Buyer demand remains sturdy in most areas this spring and the mid-priced market is doing quite well. However, sales are softer both at the very low and very high ends of the market because of supply limitations and affordability pressures.

Lawrence Yun, NAR Chief Economist

What is a home inspection? I get asked this all the time by prospective clients who are buying a home and sometimes even by real estate agents who simply don’t know. The standard of what is and what isn’t a home inspection is essentially defined by the home inspector’s pre-inspection agreement and the Standard of Practice (SoP) of the national association to which he belongs.

The inspector’s pre-inspection agreement is a legally binding contract between the inspector and his client (in most cases, a home buyer). This document should list who the included contract parties are (inspector and his client), the Standard of Practice that will be used to perform the inspection, defining statements about what a home inspection is, describe what is excluded from the inspection, as well as describe the dispute resolution procedure in case the client feels that something was missed. It should also list the services being performed and their price, as well as including a section where the client can give permission for the inspector to provide a copy of the inspection report to the client’s Realtor®.

The document must be read and signed before the inspection begins (thus, the term ‘pre-inspection agreement’) and is required by the inspector’s Errors and Omissions (E&O) insurance carrier. Without a signed inspection agreement, the inspector will likely have no insurance or legal protection for that inspection. I email the inspection agreement to the client days in advance of the inspection so that the client can have time to read the agreement, have time to ask any questions before the inspection and electronically sign the agreement before the inspection. If there are multiple unmarried buyers on the home’s sales agreement, each should sign the inspection agreement since each person is effectively a separate legal entity under the law.

The inspection agreement helps ensure that the client has set proper expectations, before the inspection even begins, of what exactly the inspector is and is not going to do. From over 12 years of home inspection experience, many home buyers assume that all sorts of things are automatically included in the home inspection that are actually far outside the inspection’s recognized scope. Some of these include a termite inspection, environmental hazards such as mold, radon or EMF testing, determining property boundaries, inspecting underground wiring or plumbing, etc. While some of these may be available as add-on services by the inspector, each of these is specifically outside the documented scope and standards of a home inspection.

The Standard of Practice of the American Society of Home Inspectors (ASHI), for example, is a well-recognized document in the home inspector industry listing...
Michael Mastros Scholarship

Second quarter scholarship applications will be accepted through June 30th. An application can be found online at www.LCARonline.com. Realtor® members of LCAR who have held uninterrupted membership for at least 12 consecutive months are eligible to apply. The scholarship covers tuition and text costs, not to exceed $350, for any professional designation course offered by LCAR.

Realtor® Designations

For information on the NAR designations and certifications from Accredited Buyer Representative to Transitional Referral Certification, go to www.realtor.org.

Past Newsletters

If you are looking for a past issue or article from Closing Comments, go to the LCAR website—www.LCARonline.com. You can search by a specific month’s issue or by a keyword from the title of an article. You can also search back-issues of House Calls.

The Hottest Buzzwords in Listing Ads

Home listings that contain “barn door”—a rustic sliding door for rooms—are selling for more than 13 percent above the expected value as well as 57 days faster, according to a new study. Words like “shaker cabinet”, “farmhouse sink” and “subway tile” are also helping homes to sell faster and for higher value.

The following is a list by Zillow of the buzzwords that are resonating most with home buyers today: barn door, shaker cabinet, farmhouse sink, subway tile, quartz, craftsman, exposed brick, pendant light, frameless shower, heated floors, stainless steel, granite, backsplash, tankless water heater and outdoor kitchen.

Source: “Using These Keywords in Your Listing Could Sell Your Home Faster”, MarketWatch (04/16/2016)
Summary of May 11th Meeting

Upon motion by Jeff Snyder, second by Sharon Kress, the minutes of the April 13, 2016 Directors’ Meeting were approved.

After reviewing the proposed FBS contract extension, which includes a termination clause if Keystone merges with or becomes part of a Regional MLS, the Directors unanimously approved the proposed extension subject to satisfactory resolution of the condition requiring that “FBS be offered an opportunity to submit a proposal to the new entity and having such proposal considered in good faith”.

The MLS Evolved Task Force provided minutes from the recent Vision Group meeting and outlined its proposal for two information meetings to be held in early June.

