

# Some finding fault with unlicensed foreclosure inspectors

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By JESSICA MEYERS / The Dallas Morning News

Save for a little water damage and some cracked tiles, the five-bedroom Carrollton house appeared in reasonably good shape.

Maybe to the naked eye. But not to Roy Carter.

He recognized, in less than an hour, the foreclosed home for what it was – a money pit waiting to be purchased.

It is licensed home inspectors like Carter whom buyers generally rely on to reveal a property's hidden failings.

But a new breed of examiner is emerging, one that has materialized as quickly as the mounting piles of homes from which people have walked away: the foreclosure inspector.

This new strain of inspector comes unlicensed and largely untrained, often armed only with a how-to kit.

In Texas, inspectors must be licensed to conduct home inspections, but the law doesn't apply to foreclosure walkthroughs.

That concerns the home inspectors who have undergone a rigorous 448 hours of schooling and lab work or an apprenticeship that takes more than a year.

Those in the licensed business contend that buyers are often unaware of the training discrepancies, while banks and real estate agents have less incentive to ensure intensive inspections.

"They don't know what they don't know," said Carter, who worries that a foreclosure inspector would not see the warning signs of houses like the one in Carrollton.

On that particular home, missing air vents on the furnace could spark an explosion, said Carter, a 22-year veteran of the inspection industry and director of inspector training at Champions School of Real Estate.

A fuse box needed proper testing. And the outside faucet lacked an anti-siphon valve, which could lead to contamination.

"Somebody who doesn't know what to look for could say there's no apparent damage," said Carter, who charged \$225 for a 45-minute inspection of the house. "Then it becomes a safety issue."

Foreclosed homes are a different animal, some in the industry argue.

Banks and mortgage companies generally don't stipulate that a licensed home inspector examine a foreclosure property before they provide loans.

"When you're buying a foreclosure, it is a buyer-beware sort of thing," said Kevin Gahagan, who runs DiversiFund Texas and has been in the mortgage business for more than 20 years. "It's their own due diligence."

That's where the foreclosure inspector is beneficial, said Jay Vincent, owner of the Michigan-based Foreclosure Bank Inspection Co., also known as the Nationwide Property Inspection Co.

The foreclosure inspector fills a growing gap between a laboriously detailed inspection and no examination at all, Vincent said. His agency hires contractors nationwide to conduct inspections for banks as well as potential buyers.

His inspectors provide written reports only on demand and rarely take more than 1 ¼ hours, he said.

"You need to know if there are holes in the walls, water in the basement," said Vincent, a former NBA player who was with the Dallas Mavericks in the early 1980s.

"We wanted to devise something where you don't have to rely on real estate agents" and still have an idea about the condition of the property, he said.

The company declined to release the names of its inspectors or any of its customers.

Foreclosure Bank Inspection Co. charges \$89 for 15-minute "drive-by" evaluations of properties that may still be in pre-foreclosure, \$250 for walkthroughs for individual buyers and \$600 for banks.

Contractors receive a weekly salary of \$750. Subcontractors send the company a \$35 fee for every foreclosure inspection they conduct.

Trainees get a 60-question open-book test, Vincent said. He recommends they go to "bookstores, the library, anywhere to try and find the answers. That's how we make sure people know something about the properties."

The company is one of the largest in the country that focuses specifically on foreclosures.

More than 25 of the company's contractors operate in Texas; 12 are based in Dallas. At least 100 freelance or subcontractors also work in the state for the company. Vincent said his company has almost 9,500 subcontractors nationwide.

"We're almost like the dentist," Vincent said. "When you got to the dentist, he tells you if your teeth are going to fall out. If so, he sends you to a specialist."

The company has about \$7 million in bank contracts, said Vincent, although buyers equally request the company's services.

Cursory inspections often suffice because banks are mainly interested in the general condition of the foreclosed property or code violations, said Bank of America spokesman Rick Simon.

Foreclosure Bank Inspection Co. – which was started in 1982 and began dabbling in foreclosures 12 years ago – has capitalized on the recent onslaught of foreclosed homes, Vincent said.

His company has a backlog of applicants, each of which must have a background check to apply. Vincent offers to do it for \$89.

Some applicants who said they never heard back from the company have complained to the Better Business Bureau about the process.

Vincent said the complaints came from disgruntled applicants who weren't hired.

Jim Turner, president of the National Association of Home Inspectors, has his own complaints.

He is highly critical of unlicensed inspectors and believes they are circumventing a necessary regulatory system.

"They're using it as a marketing ploy," Turner said. "A foreclosure expert is like a first-time buyer 'expert.' What makes you qualified?"

And there's no question that foreclosure inspections are in demand.

Licensed Fort Worth home inspector Kent Keith said 75 percent of the houses he inspects now are foreclosures.

With record numbers of foreclosed homes, Vincent said, companies like his are simply providing necessary damage control.

"People always want another set of eyes," he said. "And home inspectors don't advertise. That's why we get the business."