

Inman News Features

Ethical home inspector loses referrals

But real estate agents' greedy behavior could backfire

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Dear Barry,

There's a home inspection subject you've touched on from time to time but have never fully addressed: the problem of Realtors who won't recommend the best home inspectors. I've inspected homes in the Midwest for more than 15 years and have performed more than 7,000 inspections. My reputation for thoroughness is widely known among local real estate agents, but this has not been good for my business. Instead of referring me to their clients, most agents have labeled me as a "deal killer." The inspectors they prefer are not nearly as experienced or qualified and tend to miss many of the defects that I routinely include in my reports. The home buyers and investors who read your column need to know about this unethical practice. So how about taking it on? --John

Dear John,

You raise the most controversial of all home inspection topics, the one that stirs ire among veteran inspectors and that draws defensive reactions from real estate professionals everywhere.

The very idea that agents are the primary source of home inspector referrals is a clear and obvious conflict of interest. Yet most home buyers never seem to give this a thought. They simply hire the agent's favorite inspector, without asking if this is the best one available.

The dilemma for agents and brokers is obvious: They make money when transactions are closed. Transactions close when buyers are satisfied with the condition of the property. The best home inspectors find more of the conditions that raise dissatisfaction. Less-experienced inspectors don't disclose as many of these conditions, posing less risk to the agent's income. For many agents, the temptation to recommend a less-thorough inspector is too great to resist. When temptation prevails, the lesser inspector becomes the agent's choice, while the thorough inspector is written off as a "deal killer."

But what exactly is a deal killer? The name itself suggests someone who routinely causes deals to fall through. That would be a fair description of an inspector who reports nonexistent problems or who describes defects in an alarmist fashion. But inspectors of that kind are rare. The deal-killer epithet is more commonly applied to those with the greatest ability to discover problems in a home.

Once an inspector has been branded with the DK label, the disrepute spreads like cheap gossip through the grapevine of local agents. When new agents join a real estate office, they are advised by the veteran agents not to use Inspector X, due to his deal-killer status. Eventually, no one who does business with that real estate company has the benefit of the best inspectors available.

Some agents whitewash this exclusionary process with a clever slight-of-hand. Rather than recommend a particular inspector, they produce a list of local inspectors and advise buyers to make their own selection. If undisclosed problems are discovered after the sale, the agent can deny having chosen the inspector. By sheer coincidence, however, the agent's preferred inspector is conveniently placed at the top of the list, hints are dropped as to which inspector is the best choice, and so called "deal killers," in most cases, are absent from such lists or are added for good measure at the bottom.

Is this the common practice of all agents? Absolutely not. Is it the practice of many? Absolutely. So what is the solution? Essentially, there are two answers: one for agents and one for home buyers.

Agents should realize that they are not in the business of selling property. If that were the case, their title

would be "salesperson," not "agent." The proper job description of agents is "representing the best interest of clients." The highest expression of true representation is to provide total, complete and unabridged disclosure. When a buyer asks an agent to recommend a home inspector, the actual question, regardless of how it is stated, is "Who is the best home inspector available?" Agents who recommend someone they do not regard as the best are not representing the client's interests and are thereby guilty of misrepresentation. If the ethical commitment to a client is not sufficient motivation to recommend a quality inspector, agents should consider the matter of personal liability. Every defect that is overlooked by a marginal inspector is a potential lawsuit at some time in the future, and such suits are commonly filed against agents who compromise the interests of their clients.

Finally, when you buy a home, practice due diligence. Trust others for suggestions. Trust yourself for decisions and choices. Your agent may be one of the truly honest professionals who recommend only the most-thorough home inspectors. But you don't know that for sure. So compare the qualifications of inspectors. Ask who are the most-thorough, most-experienced, most-qualified home inspectors in the area. You might even come straight out and say, "I want the one they call 'Deal Killer.' "

To write to Barry Stone, please visit him on the Web at www.housedetective.com.