

Buyer Inspections vs. Relocation Property Assessments

Musical Dissonance

There are *home inspections* and there are *Relocation Property Assessments (RPA)* – although both *sound* like they would dance to similar tunes, they're actually played from very different sheet music because their audiences are very different.



Home inspections are designed for a *buyer* to help evaluate a home's condition before committing to purchase that home. Home inspections are *very* detailed and conducted under strict guidelines established by national inspection companies (US Inspect), professional trade associations, and state regulations.

Relocation Property Assessments are designed for *relocation management firms* to assess financial risk during acquisition of an employee's property; RPAs are intended to identify deficiencies and concerns that must be addressed by a transferee. RPAs were established in the late 1980s by the Worldwide Employee Relocation Council (WERC), the workforce mobility association for professionals who oversee, manage, or support U.S. domestic and international employee transfers.

RPAs are used in conjunction with Relocation Appraisals – RPAs identify repairs required prior to marketing the property for sale, and Relocation Appraisals forecast the potential selling price of a property. Together, an RPA and a Relocation Appraisal establish two essential benchmarks: i) amount of an employee's transfer benefits, and ii) market value of property.

Prelude: Why Understand the Differences?

We're addressing the topic of home inspections vs. relocation assessments for two reasons:

- To help our relocation management partners to manage their customer expectations by ensuring that everyone involved in the acquisition and resale of relocation property understands the subtle differences between the scope and objectives of the two inspections, and
- To respond to our recent relocation survey – home inspections vs. relocation assessments was *top of the list* of the topics that you wanted US Inspect to address. Thank you for your survey responses!

Crescendo: Worldwide ERC Task Force

As home inspection standards evolved, the Worldwide ERC elected to form a task force of industry professionals in 2008 to review relocation inspections, focusing on requirements for additional clarity about how and why relocation processes and forms differ from home inspections, and to update and modernize the form's content.

The task force, which consisted of professional home inspectors as well as relocation professionals, revised areas which were extraneous, redundant, or irrelevant. The task force also revised the descriptions and explanations of the RPA form to address the changes. Of course, US Inspect played an integral leadership role in helping to build and shape revisions to the relocation inspection and we are proud of the contribution we made.

Concerto: Relocation Property Assessment

The Worldwide ERC task force established the RPA form and guidelines, which focus primarily on the elements of a property which are relevant to a relocation administrator in evaluating a home according to each employer’s policies.

The primary goal of the RPA remains the same as the original relocation inspection, established in the late 1980s by ERC – to serve as the most useful tool available for the unique needs of relocation administrators as they assess the properties which come into their employee mobility management programs.

Dissonance: The Essential Differences

	Home Inspection	Relocation Property Assessment
Audience	Home buyer	Relocation management firm representing corporate client or government agency
Standards	Established by national entities, including US Inspect, National Association of Home Inspectors (NAHI), and American Society of Home Inspectors (ASHI); also subject to specific state regulations	Established by the Worldwide ERC, relocation management firms, corporate employers
Objective	Identify structural, safety and major system operability concerns in addition to maintenance and short and long term budgetary considerations	Identify structural, safety and major system operability concerns
Use	Educate buyer, peace of mind	Establish transferee responsibility for repair items prior to acquisition, intended for use with relocation appraisal
Scope	Inspector notes items which need repair/replacement, speculates on imminent problems or failures, and advises of budgetary considerations; includes cosmetic issues and typical homeowner maintenance	Inspector notes the status of items based on their conditions on the date of the inspection (i.e., no speculation regarding imminent failure or future performance); excludes cosmetic issues or typical homeowner maintenance

Intermezzo: Explanation of the RPA's Scope

The task force also substantially revised the explanation portion of the form so that transferring employees and prospective purchasers do not mistake its content or purpose for a general home inspection of the type often ordered by purchasers of residential real estate. Here's the text for reference:

This document should not be used in place of nor be mistaken for a general home inspection or specialty type inspection performed by a licensed or trades professional (e.g., professional home inspector, engineer, pest control operator, electrician, plumber, roofer or HVAC specialist, pool/spa specialist, etc.). This Property Assessment was prepared exclusively and for the sole use of the Client (the "Client") under an established business-to-business relationship for the specific purposes of assisting with the relocation of an employee. It is not intended for use, nor is it to be relied upon, by any party other than the Client, including, but not limited to, buyers, sellers, lenders, real estate brokers/agents, and/or appraisers.

