

Home Warranties 101

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There are basically two types of Home Warranties. The end of builder's warranty that comes with a newly constructed home and the type of home warranty you buy for pre-owned homes. We'll be talking about the pre-owned home warranties in this article. If you have questions or need more information on end of builders' warranties, [click here](#).

The views in this article are my opinion based on my experiences with my own home and the information I've received from our clients and the real estate professionals. This article isn't intended to be Real Estate or Legal advice nor should it be taken that way. If you need that type of advice, there are numerous resources to help you including Real Estate Agents and Attorneys. If you want to hear my two cents, keep on reading.

What is a Home Warranty?

In Texas, companies that sell "Home Warranties" that cover pre-owned homes fall under the regulation of the [Texas Real Estate Commission \(TREC\)](#). TREC classifies these companies as Residential Service Companies. As such TREC regulates what they can and cannot do. These warranties are sold to consumers as insurance against sudden repairs that are needed to major systems or components. Every company is different as to what they will or will not cover, so be very thorough in your research and by all means, read the fine print.

Here is the current list of Residential Service Companies licensed in the State of Texas. [Click here](#) for the list. By the way, TREC does not regulate warranty companies that cover newly constructed homes. Those companies (which are usually risk retention groups) are not regulated by any Texas state agency. You can thank the Builders lobby for that one also!

How do I get one?

That's the easy question. Contact your Real Estate Agent, the Listing Agent or any broker and they should be able to fix you right up. If you're buying a pre-owned home, it's not uncommon for the Seller to buy the warranty on the home. I've seen the prices for these contracts range from as little as a few hundred dollars to almost a thousand. Part of the pricing is determined by how many systems and components a home has. Obviously you should be able to cover a 2000 square foot home with 1 A/C cheaper than a 5000 square foot monster with 4 A/C's. I think the average price range I've seen is from \$250 to \$450. Again, do your homework. I'm sure prices vary between companies as does the coverage.

Is this too good to be true?

Can you really buy a \$150,000, 10 year old home and have everything warranted for a few hundred dollars? Well....maybe. The thing about home warranties for most people who've had them is that you either love them or hate them.

Problems for some consumers usually arise when they have a claim. They may have paid their dues each and every year and believed everything in their home was covered. Then one day in August the A/C goes out so they call the Home Warranty company who sends a tech out to look at the A/C. "Yep" he says "Your A/C equipment is shot, you're going to need a new one." "Good thing I have this warranty" you think. You may soon find out that your warranty will not cover a new A/C because you failed to have it "serviced" each year or because the service tech says the reason it went out was because of a "Pre-existing" condition.

I've seen claims denied for very questionable reasons. Stop and think about it, if they can deny a claim, then that's money in their pocket. Somewhere in that fine print I keep telling you to read I bet there is a whole bunch of "we won't warranty it if's."

The Technician who comes to your home may be the one who'll decide whether or not the work will be covered by the warranty. In some instances, these third party contractors who are hired by the warranty companies do not make as much on repairs and replacements on a claim as if you just called them up out of the blue. It pays to get several opinions before making a decision.

What are my options if my warranty company denies my claim?

In my opinion, if a company is going to sell you a contract that says they are going to cover components and systems in your home, then they should cover it. End of story. If they fail to send out the appropriate people to check and make sure all the systems are installed and functioning properly, that should be their problem and you shouldn't have to pay for their lack of due diligence. However the consumer is sometimes left holding the bag even after paying dues year after year.

The Texas Real Estate Commission has a complaint form you can use to file a complaint against these Home Warranty companies. If your claim is denied and you feel that the problem should have been covered by your warranty, then you may want to fill out a complaint form and send it to TREC. They will investigate all complaints filed by consumers. I've known several people who have had success getting their claims paid after filing a complaint. You can find a complaint form on the TREC website by clicking on the blue text. [TREC Complaint forms.](#)

What if I'm in another state other than Texas?

I'm betting that most states regulate these companies somehow. Check with your states Attorney General's Office. They should have all the information you need. You may even be able to file a complaint the AG's office of your state if you've had a denial of a claim in which you feel is legitimate.

Good Luck and read the fine print on those contracts!!!

