URBAN AFFAIRS COMMITTEE

NEBRASKA LEGISLATURE

LR 139: An interim study to review the occupational regulations for home inspectors

Report as required pursuant to the Occupational Board Reform Act (OBRA)

One Hundred Eighth Legislature First Session

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Introduction

In 2018, the Legislature passed the Occupational Board Reform Act (OBRA),¹ which became operative on July 1, 2019. OBRA's primary objective is to establish a well-organized system for the continuous assessment and examination of occupational regulations in Nebraska. The responsibility was assigned to the 14 standing committees of the Legislature.

Under OBRA, an occupational regulation is defined as a statute, rule, regulation, practice, policy or other state law requiring an individual to possess certain personal qualifications or to comply with registration requirements to use an occupational title or work in a lawful occupation.

As started in 2019 and continuing today, each standing committee is required to conduct an annual review and evaluation of approximately 20 percent of the occupational regulations that fall within their respective areas of jurisdiction. Following this assessment, the committees are then to prepare and submit an annual report to the Clerk of the Legislature by December 15. The report should include the committee's recommendations regarding whether the occupational regulations should be terminated, continued, or modified.

In 2019, following an initial review of occupational regulations, the Executive Board of the Legislature identified three occupational regulations that fell under the jurisdiction of the Urban Affairs Committee.² With the passage of LB 423, an additional occupational regulation was implemented under the committee's purview.³

¹ Nebraska Revised Statute §84-933 to §84-948

² Fire Alarm Inspector, Master Plumber, and Radon Specialist & Technician

³ Home Inspectors

In 2023, the committee chose to review the regulations governing Home Inspectors. LR 139, an interim study assessing the occupational regulations specific to home inspectors, was introduced to facilitate this review.

The Executive Board of the Legislature developed an electronic survey to assist each committee in their responsibility to review occupational licensing agencies. Survey responses for each agency are publicly accessible on the Legislature's website.

The home inspector survey response from the Nebraska Secretary of State's office can be found at:

 $\frac{https://nebraskalegislature.gov/reports/committeesurvey_view.php\#Urban\%20Affair}{\underline{s}.}$

Background & Legislative History

Home inspections can have significant influence within the home-buying process. They can lead to contract terminations, particularly in instances where incorrectly reported issues prompt buyers to reconsider their decisions. Buyers may be misled into believing that they home they planned to purchase was of higher quality than it actually is/was. Home inspector registries are therefore constructed to protect buyers of residential real estate from costly repairs that emerge from defects that a hired home inspector should have identified during the inspection.⁴

Before Regulation in Nebraska (Pre-2021):

Prior to LB 423, (2021) the profession of home inspection was unregulated in Nebraska. Prior attempts to regulate the practice, or license and certify these professionals, had stalled in the legislature.

The first reference to home inspectors in the legislative record was LB 692, introduced in 1985. LB 692, the Inspection Liability Act, would have made it the policy of the state to protect residential homeowners from unsafe conditions. The intent of the bill was to require that a uniform written report be presented to both the seller and buyer after any home inspection.⁵ The mandated report would have included the age of the part or appliance which was inspected, its condition, what parts require repair or replacement,

⁴ Ltc, Nebraska Legislature Occupational Board Reform Act Reports Nebraska Legislature (2023), https://nebraskalegislature.gov/reports/committeesurvey_view.php#Urban%20Affairs (last visited Sep 13, 2023).

⁵ Peter Hoagland, Introducer's Statement of Intent: LB 692 (1985), https://www.nebraskalegislature.gov/FloorDocs/89/PDF/SI/LB692.pdf (last visited Sep 13, 2023).

and the estimated cost. The Judiciary Committee indefinitely postponed the bill in March of 1985, and no amendments were considered.⁶

The next attempt to regulate home inspection in Nebraska came in the year 2000, upon the introduction of LB 1120, the Home Inspection Professional Licensing Act.⁷ The intent of the bill stated that, "the profession of home inspector would be regulated and individuals conducting home inspections for compensation would be licensed."