The Outing Task Force, Community Partnerships and Newsletter Committees reported meeting but required no action.

The Directors reviewed membership statistics and staff presented the applications, indicating they have all been completed in full, with each individual applying for an appropriate classification of membership. Upon motion by Jeff Snyder, second by Mary Clinton, the Directors approved the new members.

The Association’s Treasurer’s Report, as well as the MLS and Real Estate School Reports, were reviewed and upon motion by Doug Foltz, second by Jeff Snyder, were accepted.

Information from the National Association of Realtors regarding the Office of General Counsel’s Guidance in the use of criminal records by Housing Providers was reviewed and discussed, as well as sales and ShowingTime statistics through April.

There being no further information, the meeting was adjourned.

NOTE: These minutes have not yet been approved by the LCAR Directors; corrections will follow, if necessary.

Save the Date

- June 17th—Member Appreciation Picnic
- September 8th—Annual LCAR Golf Outing
- October 13th—Annual Charity Dinner to Benefit TLC
- November 10th—Battle of the Bands

Baby Boomers Heading Back to the City

Unlike previous generations, many baby boomers aren’t planning their retirement in sunny southern locales. Instead, more are choosing to move back to metro areas they had left when they started raising a family in the suburbs.

Baby boomers, those born between 1946 and 1964, are the largest and wealthiest generation to ever retire, and they’re making their imprint and redefining urban centers.

Developers are taking notice. “Larger and more expensive city residences chock-full of active senior-friendly amenities, like round-the-clock concierge services, are going up across the country, and more upscale, boomer-targeted shops and restaurants are opening their doors to serve these newly minted urban dwellers,” realtor.com notes.

About 11 percent of home buyers aged 50 to 59 closed on homes in urban areas and central cities from July 2013 through June 2014, according to a 2015 report by NAR. However, that percentage is rising, up to 13 percent this year. Baby boomers are estimated at 74.9 million people, so even the slightest percentage jump equates to a dramatic shift.

Source: realtor.com

Help Us Help You

LCAR has engaged Keystone Analytics to poll our agents and appraisers, then produce a comprehensive list of value adjustments for properties in various price ranges. The goal is to provide guidance and improve consistency among agents and appraisers by compiling market data to help with both CMAs and appraisals.

An email with a link to the online survey is scheduled to be sent on June 7th. As a thank you for your time and effort, all participants will be entered into a contest to win valuable prizes. We need everyone to respond in order to produce enough data to be considered statistically reliable; therefore, your input is critical to this effort.

The results will be made available to all members on the LCAR website, plus, there will be a free seminar hosted by members of the Appraisers’ Council of LCAR.

Facts, opinions and information expressed in Closing Comments’ articles represent the work of the author and are believed to be accurate, but are not guaranteed. The Lancaster County Association of Realtors® is not liable for any potential errors, omissions or outdated information. If errors are noted within any article, please notify the Association. Articles represent the author’s opinion and are not necessarily the opinion of the Association.
what the inspector must do as part of a home inspection. Other parts of the document list items that are not required by the inspector. It is a minimum standard for home inspectors. The ASHI SoP states, “Home Inspections performed using this Standard are intended to provide the client with information about the condition of inspected systems and components at the time of the home inspection.” The ASHI SoP also defines terms such as “inspect”, “system”, “readily accessible”, “unsafe” and “normal operating controls” just to name a few.

In a few sentences, this is how I describe a home inspection to my clients: A home inspection is a non-invasive visual inspection of the home’s major systems. These include areas such as the roof, structure, plumbing, electrical, heating/cooling, insulation, ventilation, siding and the major kitchen appliances as of the time/date of the inspection. The inspection report provided afterwards is a detailed listing of the inspected systems and documents which systems are functioning as intended or are in need of maintenance. The inspector may note, for example, an improper electrical wire splice in the basement that is a potential safety hazard and should recommend repair by a licensed and qualified electrician. Besides noting the issue in writing, a photo of the issue, if applicable, should also be included in the report for better documentation.

Clients also must recognize the perspective of what the inspection is meant to cover. The report describes the condition of the home as of the time and date that the inspection occurred. It is not a guarantee that the roof won’t leak or the basement won’t flood next month if a tropical storm with six inches of rain comes through the area.

