

Office of Regulatory Management
Economic Review Form

Agency name	Virginia Board Asbestos, Lead, and Home Inspectors
Virginia Administrative Code (VAC) Chapter citation(s)	18 VAC15-40
VAC Chapter title(s)	Home Inspector Licensing Regulations
Action title	SB 607 Amendment
Date this document prepared	March 13, 2023 (revised February 20, 2024)
Regulatory Stage (including Issuance of Guidance Documents)	Final (Action 6003 / Stage 10282)

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>1. Under the proposed change, a home inspector must determine whether any readily accessible smoke alarms in the residential building being inspected are in “good working order.” Determination of good working order includes operating the test function of a smoke alarm. This requirement cannot be excluded from a home inspection.</p> <p>2. The home inspection report must include the determination regarding good working order of smoke alarms in the residential building. If a smoke alarm is not readily accessible, or there are limitations to determining its good working order, the home inspection report must state the smoke alarm was not readily accessible, or explain the limitations, as may be the case.</p> <p>3. A home inspection report must include an advisory statement to the consumer regarding the inspection of smoke alarms.</p> <p>Direct Costs:</p> <ul style="list-style-type: none"> • There are 1,118 licensed home inspectors in Virginia as of 3/2/23. • There were 123,244 home sales in Virginia in 2022. <ul style="list-style-type: none"> ○ Approximately 88% of purchasers use a home inspector. ○ Estimated number of 2022 sales where a home inspector was used: ≈108,455 (Total sales x .88). • Increased amount charged by home inspectors to consumer to conduct a home inspection and prepare home inspection report. Estimated \$50 per home inspection. <ul style="list-style-type: none"> ○ Estimated total additional costs due to price increase per home inspection: \$5,422,750 (\$50 x 108,455). • Additional administrative costs to prepare inspection forms or templates. Estimated \$250 (one time cost). <ul style="list-style-type: none"> ○ \$279,500 (\$250 x 1,118). • Total monetizable direct costs: \$5,702,250 (first year); \$5,422,750 (succeeding years). <p>Direct Benefits: \$0</p> <ul style="list-style-type: none"> • There are no monetizable direct benefits associated with this change. <p>Indirect Costs: \$0</p> <ul style="list-style-type: none"> • There are no monetizable indirect costs associated with this change. <p>Indirect Benefits: \$0</p> <ul style="list-style-type: none"> • There are no monetizable indirect benefits associated with this change. 	
<p>(2) Present Monetized</p>	<p>Direct & Indirect Costs</p>	<p>Direct & Indirect Benefits</p>

zed Values		
	(a) \$25,859,145	(b) \$0
(3) Net Monetized Benefit	-\$25,859,145	
(4) Other Costs & Benefits (Non-Monetized)	<p>Costs:</p> <ul style="list-style-type: none"> • Additional time spent by home inspector to conduct a home inspection. (Between 10 to 30 minutes) (Direct.) • Additional time spent by home inspector to prepare home inspection report. (Between 10 to 15 minutes) (Direct.) • Consumers may elect to forgo home inspections due to increased costs/time. (Indirect.) <p>Benefits:</p> <ul style="list-style-type: none"> • Consumer will be informed of the condition of the smoke alarms inspected during the home inspection, and whether test function is operable. (Direct.) • Consumer may be able to address smoke alarms that are determined to not be in good working order (e.g. have seller repair or replace prior to settlement). (Indirect.) • Reduced risk of loss of life or serious injury to consumers due to fires. (Indirect.) 	
(5) Information Sources	<p>1. ALHI Board Licensing Records.</p> <p>2. How Much Does a Home Inspection Cost in Virginia? https://www.houzeo.com/blog/how-much-does-a-home-inspection-cost-virginia/.(Accessed on 1/23/23).</p> <p>3. Home Inspection Virginia: Things You NEED to Know https://www.houzeo.com/blog/home-inspection-virginia/#:~:text=Typically%2C%20a%20general%20home%20inspection,may%20vary%20for%20specialized%20inspections. (Accessed on 1/23/23).</p> <p>4. Feedback received from industry professionals. Individuals are licensed home inspectors.</p> <p>5. December 2022 Home Sales, Virginia Realtors https://virginiarealtors.org/research/reports/home-sales-reports/december-2022-home-sales-report/ (Accessed 3/8/23).</p> <p>6. Home Inspection Leverage, Porch.com</p>	

