

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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SENATE BILL 1007*
Judiciary II Committee Substitute Adopted 5/11/09
Finance Committee Substitute Adopted 6/4/09
House Committee Substitute Favorable 7/29/09
PROPOSED HOUSE COMMITTEE SUBSTITUTE S1007-PCS35392-SVf-59

Short Title: Amend Home Inspector Licensure Laws.

(Public)

Sponsors:

Referred to:

March 26, 2009

1 A BILL TO BE ENTITLED
2 AN ACT AMENDING THE LAWS UNDER THE NORTH CAROLINA HOME
3 INSPECTOR LICENSURE ACT.

4 The General Assembly of North Carolina enacts:

5 **PART I. CONTINUING EDUCATION REQUIREMENTS**

6 **SECTION 1.1.** G.S. 143-151.64(a) reads as rewritten:

7 "(a) Requirements. – The Board may establish programs of continuing education for
8 licensees under this Article. A licensee subject to a program under this section shall present
9 evidence to the Board upon the license renewal following initial licensure, and every renewal
10 thereafter, that during the 12 months preceding the annual license expiration date the licensee
11 has completed the required number of classroom hours of instruction in courses approved by
12 the Board. Annual continuing education hour requirements shall be determined by the Board,
13 but shall not be ~~more~~ less than 12 credit hours, hours and no more than 20 hours. No member
14 of the Board shall provide or sponsor a continuing education course under this section while
15 that person is serving on the Board."

16 **SECTION 1.2.** The North Carolina Home Inspector Licensure Board has the
17 authority under G.S. 143-151.49(a)(12) and G.S. 143-151.55(a) to establish continuing
18 education requirements as a condition of licensure renewal. Under that authority, the Board
19 must require home inspectors and associate home inspectors licensed on or before September
20 30, 2011, to complete a continuing education program that focuses on inspection techniques
21 and reporting requirements. The program must consist of 48 hours of instruction, composed of
22 three separate 16-hour segments. A separate segment must be offered each renewal period. A
23 licensee must complete one segment of the program for each of the three license renewal
24 periods beginning with the license renewal period that starts on October 1, 2011. A licensee
25 must complete the three-year program by October 1, 2014. Completion of each program
26 segment satisfies the continuing education requirements under G.S. 143-151.64 for the renewal
27 period in which it is completed. The Board may not allow continuing education credit for an
28 unapproved course under G.S. 143-151.64(c) to be substituted for the continuing education
29 requirements of this section.

30 **SECTION 1.3.** This Part becomes effective October 1, 2009.

31 **PART II. LICENSURE REQUIREMENTS**



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1 **SECTION 2.1.** G.S. 143-151.49 reads as rewritten:

2 "**§ 143-151.49. Powers and responsibilities of Board.**

3 (a) General. – The Board has the power to do all of the following:

- 4 (1) ~~Determine~~ Examine and determine the qualifications and fitness of
5 applicants for a new or renewed license.
6 (2) Adopt and publish a code of ethics and standard of practice for persons
7 licensed under this Article.
8 (3) Issue, renew, deny, revoke, and suspend licenses under this Article.
9 (4) Conduct investigations, subpoena individuals and records, and do all other
10 things necessary and proper to discipline persons licensed under this Article
11 and to enforce this Article.
12 (5) Employ professional, clerical, investigative, or special personnel necessary
13 to carry out the provisions of this Article.
14 (6) Purchase or rent office space, equipment, and supplies necessary to carry out
15 the provisions of this Article.
16 (7) Adopt a seal by which it shall authenticate its proceedings, official records,
17 and licenses.
18 (8) Conduct administrative hearings in accordance with Article 3A of Chapter
19 150B of the General Statutes.
20 (9) Establish fees as allowed by this Article.
21 (10) Publish and make available upon request the licensure standards prescribed
22 under this Article and all rules adopted by the Board.
23 (11) Request and receive the assistance of State educational institutions or other
24 State agencies.
25 (11a) Establish education requirements for licensure.
26 (12) Establish continuing education requirements for persons licensed under this
27 Article.
28 (13) Adopt rules necessary to implement this Article.

