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Foreclosures May Spell Unforeseen Problems Non-Traditional Home Sellers Spark Need for Buyers to Seek Home Warranties, Trade Group Advises

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VENTURA, Calif., Sep 09, 2008 (BUSINESS WIRE) -- With a large percentage of home sales today arising from bank foreclosures and frequently involving properties that have stood vacant for some time, it is important for home buyers to request both a home warranty and an inspection, officials of the Home Warranty Association of California (HWAC) report.

David Goodwin, treasurer of HWAC, points out that in a traditional home sale transaction, the seller frequently provides the home warranty, which has for some time been included in approximately 90 percent of all transactions in California.

"Today, however, many sellers of foreclosures are banks or institutions, and they may be unwilling to pay for a home warranty. Furthermore, a seller who does not occupy the home may not be aware of the true condition of its systems and appliances, and is unable to disclose this information to the buyer," said Goodwin.

Goodwin emphasized that under these non-traditional home buying conditions, buyers

should always ask their Realtor(R) to arrange for both a home inspection and a home warranty.

"A home inspection will help identify the true condition of the home at the time of inspection, and the home warranty provides added protection to the homebuyer against unexpected repair costs during the first year of home ownership," he said.

He added that under these altered conditions for which homes have often sat vacant for a period of time, buyers should not expect home warranties to cover items that should have been typically discovered at the time of a home inspection.

"Potential problems that could occur if a home has been sitting vacant include a greater likelihood of clogged plumbing, appliance problems, as well as other problems in the home," Goodwin said.

He advised that, "Even though there may be great buys during a foreclosure dominated market, you should be aware of potential problems; and while a home warranty provides peace of mind for the breakdowns that may occur during home ownership, it is not intended to rehabilitate a foreclosed home with pre-existing service issues."

Typically, a home warranty covers a home's major operating systems and appliances against breakdowns due to normal wear and usage for one year after the close of sale.

About the Home Warranty Association of California (HWAC)

The Home Warranty Association of California is a statewide organization of home warranty companies representing approximately 95 percent of contracts sold in California.

Member firms are 2-10 HBW Warranty of California, Inc., American Home Shield of California, Fidelity National Home Warranty Company, First American Home Buyers Protection, LandAmerica Home Warranty, and Old Republic Home Protection Co., Inc.

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