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Home Inspectors Under Scrutiny For Payments To Realtors

CBS Homes Preferred Inspectors Being Investigated

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OMAHA, Neb. -- Four home inspectors are under review for their financial relationships with an Omaha realtor. The American Society of Home Inspectors, or ASHI, is now investigating home inspectors on Omaha Realtor CBS Home Real Estate's preferred vendor list.

Some inspectors who talked to KETV NewsWatch 7 said the fees are just good business. Others said the payments are necessary to get on a realtor's "preferred" list, and get business from the realtor.

Are home inspections ever compromised by the relationship?

A woman who only wanted to be identified as Kathy said that before she moved into her new home, she hired a home inspector to check it out. It took about two weeks for her to find out the inspector had missed something. A plumber pointed out yellow water stains in the basement.

"They determined that there was damage behind the wall that was leaking, a broken pipe or something," Kathy said.

She sued her home inspector and won an \$1,800 judgment. Kathy is convinced her inspector didn't provide her with the full story on her new house.

"I thought, 'OK, if they could have at least pointed this out to me.' I love the house, so I would have still purchased the home, but maybe I could have gone back to the previous owner and have them fix the damages," Kathy said.

What raises further questions in Kathy's mind is how she found the inspector.

"I was referred to the home inspector by my real estate agent," Kathy said.

The same real estate agency that sold her the house provided Kathy with a short list of inspectors. She was free to go to any inspector she could find, but with so many to choose from, she relied on her agent's help and chose one from the list.

It's not uncommon for real estate companies to provide lists of preferred vendors, including home inspectors. But how do vendors get on these lists?

Pat Casey's inspection company, Home Buyers Protection, is on CBS Homes' preferred vendor list. So is John Wanninger's company, Amerispec." They each pay CBS \$2,500 a year to participate in the program. They see that fee as a cost of advertising.

"There is no guarantee of business as a result of that money," Wanninger said.

"What do you get for the fee?" Casey asked. "I get access to the real estate agents."

Video



That access may include office presentations and realtor business meetings. Casey and Wanninger believe there's nothing wrong with their companies participating in this program.

ASHI is now investigating Casey's and Wanninger's companies, plus Quality Home Inspections and Cornerstone Home Inspection Service, all on CBS's preferred vendor list.



"Paying for referrals is not ethical," said ASHI's Miki Mertz.

Mertz, of Midwest Inspector's Institute, trains new home inspectors for ASHI certification. She is investigating the complaint against the four inspectors. When it comes to referrals, Mertz said, the ASHI code of ethics is clear.

"It's OK for real estate agents to refer business to home inspectors if it's truly based on merit. But if the realtor's giving that inspector the business only because they paid a sum of money to get on a list, then that's not ethical," Mertz said.

The rule is that inspectors can't pay real estate companies for referrals. But what makes it more complicated is that the ASHI code of ethics does allow inspectors to pay for advertising, and that's a matter of interpretation.

"If I thought it was unethical, I wouldn't do it," Casey said.

Casey believes he's paying CBS for advertising.

The owner of Metro Property Inspections, Larry Crouch, sees it differently. He refuses to have anything to do with fee payments.

"I just think when you've paid to get on that list that real estate agents give them, to me, that's just not fair. It's unethical," Crouch said.

Crouch said that because he refused to participate in CBS's preferred vendor program, his business initially dropped about 10 percent.

"I think the first year it started, I probably lost 40 to 50 inspections. There were maybe 15 or 20 agents who stopped using me," Crouch said.

Crouch believes inspectors may be tempted to give a bad house a good inspection just to stay on the realtor's preferred list.

"The term that's used in our profession is 'soft soap the inspection,'" Casey said.

Casey and Wanninger said they would never "soft soap" an inspection for CBS.

"By softening an inspection, or not revealing potential issues in the home inspection business, would be financial suicide," Wanninger said.

The president of CBS Home Real Estate, Larry Melichar, agreed.

"I can't imagine a vendor that we work with doing that. We certainly wouldn't be involved in something like that," Melichar said.

Melichar said the only reason CBS puts out a preferred vendor list is to help the buyer. Melichar said the inspectors are simply paying for good advertising.

"It's not a matter of getting referrals. They don't get referrals," Melichar said. "What they really get is a chance to market their services to our organization and to our clients."

Casey would like realtors to do away with preferred vending programs, but for now, he sees his \$2,500 advertising fee as a cost of doing business.

Kathy said she'd advise homebuyers to check inspector's references carefully before you closing the deal.

"Do their own homework," Kathy said.

How do you know if your home inspector is paying a real estate company to be on its preferred list? You have to ask. CBS said it does not disclose that information to its buyers.

The American Society of Home Inspectors hopes to complete its investigation by early summer.

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