29 (b) ~~Exam. Education Requirements. – In developing a licensing examination to~~
30 ~~determine the knowledge of an applicant, the Board must emphasize knowledge gained through~~
31 ~~experience. The education program adopted by the Board may not consist of more than 200~~
32 ~~hours of instruction. The instruction may include field training, classroom instruction, distance~~
33 ~~learning, peer review, and any other educational format approved by the Board."~~

34 **SECTION 2.2.** G.S. 143-151.51 reads as rewritten:

35 "**§ 143-151.51. Requirements to be licensed as a home inspector.**

36 (a) Licensure Eligibility. – To be eligible to be licensed as a home inspector, an
37 applicant must do all of the following:

- 38 (1) Submit a completed application to the Board upon a form provided by the
39 Board.
40 (2) Pass a licensing examination prescribed by the Board.
41 (3) ~~Have minimum net assets or a bond in an amount determined by the Board.~~
42 ~~The amount may not be less than five thousand dollars (\$5,000) nor more~~
43 ~~than ten thousand dollars (\$10,000).~~
44 (4) Pay the applicable fees.
45 (5) Meet one of the following three conditions:
46 a. Have a high school diploma or its ~~equivalent~~, ~~have been engaged as a~~
47 ~~licensed associate home inspector for at least one year, and have~~
48 ~~completed 100 home inspections for compensation equivalent and~~
49 satisfactorily complete an education program approved by the Board.
50 The program must be completed within three years of the date the
51 applicant submits an application for licensure under this section.

- 1 b. Have education and experience the Board considers to be equivalent
 2 to that required by ~~subpart a. sub-subdivision a.~~ of this subdivision.
 3 c. Be licensed for at least six months as a general contractor under
 4 Article 1 of Chapter 87 of the General Statutes, as an architect under
 5 Chapter 83A of the General Statutes, or as a professional engineer
 6 under Chapter 89C of the General Statutes. A person qualifying
 7 under this sub-subdivision on or after October 1, 2011, must remain
 8 in good standing with the person's respective licensing board.

9 (b) License. – Upon compliance with the conditions of licensure under subsection (a) of
 10 this section, to be eligible to be licensed as a home inspector, an applicant must meet all of the
 11 insurance requirements of this subsection.

12 (1) General liability insurance in the amount of two hundred fifty thousand
 13 dollars (\$250,000), which insurance may be individual coverage or coverage
 14 under an employer policy, with coverage parameters established by the
 15 Board.

16 (2) One of the following:

17 a. Minimum net assets in an amount determined by the Board, which
 18 amount may not be less than five thousand dollars (\$5,000) nor more
 19 than ten thousand dollars (\$10,000).

20 b. A bond in an amount determined by the Board, which amount may
 21 not be less than five thousand dollars (\$5,000) nor more than ten
 22 thousand dollars (\$10,000).

23 c. Errors and omissions insurance in the amount of two hundred fifty
 24 thousand dollars (\$250,000), which insurance may be individual
 25 coverage or coverage under an employer policy, with coverage
 26 parameters established by the Board."

27 **SECTION 2.3.** G.S. 143-151.55(d) reads as rewritten:

28 "(d) Lapsed License. – The license of a licensed home inspector shall lapse if the
 29 licensee fails to continuously maintain ~~minimum net assets or a bond as required by~~
 30 ~~G.S. 143-151.58~~ the requirements provided in G.S. 143-151.58(b). The license of a licensed
 31 associate home inspector shall lapse if the licensee fails to continuously be employed by or
 32 affiliated with a licensed home inspector as required by G.S. 143-151.58."

33 **SECTION 2.4.** G.S. 143-151.56(a) is amended by adding the following new
 34 subdivision to read:

35 "(a) The Board may deny or refuse to issue or renew a license, may suspend or revoke a
 36 license, or may impose probationary conditions on a license if the license holder or applicant
 37 for licensure has engaged in any of the following conduct:

38 ...

39 (8) Failed to maintain the requirements provided in G.S. 143-151.58(b)."

40 **SECTION 2.5.** G.S. 143-151.58(b) reads as rewritten:

41 "(b) Insurance, Net Assets, and Bond Required Requirements. – A licensed home
 42 inspector must continuously maintain general liability insurance and minimum net assets or
 43 assets, a bond—bond, or errors and omissions insurance as required in
 44 G.S. 143-151.51(3); 143-151.51(b)."

45 **SECTION 2.6.** This Part becomes effective October 1, 2011.

46 **PART III. ASSOCIATE HOME INSPECTOR LICENSURE SUNSET**

47 **SECTION 3.1.** The Board may not accept an application for licensure as an
 48 associate home inspector after April 1, 2011. The Board may not issue a license for an associate
 49 home inspector on or after October 1, 2011. The Board may not renew an associate home
 50 inspector license on or after October 1, 2013.

