



Buyer's and Seller's
**Guide to
Inspections**



About this booklet.

This booklet is an informational guide for making the process of property inspections better for buyers and sellers. Please use this information during the inspection process.

Keep this guide as a reference.



The buyer and seller have their own **due diligence** in a real estate transaction.

Attend your inspections

It is highly recommended that buyers and sellers attend their own inspections and address questions and concerns with the inspectors on site.

Perform your own visual inspection

The inspection contingency period affords buyers one of the only times available to be in and on the property. General physical inspections normally take 2-3 hours, other types of inspections vary. With this time, take the opportunity to perform your own visual inspection and note areas or items you want to discuss with the inspectors.

Due diligence



due: (adj.) satisfying or capable of satisfying a need, obligation or duty
– Merriam Webster

dil·i·gence: (n.) the attention and care legally expected or required of a person (such as a party to a contract)
– Merriam Webster

California Civil Code 2079.5



The buyer has “the duty to exercise reasonable care to protect himself or herself, including those facts which are known to or within the diligent attention and observation of the buyer or prospective buyer”.



General physical inspections normally take 2-3 hours



With this time, take the opportunity to perform your own visual inspection

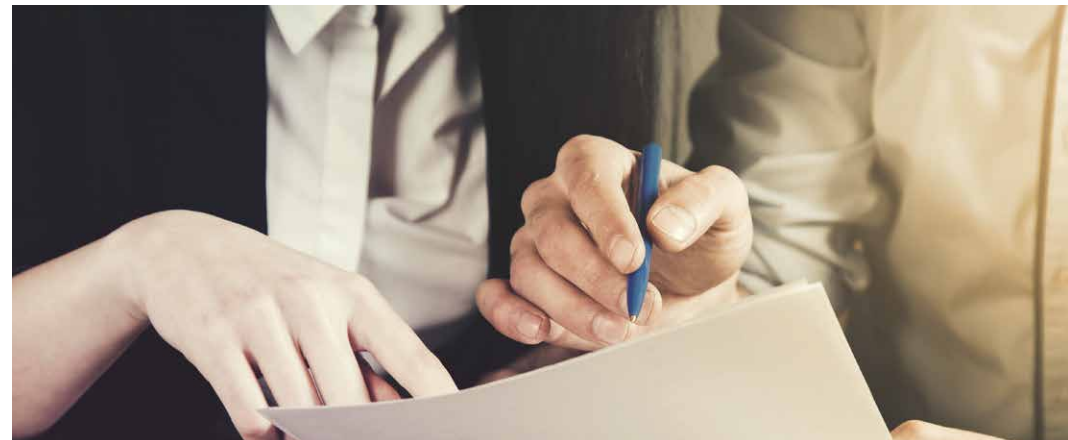
Disclosures provide information on known issues with a property and other historical details.

Disclosures are completed by sellers and real estate agents and given to buyers in the *California Association of Realtors®* documents: **Transfer Disclosure Statement (TDS)**, **Seller Property Questionnaire** (if provided) and the **Agent Visual Inspection Disclosure (AVID) forms**.

Delivery and receipt of the seller’s and agents’ disclosures at the outset of the buyer’s inspection contingency period can greatly assist a buyer’s duty to exercise reasonable care to protect himself or herself and conduct thorough investigations of the property both personally and with appropriate professionals.

As a seller you can help the buyer know the condition of the property they are purchasing from you to mitigate unknown or undisclosed issues coming back to you after close of escrow.

Issues and repairs noted in the disclosures (the TDS/Seller Property Questionnaire) should be brought to the inspector’s attention and discussed at the inspection to investigate the areas or items further as needed.



Read the inspection report from cover to cover.

A **real estate inspection** is an examination and basic operation of the systems and components of the dwelling, which provides the client with information about the general condition of the dwelling.

An inspection is designed to discover and identify material defects and to communicate these issues clearly.

A **material defect** is a condition that significantly affects the value, desirability, habitability or safety of the dwelling.

An **inspection report** provides written documentation of material defects. The report details what the inspector found so that all involved parties can make informed decisions.

Because the general physical inspection report has important recommendations and useful information, the inspection report should be read from cover to cover and acted upon.



What the inspector inspects.

