

# CAHI MONTHLY NEWS



## Presidents Corner

This month we begin the “holiday season” by celebrating Thanksgiving Day. At least I think it’s still called Thanksgiving. We do have a lot to be thankful for even though the last 16 months have been trying at best. This great country has gone through a lot lately. But in reality, it has gone through a lot its entire life. And no matter how we got to this point, good or bad, it happened. And we are here...and we should be grateful...and we should give thanks! So, take some extra time, enjoy time spent with family and friends, relax and recuperate during the coming holiday season.

I recently read an article about tools that allow home inspectors to be more thorough. It was a detailed description of how bore scopes, infrared cameras, drones and crawl bots can help one discover things that under normal conditions would go undetected. I LIKE NORMAL CONDITIONS! The whole premise of a home inspection was based on limiting the scope and liability to normal conditions. Most SoPs are written to cover our butts from the unknown, so why stick them in there. And of course, most inspectors are using these tools at little or no extra cost. Why would you want to find what we don’t have to find? Why would you want to add time to your job? And, just in case you were not aware, open up another level of liability. Give me an outlet tester, flashlight and screwdriver, lets git'er done!

In a very related topic, I was having a discussion about current pricing with a fellow board member. I explained that when I bought my home in 1988, the going rate for a home inspection was 1/10 of a percent of the selling price. I paid \$150,000 for my 1460 square foot house, and my inspection fee was \$150, including a termite inspection. My charge for inspecting a similar home today would be \$625, all day. So even though the fee has quadrupled, I’m not making any more money than back in 1988. Why do I say that? That home is now worth close to \$400,000. Gas was .90 gallon back then, its \$3.54 now. A 2x4 that was .60 back then is \$10. A hot dog was \$1.50 now

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## Meeting Dates!

**Nov 17th**

Presenter - John Rose

**Safe Roof Cleaning, LLC**

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**Dec - No Meeting**

**Merry Christmas**

.....

**Jan 2022**

Presenter -Steven Bushnik

**Skylight Installation and Inspection**

### MONTHLY MEETINGS – Details & Info

CAHI’s regular monthly meetings are held at the Best Western located at 201 Washington Ave (RT 5), North Haven. Meetings are also broadcast via Zoom.

Meetings are still free to members but RESERVATIONS are a MUST.

Reservations can be made at our CAHI website.

Most meetings are on the fourth Wednesday of the month from 7-9pm. Guests are always welcome! Guests may attend 2 free monthly meetings to experience our presentations, meet our members, and receive a CE attendance certificate. Joining CAHI may be done at anytime of the year through our Membership Page.

*Presidents Message Continued:*

its \$4. I think you get the picture. With prices for food, gas, building products, virtually everything that you need to purchase for your family to survive SKYROCKING UPWARD, you should be adjusting your prices as well.

One final note. The state home inspection licensing board will be developing language to insert into our SoP's to interpret the requirements in bill 6600 regarding the identification, location, testing and determining of age of smoke detectors and carbon monoxide detectors. This is a very critical point in the process. I will keep you posted as this WILL affect EVERY home inspector in the state of CT. Currently the bill requires us to add the following:

(6) establish a minimum and uniform standard for a home inspection. The minimum and uniform standard for a home inspection shall include a requirement that a home inspector report on the presence of smoke detection and warning equipment and specify where such equipment is located, the total number of such equipment, whether the home inspector is able to test such equipment, and whether the home inspector is able to verify that such equipment was less than ten years old.

On behalf of myself, the current board members, the founding members and all the board members in between, we are thankful for the great members that have supported this organization over the years. THANK YOU ALL VERY MUCH and have a happy Thanksgiving!

Stan

*"Let us be grateful to people who make us happy; they are the charming gardeners who make our souls blossom."*

— Marcel Proust



# October Meeting Results

Great presentation by a knowledgeable and entertaining presenter. I want some Harvey Windows!

Turn out was exceptional with 50 members in attendance.

Thank you Scott for a great continuing education opportunity. Now we challenge you to finish off the year strong.

November meeting will be on the 17 November so we can all enjoy Thanksgiving with our families. No meeting in December.

Always watch our CAHI web site for latest information or changes. The Board will also send emails as needed.





# Inspecting a Red-Hot Market

by Ariane Herwig, Assistant Editor

The incredible home buying demand that real estate agents, appraisers, and home inspectors are witnessing (and working through) is nearly unprecedented. And the rapid home price appreciation over the last 18 months is one for the history books.

In other words, the U.S. real estate market is hot—red hot!

This real estate boom has been a welcome and well-deserved development for home inspectors who experienced a severe slowdown or a complete shutdown in the early months of the COVID-19 lockdowns in Spring 2020.

But this “boom” has not been without its challenges for home inspectors. Larger inspection firms that had downsized during the lockdowns were whipsawed as demand surged back in the fall of 2020. Additionally, in an effort to be more competitive, homebuyers are waiving their appraisal and financing contingencies—with some even forgoing the home inspection.

Here is a look at the challenges and opportunities facing inspectors in today’s current market.

## **Waiving the Inspection**

A recent article published by RedFin shows that 13.2 percent of successful buyer offers waived the home inspection contingency over the last six months. Anecdotal data from home inspectors confirms this. Inspectors are reporting that anywhere from 10 to 20 percent of buyers are waiving the inspection—with the results varying depending on the local market.

While a 10 percent decline in home inspections isn’t going to put any inspectors out of business, it has a negative effect on the bottom line and offsets a portion of the growth that inspectors would otherwise enjoy due to the hot real estate market.

## **Walk-Through Inspections**

As buyers rush to waive the home inspection contingency, the popularity of verbal or “walk-through” inspections has begun rising proportionally. In these scenarios, a homebuyer will hire a home inspector, usually at a reduced fee of \$75–\$150 per inspection, to simply “walk through” the property and spend 30–60 minutes checking the major home systems per the buyer’s request. This necessarily limited inspection may be verbal or it may include a written component, depending on the inspector’s business practices and/or the buyer’s demands.