1 **SECTION 3.2.** Notwithstanding G.S. 143-151.51, as rewritten by Section 2.2 of
 2 this act, a person who holds a license as an associate home inspector on October 1, 2011, may
 3 satisfy the education program requirement for licensure as a home inspector by being engaged
 4 as a licensed associate home inspector for one year and completing 100 home inspections for
 5 compensation. A person licensed as a home inspector under this section must complete the
 6 continuing education requirements of Section 1.2 of this act. An associate home inspector may
 7 take one or more of the program segments required under Section 1.2 of this act while licensed
 8 as an associate home inspector.

9 **SECTION 3.3.** G.S. 143-151.45(1), 143-151.52, 143-151.58(c), and 143-151.61
 10 are repealed.

11 **SECTION 3.4.** G.S. 143-151.50 reads as rewritten:

12 "**§ 143-151.50. License required to perform home inspections for compensation or to**
 13 **claim to be a "licensed home inspector".**

14 (a) Requirement. – To perform a home inspection for compensation ~~on or after October~~
 15 ~~1, 1996,~~ or to claim to be a licensed home inspector ~~or a licensed associate home inspector on~~
 16 ~~or after that date,~~ ~~inspector,~~ an individual must be licensed by the Board. An individual who is
 17 not licensed by the Board may perform a home inspection without compensation.

18 (b) Form of License. – The Board may issue a license only to an individual and may not
 19 issue a license to a partnership, an association, a corporation, a firm, or another group. A
 20 licensed home ~~inspector or licensed associate home~~ inspector, however, may perform home
 21 inspections for or on behalf of a partnership, an association, a corporation, a firm, or another
 22 group, may conduct business as one of these entities, and may enter into and enforce contracts
 23 as one of these entities."

24 **SECTION 3.5.** G.S. 143-151.55(d), as amended by Section 2.3 of this act, reads as
 25 rewritten:

26 "(d) Lapsed License. – The license of a licensed home inspector shall lapse if the
 27 licensee fails to continuously maintain the insurance requirements provided in
 28 G.S. 143-151.51(b). ~~The license of a licensed associate home inspector shall lapse if the~~
 29 ~~licensee fails to continuously be employed by or affiliated with a licensed home inspector as~~
 30 ~~required by G.S. 143-151.58."~~

31 **SECTION 3.6.** G.S. 143-151.57(a) reads as rewritten:

32 "(a) Maximum Fees. – The Board may adopt fees that do not exceed the amounts set in
 33 the following table for administering this Article:

<u>Item</u>	<u>Maximum Fee</u>
34 Application for home inspector license	\$25.00
35 Application for associate home inspector	15.00
36 Home inspector examination	75.00
37 Issuance of home inspector license	150.00
38 Issuance of associate home inspector license	100.00
39 Late renewal of home inspector license	25.00
40 Late renewal of associate home inspector license	15.00
41 Application for course approval	150.00
42 Renewal of course approval	75.00
43 Course fee, per credit hour per license	5.00
44 Credit for unapproved continuing education course	50.00
45 Copies of Board rules or licensure standards	Cost of printing and mailing."

46 **SECTION 3.7.(a)** The catch line of G.S. 143-151.58 reads as rewritten:

47 "**§ 143-151.58. Duties of licensed home ~~inspector or licensed associate home~~ inspector."**

48 **SECTION 3.7.(b)** G.S. 143-151.58(a) reads as rewritten:

49 "(a) Home Inspection Report. – A licensed home inspector ~~or licensed associate home~~
 50 ~~inspector~~ must give to each person for whom the inspector performs a home inspection for
 51

1 compensation a written report of the home inspection. The inspector must give the person the
2 report by the date set in a written agreement by the parties to the home inspection. If the parties
3 to the home inspection did not agree on a date in a written agreement, the inspector must give
4 the person the report within three business days after the inspection was performed."

5 **SECTION 3.8.** Sections 3.3 through 3.7 of this Part become effective October 1,
6 2013. The remainder of this Part is effective when it becomes law.

7 **PART IV. HOME INSPECTION REPORTS**

8 **SECTION 4.1.** G.S. 143-151.58 is amended by adding two new subsections to
9 read:

10 "(a1) Summary Page. – A written report provided under subsection (a) of this section for
11 a prepurchase home inspection of three or more systems must include a summary page that
12 contains the information required by this subsection. All other subject matters pertaining to the
13 home inspection must appear in the body of the report. The summary page must contain the
14 following statement: 'This summary page is not the entire report. The complete report may
15 include additional information of interest or concern to you. It is strongly recommended that
16 you promptly read the complete report. For information regarding the negotiability of any item
17 in this report under the real estate purchase contract, contact your North Carolina real estate
18 agent or an attorney.'