A general inspection focuses on the five major systems: the foundation, the roofing, the plumbing, the electrical and the heating & cooling systems. It also includes exteriors, interiors and the grounds immediately adjacent to the structure.



Foundation



Roof



Plumbing



Electrical



Heating & Air



Interiors



Exteriors



Adjacent Grounds

What the inspector reports.

The inspector focuses on three reportable categories throughout the inspection process:

Safety hazards: Things that pose a threat of bodily harm or serious injury if left unhandled, such as: smoke detectors not installed in the required areas, improperly installed electrical wiring that could be a fire hazard, missing carbon monoxide detectors, etc.

Items at the end of their useful lives: Things that have gone past the time they were made to last and are in need of replacement. An old water heater, dishwasher or furnace are some examples.

Items not functioning properly: Broken switches, leaking garbage disposals, noisy dishwashers, leaking faucets and similar repairable items fall under this category.

Invest in your investment for a fraction of the cost of the property itself.

Purchasing real estate is a major financial investment. Selling real estate is a sizable financial transaction. Therefore, the process of buying or selling comes with legal obligations.

Real estate inspections provide valuable information and peace of mind. Whether negotiations for repairs or credits are necessary or not, having the information is your return on the modest investment of an inspection. Plan to set aside money for the inspections you want performed.

Marketing your listing.

Sellers who are proactive can take control of their real estate sale by having their own pre-listing inspections done.

Pre-listing inspections are performed prior to listing to discover the existing condition of the home/property so a seller can:

- Discover issues the seller may not have known about before an offer is accepted
- Focus on what to repair, replace or leave as-is in the sale on the seller's terms
- Adjust the listing price to reflect the true "as is" condition of the listing
- Find the right buyer with disclosure of the inspections findings before accepting an offer
- Minimize further price negotiations and delays in escrow
- Diminish the risk of a buyer canceling escrow during the inspection contingency period
- Avoid having to go back on the market with an older listing
- The seller is obligated to disclose the previous buyer's inspection findings to the next buyer
- California real estate litigation often involves claimed failures to disclose by the seller

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What the inspection doesn't include.

The general inspector does not look behind walls, under carpets or take equipment apart.

Some of the items not included in **general inspections**¹:

- Cosmetic and aesthetic conditions
- Systems or components of a building which are not readily accessible
- Conditions related to insects, animals, fungus and mold
- Activating or operating any system, component or appliance that is shut down
- Code compliance
- Geological or soil-related examinations

For certain items or issues such as chimneys, sewer lines and moisture & mold concerns, contact the appropriate professionals.

What the general inspector won't test for.

- Mold
- Remaining useful life or water-tightness of roof
- Wood destroying pests
- Lead-based paint
- Radon
- Asbestos
- Geologic conditions
- Age
- Cracks, leaks or operational problems associated with a pool or spa
- Connection of the property to a sewer system

Additional types of inspections are available for many of the items not included in a general inspection. Please refer to the **California Association of Realtors® Buyer's Inspection Elections** form given to buyers to sign.

1. See www.creia.org/creia-standards-of-practice for a full scope and exclusions of an inspection.



The four specialty inspections each home should have.

Specialty inspections fall outside the scope of the general inspection and are usually ordered during the inspection contingency period by the buyer. Sellers order these as pre-listing inspections to help sell their listing faster and with less risk.

Specialty inspectors are trained to focus on a specific aspect of the property and use specialized equipment. These inspections can include an estimated cost for repairs, if needed.



Moisture & Mold Inspections

The mold section of the California Association of Realtors® Statewide Buyer and Seller Advisory states:

“Buyer and Seller are advised that the presence of certain kinds of mold... may adversely affect the Property and the health of individuals who live on or work at the Property...”

“Seller is advised to disclose the existence of any such conditions of which he or she is aware.”

“Buyer should carefully review all of the Seller’s disclosures for any indication that any of these conditions exist.”

“If Buyer wants further information, Broker recommends that Buyer have the Property tested for Mold...”



Chimney Inspections

The National Fire Protection Association states in NFPA 211:

“A Level 2 inspection shall be conducted upon sale or transfer of the property.”²

It is an in-depth inspection involving a video camera scope inside the chimney to properly determine the safety and usage of the structure.