The potential problems in this scenario should be evident: no matter how good the walk-through is, a homebuyer is not getting a full picture of the house being purchased and its potential issues. And as for the home inspector, you are facing reduced revenues, while taking on a significant amount of liability for a paltry \$75 to \$150 per “inspection.”

## **Liability Issues**

Isaac Peck, President at OREP Insurance, a leading provider of home inspector E&O insurance nationwide, advises home inspectors to steer clear of walk-through inspections strictly from a liability standpoint. “We are advising our insureds to decline these types of assignments. Limited home inspections increase your risk and decrease your revenues. Many home inspectors think they can protect themselves with iron-clad disclaimers and liability limitations in their client Agreements, but that is not a 100% guarantee. The inspection industry has decades of legal precedents where liability limitations and restrictions have been challenged in court. It remains to be seen how these types of contracts will hold up in court,” reports Peck.

If you decide to do these types of assignments, it’s important to make sure your E&O insurance will cover you. Peck advises home inspectors to check with their E&O agent to confirm coverage. “The coverage for these kinds of inspections can vary between insurance policies and can depend on whether or not a written report is delivered. Some policies will only cover a home inspection if a written report is delivered, while other policies may allow coverage for verbal inspections. If an inspector is going to do this type of work, it is very important that they make sure they are covered. So they should ask their agent,” says Peck.

Additionally, in instances where no written report is delivered, the liability increases exponentially as it can quickly turn into a “he said/she said” situation. The homebuyer can claim that the inspector never mentioned something or told them verbally that the issue was “not a big deal.”

Another potential pitfall home inspectors might fall into is defining the services performed as “NOT a Home Inspection.” This is problematic, Peck says, because inspector E&O policies are written to insure a professional for their “Professional Services” and nearly all inspector’s policies provide coverage for, you guessed it, “Home Inspection Services.” (See Insurance IQ: Defining Professional Services)

In other words, there could be a coverage issue if you are signing a contract that says the service you are providing is NOT a home inspection, while your E&O policy provides coverage specifically for “Home Inspection Services.” The result is that you might be inadvertently excluding those services from coverage. “From what we’ve seen so far, this coverage question has not been raised or resolved yet, so proceed with caution. If you do choose to do these types of inspections, you can help yourself by calling them “Limited” or “Restricted” home inspections. If you are doing these types of assignments, you definitely want to run your client Agreement by your E&O agent,” advises Peck.

## **Walk and Talk Inspections**

Dave Klima, co-founder of InspectedHouses.com and President of Aardvark Home Inspectors Inc., says his firm tries to avoid “walk-through” inspections. “We haven’t been doing many Walk and Talks. We’ve done some major component inspections, but we still provide a written report. Instead of looking at every room, we focus on major systems and/or on areas where the client is particularly concerned. The client might tell us that they are more concerned with the roof, the attic, the foundation, HVAC, etc.,” says Klima.

From a business standpoint, Klima says that it just isn’t feasible to do a lot of walk-through or even limited major system inspections. “The lower revenues associated with these assignments don’t

make sense for our business model. Whether it's a major systems inspection or just a Walk and Talk, you still have to schedule an inspection slot, drive out there, etc. That's less money that our inspectors make per inspection slot. We still have to document everything that we see. For our Indiana operations, if you get paid to inspect anything in a house, you have to put those inspection findings in writing," says Klima.

Aardvark is a larger multi-inspector firm that operates in Michigan, Indiana, and Ohio, so Klima is careful to note that every market is different. "Our Fort Wayne, Indiana location has done a few Walk and Talk inspections but our main focus is really on providing full home inspections. Walk and Talks devalue the inspection process. I am concerned about the client. I want them to be 100% protected by getting a full-blown home inspection," argues Klima.

Real estate agents are ultimately the ones who are "steering the ship" when it comes to waiving the home inspection process, but Klima says that not every agent is happy or comfortable with the situation. "What real estate agents don't realize is that in the long run, waiving a home inspection could cost them money because when a client moves into a house and they find a bunch of problems, first and foremost, they are going to blame the agent. Even if they don't sue that agent, they're never going to use that agent again. But in a worst-case scenario, they are going to sue the listing agent, the buyer's agent, and the seller," reports Klima.

### **Always an Opportunity**

The best way to address this red-hot market, according to Klima, is to step up your marketing. "In a pre-COVID market, let's estimate that normally 95 out of 100 homes were getting inspected. And today in my local market, maybe only 80 out of 100 homes are getting inspected. If my firm kept our same market share, we would naturally suffer that 10-15% drop, all other things being equal. So, we need to market harder than ever so we can get that increased market share. We need to get a bigger piece of the pie. And if the pie is growing due to increased transaction volume, that's even better," says Klima.

Aardvark is marketing straight to the general public about the importance of getting full home inspections. Klima says Aardvark makes Facebook posts, runs Google Ads, and then boosts some of those Facebook posts to the local area.

As part of its strategy to reach homebuyers directly, Aardvark is actively promoting the benefits of post-closing, pre-move-in inspections. "We have been putting the word out on social media and in all our direct communications that we have with potential homebuyers. Our message is: 'Don't waive your inspection to make your offer more attractive, but if you're absolutely going to waive the inspection, then inspect it after you close.' People learn so much more about their house when they have a full-blown home inspection. So, if a homebuyer is in a situation where they have to waive the inspection to get the deal, it absolutely makes sense for them to get the home inspected before they move in," reports Klima.

On its website, Aardvark promotes post-closing, pre-move-in inspections as a way for homebuyers to:

1. Make sure there are no health and safety hazards.
2. Document the condition of the home before moving in.
3. Learn about the home's systems and how to maintain the home.
4. Get an upgraded / additional home warranty.