Being non-invasive means that wall, ceiling and floor coverings are not disturbed; and shelving, furniture, insulation and stored items are not moved. The inspector can only inspect what is physically and visually accessible. Of course, cluttered homes can be tougher to inspect since you don’t necessarily know what may be hidden behind the ‘stuff’. In cases of lots of stored items or clutter, I always take extra photos for my records of the areas where access was limited, and I add verbiage in the report to document the situation. Systems or utilities that are non-operational (such as the gas valve to the furnace being off) should, of course, be noted in writing and with a photo of the turned off gas valve. Not documenting inaccessible or not inspected areas or systems can come back to haunt the inspector later as everyone else involved in the home transaction will assume that all systems were inspected. The inspection report, in essence, is a snapshot in time of the home’s condition as of the time and date that the inspector was there.

There is always lots of discussion amongst home inspectors about whether to adhere strictly to the documented Standard of Practice versus exceeding the Standard. Sticking with the standard helps produce a readily repeatable inspection and, in case of possible future legal action, falls back on documented standards. Exceeding the SoP can give the client additional information about a system in some aspects but can leave the inspector ‘out on a limb’ for doing something that not all other inspectors also do, especially if legal action occurs in the future due to an error or omission. Each home inspector has to decide what they feel comfortable with regarding how to operate their business in regards to the Standard of Practice.

I often compare a home inspector to a general practice physician. A good inspector has to know a lot about all the home’s major systems, yet he is not a specialist in each system. If you visit your family doctor and he finds a heart murmur, he would recommend a heart specialist. If a plumbing issue is found during a home inspection, the inspector will recommend evaluation or repair by a licensed plumber.

In PA, we don’t have home inspector licensing as most other states have, but we do have the Home Inspector Compliance Law (aka Act 114). This was passed in 2001 and provides a rough guideline for PA home inspectors. We must be a member of an approved national home inspector association, such as the American Society of Home Inspectors (ASHI) and follow the Standard of Practice and Code of Ethics of that association. We must carry E&O and General Liability insurance, and we may only discuss the inspection findings and provide the report to our client (and the client’s Realtor® if written permission is given). Sadly, Act 114 does not have any legal enforcement built-in to the law, so it is up to Realtors® and home buyers to do their due diligence to verify that the inspector they are going to refer or hire meets Act 114’s requirements regarding qualifications, association membership and has E&O and general liability insurance, just to name a few. Any home inspector who meets Act 114 requirements will be more than willing to provide proof of such. Also, all home inspection reports (continues on page 5)
What Is a Home Inspection? (continued from page 4)

should include a completed “PA Home Inspector Compliance Statement” which the inspector completed and is his declaration that he is PA Act 114 compliant with his association membership and contact information. This document is also available on the PA Association of Realtors® website.

Another item that confuses many home buyers is that appraisers often call their visit to the home “an inspection” when it is definitely not a home inspection. Sometimes I’ll hear a client state that he already had an inspection performed or he already paid for the inspection when he is actually referring to the appraisal. Appraisers are inside the home for maybe 30 minutes to evaluate the home in order to provide an estimated monetary value, whereas a home inspector is in the home for three hours looking at the home’s major systems to report on their condition and document if any of these systems are a safety hazard or in need of maintenance. Much of this confusion, I feel, can be corrected by Realtors® better educating their home buyers and sellers.

Another common thought in the real estate community is that home inspectors are there to “kill the deal”. Home inspectors don’t prevent a home purchase from proceeding, the inspected home does this on occasion sometimes. The phrase “don’t kill the messenger” comes to mind. If there are issues such as a safety hazard or lack of maintenance with the home, the inspector is required to document the issue and the client has a legally binding document and expectation that the inspector will document the issue. Anything less drives the inspector’s, and both Realtors®, liability sky-high and potentially leaves someone in danger or, at a minimum, with an unexpected future repair bill. A thorough, detailed home inspector protects his client, his client’s Realtor®, as well as the seller and the listing agent. Many people often fail to realize this fact.