Sewer Line Inspections

No one can see inside the main sewer line without a video scope inspection. Three reasons it is important to know a sewer line’s condition:

- Costs for repairs or replacements can be thousands to tens of thousands of dollars for bigger issues. The sooner an issue is discovered, the less costly it is to address it before it gets any larger.
- Sewer line issues can result in messy and urgent situations inside the home or property. It is wise to have an inspection done and address any such potential problems right away.
- The private property owner is responsible for the entire length of the sewer line, which includes that portion that may be located under the public street.¹

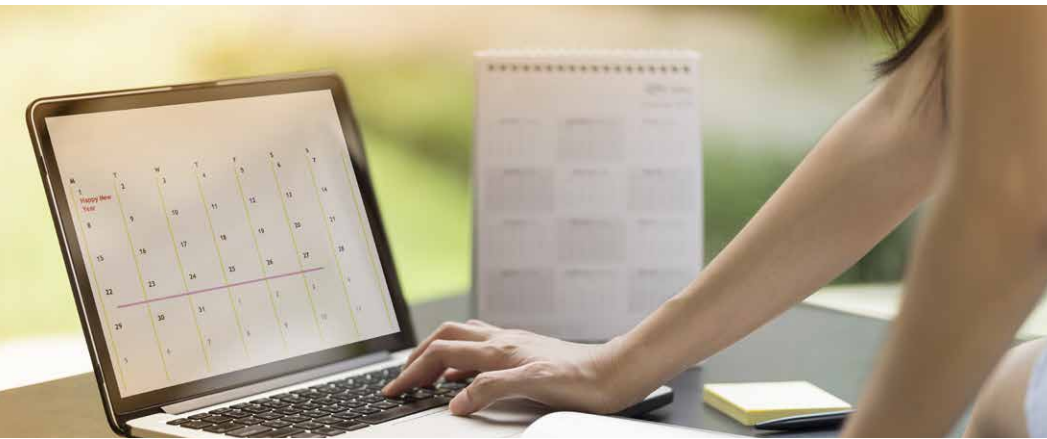


Termite Inspections

The State of California Department of Pesticide Regulation Structural Pest Control Board states:

“State law does not require a pest control inspection report before the sale of property. However, many mortgage lenders do, to protect their investment...”³

1. Refer to the City of Los Angeles (or your city) for more information: www.bss.lacity.org
2. For details, search “NFPA 211” online
3. www.cdpr.ca.gov



Schedule inspections early.

Buyer: Once you have an accepted offer you should decide upon the inspections you want and schedule those as soon as possible. When you receive the seller's and agents' disclosures, schedule any additional inspections that may be warranted.

Seller: Prior to listing a property for sale, inspections allow time to make any chosen repairs or service calls on the seller's terms, price the listing accordingly, disclose in full along with the disclosure documents, reduce the need for renegotiations and mitigate buyer's cancellation.

Refer to the **C.A.R. Buyer's Inspection Elections form, which states:**

"If any professional recommends further inspections... you should contact qualified experts to conduct such additional inspections."

"Buyer is responsible for choosing the provider and ordering the inspection."

There are almost 40 types of inspections to choose from on this form.

1. C.A.R. is the California Association of Realtors®. Visit them at www.car.org

Who should do your inspection?

Anyone can become a real estate inspector. Licensing is not required and does not exist for real estate inspectors in the state of California.

Here is a list of qualifications to look for when choosing inspectors/inspection services:

- Membership in a professional trade association for real estate inspectors, such as: CREIA or ASHI.
- Errors and Omissions Insurance coverage.
- General Liability Insurance is required per the Residential Purchase Agreement & Escrow Instructions if the buyer doesn't carry their own.
- How many inspections has the company or inspector performed?
- Will the inspector allow the client to be present and discuss any major findings on-site when the inspection is done?
- The report should be computerized and written in a narrative style, not handwritten in a checklist format.
- Photographs should be included in the report.
- Will the inspector be available to answer any questions after the inspection report is delivered?

If the property fits into a category such as: an estate home, a hillside property, a mobile home, etc., ensure the inspector has experience with that type of property.



