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GLOBAL PARTNERS

WHAT IS A HOME WARRANTY?

Too often, things go wrong in your home. One of your appliances stops working, or the plumbing, electrical, heating or cooling system develops a problem. What can you do? You can find a person to repair these items or you can replace them, but be prepared to pay as much as is required. Alternatively, you can obtain a home warranty policy where the warranty company will arrange for a service person to repair the item, or for it to be replaced, and they will cover any costs. A home warranty does not necessarily cover all the items in your home, and it is advisable to identify what is and is not covered before signing up for a policy.

What is a home warranty?

A home warranty is a service contract that covers repairs and the replacement of appliances and other systems in your home. A home warranty differs from a general homeowner's insurance policy in that it covers repairs and replacement of failed appliances or systems. Homeowner's insurance covers your home and its contents from hazards such as loss, theft, and destruction.

Depending on the level of coverage that you purchase, annual premiums can range from \$250 to \$450, as well as a fee per service incident that is usually between \$50 and \$75. Policies are usually pre-paid each month, quarter or year, either by the seller of a home or the buyer, depending on local practice. New homes, in particular, often come with a home warranty as part of the sale package. You might also receive a home warranty as a gift from your real estate agent at the time closing. The home warranty company usually contracts services to local technicians who make repairs. Depending on your level of coverage, if an appliance cannot be repaired, the company will pay to replace and reinstall the appliance.

What a home warranty covers.

Home warranty plans can differ quite significantly, but most cover things such as major appliances, heating and cooling systems, and plumbing and electrical systems. The more you are prepared to pay for a plan, the more likely it is that additional items are covered. The following are usually covered on a first-tier or second-tier plan offered by home warranty companies:

Major appliances - these generally include things such as an oven, refrigerator, dishwasher, garbage disposal, trash compactor, microwave, washing machine, clothes dryer and ceiling fans.

Heating and cooling systems - these usually include furnaces, air conditioners, heat pumps and duct-work. However, portable air conditioners and heaters are not always covered.

Plumbing - includes indoor pipes and drains, faucets, sprinkler systems, swimming pools and hot tubs.

Electrical systems - covers electrical panels, wiring, garage door openers and door bells.

What a home warranty does not cover.

A home warranty can cover almost all of your household appliances and systems, as long as you are prepared to pay for a high level of coverage. Warranties generally do not cover things such as permit fees or hauling fees, nor cosmetic structures that are part of your appliances that can easily be replaced, such as: oven rotisseries, broiling and baking attachments, refrigerator shelves and bins and water filtering devices.

Warranties also do not cover any structural problems in your home, such as a crack in the basement wall or a leaky roof.

Even for the things that are covered, a warranty company will not usually agree to repair or replace appliances or systems that had pre-existing problems at the time that you obtained the warranty. The company may not be willing to repair items that were improperly maintained or installed or that violate building codes. A home warranty can be worth your while and save you the hassle of having to find your own repair person or having to replace items yourself. A warranty can free you of the financial burden of expensive repairs and replacement parts.

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