

SUBJECT: Home inspection report as a condition of a residential service contract

COMMITTEE: Business and Industry — committee substitute recommended

VOTE: 6 ayes — Oliveira, Bohac, E. Rodriguez, Villalba, Walle, Workman
1 nay — Orr

WITNESSES: For — None

Against — (*Registered, but did not testify*: Chris Howe)

On — Beverly Rabenberg, Real Estate Commission

BACKGROUND: The Residential Service Company Act (Occupations Code, ch. 1303) defines a residential service contract as an agreement in which one party maintains, repairs, or replaces any or all of a structural component, appliance, or an electrical, plumbing, heating, cooling, or air-conditioning system of a residential property in exchange for a fee.

DIGEST: CSHB 2696 would prohibit a residential service company from requiring a homeowner, lessor, or renter to provide a home inspection report after both parties entered into a residential service contract. If, before entering into the contract, the company required a home inspection report and declined the contract, the company could not collect payment from the homeowner.

A residential service company requiring a home inspection report could not deny a claim on a component, appliance, or system addressed in the report and included in the contract, unless the company gave express notice that the item would be excluded before entering into the contract.

CSHB 2696 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013, and would only apply to contracts entered into on or after that date.

**SUPPORTERS
SAY:**

CSHB 2696 would protect consumers and help residential service companies by ensuring that any requirement for a home inspection report was clearly stated up front before either party entered into the contract. The bill would not forbid companies from requiring a home inspection report; it merely would grant the consumer the opportunity to accept or decline that term of the contract before signing off on it.

In addition, the bill would protect consumers against discovering that a component, appliance, or system in the home was not covered by the residential service contract only after entering it because the company would be required to clearly inform the homeowner before entering into the contract. This would prevent homeowners under contract who had been paying a residential service company fee from having to absorb a loss upon finding out that a major appliance in their home was not covered by the residential service contract subsequent to signing it.

Homeowners frequently are unaware that the Real Estate Commission regulates these types of companies or that an ombudsman is available to mediate such disputes. The bill would protect against misunderstandings up front, rather than relying on the commission investigating a complaint through a time-consuming and costly procedure after the fact.

**OPPONENTS
SAY:**

The Real Estate Commission employs an ombudsman who investigates complaints about residential service companies. If a homeowner feels a residential service company has not provided an honest service, they may avail themselves of this ombudsman.

Residential service companies do not frequently renege on contracts or refuse to reimburse for a component, appliance, or system, and homeowners are normally careful about examining these contractual agreements. The problem purportedly addressed by the bill is not widespread and would not require a legislative fix.