LB 1120 proposed to provide home inspectors two-year certificates of licensure (for a fee not to exceed \$300) and defined the necessary requirements to become licensed. The bill also proposed to create the Board of Professional Home Inspectors in order to administer and enforce the act. The fiscal analysis found that revenue from licensing may be \$60,000 while expenditures could be expected to be \$23,300. Ultimately, the bill was indefinitely postponed.⁹

LB 767¹⁰ was introduced in 2003, and intended to provide for the licensure of individuals engaged in the profession of home inspection and would create the Home Inspector Regulatory Board.¹¹ To be eligible for a license, the bill would have required that an applicant have completed high school (or equivalent), be at least 21-years old, have successfully completed an approved course of study of at least 60 hours and an

https://www.nebraskalegislature.gov/FloorDocs/89/PDF/CS/LB692.pdf (last visited Sep 13, 2023).

⁶ COMMITTEE STATEMENT, LB 692 (1985),

⁷ Bourne, LB 1120 (2000), https://www.nebraskalegislature.gov/FloorDocs/96/PDF/Intro/LB1120.pdf (last visited Sep 13, 2023).

⁸ Jim Jensen, Introducer's Statement of Intent: LB 1120 (2000),

https://www.nebraskalegislature.gov/FloorDocs/96/PDF/SI/LB1120.pdf (last visited Sep 13, 2023).

⁹ LB 1120 FISCAL NOTE (2000),

https://www.nebraskalegislature.gov/FloorDocs/96/PDF/FN/LB1120.pdf (last visited Sep 13, 2023).

¹⁰ Bourne, LB 767 (2003), https://www.nebraskalegislature.gov/FloorDocs/98/PDF/Intro/LB767.pdf (last visited Sep 13, 2023).

¹¹ Jim Jensen, Introducer's Statement of Intent: LB 767 (2003), https://www.nebraskalegislature.gov/FloorDocs/98/PDF/SI/LB767.pdf (last visited Sep 13, 2023).

examination as prescribed by the board, and provide a certificate of insurance for general liability insurance and surety bond. Additionally, the bill would have not prevented other professionals (e.g., architect, general contractor, etc.) from performing a visual inspection of a home (within the scope of their license). The fiscal note for the bill estimated the full year impact to be \$20,000 for both expenditures and revenue. LB 767 was indefinitely postponed.¹²

In 2005, LB 660¹³ was introduced and again intended to provide for the licensing of home inspectors in Nebraska and require that home inspectors be trained and hold appropriate insurance. In fact, the introducer, Senator Price, mentions in their statement of intent that, at the time of introduction, anyone could present themselves as a home inspector and there would be no legal recourse despite any possible lack of knowledge or expertise on the part of the inspector. ¹⁴ LB 660 set fees to not exceed \$250 for an initial license, \$250 for a license examination, \$150 for a license renewal and \$100 for a license renewal delinquent fee. The fiscal note stated that the bill would have matching revenues and expenditures at \$21,000. ¹⁵ In the end, LB 660 was also indefinitely postponed.

In 2006, the first another mention of home inspectors appeared with the introduction of of LB 991.¹⁶ The intention of the bill was to require that residential property home inspectors be registered with the Secretary of State prior to conducting inspections.¹⁷ The

¹² LB 767 FISCAL NOTE (2003), https://www.nebraskalegislature.gov/FloorDocs/98/PDF/FN/LB767.pdf (last visited Sep 13, 2023).

¹³ Price, LB 660 (2005), https://www.nebraskalegislature.gov/FloorDocs/99/PDF/Intro/LB660.pdf (last visited Sep 13, 2023).

¹⁴ Patrick Bourne, Introducer's Statement of Intent: LB 660 (2005), https://www.nebraskalegislature.gov/FloorDocs/99/PDF/SI/LB660.pdf (last visited Sep 13, 2023).

