aspirations and determine what your first actions should be when starting your business.

### Stat Fact

**According to the American Society of Home Inspectors, 81 percent of inspectors consider home inspection their full-time profession. The average home inspector is 49 years old and has been in the business for about eight years.**



a very important line that an inspector has to walk in terms of how their information is presented fairly,” he emphasizes.

Mulloy agrees: “A home inspector should have a background in dealing with the public in a service capacity. He or she must have an analytical, inquisitive mind, and a willingness to listen and learn. And most important, a home inspector must be a trained observer who can recognize the tell-tale signs of problems and then convey that knowledge to a client in a

manner that is objective and unbiased.” In addition, he notes, an inspector should be literate, articulate, and computer savvy.

According to Crawford, NAHI recommends that prospective home inspectors develop their interpersonal skills so that they can deal successfully with the amount of client contact that’s involved in this field. Since everyone from the buyer to the seller to the real-estate agent has a different agenda in the home inspection process, tempers (as well as lawsuits) can flare if situations are not handled in a professional and tactful manner.

In addition, it’s also important for home inspectors to be able to communicate effectively in writing since they must routinely report their findings in written reports—documents which often become key in real-estate transactions. According to Crawford, the goal for the home inspector is to enter the purchase process; give a knowledgeable, objective assessment of the home’s condition at the time it’s inspected; and then leave the process without incurring subsequent liability. Communicating in a precise manner is essential to reduce liability and the risk of lawsuits (see Chapter 4 for information on errors and omissions insurance).

### Sixth Sense

A natural curiosity is important for the prospective home inspector, says the Arizona franchisee. “You’ve got to use all of your senses when inspecting,” he says. “Naturally, you use your eyes, but you have to use your other senses, too.” For instance, he notes, ask yourself if the floor sounds funny or feels different when you walk across the room. Or when you first go into a basement, ask yourself if you smell anything. Moldy, mildew smells, he advises, may be your only clue that there’s a leaky basement.

Mulloy recommends that the prospective home inspector not be afraid of “heights, tight, dirty places, or nasty critters.” Can you climb ladders with no prob-

lem? What about those hard-to-reach areas? Will you be able to crawl into that tight crawl space? And are you physically fit? Remember, you'll be checking for as much as you can in a home. These are questions you need to ask yourself before getting into this field.

If you simply enjoy almost everything to do with home construction, home repair, rattling around in old houses (or new for that matter), then home inspection should prove to be a fun, ideal business for you! If you're not sure that you have all the "right stuff" for the industry, but you know you have the interest, consider filling in the gaps by getting some additional training and practice.

Now that we've covered the basics, we'll take a look at what constitutes a good foundation for your home inspection business.