



State of Vermont
Office of the Secretary of State

[phone] 802-828-1505
[fax] 802-828-2465
www.sec.state.vt.us

James C. Condos, Secretary of State
Brian H. Leven, Deputy Secretary

Office of Professional Regulation
National Life Bldg., North FL2
Montpelier, VT 05620-3402

Christopher D. Winters, Director

MEMORANDUM

February 25, 2014

TO: Representative Janet Ancel, Chair
House Ways and Means Committee

FR: Christopher Winters, Esq.
Director of Professional Regulation

RE: H.227 – Property Inspector Regulation

Introduction

A request to regulate the profession of property inspectors was received by the Office of Professional Regulation ("OPR") in 2012. OPR performs what is called a "sunrise" review of a profession when someone from within the profession requests regulation. Regulation should be imposed only when it is necessary to protect the public. The focus of the review is to determine whether the public needs to be protected from the unregulated practice of a profession such as property inspectors.

The "practice of property inspecting" is defined in this bill as services involving the physical inspection of real property structures or other improvements for a fee or other compensation to in order to evaluate the condition of the property, including any safety issues or material defects.

The sunrise review in 2012 included outreach and two public hearings to determine who might be in favor of or against regulation, and why. The review found many within in the profession in favor of regulation as well as strong support from other real estate professionals. In short, the review found that the public is at risk from the unlicensed practice of property inspecting. Currently, there are no qualifications or standards for property inspectors or what is included or reported in a home inspection, nor is there any recourse for the purchasers of these services other than to file a lawsuit. Because a home purchase is quite likely the largest investment most Vermonters will make, the OPR has recommended licensure, including minimum requirements for education and training and minimum standards for the services clients can expect from an inspection and report. In this way, the public is assured of a minimum level of competency and practice and also have an outlet for making complaints about of unprofessional conduct when harmed by a property inspector.

This bill started in General Housing and Military Affairs last year because the sunrise report recommended regulation by the Department of Public Safety with similar occupations like



electricians and plumbers. After taking testimony last year, the proposal shifted to the Office of Professional Regulation and the Government Operations committee, the committee of jurisdiction for OPR. This bill was re-written to fit OPR's regulatory structure instead of DPS's as originally proposed.

Fiscal implications for property inspectors:

The Bill creates the profession as an advisor profession allowing it to pool its costs with the dozens of other advisor professions regulated by OPR. This has been the preferred model for newly regulated, smaller professions which cannot afford to pay their own way under the board model.

Licensing fees for advisor professions under 3 V.S.A. §125 are:

- \$100 for initial application for licensure
- \$200 for renewal of license every two years

Because they are unregulated and not all property inspectors belong to the Vermont association, we do not know for sure how many existing property inspectors there are. Estimates from within the profession are in the range of 50-100.

The bill requires certification by a nationally recognized home inspector association to qualify for licensure and as part of the renewal requirement every two years. Many existing property inspectors are voluntarily certified by these organizations and already meet the licensing requirements.

Others who are not members will have the added expense of membership which is approximately \$400 per year, as well as continuing education courses as a requirement of renewal every two years.

Fiscal implications for consumers:

Licensing fees and national certification fees listed above will be new for those who have not chosen certification before now and may be passed on to the consumers of property inspection services.

Fiscal implications for OPR:

The Office of Professional Regulation will have the cost of starting up a new licensing program including forms, rulemaking, website changes, electronic licensing system configuration, and plenty of legal, administrative, IT, investigator and prosecutor time to learn a new profession. We suspect that this profession, much like the other real estate professions, will be heavy on the complaint side. As such, the OPR is considering seeking an additional investigator position, especially if other professions are newly regulated by OPR this year.