¹⁵ LB 660 FISCAL NOTE (2005), https://www.nebraskalegislature.gov/FloorDocs/99/PDF/FN/LB660.pdf (last visited Sep 13, 2023).

¹⁶ Langemeier et al., LB 991 (2006),

https://www.nebraskalegislature.gov/FloorDocs/99/PDF/Intro/LB991.pdf (last visited Sep 13, 2023).

¹⁷ Patrick Bourne, Introducer's Statement of Intent: LB 991 (2006), https://www.nebraskalegislature.gov/FloorDocs/99/PDF/SI/LB991.pdf (last visited Sep 13, 2023).

bill also set penalties for non-compliance and required that each inspector carry a general liability insurance policy of not less than \$500,000 as a condition of registration. The fiscal note was consistent with prior similar legislation. As with other prior attempts to regulate the home inspector profession, LB 991 was indefinitely postponed.

Regulation: 2021 and Beyond

LB 423 (2021) created a registry for home inspectors within the office of the Secretary of State. Beginning January 1, 2023,¹⁹ home inspectors in Nebraska are required to register with the Secretary of State, pay a registration fee, and provide a certificate of insurance for general liability insurance not less than two hundred fifty thousand dollars for general liability. Failure to follow any of the above would result in a Class IV misdemeanor.

LB 423 as signed by the governor also set the following standards:

- Set the maximum registration fee at \$300;
- Clarifies that registration fees be remitted to the Secretary of State Cash Fund; and
- Provides that registration shall include any national certification relating to home inspection currently held by the home inspector

Under the current law created by LB 423, while a license is not required to become a home inspector in Nebraska, the home inspection profession is currently regulated by the state under the codified version of the bill, held in Neb. Rev. Stats. 76-3601 to 76-3606.²⁰

¹⁸ LB 991 FISCAL NOTE (2006), https://www.nebraskalegislature.gov/FloorDocs/99/PDF/FN/LB991.pdf (last visited Sep 13, 2023).

¹⁹ Nebraska home inspector certification training: Nebraska Home Inspector Licensing: Phii, PHII BLOG (2022), https://www.homeinspectioninstitute.com/state-licensing.php?statecode=NE (last visited Sep 13, 2023).

²⁰ Home inspector statutes, NEBRASKA SECRETARY OF STATE (2023), https://sos.nebraska.gov/licensing/home-inspector-statutes (last visited Sep 13, 2023).

Committee Findings

Pursuant to Nebraska Revised Statute §84-948, each report issued by a standing committee of the Legislature must contain the following information (*responses in italics*):

1) The title of the regulated occupation and the name of the occupational board responsible for the enforcement of the occupational regulations;

Title of Regulated Occupation: Home Inspectors

Name of Occupational Board: N/A

2) The statutory citation or other authorization for the creation of the occupational regulations and occupational board;

Nebraska Revised Statute §76-3602

3) The number of members of the occupational board and how the members are appointed;

Not applicable

4) The qualifications for membership on the occupational board;

Not applicable

5) The number of times the occupational board is required to meet during the year and the number of times it actually met;

Not applicable

6) Annual budget information for the occupational board for the five most recently completed fiscal years;

Over the last five fiscal years, only FY 2023-2022 reported a budget, listing \$72. This is the only amount of money for the Fiscal Year that could be directly linked to Home Inspectors, as it was not accounted for in the budget until FY 23-24.²¹

The spending authority originates from Neb. Rev. Stat. 76-3603.

7) For the immediately preceding five calendar years, or for the period of time less than five years for which the information is practically available, the number of government certifications, occupational licenses, and registrations the occupational board has issued, revoked, denied, or assessed penalties against, listed anonymously and separately per type of credential, and the reasons for such revocations, denials, and other penalties;

65 government certificates have been issued since the creation of the registry on January 1, 2023. Zero certificates have been revoked or denied. There have been no penalties against those on the registry.