New Members

| Realtors®* |
|------------------|------------------|
| Kara Baldwin    | Coldwell Banker Residential Brokerage |
| Keith Blank     | Coldwell Banker Residential Brokerage |
| Suzanne Boyd    | Berkshire Hathaway HomeServices |
| William Coleman | Younger Realty Group |
| Loren Cook      | Infinity Real Estate |
| Tania Cooper    | Berkshire Hathaway HomeServices |
| Dorota Crittenden | Lusk & Associates Sotheby’s |
| Jason Dagen     | Kingsway Realty |
| Jared Decker    | Keller Williams of Central PA East |
| Andrew Herr     | Selections Real Estate Services, LLC |
| Karl Honabach   | Howard Hanna Real Estate Services |
| Renee Leaman    | Coldwell Banker Residential Brokerage |
| Scott Lebowitz  | Brokers Realty.Com |
| Malcolm MacDougall | Infinity Real Estate |
| Timothy Manganella | Weichert Realtors Engle & Hambright |
| Thomas Reed     | Howard Hanna Real Estate Services |
| Carmen Simone   | Berkshire Hathaway HomeServices |
| Leon Stoltzfus  | Hostetter Realty |
| Shelby Trout    | Howard Hanna Real Estate Services |
| Anne Wade       | Chris Habecker Real Estate |
| Mel Will        | Keller Williams of Central PA East |
| Jeremy Young    | Howard Hanna Real Estate Services |

* Approved, pending completion of New Member Orientation

Members on the Move

Heather Forrey ............................. Keller Williams of Central PA East
Beth Hallett ...................................... Mortgage Network, Inc.
Miki Hanna ..................................... Keller Williams of Central PA East
Karl Seidel ..................................... Highland Realty Group, LLC
Charles Tupper ................................ Howard Hanna Real Estate Services

Membership Statistics (as of 5/31/2016)

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Thought of the Day

“It’s through curiosity and looking at opportunities in new ways that we’ve always mapped our company’s path. There’s always an opportunity to make a difference.”

~ Michael Dell
Facts. This Hotline question comes from a dual agent whose buyer and seller had recently penned an agreement of sale. The agent claimed to have carefully reviewed the provisions of the agreement with the buyer and the seller, including “time is of the essence” and the importance of doing all that was required on or before schedule. The buyer, unfortunately, must not have been paying attention to that part of the lesson because when the dual agent asked her buyer how the mortgage application process had gone, the buyer nonchalantly explained that she hadn’t gotten around to making the application but that she would take care of it the following day. According to the agreement, however, the buyer was already two days late.

Q. What, if anything, is the dual agent required to tell her seller? What advice does she now give her buyer about making the application and/or the potential problems the buyer now faces?

A. For most transactions, a mortgage application that is two or three days late is probably a benign issue. It probably makes no difference to the outcome. One would hope that a seller would not declare a breach for the sake of keeping the deposit and then selling the property to someone else. Most sellers understand the adage that a bird-in-the-hand . . .

But lawsuits and Hotline stories abound as real life takes many twists. If the agreement was difficult to reach and the seller isn’t particularly enamored of the buyer or if there are backup buyers known to be lurking about, and the deposit is a goodly sum, the seller may have a strong impulse to declare a breach and terminate the transaction. As the dual agent, you undoubtedly do not want this to occur (despite the fact that your listing agreement may provide that you are entitled to a percentage of the buyer’s deposit in the event of buyer default).

Regardless of what the seller may elect to do, the dual agent must bring the issue to the seller’s attention. Look no further than the Real Estate Licensing and Registration Act (“RELRA”), which provides that all licensees, regardless of their agency relationship, are obligated to keep the parties to the transaction informed.

Can the dual agent salvage the transaction by dragging the buyer to the mortgage lender before informing seller? What other games might one play to keep the deal from souring? The right answer might bring the wrong consequences; but the right answer is this: the dual agent, upon learning of the buyer’s temporal breach, should have informed the buyer of the problem and of the fact that, as a dual agent, she is required to provide the information to the seller. The buyer should know that the seller can deem the agreement breached and make claim to the deposit as liquidated damages. The dual agent may offer her opinion as to why the reasonably prudent seller wouldn’t choose this course, but must also be frank in disclosing the seller’s options. The buyer can be told that it might help if the application were to be made immediately and should be told to consult his lawyer if he has any questions about whether the late applicator can legally give rise to termination and retention of the deposit by the seller.