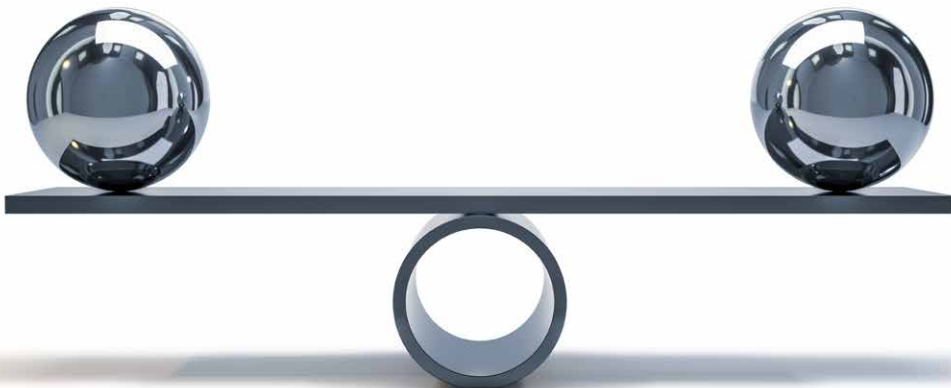
Minimizing risk.

Both buyers and sellers sign many documents outlining their specific obligations, rights and duties. For a smooth real estate transaction, educate yourself as to your role in the disclosure and inspection process.

Statewide Buyer and Seller Advisory

This is a C.A.R. document buyers and sellers sign in a real estate transaction in California – it states in part:

- *“The physical condition of the land and improvements [structures, dwellings, etc.] being purchased are not guaranteed by Seller or Brokers.”*
- *“You should conduct thorough investigations of the Property **both personally and with appropriate professionals.**”*
- *“If professionals recommend further inspections, **you** should contact **qualified experts** to conduct such inspections.”*
- *“**You should retain your own professional** even if Seller or Broker has provided you with existing reports.”*
- *“**You should read all written reports given to you and discuss those reports with the persons who prepared them.**”*



Failure to disclose is not an option

California case law states that it is the duty of a seller to disclose relevant facts concerning the property for sale through a TDS (Transfer Disclosure Statement) form. A seller of one to four residential units has a legal obligation to disclose all of the conditions of the property known to them, to prospective buyers. When in doubt, disclose.

Put yourself in the driver's seat as a seller. Have your own inspections performed. The advantage of having the knowledge of what the buyer will be seeing with their own inspections allows for better control of a sale overall. Pre-listing inspections also give a better negotiating position.

Increase your options and results as a seller

- Decide what to address in the inspection reports on your terms
- Set the listing price based upon the true condition of the property
- Disclose the complete picture to prospective buyers before accepting an offer
- Buyers can submit offers with higher confidence
- Attract the right buyer for your property and its current condition
- Have a smoother transaction
- Reduce negotiating points
- Bypass untimely delays

A buyer wants to know what they are purchasing before investing hundreds of thousands to millions of dollars. Buyers have a right to negotiate for repairs or credits or walk away if they determine the listing isn't what they thought it was.

Inspections are worth the investment. Knowledge is power. Full disclosure on the part of sellers is the best approach to mitigate legal actions taken by buyers for failure to disclose. Consider this: for less than ½ a percent of the listing price for real estate inspections, a seller can control their sale better and make it a win-win for both parties.

Disclaimer: We are not lawyers and this informational guide should not be considered legal advice. You should seek appropriate counsel for your own situation. Please note, this guide is directed toward buyers and sellers in California.

Inspection preparation.

Being prepared for inspections can help with the inspection process. Below is information to gather and steps to take so you will be ready to schedule and attend your inspections.

Please ensure the water, gas, electricity and all operable pilot lights are on to complete inspections. It is the Seller's responsibility, per the Residential Purchase Agreement and Joint Escrow Instructions.

When you call:

- Have the correct property address available.
- Know if there are any fireplaces on the property and how many there are.
- Schedule the general inspection.
- Schedule any additional inspections you've decided upon or were recommended.
- Mention any additional structures, guest unit or converted garage.
- Say if there's a pool/spa.
- Say if the home is vacant or occupied.