	<p>https://porch.com/resource/home-inspection-leverage (Accessed 3/8/23).</p> <p>7. Home Inspectors – US, AskWonder.com https://askwonder.com/research/explore-topic-home-inspectors-us-4gina39ng (Accessed on 3/8/23).</p>
--	---

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>1. Under the current regulation, a home inspector must note the presence or absence of smoke detectors as part of inspecting the electrical system in a residential building. This information must be included in the home inspection report.</p> <p>Direct Costs:</p> <ul style="list-style-type: none"> • There are no new costs associated with maintaining the status quo of requiring a home inspector to note the presence or absence of smoke detectors and include this information in the home inspection report. • Baseline monetized direct cost under status quo. <ul style="list-style-type: none"> ○ Amount charged by home inspector to consumer to conduct a home inspection and prepare home inspection report. (\$370 avg.) (Direct.) <p>Direct Benefits:</p> <ul style="list-style-type: none"> • There are no new benefits associated with maintaining the status quo of requiring a home inspector to note the presence or absence of smoke detectors and include this information in the home inspection report. <p>Indirect Costs: \$0</p> <ul style="list-style-type: none"> • There are no new monetizable indirect costs associated with maintaining the status quo. <p>Indirect Costs: \$0</p> <ul style="list-style-type: none"> • There are no new monetizable indirect benefits associated with maintaining the status quo. 	
<p>(2) Present Monetized Values</p>	<p>Direct & Indirect Costs</p>	<p>Direct & Indirect Benefits</p>
	<p>(a) \$0</p>	<p>(b) \$0</p>
<p>(3) Net Monetized Benefit</p>	<p>\$0</p>	

(4) Other Costs & Benefit s (Non- Moneti zed)	<p>Baseline Costs:</p> <ul style="list-style-type: none"> • Time spent by home inspector to conduct a home inspection. (Two (2) to three (3) hours.) (Direct.) • Time spent by home inspector to prepare home inspection report. (24 hours.) (Direct.) • Administrative costs to prepare inspection forms or templates. (Direct.) • Time costs to prepare inspection forms or templates. (Direct.) <p>Baseline Benefits:</p> <ul style="list-style-type: none"> • Consumer will be informed of the presence of smoke detectors of the inspected residential building. (Direct.) • Consumer may be able to address any absence of smoke detectors following home inspection (e.g. request seller install smoke detectors). (Indirect.)
(5) Informa tion Sources	<p>1. How Much Does a Home Inspection Cost in Virginia? https://www.houzeo.com/blog/how-much-does-a-home-inspection-cost-virginia/.(Accessed on 1/23/23).</p> <p>2. Home Inspection Virginia: Things You NEED to Know https://www.houzeo.com/blog/home-inspection-virginia/#:~:text=Typically%2C%20a%20general%20home%20inspection,may%20vary%20for%20specialized%20inspections. (Accessed on 1/23/23).</p>

Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>N/A.</p> <p>This regulatory change is the result of a legislative mandate that requires the Board amend its regulation in a specific way. Therefore, there is no alternative approach available.</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non- Monetized)		
(5) Information Sources		

Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 2: Impact on Local Partners

(1) Direct & Indirect Costs & Benefits (Monetized)	N/A – See Box #3.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)	<p>There are no anticipated direct or indirect costs to local partners. There are no anticipated direct or indirect benefits to local partners.</p> <p>As indicated in the “Issues” and “Public Comment” sections of the ABD, there is concern about the potential for “false alarms” resulting from testing of smoke alarms. To the extent that the required testing of smoke alarms during home inspections results in notification and response of local first responders to non-emergencies, there may be an impact on local partners.</p>	
(4) Assistance		
(5) Information Sources	<p>1. Public comments received following publication of NOIRA stage.</p> <p>2. Committee discussion during development of amendment.</p>	

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 3: Impact on Families

(1) Direct & Indirect Costs & Benefits (Monetized)	N/A – See Box #3.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits

	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)	There are no anticipated direct or indirect costs to families. There are no anticipated direct or indirect benefits to families.	
(4) Information Sources		

Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	See Box #3.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)	<p>As noted in the ABD, home inspector licenses are issued to individuals, and not to business entities. However, many licensed home inspectors are likely owners or employees of business entities that meet the definition of "small business" in § 2.2-4007.1 of the Code of Virginia.</p> <p>The costs and benefits of this regulatory change are identified in Table 1(a). To the extent that additional costs are assumed by a small business entities owned by licensees or that employ licensees, this regulatory change would impact small businesses.</p>	
(4) Alternatives	<p>The Board considered the potential adverse effects of the proposed amendments on applicants and licensees during the development process.</p> <p>The Board determined the compliance and reporting requirements in the proposed amendments are necessary to protect the public health, safety, and welfare. These amendments do not pose an unreasonable administrative or financial burden. The enabling statute establishing the onsite sewage system professionals licensing program provides no</p>	

	exemption for small business; therefore there are no such exemptions contained in the proposed change.
(5) Information Sources	

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved*	Authority of Change	Initial Count	Additions	Subtractions	Total Net Change in Requirements
40-120	(M/A):	0	0	0	0
	(D/A):	0	0	0	0
	(M/R):	0	0	0	0
	(D/R):	37	1	0	+1
40-130	(M/A):	0	0	0	0
	(D/A):	0	0	0	0
	(M/R):	2	0	0	0
	(D/R):	74	3	0	+3
Grand Total of Changes in Requirements:					(M/A): 0 (D/A): 0 (M/R): 0 (D/R): +4

Key:

Please use the following coding if change is mandatory or discretionary and whether it affects externally regulated parties or only the agency itself:

(M/A): Mandatory requirements mandated by federal and/or state statute affecting the agency itself

(D/A): Discretionary requirements affecting agency itself

(M/R): Mandatory requirements mandated by federal and/or state statute affecting external parties, including other agencies

(D/R): Discretionary requirements affecting external parties, including other agencies

Cost Reductions or Increases (if applicable)

VAC Section(s) Involved*	Description of Regulatory Requirement	Initial Cost	New Cost	Overall Cost Savings/Increases
40-120 40-130	A home inspector must determine whether any smoke alarms in a home are in “good working order” during a	The average cost of a home inspection is \$370.	It is anticipated that compliance with the new requirements will increase the price of a home inspection by	The cost of a home inspection could increase by \$50; approximately 14% above current average cost.

	<p>home inspection. This includes determining whether a smoke alarm is (i) securely attached, (ii) not physically damaged; and (iii) operation of the smoke alarm test function is successful.</p> <p>Information on the good working order of smoke alarms must be included in the home inspection report.</p>		<p>\$50, an estimated price of \$420.</p>	
--	---	--	---	--

Other Decreases or Increases in Regulatory Stringency (if applicable)

VAC Section(s) Involved*	Description of Regulatory Change	Overview of How It Reduces or Increases Regulatory Burden
40-120	Home inspectors are prohibited from excluding inspection of smoke alarms from a home inspection contract.	<p>Under the current regulation, a home inspection contract may exclude areas or systems in a home from the home inspection. Such exclusions must be specified in the contract.</p> <p>The new requirement limits the ability of a home inspector to exclude areas or systems from a home inspection. A home inspection must include inspection of smoke alarms as provided for in the regulation.</p>
40-130	A home inspection report must include a determination of	Under the current regulation, a home inspector must note the

	<p>whether any readily accessible smoke alarms are in “good working order” as defined in the regulation.</p> <p>For any smoke alarm that is not readily accessible, or for which there are limitations in determining good working order, the home inspection report must state that such smoke alarm is not readily accessible, or describe the limitations.</p>	<p>presence or absence of smoke alarms. A home inspector is not required to make any determination on the condition or operability of smoke alarms.</p> <p>The regulatory change requires that the home inspector make a determination as to whether any readily accessible smoke alarms are in “good working order” and include this information in the home inspection report. For any smoke alarm that is not readily accessible, or for which a determination cannot be made, the inspection report must provide information on these circumstances.</p>
40-130	<p>A home inspection report must include an advisory statement. The advisory statement must address: (i) recommended placement and working condition of smoke alarms; (ii) that testing of smoke alarms during a home inspection is not a guarantee, warranty, or form of insurance; and (iii) clients should follow instructions and recommendations of the smoke alarm manufacturer regarding placement, installation, maintenance, and testing of smoke alarms.</p>	<p>Under the current regulation, there are no disclosure requirements regarding smoke alarms observed during a home inspection.</p> <p>The regulatory action requires an advisory disclosure be included in a home inspection report.</p>

Length of Guidance Documents (only applicable if guidance document is being revised)

Title of Guidance Document	Original Word Count	New Word Count	Net Change in Word Count
N/A	N/A	N/A	N/A

*If the agency is modifying a guidance document that has regulatory requirements, it should report any change in requirements in the appropriate chart(s).