The disclosure and advice given to the seller can be both objective and subjective. The objective: the buyer failed to make a timely mortgage application, the agreement provides that “time is of the essence”, and the seller may consult her attorney to determine her rights under the agreement. The subjective: if the transaction is terminated, it may take a while to find a replacement buyer, prospective buyers may perceive that the property is a problem property because it went from “pending” to “active”, and three days makes little difference to the process of acquiring a mortgage loan. Further, the seller should be advised to seek legal counsel.

The bigger story is not so much what you would say to the buyer and the seller in this particular situation. The bigger story is how to deal with the competing interests that a dual agent faces too often in a single transaction. Dual agents talk about dual agency generally—how it comes about and how the agent won’t reveal confidential information. Rarely is the discussion as stern as it should be. Clients should be informed that virtually all information will be shared equally regardless of the advantage it may create for one party or the other. The buyer should be told that the (continues on page 7)
temporal obligations of the agreement must be satisfied because of the language “time is of the essence” and that any failure has to be reported to the seller given the agent’s obligation to inform all clients of the status of the transaction. This will be so whether a breach is material or harmless (in the absence of the provision that “time is of the essence”, a temporal failure may not justify termination of the agreement and retention of deposit. The failure is a breach only if the non-breaching party is harmed by the failure. A mortgage application made two or three days late is hardly going to have any impact on the transaction and thus would not be a material breach. Inclusion of “time is of the essence” is therefore a very powerful clause).

The obligation of disclosure runs both ways. When the dual agent learns of a “minor” boundary issue with a neighbor that “will be resolved” before settlement, what must she do? Timely disclosure to the buyer (timely means NOW).

Dual agency amplifies those difficulties that occasionally arise and are routinely squelched in a transaction. “I am going to tell on you” is a hard stance we like to take. We want our clients to be our friends. We want to soothe, coddle and encourage.

While you should consider that dual agency is difficult and fraught with peril, you should also know that it can be done reasonably well. It starts with that candid conversation that everything you know about the transaction is going to be shared with both parties. It requires the parties to know, before they sign the agreement, that they will be expected to abide by all of the requirements and that your obligation is to keep each informed of the status. Your reports to each will sound similar and be somewhat objective. You may also advise the parties that they share a similar objective, a successful settlement. Your attempt will be to get them to the finishing line with the fewest problems, but their own active participation and involvement is required. And for your own protection, when questioned by either party as to a course that should be taken or a potential problem that has arisen, your go-to advice is that they should consult their legal counsel. Being a dual agent means having to be extremely objective and factual no matter what the ripple it may cause.

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3 Expectations from Your Kitchen Remodeling Contractor

If you are looking for a great kitchen remodeling contractor, there is a good chance you have a few qualities in mind that you want him or her to have. There are also several qualities that any homeowner should be looking for in this kind of service provider. Finding the right contractor can prove vital to your remodeling project turning out the way you want it. Here are a few considerations you may want to use as a guide for your search.

1. A Well-Established, Proven Process for Managing Your Project. If you have never had to face this type of home improvement project before, you may feel a bit nervous. The contractor you choose should be one that does not leave you guessing about what is going to happen next. He or she should have a well-planned, well-articulated process for managing projects, starting with you being asked about your kitchen design and functionality goals.

2. A Keen Eye for Aesthetics. Some homeowners know how they want their new kitchen to look, while others need a bit of expert advice. As you search for a great remodeler, it might be a good idea to check out any before-and-after pictures offered as testimonies of the quality of work the professional can do. You might want to find out whether that individual has great interior design skills and whether he or she actually listens and works according to customers’ desires.

3. The Basics. Some other things you may to check are certifications, registration, insurance, reputation and years in business. All of these are the basic essentials any legitimate contractor should have.

If you have been having a hard time deciding which contractor you should choose, using these criteria as a guide might help make the task easier. If you find a contractor that pleases you, there is a good chance that the remodel that professional does will please you as well.