

The Role of the Home Warranty

While you're shopping for a new home, you may see a lot of ads that mention a home warranty. If you're putting your home on the market, your real estate professional may suggest offering a home warranty as a peace of mind for the eventual buyer.

Here's what you should know about these policies.

WHAT ARE THEY?

Home warranties start where your homeowners policy ends. Your policy may cover a roof leak, but not a leaky air conditioner drain. It may cover storm damage, but not a blown fridge. However, Consumer Reports warns that these service contracts often have wording that makes it easy for a company to wiggle out of making repairs. Your mileage may vary.

WARRANTIES FOR HOME BUYERS

Buying a house is expensive and the last thing you want to do is worry about a broken hot water heater a week after you move in. If your home came with a home warranty, this could be covered. You should always read the fine print, and remember that most policies have coverage limitations; your hot water heater may be covered, but when your air conditioner goes out in six months, you might be on your own.



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REAL ESTATE 101

Know Your Limits

Consumer Reports urges anyone considering a home warranty purchase to know whether the warranty has limits to how much it will pay out. Some plans, for example, will cover only a certain dollar amount per covered item, and might have a total dollar amount cap for all covered items combined. As with any financial product you purchase, be sure to read the fine print so there are no surprises later.

If you're buying new construction, remember that the builder and manufacturers'

warranties may also apply. Seek help there before going to your home warranty company.

WARRANTIES FOR HOME SELLERS
Home warranties get the

most interest for first-time buyers, the home services website Angie's List says. These buyers aren't as used to the trials and tribulations that come with home ownership, and the warranty offers them peace of mind. If your home is in the price range that interests first-time buyers in your area, it may be worth the extra \$300 or so to buy a warranty. Make sure your new policy covers the home while it's on the market (selling a home can be pricey, too!) and that coverage for the new owner will commence one year from the closing date.

SELF-INSURANCE

Once your warranty lapses, Consumer Reports urges you to compare costs. Make a list of what's covered and what's not, and see if you might be better off saving the money you're paying for a warranty against future repairs. That way, you know exactly what kind of coverage to expect.

You may also strike a compromise by getting a warranty tailored to specific appliances or systems, such as just the plumbing or just the HVAC. But be sure to make yourself aware of specific instances when your warranty won't apply and take into account any deductibles the warranty may require. Also know for sure whether the warranty will repair or replace broken items and, if they will be replaced, at what level.



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HOMEWISSE GLOSSARY

Escrow agreement: a written agreement usually made between buyer, seller and escrow agent, but sometimes only between one person and the escrow agent. It sets forth the conditions to be performed incident to the object deposited in escrow, and gives the escrow agent instructions with respect to the disposition of the object so deposited.

SOURCE: Homeclosing101.org

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