8) A review of the basic assumptions underlying the creation of the occupational regulations;

Inspections have great influence on home buying. They can cause contracts to be terminated because they incorrectly report supposed problems causing the buyer to back

²¹ Email with Associate General Counsel and Licensing Director David Wilson, "Report Check-in" August 31st

out or may mislead buyers into thinking the home was in better condition that it actually is. To protect buyers of residential real estate from costly repairs due to defects that should have been discovered by the home inspector they hired to inspect the property. Provides a public database of active home inspectors.

9) A statement from the occupational board on the effectiveness of the occupational regulations; and

As the registration has only been a requirement for home inspectors since January of this year, the effectiveness of the regulations cannot be fully evaluated. The intent of the law was to protect buyers from negligent home inspectors.

10) A comparison of whether and how other states regulate the occupation.

North Dakota Minnesota South Dakota Oregon Wyoming Nebraska Illinois Indiana Otah Colorado Kansas Missouri Oklahoma Louisiana 1,050 Miles States with an Existing or Required Home Inspector Registry States without an Existing or Required Home Inspector Registry

Existing or Required Home Inspector Registry by State

Figure 1. States with Statewide Home Inspectors.

According to Legislative Research Office (LRO), thirty-six states currently provide for the statewide licensure of home inspectors.²² A map of states which provide for statewide licensure of home inspectors according to LRO can be found above in Figure 1.

In addition, each report issued by a standing committee of the Legislature must analyze whether the occupational regulations meet the policy goals established under OBRA and consider the following recommended courses of action for meeting such policy goals (responses in italics):

 If the need is to protect consumers against fraud, the likely recommendation will be to strengthen powers under the Uniform Deceptive Trade Practices Act or require disclosures that will reduce misleading attributes of the specific goods or services;

Not applicable

 If the need is to protect consumers against unclean facilities or to promote general health and safety, the likely recommendation will be to require periodic inspections of such facilities;

As noted by the Secretary of State's Office, the Home Inspector Registry protects buyers from possibly unqualified inspectors, which in turn greatly affects home buying. This data allows Nebraskans to make informed decisions about active and trustworthy home inspectors.

²²See page 13 for a chart describing the information provided in this chart.

3) If the need is to protect consumers against potential damages from failure by providers to complete a contract fully or up to standards, the likely recommendation will be to require that providers be bonded;

Not applicable

4) If the need is to protect a person who is not party to a contract between the provider and consumer, the likely recommendation will be to require that the provider have insurance;

Prior to this registration requirement, home inspectors were not required to carry insurance to cover for any damages due to their professional negligence or malpractice. Now, a home buyer harmed by an incompetent home inspector will be able to recoup the costs of the home repairs needed that the home inspector missed.

5) If the need is to protect consumers against a shortfall or imbalance of knowledge about the goods or services relative to the provider's knowledge, the likely recommendation will be to enact government certification; and

Not applicable

6) If the need is to address a systematic information shortfall such that a reasonable consumer is unable to distinguish between the quality of providers, there is an absence of institutions that provide adequate guidance to the consumer, and the consumer's inability to distinguish between providers and the lack of adequate guidance allows for undue risk of present, significant, and substantiated harms, the likely recommendation will be to enact an occupational license.

Not applicable

Conclusion & Recommendations

Among the policy objectives outlined in OBRA is the aim to use the least restrictive regulation necessary to protect consumers from substantial and substantiated risk that pose a clear threat to public health, safety, or welfare when competition alone is not sufficient enough to provide ample protection, all while aligning with the public interest.²³

Regarding Home Inspectors, these occupational regulations are created to establish that professionals with competence and active engagement can identify structural, heating, cooling, plumbing, electrical, water, and sewage system defects.

The Urban Affairs Committee has determined that the current occupational regulations for Home Inspectors appear to be consistent with the policy goals established under OBRA.