This is a great example of how home inspectors can turn a business challenge into an opportunity. Klima recently posted a video to his social media accounts where he interviews one of his buyer-clients who purchased a post-closing, pre-move-in inspection. The buyer explains that he and his wife waived the inspection in order to get the deal done, but still wanted to have the home inspected for safety and maintenance reasons, as well as general peace of mind. Aardvark is successfully using this approach to increase its volume and give homebuyers peace of mind before they move in.

### **Capturing Buyer Leads**

Lastly, Klima has been using his own service, InspectedHouses.com, to connect with buyers directly as well as to build his connections with real estate agents. InspectedHouses.com is an entire marketing suite that can also be used to capture buyer leads directly for both the agent and the home inspector. “We’ve built a system where we work with agents and create custom yard signs with a phone number that interested buyers can text for more information about the home. We do a custom sign (or signs) for each of the agents we work with. The sign has both our and the agent’s logo. The agent puts the signs in the yards of their listed homes—we don’t have to do anything. When potential buyers text the number on the sign, the agent gets the buyer lead and we do too. If they get just one lead per listing that turns into a sale, it’s an incredible benefit to them,” says Klima.

The result is that InspectedHouses.com brings a steady stream of homebuyer leads in the door for both Aardvark and for the agent/broker. “Being able to market directly to potential buyers in this way is absolutely key for us, plus being able to offer this to our agents is a great way to build relationships. We just brought on a new real estate agency that we’d been trying to win for years. We showed them the program—they really liked it and now they’re sending us all their buyer’s inspections. We place lead capture signs in the yards for houses that are for sale. Not only do we get a steady stream of direct homebuyer leads, but the Aardvark logo is in that yard for 30-90 days at a time. That’s good marketing for us—better than flyers sitting in real estate offices,” argues Klima.

### **Shifting Market**

Professionals with an interest in the real estate market are increasingly talking about if and how the market will shift. Klima argues that it’s not a question of if, but when. In his local market, Klima is already seeing a rise in the number of homes on the MLS, homes staying on the market longer, and a shift back to a “normalized” market. At press time for this issue (early Fall 2021), similar sentiments are being reported in other local markets across the country. Hopefully, the result will be fewer home inspections that are waived and a retreat from the extreme seller’s market of the last 18 months.

#### ***About the Author***

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>> Stay up-to-date and connected, OREP/Working RE has established a Coronavirus (COVID-19) Discussion and Resource Page where you can share your thoughts, experiences, advice and challenges with fellow inspectors.

>> Take the Coronavirus: National Home Inspector’s Survey. Provide your industry feedback.

## Fitting New Stairs Into a Tight Space

BY ROB CORBO

**Clients in Hoboken, N.J.**, contacted me last year and requested assistance in creating a new floor plan for their home that was more elderly friendly. The home was originally constructed in 1910 as a two-family with each unit comprising two floors: One unit occupied the basement and the first floor, while the second unit occupied the second and third floors. A renovation decades ago connected the first floor to the upper two floors and created a separate basement apartment. Since then, the homeowners had lived on the upper three floors, while they rented out the basement apartment.

The clients wanted to return to the original layout of two residences, each with two floors. To avoid the stair climb to the second and third floors, they would move into the lower residence, and, in time, their daughter and her family would occupy the upper one. To make the lower apartment elderly friendly, they wanted to install a new stairway and elevator from the first floor to the basement as part of the overall renovation.

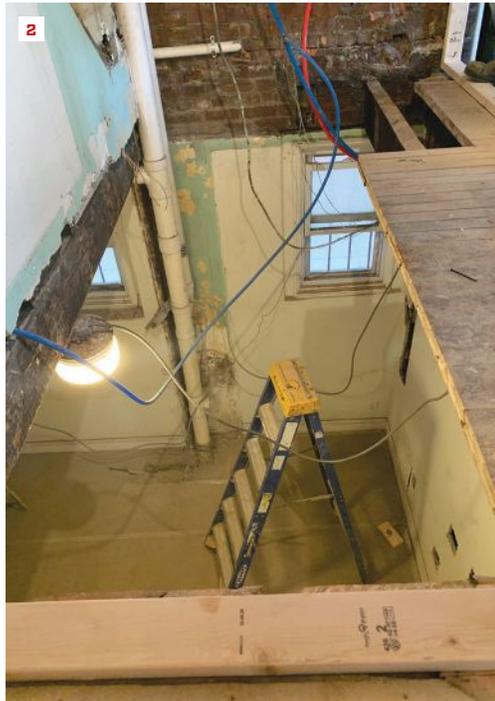
Jerry Schubert, a local architect, was contracted to provide a set

of drawings for the renovation. He worked with the client to determine the best location for the stairway and elevator. It was decided that we would frame for the elevator, but the elevator unit would be installed later. Until then, the first-floor portion of the elevator shaft would serve as a closet. Plans were approved by zoning and building, and we pulled permits and got to work.

When we lifted the subfloor, we found the original stairway joist framing, or a portion of it, that connected the basement and the first floor. From the opening that we discovered, we could not determine the original design or stair run, at least not one that would meet today's codes. However, we did determine that we would be able to incorporate the original framing into the new winder staircase framing specified in the plans.

The photos and captions that follow explain the steps we went through to fit a safe and legal winder stair into the space.

*Rob Corbo is a building contractor based in Elizabeth, N.J., specializing in high-quality gut rehabs and renovations of inner-city residences.*



At the outset of the job, the crew began demolition around a plumbing chase, where waste, water, and heat piping would have to be rerouted around the new stair opening (1). As the subfloor was removed, the crew discovered a box-out in the floor from the original straight run of stairs. To make a legal stair, however, they would have to widen and lengthen the floor opening, as well as turn the corner to create an L-shaped opening for a winder (2).