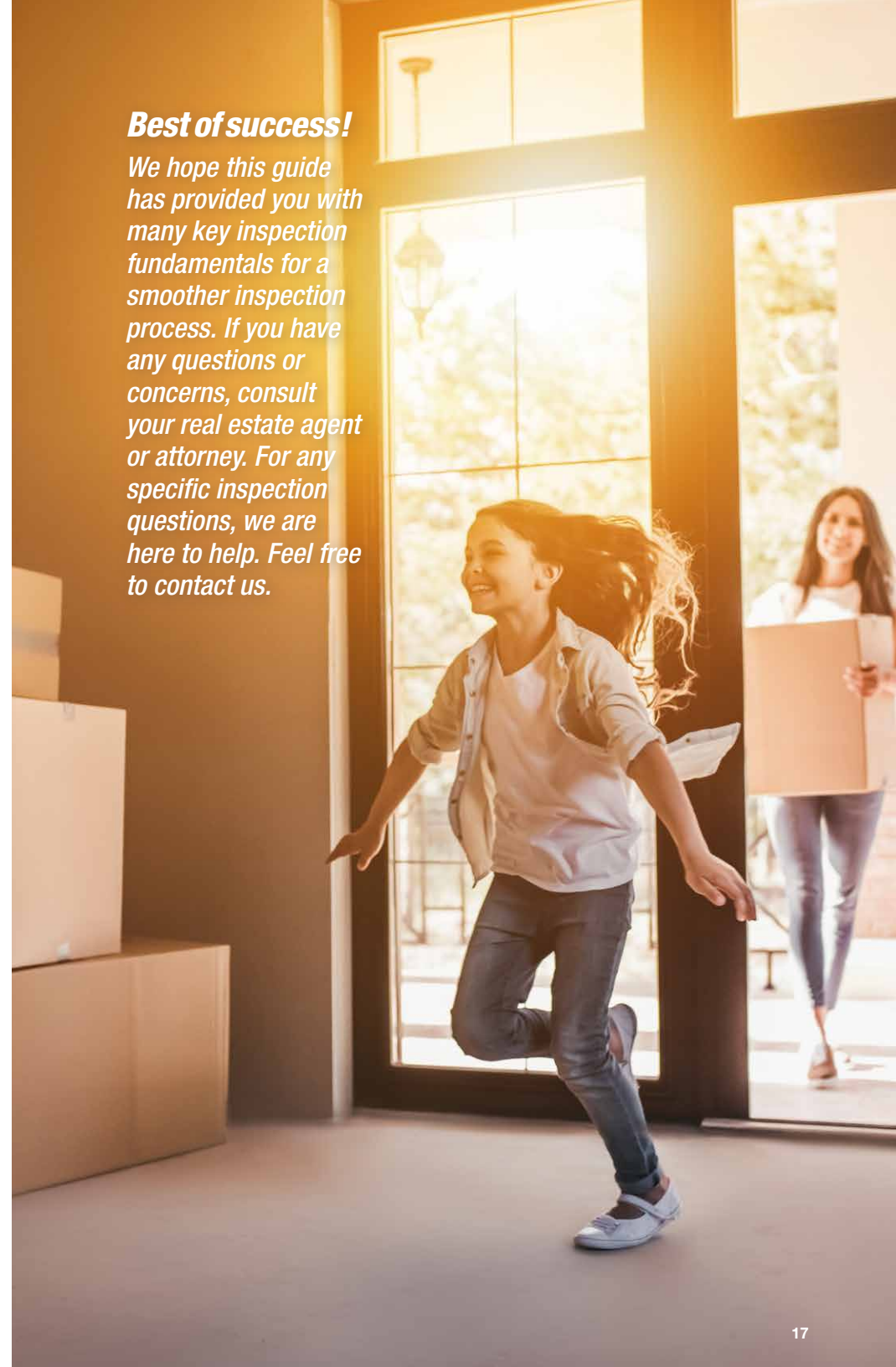
On inspection day:

- Ensure all keys, keypad codes, garage openers, etc. are available.
- Make sure all areas of the property are made accessible.
- Make sure any animals are safely secured.
- Prepare any questions you have for the inspectors.

Download your inspection preparation checklist at laroccainspections.com/checklist.pdf

Best of success!

We hope this guide has provided you with many key inspection fundamentals for a smoother inspection process. If you have any questions or concerns, consult your real estate agent or attorney. For any specific inspection questions, we are here to help. Feel free to contact us.





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