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 $^{^{23}}$ Nebraska Revised Statute §84-946

Appendix 1: States With or Without Existing or Required Home Inspectors Registries

Name	States with Home Inspector Registry	States without Home Inspector Registry	Statute/Code	Rule/Regulation	Contact/Regulating Body
Alabama	х	,	Alabama Code Title 34. § 34-14B-4.1	Ala. Admin. Code r. 355-17-106 1(c)	Alabama Division of Construction Management
Alaska	x		Alaska Statute Title 8. ch. 18. § 22 (a)(1)	12 Alaska Admin. Code § 22.030	Department of Commerce, Community, and Economic Development
Arizona	x		Arizona Statutes Title 32. ch. 1 § 32- 122.02	R4-30-247	https://btr.az.gov/applicants/home- inspector-applicants
Arkansas	х		Arkansas Code Title 17. subtitle 2. ch. 52. subchapter 3. Arkansas Home Inspectors Registration Act	304-E-1	Arkansas Home Inspector Registration Board
California		x	Business and Professions Code Division 3 ch. 9.3. § 7195	The California Contractors State License Board	The California Contractors State License Board
Colorado		X			Home inspection is not regulated and the National Home Inspector Examination is not required
Connecticut	x		General Statutes of Connecticut Volume 7 Title. 20 ch. 400f § 20-491a	Sec. 20-491	Department of Consumer Protection, License Services Division
Delaware	x		Title 24 ch. 41 subchapter 2 § 4108 (a)(2)	Sec. 4100-11.0	Delaware Division of Professional Regulation Board of Home Inspectors
Florida	х		Florida Statutes Title 32 ch. 468 § 8313	61-30.102	Department of Business & Professional Regulation, Division of Professions
Georgia		X			Home inspection is not regulated and the National Home Inspector Examination is not required
Hawaii		X			Home inspection is not regulated and the National Home Inspector Examination is not required
Idaho		х			Home inspection is not regulated and the National Home Inspector Examination is not required
Illinois	x		Illinois Statute ch. 225. ILCS 441/5-10 (a)(4) Home Inspector License Act	Section 1410.100	Illinois Department of Financial and Professional Regulation, Division of Real Estate
Indiana	х		Indiana Codes Title 25. § 20.2-5-2 (3)	IC 25-20.2-5-2	Indiana Professional Licensing Agency, Home Inspector Licensing Board
Iowa		x			Home inspection is not regulated and the National Home Inspector Examination is not required

Kansas		х			Home inspection is not regulated and the National Home Inspector Examination is not required
Kentucky	х		Kentucky Revised Statutes Title XVII. § 198B.712 (c)	815 KAR 6:010	Kentucky Board of Home Inspectors
Louisiana	x		Louisiana Revised Statutes Title 37. § 1477	<u>Title 46-XL § 119</u>	Louisiana State Board of Home Inspectors
Maine		х			Home inspection is not regulated and the National Home Inspector Examination is not required
Maryland	х		Maryland Code Business Occupations and Professions § 16-3A- 03 (1)	Section 09.36	Department of Labor, Licensing and Regulation
Massachusetts	x		Massachusetts General Laws Part I TITLE XVI. Chapter 112. § 222-223	266 CMR 3.01 (2) a &b, 266 CMR-4.05	Consumer Affairs and Business Regulation Board of Registration of Home Inspectors
Michigan		х			Home inspection is not regulated and the National Home Inspector Examination is not required
Minnesota		x			Home inspection is not regulated and the National Home Inspector Examination is not required
Mississippi	х		Mississippi Code 73- 60-11	n/a	Mississippi Real Estate Commission Home Inspector Division
Missouri		x			Home inspection is not regulated and the National Home Inspector Examination is not required
Montana	х		Montana Code 39-9- 212 (2)(a)	24.33.431 (1)(a)	Montana Department of Labor and Industry
Nebraska	х		Nebraska Code 76- 3602 (4)		Nebraska Secretary of State Licensing Division
Nevada	х		Nevada Revised Statutes 645D.240	NAC 645D.250	Nevada Department of Business and Industry, Real Estate Division
New Hampshire	x		New Hampshire Statutes Title XXX. Ch. 310-A. § 190 (I) (c)	Rule 303.01	New Hampshire Office of Professional Licensure and Certification (Board of Home Inspectors)
New Jersey	x		New Jersey Revised Statute § 45:8-68 (d)	13:40-15.6 (a) (7)	NJ Division of Consumer Affairs (State Board of Professional Engineers & Land Surveyors)
New Mexico	х		New Mexico Article 61-24D-6 (a) (6)	16.66.3.11 (a)	New Mexico Regulation & Licensing Department (Home Inspector Board)
New York	х		New York Consolidated Laws RPP - Real Property. Article 12-B. § 444-E (c)	19 NY CRR 197- 2.3	New York Department of State (Division of Licensing)
North Carolina	х		General Statutes Chapter 143. Article 9F § 143-151.51 (a)(2)	<u>Title 11 Ch. 8 Sec.</u> .1007	North Carolina Home Inspector Licensure Board
North Dakota	х		Code Title 43. ch 43- 54. § 03 (2)		North Dakota Secretary of State

