
HOME WARRANTY PROGRAMS

A home warranty is a contract for repairs or replacements required as a result of covered mechanical problems in a new or used house. A home warranty is not an insurance policy and does not cover damage caused by casualties, but rather, breakdowns due to normal wear and tear. The warranty is purchased from a home warranty company -- not from the real estate broker.

Although programs vary, typically a home warranty covers the following systems and fixtures: plumbing, electrical, furnace, water heater, exhaust fans, washer and dryer, refrigerator, dishwasher, oven/range, trash compactor, garbage disposal, and built-in microwave. Swimming pool, built-in spa, heat pump, and sometimes air conditioning coverage is optional (extra). The home warranty company pays for repairs or replacements for covered breakdowns during the first year after closing, or longer for an additional charge. Some programs offer coverage to the seller during the listing term for little or no additional cost.

The typical cost of a standard or basic home warranty ranges from \$225 to \$395. Optional and extended coverage is available at additional cost. Either the purchaser or seller can pay for the warranty. In addition, there is a service charge ranging from \$35 to \$100 for each claim.

Some home warranty companies inspect the property for existing defects before coverage begins. However, such an inspection should not be relied upon as a substitute for any inspections that a purchaser may wish to make or obtain. Existing and apparent defects are not covered.

Since programs vary, the purchaser and seller should review the specific program being offered or considered with respect to coverage, terms and conditions, exclusions and limitations, and cost.

This article contains general information only, and should not be used or relied upon as a substitute for competent legal advice in specific situations.