



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 15-40 – Certified Home Inspectors Regulations
Department of Professional and Occupational Regulation
December 11, 2008

Summary of the Proposed Amendments to Regulation

The Board of Asbestos, Lead and Home Inspectors (Board) proposes to amend its Certified Home Inspectors Regulation as part of the periodic review process. The Board proposes to:

- Require certificate holders to complete 16 hours of continuing education during each biennial renewal cycle,
- Institute two new certificate qualification standards which will allow applicants to complete fewer home inspections if those home inspections are completed under the supervision of a Board certified home inspector
- Require home inspectors who are applying for certification with 10 years or more of experience as a home inspector provide documentation of “a minimum of 250 home inspections completed in substantial compliance with” Board standards for home inspection and
- Allow certified home inspectors to inspect residential buildings that they have repaired or modified (within the last 12 months), or refer clients to another party to make repairs of modifications on a residential building that they have inspected, only after they have disclosed their interest to their clients.

Result of Analysis

The benefits likely exceed the costs for several of these proposed changes. There is insufficient data to determine whether benefits exceed costs for at least one proposed change. Detailed analysis of major costs and benefits can be found below.

Estimated Economic Impact

Currently, the Certified Home Inspectors Regulations (promulgated in 2003) do not include any requirement for continuing education. The Board proposes to require certified home inspectors to complete 16 hours of continuing education during each biennial renewal cycle. Continuing education hours will have to cover only the content areas of the Board's examination for initial certification. The Department of Professional and Occupational Regulation (DPOR) reports that home building technology is subject to change and that home inspectors will need continuing education to adequately inspect new equipment/systems.

If home building technology does change fairly continuously, certified building inspectors may benefit from continuing education requirements only to the extent that 1) the initial Board examination has content areas that are sufficiently broad that they cover any possible new technology or 2) this exam evolves to include knowledge of any new equipment/systems. Any benefit that might be realized from requiring certified home inspectors to keep abreast of new developments in their field must be weighed against both the explicit and implicit costs of continuing education. DPOR reports that the fees for each hour of continuing education range from \$30 to \$90, so certified home inspectors will incur fees of \$480 to \$1,440 during each biennial renewal period. Additionally, certified home inspectors may incur other explicit costs for any required books/supplies and will incur implicit costs for time spent traveling to, and participating in, required continuing education. If these costs outweigh any benefits accrued, this continuing education requirement will serve as a barrier to entry to, and continuing participation in, this profession.

Currently, these regulations include several paths to certification that combine differing levels of education and experience. Applicants may currently complete:

- 35 hours of classroom instruction and a minimum of 100 home inspections,
- 70 hours of classroom instruction and a minimum of 50 home inspections or
- Have ten years of verifiable experience as a home inspector.

The Board proposes to add two new paths to certification. Applicants who have completed 35 hours of classroom instruction would only need to complete 50 home inspections, and applicants who have completed 70 hours of classroom instruction would only need to complete 25 home

inspections, if they complete those inspections under the supervision of an already certified home inspector.

These proposed new paths will provide the benefit of increased options for individuals seeking certification as home inspectors. No cost is likely to be incurred on account of these proposed changes; if these paths turn out to cost more than paths to certification that are currently open to applicants, they will likely just choose not to use them.

Currently, individuals with ten years of experience as home inspectors may qualify for certification without completing classroom instruction. Board staff must currently evaluate and approve proof of experience offered by individuals taking this path to certification. The Board proposes to make this path more specific by requiring that these individuals provide documentation of at least 250 home inspections completed in substantial compliance with current Board regulations. DPOR does not anticipate that individuals who currently qualify for this path to certification would be excluded under the proposed new regulatory language. If this turns out to be the case, costs for affected individuals are unlikely to increase on account of these proposed regulations.

Current regulations do not allow certified home inspectors to inspect residential buildings that they have repaired or modified or refer clients to another party to make repairs or modifications on a residential building that they have inspected. These proposed regulations will allow inspectors to complete such inspections, and make such referrals, after they have disclosed their former actions or interest to their clients. This regulatory change will benefit certified home inspectors as they will be able to do work that they are currently not allowed to do. No cost is likely to be associated with this change as the clients of these inspectors will be making decisions with full knowledge of any possible conflict of interest.

Businesses and Entities Affected

DPOR reports that there are 256 certified home inspectors in the Commonwealth; all of these individuals likely qualify as small businesses.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

To the extent that continuing education requirements increase costs for continuing certification, fewer individuals will likely enter and/or remain in this profession. To the extent that instituting two new paths to certification may tend to decrease costs for entry into this field, more individuals may choose to become certified home inspectors.

Effects on the Use and Value of Private Property

This regulatory action will likely increase costs for affected small businesses by imposing continuing education requirements. These extra costs will likely decrease profits for these businesses and, therefore, will decrease their value.

Small Businesses: Costs and Other Effects

DPOR reports that there are 256 certified home inspectors in the Commonwealth; all of these individuals likely qualify as small businesses. These certified home inspectors will incur costs associated with completing continuing education required by these proposed regulations.

Small Businesses: Alternative Method that Minimizes Adverse Impact

Since this certification program is relatively new, and continuing education requirements will be absolutely new, the Board may find that building technology does not change frequently enough to justify the amount of continuing education proposed here. If this turns out to be the case, the Board will be able to decrease costs for affected small businesses by decreasing or eliminating continuing education requirements.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or

other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.