Photos by Rob Corbo

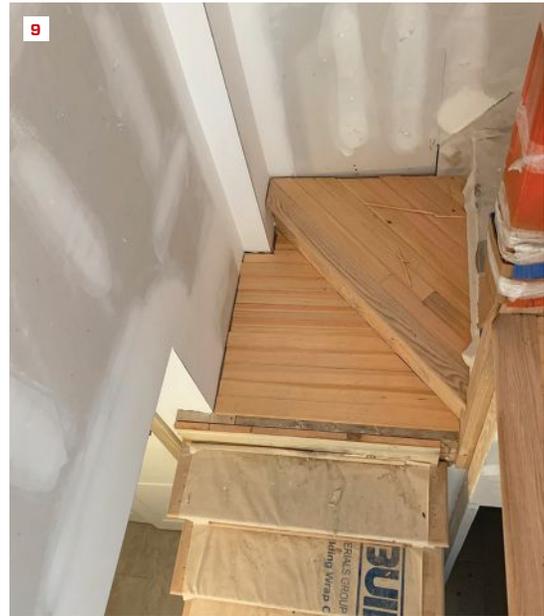
## On the Job / Fitting New Stairs Into a Tight Space



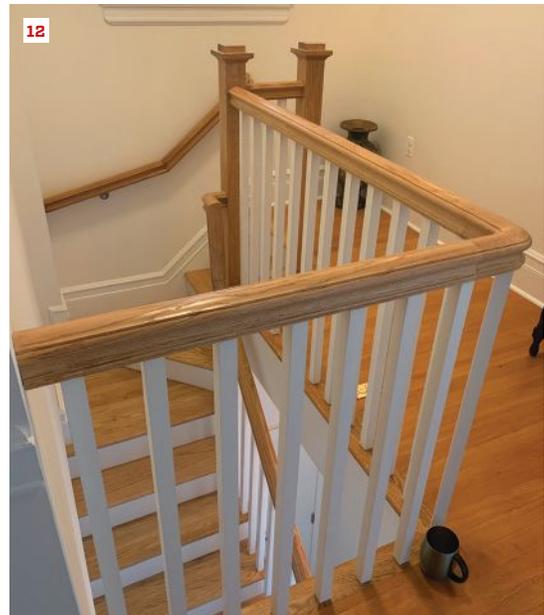
With the new stair opening defined, the exterior wall was furred out to accommodate the water and heating service lines. This required burying an existing basement window that faced a narrow alley (3). The first step in building the rough carriage was to frame the landing, which would become the first winder (4).



One of the code challenges with the stair was to create a continuous handrail on the right-hand side of the stairway as you walk up. JP, a carpenter with Passaic Stairs, worked out the distance the lower run of stairs needed to be offset to accommodate the handrail (5), which needed room to gooseneck up to a let-in newel at the stairwell's corner and connect at this newel to the short rail for the top three steps; that rail then tied into the top newel post on the second-floor guard (see photos, facing page). As the lower flight of stairs was installed, the offset was obvious (6). The rail for the left-hand side of the stairs would die into the lower ceiling. To meet headroom requirements, this offset had to be less than 4 3/4 inches (measured from the handrail to the outside corner of the floor opening). To complete the landing, JP notched the first newel (7)—a complex notch that picks up the landing on the bottom, as well as the corner of the floor opening at midheight—which rises to the same height as the top newel.



The stair structure ties in with closets at left and right (8)—essential to the client’s demands. Here, you can see from above the two winder treads (9)—the lower one is the landing, with the second winder tread on top of it. By code, the smallest dimension of a winder tread must be 6 inches at the handrail line (with a newel or balusters acting as a guard to keep someone from stepping on a tread area less than this) and 10 inches at the walk line 12 inches away.



The minimum 4 3/4-inch headroom requirement is met where the left handrail intersects the ceiling (10). Headroom between the ceiling at the edge of the floor opening and the stair directly below is also adequate (11); this height must be at least 6 feet 8 inches. The finish stair from the second floor (12) shows the continuity of the handrail. Code allows the handrail to be interrupted at a newel for winders, as it is here, where the newel rises to the upper-floor guardrail height.

# FHA & MPS

(Federal Housing Administration & Minimum Property Standard)

By Catherine Hall

## Have you ever had this happen...?

- A home buyer calls you complaining that your inspection was not “correct” or accurate?
- A real estate agent questions why the appraisal flagged items in the home that were not mentioned in your inspection report?
- A loan officer insists that you “change the report” because some of your comments were creating a problem in underwriting?

### **The reason these unpleasant situations occur can be summed up in six letters: FHA MPS.**

As home inspectors, we evaluate a property according to standards of practice dictated by our state or the association of which we are a member. These guidelines are designed to ensure the information provided by the home inspector is accurate, comprehensive, but reasonable, and within specific boundaries. These standards are there to protect the home inspector as much as they are the customer and apply no matter what type of financing is being used to purchase the home. For some buyers, our inspection report is not the only evaluation hurdle they must jump over.

Homebuyers looking to finance a home purchase with Federal Housing Administration (FHA) Insured loan are sometimes surprised to find that they are not allowed to purchase a particular property because it doesn't meet FHA requirements. Their surprise may turn to dissatisfaction with the home inspector due to a misunderstanding of the purpose and content of the report they paid for. These “other” requirements are called the FHA Minimum Property Standards (MPS).

FHA created the Minimum Property Standard requirements into order to protect their investment in the property as they are insuring the mortgage. By extension, the MPS are also used to protect the lender. As you know, when a homebuyer takes out a mortgage, the property serves as collateral for the loan. If the homeowner defaults on the loan and the lender is required to foreclose and take back the property, they will want a property with the fewest safety or soundness concerns as possible. The resale of the home will, in most cases, be a loss to the lender and an insurance claim to FHA. While the mortgage company cannot ensure the property will remain in safe and sound condition, at least if the loan starts that way, the lender has at least limited their risk of loss.

Since FHA is providing insurance protection to the lender for the mortgage, FHA also has a vested interest that the home, if foreclosed upon, will be able to be resold for the highest possible price—as close to the original investment as possible.

At the same time, this requirement also protects the homebuyer. When they purchase a property that meets MPS, it is less likely that they will be burdened with costly home repair bills and maintenance from the start.



