



### **Homeowner warranties**

A home warranty pays repair or replacement costs for the mechanical systems and built-in appliances that break down in a home. Warranties can be purchased by either the buyer or seller. When the seller is paying for the warranty, it is usually paid for and goes into effect at closing. The coverage period is normally one year. There are a lot of companies offering home warranties and coverage of individual policies can vary widely.

Usually, central heating and air conditioning systems, electrical, plumbing and major appliances are covered. It's important that you read the policy closely and understand what is and is not covered. The cost for a one year home warranty typically runs between \$300 and \$600, depending on the size of the home and the specific types of coverage. In addition to the policy premium, there is normally a deductible of \$50 - \$75 to pay when making a repair claim.

There are some very good reasons to pay for a home warranty when selling your home. Providing a warranty can help set your home apart from the competition. Buyers will appreciate having a warranty and will feel more comfortable about buying your home without worrying about hidden problems. Providing a warranty can even result in a higher price, offsetting the cost. Certainly it can make it easier for a buyer to make an offer. These assets make the home warranty an excellent marketing tool.

In addition to marketing advantages, you could also avoid getting sued down the road. When a major appliance, heating or air conditioning system goes bad shortly after a home is sold, it's not uncommon for the buyer to blame the seller. Unfortunately, this can and does lead to lawsuits. Providing a home warranty with the sale of your home can go a long way towards preventing these types of suits. In some areas where lawsuits are particularly common, almost all homes are sold with a home warranty included.

If you are buying a home and it doesn't come with a warranty, you may want to consider paying for one yourself. The first year after buying a home is a time when most people don't have a lot of cash on hand to cover problems that might arise. Having a one year home warranty in place can provide peace of mind during this time, and if something does break down, could really save your budget.