19 The summary page must describe any system or component of the home that does not
20 function as intended, allowing for normal wear and tear that does not prevent the system or
21 component from functioning as intended. The summary page must also describe any system or
22 component that appears not to function as intended, based upon documented tangible evidence,
23 and that requires either subsequent examination or further investigation by a specialist. The
24 summary page may describe any system or component that poses a safety concern.

25 (a2) State Building Code. – If a licensee includes a deficiency in the written report of a
26 home inspection that is stated as a violation of the North Carolina State Residential Building
27 Code, the licensee must do all of the following:

- 28 (1) Determine the date of construction, renovation, and any subsequent
29 installation or replacement of any system or component of the home.
30 (2) Determine the State Building Code in effect at the time of construction,
31 renovation, and any subsequent installation or replacement of any system or
32 component of the home.
33 (3) Conduct the home inspection using the building codes in effect at the time of
34 the construction, renovation, and any subsequent installation or replacement
35 of any system or component of the home.

36 In order to fully inform the client, if the licensee describes a deficiency as a violation of the
37 State Building Code in the written report, then the report shall include the information
38 described in subdivision (1) of this subsection and photocopies of the relevant provisions of the
39 State Building Code used pursuant to subdivision (2) of this subsection to determine any
40 violation stated in the report. The Board may adopt rules that are more restrictive on the use of
41 the State Building Code by home inspectors."

42 **SECTION 4.2.** G.S. 143-151.58(d) reads as rewritten:

43 "(d) Record Keeping. – All licensees under this Article shall make and keep full and
44 accurate records of business done under their licenses. Records shall include the written, signed
45 contract and the written report required by subsection (a) of this section and the standards of
46 practice referred to in G.S. 143-151.49(a)(2) and any other information the Board requires by
47 rule. Records shall be retained by licensees for not less than three years. Licensees shall furnish
48 their records to the Board on demand."

49 **SECTION 4.3.** This Part becomes effective October 1, 2009.

50 **PART V. OTHER LICENSURE CHANGES**

51 **SECTION 5.1.** G.S. 143-151.54 reads as rewritten:

1 "§ 143-151.54. Miscellaneous license provisions.

2 (a) License as Property of the Board and Display of License. – A license issued by the
3 Board is the property of the Board. If the Board suspends or revokes a license issued by it, the
4 individual to whom it is issued must give it to the Board upon demand. An individual who is
5 licensed by the Board must display the license certificate in the manner prescribed by the
6 Board. A license holder whose address changes must report the change to the Board.

7 (b) Report Criminal Convictions and Disciplinary Actions. – A license holder who is
8 convicted of any felony or misdemeanor or is disciplined by any governmental agency in
9 connection with any other occupational or professional license shall file with the Board a
10 written report of the conviction or disciplinary action within 60 days of the final judgment,
11 order, or disposition of the case."

12 **SECTION 5.2.** G.S. 143-151.55(b) and (c) read as rewritten:

13 "(b) Late Renewal. – The Board may provide for the late renewal of a license upon the
14 payment of a late fee, but no late renewal of a license may be granted more than ~~five years~~ one
15 year after the license expires.

16 (c) Inactive License. – A license holder may apply to the Board to be placed on inactive
17 status. An applicant for inactive status must follow the procedure set by the Board. A license
18 holder who is granted inactive status is not subject to the license renewal requirements during
19 the period the license holder remains on inactive status.

20 A license holder whose application is granted and is placed on inactive status may apply to
21 the Board to be reinstated to active status at any time. To change a license from inactive status
22 to active status, the license holder must complete the same number of continuing education
23 credit hours that would have been required of the license holder had the license holder
24 maintained an active license. The number of continuing education credit hours required to
25 return an inactive license to active status shall not exceed 24 credit hours. The Board may set
26 conditions for reinstatement to active status. An individual who is on inactive status and applies
27 to be reinstated to active status must comply with the conditions set by the Board."

28 **SECTION 5.3.** G.S. 143-151.57(b) reads as rewritten:

29 "(b) Subsequent Application. – An individual who applied for a license as a home
30 inspector and who failed the home inspector examination is not required to pay an additional
31 application fee if the individual submits another application for a license as a home inspector.
32 The individual must pay the examination fee, however, to be eligible to take the examination
33 again. An individual may take the examination only once every 180 days."

34 **SECTION 5.4.** Sections 5.1 and 5.2 of this Part become effective October 1, 2009.
35 The remainder of this Part is effective when it becomes law.

36 **PART VI. EFFECTIVE DATE**

37 **SECTION 6.** Except as otherwise provided, this act is effective when it becomes
38 law.