Properties being purchased with FHA loans must meet safety, security, and soundness standards. According to the U.S. Department of Housing and Urban Development (HUD), FHA requires that all properties financed with loans that they insure must meet MPS. The three classifications of these standards are:

- **Safety:** The system and components of the home do not pose a risk to the health and safety of the occupants.
- **Security:** The property has adequate security features to protect the dwelling.
- **Soundness:** The property has no physical defects, conditions or components that would negatively affect its structure or required mechanical operations

Typical areas included in a standard home inspection like roofs, electrical, plumbing and heating are evaluated according to these requirements. However, the MPS also includes requirements for conditions not covered by a typical home inspection report such as property access, excess noise, and unfavorable site location. These can be some of the differences that can cause the misunderstanding on the part of the buyer who looks at the home inspection report as a “complete” description of “all” defects in the home—you know they do!

As we all know, in order for a property to receive underwriting approval, it must be evaluated by an appraiser—in this case an FHA Appraiser. For a typical single-family home, the appraiser will complete a form called the Uniform Residential Appraisal Report. In this report, the appraiser will make his assessment of the type, size, and composition of the dwelling as well as the property. They will also evaluate the home to determine if the systems and components meet or do not meet the FHA MPS. (Note: an important element of the FHA Appraisal is that ALL utilities must be on at the time of the assessment.) They will make an opinion as to the three conditions above and report their recommendations for correction to the underwriter. This leaves a lot of room for interpretation particularly based on the word “MINIMUM”.

The interpretation of this term “Minimum Property Standards” can also cause a situation that can create a road-block to closing. It can occur when as home inspectors, we report conditions and system as “Marginal” based on appearance, age, or indications of limited life expectancy. Something that is not common knowledge is the fact that the appraiser does NOT make the determination if a home is or is not eligible for the mortgage- it is the underwriter who makes this decision based on the information from the appraisal report, home inspection report and all other pertinent facts.

It is important to know that FHA does not consider as an MPS failure cosmetic or minor defects, deferred maintenance, age beyond manufacturer life expectancy or normal wear if these conditions do not affect the imminent safety, security, or soundness of the home. FHA like everything in life, changes its standards and has evolved with the increased sophistication of the homebuying public. Many home inspectors have heard that certain conditions were automatic appraisal failures, but these are no longer the case. Examples of items that once did but no longer require correction include:

- Missing handrails
- Cracked or damaged exit doors that are otherwise operable
- Cracked window glass that does not impair function or cause a safety concern
- Chipping, peeling, spalling painted surfaces in homes built after 1978 (limited risk of lead paint hazards built after this time)
- Minor plumbing leaks (such as dripping faucets)
- Defective floor finishes or coverings (worn through the finish, badly soiled carpeting)

- Indications of past (non-active) wood-destroying insect/organism damage that did not cause structural damage
- Rotten or worn-out countertops
- Minor/non-structural damage to finished wall/ceiling surfaces: plaster, sheetrock in post-1978 homes
- Poor workmanship
- Upheaved, cracked sidewalks
- Crawl spaces with debris and trash
- Lack of an all-weather driveway surface (unpaved driveways are no longer a deficiency in most cases)

Looking at this list, it is easy to see that if an underwriter were to get a copy of a home inspection report describing the kitchen sink drain as “unsatisfactory” due to a leak in the trap, they might interpret this as requiring repair as a measure of mitigating their risk. This is why you may get a call from a loan officer upset that your report is so “negative” or vague. (HINT: We recommend to all our home buyers and real estate partners to NEVER show the inspection report to the lender. You might want to as well).

### **Why does this cause such a problem for the home buyer...and by extension us as home inspectors?**

When a property fails to meet MPS, as described by the FHA appraisal report, the home cannot be purchased with the FHA insured loan without the issues being corrected. The homebuyer is left with the frightening prospect of their “deal dying”. When this happens, the homebuyer and their agent, looking to blame someone—anyone—will turn to the home inspector and find them at fault for either NOT providing enough information or TOO MUCH!

### **Remedies for Properties Below Minimum Standards**

One of the ways the obstacle to buying the home can be removed is by having the seller make repairs themselves before selling the property. In most situations the buyer will ask the seller to make the corrections listed on the appraisal report. However, in this current “sellers’ market”, many sellers simply do not have to do these repairs. In many cases today, they are confident that there are enough other prospective buyers who will be eligible without the seller fixing anything. In fact, many sellers will state “conventional” financing only to completely avoid dealing with the FHA MPS.

Alternatively, buyers that can’t qualify for an FHA loan due to the condition of the property based on the appraisal, may use another loan product, such as an FHA 203(k) loan, which allows the purchase of a home that has significant problems. With the 203(k), all MPS repairs and desired upgrades and improvements are completed after closing using funds that are added to the purchase price to cover these expenses.

If the property is bank owned, there is usually no way to get the repairs completed except with a rehab loan. In this case, the deal will most likely die if an alternative way to get the repairs completed cannot be found.

This can be a very discouraging and expensive situation for the FHA homebuyer who now will have to renew their efforts to find a home that meets the Minimum Property Standards. This frustration can be compounded especially for buyers with limited funds and limited properties in their price range.

FHA loans were created to provide greater accessibility to homeownership for those who find it difficult or impossible to get a conventional mortgage, but FHA doesn’t guarantee to make it easier to buy a property. In fact, some homes simply will not qualify not because of any condition inside the dwelling but due to external/environment issues that can’t be changed or corrected by the seller.

## **Why should all this be of interest to home inspectors?**

There is a great opportunity for home inspectors to be of even greater help to homebuyers as well as create a new revenue stream by providing information and reports specifically tailored to address FHA MPS issues. This will be a great help to FHA borrowers who want and need to know what to expect when home shopping. Having access to a service that gives “advance information”, home buyers can restrict their search to properties that are likely to meet FHA guidelines, or at least avoid spending money on an appraisal report that may not pass or be ineligible for the FHA Insurable Loan.