					Ohio Donoutmont of Comment
Ohio	x		Sec. 4764.07(D)(4)	<u>Chapter 1301:17-1</u>	Ohio Department of Commerce (Division of Real Estate & Professional
					<u>Licensing</u>) Oklahoma Construction Industries
Oklahoma	x		Statutes § 59-858-629	<u>158:70-9-2</u>	Board
Oregon	X		Statutes Title 52 ch.	812-008-0040 (e)	Oregon Construction Contractors
- 6			701 § 445		Board PA Office of Attorney General.
Pennsylvania		х	<u>Statutes Title 68. ch</u> <u>75. § 7502</u>		Licensing not required. Not considered a licensed home inspector until they have performed over 100 home inspections (requirements for inspection association) with an inspector certified by a professional association
			State of Rhode Island		Rhode Island Contractors' Registration
Rhode Island	x		General Laws Title 5. ch. 65.1. § 4 (a) (4)	440-10-00-1.7.2	& Licensing Board
South Carolina	х		South Carolina Code of Laws 40-59-540 (A)	Volume 31 Issue 9 106-4	South Carolina Labor Licensing Regulation (Residential Builder's Commission)
South Dakota	x		SD Codified Laws Title 36. ch. 21C § 4 (4)	<u>20:74:02:06</u>	South Dakota Department of Labor & Regulation (Real Estate Commission)
Tennessee	x		Tennessee Code Title 62. ch. 6. Part 3 § 62-6-305	0780-5-1204 (2)(f)	Tennessee Department of Commerce & Insurance
Texas	х		Texas Statutes Occupations Code Title 7. Subtitle A. ch. 1102. Subchapter D	Texas Admin Code 535.209(a)(2)	Texas Real Estate Commission
Utah		x	_		Home inspection is not regulated and the National Home Inspector Examination is not required
Vermont	х		Statutes Title 26. ch. 19. Subchapter 003. § 1091 (3)	Rule 2.3 (a)	Vermont Secretary of State (Office of Professional Regulation)
Virginia	х		Code of Virginia § 54.1-517.2 (c)	18 VAC 15-40-32 (d)	Virginia Department of Professional & Occupational Regulation (Board for Asbestos, Lead, and Home Inspectors)
Washington	х		RCW 18.280.080	308-408A WAC	Washington State Department of Licensing
West Virginia	х		West Virginia Code ch. 29. Article 3. § 29- 3-5B	<u>Title 87-5-4.1 (a)</u>	WV Office of the State Fire Marshal (Regulatory & Licensing Division)
Wisconsin	х		Wisconsin Statutes & Annotations ch. 440. § 973	SPS 131.21	Wisconsin Department of Safety & Professional Services
Wyoming		x			Home inspection is not regulated and the National Home Inspector Examination is not required