

March 10, 2010

Re: Letter to Licensees “Preferred Partner” advertising programs

Dear (Licensee):

Several NC Home Inspector Licensure Board (NCHILB) appointees have been advised by licensees about advertising programs whereby home inspectors pay real estate offices to be listed as a “preferred partner” or “preferred vendor”.

There appear to be two general situations in which this is occurring. In one situation, on some advertisements for home inspection services found on real estate websites, there is no indication to the general public that the home inspector has paid for participation in the program and has a contractual relationship with the real estate company – hence, there is no disclosure that the home inspector has purchased a paid advertisement.

In the second situation, fees are paid by the home inspector to the real estate company for participation in the “preferred partner” program that appear to provide varying degrees of exclusive access to real estate industry professionals and, by implication, their clients. For example, while a real estate office’s pricing sheet includes the disclaimer, “Participation in our vendor advertising program does not guarantee business from our agents or patrons or endorsement of any kind,” certain enrollments ensure the participant is the exclusive vendor for their industry, or that only a certain number of vendors from each industry will be listed.

These “preferred provider” arrangements are problematic because the general public (before they choose to become anyone’s client) may get the erroneous impression that inspectors on an agency’s “Preferred” list provide higher quality service and are being recommended on that basis. Even if the financial arrangement were disclosed to a potential homebuyer, there could be an appearance of impropriety where a home inspector has paid a realtor to have exclusive access to that real estate firm’s clients or business associations – How is the home inspector to remain impartial in his assessment of the condition of the house if the inspector has paid for the privilege of exclusive access to the people selling the homes? Are there any other strings attached?

The NCHILB protects and maintains the public trust by identifying such potential conflicts of interest. The preferred vendor arrangements between real estate firms and home inspectors as described in this letter are considered to be a violation of the NCHILB Code of Ethics Rule 11 NCAC 08.1116(e).

This letter serves notice that beginning on May 1, 2010, investigations may be initiated of licensees who are believed to be participating in the preferred vendor programs as described in this letter pursuant to 11 NCAC 08.1202(a). A finding of a violation of the Code of Ethics could, after investigation and a disciplinary hearing pursuant to Board rules and statutes, result in the imposition of discipline including probationary conditions, or non-renewal, suspension, or revocation of a home inspector's license. Any licensee who is participating in such a preferred partner program as described herein is responsible for terminating that arrangement.

Sincerely,

Mike Hejduk  
Director