Additionally, those home inspectors who are FHA 203k certified or are “partnered” with a 203k consultant, can many times “save” the deal that might otherwise die due to property conditions and or seller’s inability or unwillingness to make repairs. The possibilities that exist for home buyers and home inspectors with FHA Rehab Loans are exciting but that is a topic for another day.

Consider adding a very simple question to your pre-scheduling order taking: “How are you financing your new home?” FHA/VA/Conventional? You may be surprised how many of your customers are using FHA loans and would benefit from any extra support you can give them to help avoid heartbreak and frustration (and the blame game) later on.

### ***About the Author***

Catherine Hall is the Executive Director of the National Association of FHA Consultants and known throughout the residential building industry as America’s 203k Queen. Having owned and operated a successful multi-inspector firm for 26 years, she developed and maintained her company’s profitability with the unique selling point of being experts in all things related to government insured or sponsored home ownership. You can learn more about FHA mortgages and the products and services available to home inspectors in this lucrative area at [NAFHAC.org](http://NAFHAC.org).

# The Importance of Customer Experience Management (CXM)

by Paul Zak, President of America's Call Center

You own a home inspection business. Congratulations! You are a rare individual representing less than 10% of the U.S. working population who is taking the risk to own their own business. It is not easy being a business owner, but it can be an extremely rewarding experience for you and those you help with your business on a day-to-day basis.

You also chose a very competitive industry tied to the real estate market. Depending on where you live, it might only require a simple business license to start a home inspection business. Even in licensing states, the barriers to entry are relatively low when compared to other businesses. According to IBIS World, there are over 32,000 inspection businesses employing almost 50,000 inspectors. This includes sole proprietors, multi-inspector firms and franchises. The good news is that most home inspection transactions are at a local level. The not-so-good news is that, at a local level, you might be competing against both well-established inspection businesses as well as the newcomers hoping to score big by lowballing prices (which is not good for anyone in the industry).

## Real Estate: Not Following Typical Cycles

In addition to a competitive home inspection industry, we have a non-traditional real estate market, where inventory has been at record lows for a considerable amount of time. Add a pandemic on top of the seasonal market cycle and many regions are seeing an even lower inventory—new housing starts are well above median home prices and a shortage of low-income and affordable housing. This can make it very difficult to predict what is next for the housing market! Despite all of that, 2021 was a record year for many businesses while others had to shut down. While there is still expected to be a lot of volatility in the market, 2021 is projected to see existing home sales up seven percent and single-family home housing starts up nine percent (<https://www.realtor.com/research/2021-national-housing-forecast/>). IBIS World is forecasting that 2021 will end with an over eight percent increase in home inspections over 2020.

What's going to happen in 2022? Nobody has a crystal ball, but Freddie Mac is predicting that while home price increases will moderate or slow in 2022, home purchase mortgage originations will increase from \$1.8 trillion (2021) to \$1.9 trillion, with the number of home sales transactions remaining relatively flat at 6.9 million. If that prediction holds true, it means 2022 should see a similar number of home inspection transactions as 2021.

## Competitive Landscape

2022 will see a potentially flat market, coupled with new inspection businesses starting in most regions along with some churn with your agent/customer base. These factors could have a significant impact on your bottom line if not anticipated. If you have an established business plan and are hitting all your business goals, great! If not, there are ways to improve.

There are several aspects of your business you should evaluate to see if they are at the level you would expect:

- Branding - Do you have a personal brand or a business brand? Is the messaging clear, and concise? Do people know your company and what it stands for?
- Business Development and Marketing - Are you doing regular agent and customer outreach? Are you engaged online?

- Lead and Sales Management - Are you educating clients, booking and upselling your services at the highest possible level?
- Inspections - Are there opportunities to increase efficiencies with your existing systems?
- Customer Experience Management - What are the experiences for the agents and clients who engage your company? Are you considering the experience from before they reach out to you to well past the inspection report and summary?

The rest of this article is going to focus on one aspect of your business that can have a tremendous impact: Customer Experience Management.

## **Importance of Customer Experience Management (CXM)**

You may have seen some of the following:

- 80% of customers say the experience a company provides is just as important as its products or services - McKinsey & Company.
- 70% of buying experiences are based on how the customer FEELS they are being treated - McKinsey & Company.
- 67% of customers say they would definitely be willing to PAY MORE for a great customer experience - McKinsey & Company.
- 51% of customers will never do business again with a company after just one negative experience - Forrester Research.
- 33% of Americans say they will consider switching companies after just a SINGLE INSTANCE of poor service - American Express 2018 Customer Service Study.

How you treat your customer, from the moment they first contact you and throughout the entire experience, is paramount in not only retaining your agents and clients but is critical to growing your business. In today's world, it is what separates you from the other inspectors around you. Assuming you already have a solid marketing plan in place, it can be argued that CXM is now one of the most important business growth tools a business owner can deploy. Controlling and managing the customer experience from the very first call (when they are making the decision to use your services) and beyond will make for a happy client, which will translate into a happy agent, which will turn into more referrals, increased positive reviews and more!

## **What is Customer Experience Management (CXM)?**

CXM has been defined as: The discipline of understanding customers and deploying strategic plans that enable cross functional efforts and customer-centric culture to improve satisfaction, loyalty and advocacy. (Gartner.com)

Stated more simply...

- Customer Experience (CX) - The perception of your customer of their interactions with your company.
- Management (M) - The process of identifying how well (or not) your company is meeting the customer expectations with each customer interaction and putting plans in place to maintain areas that are currently positive and improve areas that are not.

Perception is a key word here. You've heard the adage "Perception is Reality" and that is very true in this industry. You may believe your customers have the best customer experience, but you really don't know unless you ask and get honest feedback. And that perception is across all aspects of your business. The customer is building a perception of your business and your brand from the moment they hear about you—whether from an agent, a website search, or that first call. Does that first impression set the stage for the rest of their experience?