Reprise: More Details Regarding Differences

Home inspections are intended to educate a potential buyer about the condition(s) of a subject property in order to facilitate a purchase decision. The buyer typically is present and participates in the inspection process. The inspector is contracted as an advisor to a particular buyer in a business-to-consumer relationship, i.e., the buyer is the inspector's direct customer and has agreed to the terms of the inspection being performed on the buyer's behalf.

Inspectors conducting home inspections note imminent problems and potential failures, and can advise clients to "budget" for future repair/replacement, e.g., "the heating system is functional but exhibits signs of rust; buyer should budget for replacement over the next two to three years."

Inspectors conducting RPAs perform on behalf of US Inspect and represent the interests of our relocation partners and their clients. Technically speaking, the transferee is the *seller* in this scenario. Inspectors report information based on a visual, non-invasive evaluation and status of the items identified on the day of the assessment; inspectors do not speculate regarding future performance. Reporting of apparent defects (but expressly *not* cosmetic deficiencies or deferred maintenance items) that call for corrective action is limited to three categories: i) structure, ii) unsafe or hazardous conditions, and/or iii) inoperative systems or appliances.

A RPA also is not a representation of compliance or noncompliance with federal, state, or local government regulations and codes (e.g., building codes, zoning ordinances, energy efficiency ratings, addition or remodeling permits, etc.).

Once completed, the RPA provides the relocation management professional a detailed list of concerns that must be addressed in order to complete the property acquisition process. But, as our relocation clients are well aware, the inspection process does not end here. Prospective buyers enlist their own inspectors to help them evaluate the property from *their* perspective.

Adagio: Implications for Relocation Management Firms

In the process of marketing homes for resale, relocation management firms frequently are called to respond to a prospective buyer's inspection. The difference in scope of a buyer's inspection and a relocation property assessment complicates this task without a thorough understanding of the intent of each buyer. A buyer's motivation sometimes includes identification of defects in order to effectively negotiate with a seller regarding the purchase price of a home; on occasion, home inspectors can be inclined to overstate the need for repair or replacement of high cost items.

One recent example of the dissonance between home inspections and RPAs is the reporting of Composition Board Siding, which came under heavy scrutiny several years ago because of its propensity towards early failure. High-visibility lawsuits against manufacturers and builders led to an overstatement in the need to replace entire siding systems, rather than addressing necessary maintenance and making reasonable repairs to damaged areas. Currently, it is well accepted that these systems can be less susceptible to failure when they are properly installed and maintained. Thus, a typical relocation assessment would address areas requiring attention as of the date of the inspection, whereas a buyer's home inspection once routinely called for wholesale replacement in an attempt to facilitate a high-dollar item with which to negotiate a reduction in the seller's asking price.

Finale: How US Inspect Can Help

US Inspect's relocation client management professionals are experts in articulating the differences between home inspections and relocation property assessments. If you have any questions about the RPA or *any* inspection type, US Inspect is available to guide and assist you.

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About Us Inspect

www.usinspect.com

US Inspect is the nation's leading inspection services firm, delivering residential and corporate relocation inspections since 1987. Our reputation is built on decades of honesty, integrity and excellent service to our customers at one of the most important decisions in their lives – buying or selling a home. We are committed to ensuring that each of our customers enjoys an exceptional inspection experience.

Please contact marketing@usinspect.com if you have any questions or require assistance.