For example:

- Do your agents say, “You need to give XYZ Inspections a call, they will take great care of you!”?
- Does your website provide them with a great experience, or overwhelm them with clutter and details?
- When their call is answered after a few rings, does a friendly voice greet them, giving the time to answer all their questions about one of the biggest purchase decisions they may be making in their lives?

And it goes on from there. Are you focused on delighting the customer at every step of the process? Are your marketing materials friendly and engaging? Are you handling leads, offering your services and booking inspections in a helpful, easy manner? Is handling special requests a non-issue? After the inspection, how would you describe the reaction of your customer? How are you addressing questions or concerns they may have? What are you doing post-inspection to make sure the agent and client received the best possible experience?

## How to Develop a CXM Strategy

Here is a four-step process to help you develop a CXM strategy.

1. Understand Your Customer
2. Create a Customer Journey Map
3. Develop an Emotional Connection
4. Capture Customer Feedback

## Understand Your Customer

There are several ways to better understand your customers. One of the best is to consider the different types of customers you have experienced, so you know how to market to them. Typical profiles include the first-time homebuyer, the down-sizer, the up-sizer, the investor, etc. Write them down, then create “personas” for them. A persona is a fictional representation of the customer based on what you know about them. A first-time homebuyer might be “Melinda Millennial, who saved up enough money for a down payment, has a steady job and two dogs, and is nervous about home ownership.” Once you capture some of the key characteristics you can tailor your marketing accordingly.

## Create a Customer Journey Map

Here is where you want to capture:

- The Buying Process
- User Actions
- Emotions
- Pain Points
- Solutions

There are multiple templates on the web that you can select and tailor to your needs, the important thing is to capture all the different areas where the customer interacts with your “brand,” how they move from one experience to another (initial contact, booking, delivered inspection, post-inspection follow-up, etc.) and what they experience at each step. This may feel like a lot of work that you inherently “know,” but the exercise is well worth the effort. You’ll probably be surprised at the new insights it will bring to your business and brand.

## Develop an Emotional Connection

This can be challenging, especially during a pandemic. Still, at the most basic level, when a client or agent is interacting with you, your business and your brand, you want them to feel:

*This person/brand/company is honest, has integrity, and I can trust that they will do their best for me throughout the entire process.*

If they are not feeling a connection, develop an approach that will get you there. Brands that gain that reputation will be the ones experiencing the growth.

## **Capture Customer Feedback**

Research from Bain & Company shows that 80% of companies believe they are providing great customer service. Only eight percent of their customers agree with them! That's a big gap. How do you capture customer feedback?

- Send a follow up email
- Initiate surveys via text/SMS
- Create physical survey forms
- Conduct customer interviews
- Monitor social media channels
- Offer incentives for feedback
- Host social media contests
- Use feedback monitoring sites
- Use a reputation management service
- Reach out to agents who have stopped using you

Bottom line, if you are not asking for customer feedback on a regular basis you probably don't have a good idea as to what they are really thinking.

## **Conclusion**

Customer Experience Management will require both thought and effort, but once you have a system in place the benefits will far outweigh any costs. And you are not alone—everyone associated with your brand, including your inspectors, office staff and partners, has a role to play and can help with the ongoing efforts. In the end, if you have a brand that is perceived to be delighting its customers, you will see more business, more revenue and more satisfied agents and clients.

### ***About the Author***

Paul has been President of America's Call Center since 2003. As a respected leader, national speaker, and true innovator, Paul continues to set a standard for excellence in the inspection industry. He holds a B.S. in Chemical Engineering from University of Rochester as well as a Masters of Business Administration (MBA) from University of Colorado Denver.

# November Home Maintenance Guide

Anne Reagan

## Keep preparing your home for winter with these tasks.

November is full of autumnal celebrations, falling leaves and changing weather. For some regions, snow might already be falling and winter windstorms are threatening to knock out power. This is the right time of year to keep preparing your home for winter like purchasing snow supplies, testing your generator and keeping the gutters clear of leaves. Be sure to keep your home safe this fall by keeping up with your weekend projects and to-dos.



## Inside the home

- **Call and schedule a plumber:** The day after Thanksgiving is the busiest day for plumbers due to garbage disposal issues, clogged drains, dishwasher problems, and toilet troubles. Do yourself a favor and schedule a plumber to come in and fix issues prior to the busy holiday.
- **Clean dryer vents and duct system:** Thoroughly blowing out the dryer duct system is important to help make your appliance function better as well as reduce the risk of dryer fires. The incidences of this type of fire increase in the winter months so get this task done this month.
- **Test smoke alarms:** Thanksgiving turkey dinners and distraction from entertaining guests mean more accidental cooking fires. Add the possibility of unattended candles and fires in the fireplace and you have a recipe for danger. Stock up on fire extinguishers and check the batteries in your alarms.
- **Get winter storm ready:** November windstorms can easily knock out power. Check and replace the batteries in your flashlights and place them in easy-to-find areas of the home and service your backup generator system. While you're at it, stock up on extra water and canned goods just in case.
- **Call and schedule a heating service pro:** Make sure your heating unit is in good working order and change the filters every 3 months.
- **Add appropriate leftovers to the compost bin:** Big meal preparations can often lead to valuable compost material. Check our composting tips here.

## Outside the home

- **Purchase snow removal equipment:** This is a great month to stock up on de-icers, shovels and other snow and ice equipment. If you regularly use a snow blower, be sure you have it serviced before the snowfalls.
  - **Call and schedule a gutter cleaner:** November brings downed leaves, needles, and branches which can quickly clog your gutters and downspouts. Protect your roof and foundation by having clear gutter drains. And make sure you use common sense when climbing your ladder – Find a pro if you can't do this yourself.
  - **Stock up on firewood:** If your home has a wood-burning fireplace, make sure you have plenty of seasoned wood. Seasoned wood is wood that has been dry for at least a year. Unseasoned wood can produce more smoke or creosote buildup within the chimney.
  - **Keep lawn clear of leaves:** Continue to rake leaves and remove heavy, fallen branches off of the lawn this month as wet leaves can suffocate the grass blades. Rake leaves and compost them or use them as mulch around shrubs and bushes in the yard.
- 

*With a background in furniture and antiques, Anne has spent the last several years writing about home improvement and interior design. An avid traveler, she loves to collect pieces that tell a story and in her off hours she can be found hunting for vintage furniture and textiles.*

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BY VINCENT SALANDRO

### 1. Easy-Install Outdoor Kitchens

Manufactured using glass-fiber-reinforced concrete for durability, Signature Kitchens and Outdoor Cabinets from Kindred Outdoors and Surrounds can be installed on any solid flooring surface without footings or rebar in a single day. Signature Kitchens are a collection of pre-designed, customizable, lightweight building blocks, cabinets, bolts, and end caps. Outdoor Cabinets can be purchased individually for custom configuration. Pricing varies. [mykindredliving.com](http://mykindredliving.com)

### 2. Powder-Coated Aluminum Decking

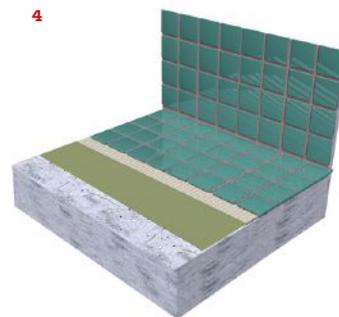
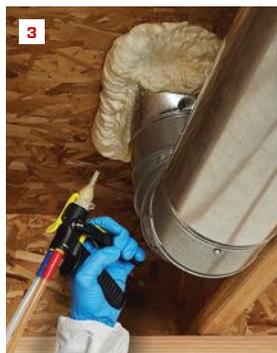
Nexan LockDry decking's powder-coated aluminum construction prevents rotting, cracking, and warping and requires no painting, staining, or waterproofing after installation. According to Nexan, LockDry stays cooler than most composite decking products in extreme sun exposure and supports up to 240 pounds per square foot of live load for heavy snowfall. Fireproof and noncombustible, the decking does not emit any toxic fumes. Contact Nexan for pricing. [nexaninc.com](http://nexaninc.com)

### 3. HFC-Free Sealant

Proth-Pak Spray Foam Sealant from DuPont is a two-component, quick-cure polyurethane foam that fills penetrations and cracks in rim joists, at roof-wall junctions, and around pipes and ducts. The HFC-free foam seals out moisture, dust, allergens, and pests while its application nozzle reduces overspray. DuPont says the spray foam delivers a global warming potential reduction of more than 99% compared with current formulations. Pricing varies by size. [dupont.com](http://dupont.com)

### 4. Tile Waterproofing Solutions

Laticrete has expanded its waterproofing and crack-isolation portfolio with two products, Hydro Ban XP and Hydro Barrier Plus. Hydro Ban XP is designed for use in all waterproofing applications and cures at 35°F or above. The product's lighter color helps with visibility for inspection in dimly lit areas and offers contrast for chalk and laser level lines. Hydro Barrier Plus is a load-bearing, self-curing, liquid rubber polymer that forms a seamless waterproofing, anti-fracture membrane without the need for fabric reinforcement. Sold in gallon pails, Hydro Barrier Plus and Hydro Ban XP cost \$80 and \$100, respectively. [laticrete.com](http://laticrete.com)





### 5. Standing-Seam Metal Cladding

AEP Span's Select Seam Shingle Cladding is a traditional 22-gauge-metal standing-seam profile. The cladding, available in 12- and 16-inch-wide panels in lengths starting at 8 feet, can be installed vertically on solid substrates; staggering the lengths provides a shingle look. According to AEP, the cladding is code-compliant for wind uplift, air infiltration, and water infiltration. Contact an AEP representative for pricing. [aepspan.com](http://aepspan.com)



### 6. Thin-Profile Cable Fencing

DSI aluminum cable fencing combines aluminum posts and rails with thin vertical stainless steel cables and aluminum pickets, allowing for minimally obstructed views of the surroundings. The fencing comes in preassembled and tensioned sections to ease installation. According to the manufacturer, its 10-step powder-coating system is PCI 4000 certified and provides a lasting color finish that can resist fading. The fencing is available in two-rail or three-rail designs in twelve standard colors in addition to textured or satin finishes. Contact a local distributor for pricing. [diggerspecialties.com](http://diggerspecialties.com)



### 7. Nailable Composite Stone Veneer

Lightweight and easy to install, Evolve Stone Mortarless Series Stone Veneer can be used for both interior and exterior applications. Formulated from the company's stone and glass-fiber composite, the veneer can be face nailed with stainless-steel finish nails using a standard finish nailer. According to the manufacturer, the veneer holds its color throughout, can be cut to fit on-site, is moisture impermeable and UV resistant, is not impacted when exposed to salt spray or freeze/thaw cycles, and performs well under wind loading. It's available in five designs and four colors. Pricing varies by region. [evolvestone.com](http://evolvestone.com)



### 8. Decorative Post-Base Wrap

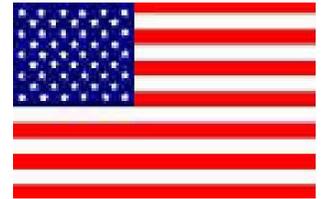
Simpson Strong-Tie's new decorative four-piece post-base wrap fits around most nominal 4x4 and 6x6 post bases; it also can be wrapped around posts without bases. Fabricated in black composite, the APBDW Outdoor Accents wrap features the arched profile of Simpson Strong-Tie's Outdoor Accents Mission Collection style. We found one for a 6x6 post for \$62 online. [strongtie.com](http://strongtie.com)

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*Articles published in CAHI Monthly are the sole opinion of the author. CAHI does not endorse or state a position for or against the content of said articles.*



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		They have served as our primary leaders and in other capacities since 1992.		
		Please thank them for their service when you have a chance.		

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